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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Dominion's Fiscal 2018 First Quarter Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. I would like to introduce your host for today's conference, Ms. Jackie Allison, Vice President of Investor Relations. Ma'am, please begin.

Jacqueline Allison - *Dominion Diamond Corporation - Vice-President of IR*

Thank you, operator. Good morning, everyone, and welcome to our fiscal 2018 first quarter results conference call. On the call today are Jim Gowans, Chairman of the Board; Matt Quinlan, Chief Financial Officer; Chantal Lavoie, Chief Operating Officer; Jim Pounds, Executive Vice President, Diamonds; and Elliot Holland, Vice President, Projects.

We will all be available to answer questions after the presentations. Please note that we have a set amount of time for questions. And so if you are in the queue and don't get your questions answered, please reach out to me directly after the call.

Before we begin, I would like to point out that this conference call will include forward-looking information. Various material factors and assumptions were used in arriving at this information, and actual results could differ materially. Additional information about these factors and assumptions and the risks that could cause actual results to differ materially from our current expectations are detailed in our most recently filed annual information form and MD&A, which are publicly available. Our most recent results also include a reconciliation of certain non-IFRS financial measures to the most directly comparable IFRS measures.

With that, I'll hand the call over to Jim Gowans. Jim?

James K. Gowans - *Dominion Diamond Corporation - Chairman of the Board*

Thank you, Jackie, and good morning, ladies and gentlemen. Thank you for joining our earnings call for the first quarter of fiscal 2018. As you know, we are currently conducting a strategic review process. The process is ongoing, and management and the Board are working diligently on this. We will not be commenting further, but are committed to a timely communication. If and when we have news, we will share this with you.

We had a number of exciting developments in the first quarter in our deep pipeline of projects. On this call, I will run through the highlights, and then pass the call to the senior management team to discuss in more detail.

While we continue to advance the strategic review, management remains focused on executing on our long-term strategy to increase the net asset value per share of Dominion, while operating to high standards related to health, safety and the environment. We continue to optimize our operations and advance our pipeline of near-term and longer-term exploration and development projects at the Ekati and Diavik mines. As we have said before, this project pipeline offers the potential to enhance our production and cash flow profile. We are also continuing to leverage our deep knowledge in the diamond sales and marketing to maximize the value of the diamonds we sell.

Our renewed focus on exploration is already generating very encouraging results. In May, we announced the main resource at the Leslie kimberlite pipe. We also highlighted other areas of interest on the Ekati property, including the Kodiak pipe. These are all close to our existing infrastructure in the Lac de Gras district.

The Board yesterday approved the Misery Deep project at Ekati based on a positive pre-feasibility study. This exciting project will now move forward to construction and production, with immediate task focused on the required permit amendments.

Last week, we were pleased to announce an increase in our ownership of the Buffer Zone at the Ekati mine to 100% from 72%. Through a mutually beneficial agreement, Archon Minerals' participating interest has been converted to a royalty equal to 2.3% of all future gross revenue from diamonds produced from the Buffer Zone. We now have ownership and funding certainty for the Jay project and a greater exposure to our shareholders to any further discoveries in the highly prospective 89,000-hectare Buffer Zone land package.

Turning now to our first quarter results, significant year-over-year production growth has driven to -- by a high-value ore blend at Ekati, combined with strong steady performance at Diavik. Chantal will discuss the performance of our operations and the pre-feasibility study at Misery Deep in more detail shortly. Our development projects continue to progress.

As Elliot will discuss, we had positive news in late May on the water license for the Jay project at Ekati. We are also looking forward to a preliminary economic assessment on the Fox Deep project in the third quarter as well as a pre-feasibility study by the end of the fiscal year.

In the diamond market, normal trading activity is returning following demonetization of the Indian rupee in November 2016. Jim Pounds attended the JCK show in Las Vegas last week, and will share his latest thoughts on the market.

Finally, as we have noted last quarter, our financial results have started to benefit from the shift to the high-value ore blend at Ekati. As Matt will discuss, this continued in the first quarter, and we are looking -- we are maintaining our guidance for fiscal 2018 as well as our 3-year outlook.

With that, I will turn the call over to Chantal.

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Thank you, Jim, and good morning, everyone. During the first quarter, we had a strong performance at our mines.

(technical difficulty)

7% ahead of schedule in terms of mined tonnes with a combined 7.7 million tonnes of ore and waste mined, up 9% from the first quarter last year. Open pit mining at both Misery and Lynx was ahead of schedule, while Pigeon was slightly behind.

During the first quarter, there were 2 lost time injuries for a frequency rate per 200,000 hours' work of 0.45 compared to 1 lost time injury for a frequency rate of 0.21 in the first quarter last year.

On the processing front, the first quarter saw a 6% shortfall in tonnage relative to plan due to 2 factors. First, throughput was hampered by material handling issues due to high moisture content in the ore feed from the Misery pit. During extremely cold conditions, this resulted in delays. Secondly, unplanned downtime on the main sizer or crusher, which feeds the plant, resulted in reduced operating time. Both situations have been rectified, and we expect processed tonnage in second quarter to be in line with plan. Ore mine from the first phase of Lynx is expected to be processed by early third quarter.

The Fines DMS plant at Ekati has been commissioned on-time and underbudget and is operating consistently at design throughput. The recovery of diamonds from the plant has been below our expectations. However, we're optimizing the operations of the plant and expect this work to be completed early in the second half of the year. We're confident that the plant will operate at designed recoveries in the second half of the year.

The plant increased the recovery value per tonne through the recovery of diamonds smaller than 1.2 millimeters. These are higher volume but lower-valued carats. And as a result of a slower ramp-up in the expected recoveries, the effect on revenues is expected to be minimal.

We've recovered 1.4 million carats at Ekati in the first quarter on a 100% basis, an increase of 29% from Q1 2017 due to the processing of a large proportion of high-grade Misery Main ore. While most of the ore feed in the first quarter was from Misery and Koala underground, we introduced some ore from the lower-grade Pigeon earlier than planned to optimize plant throughput and stockpile management. With the continued emphasis on processing a high-grade Misery Main ore body, we're still very comfortable with our overall operating case guidance of 6.3 million to 7 million carats produced from the various sources at Ekati.

As Jim mentioned, we are very excited about our Misery Deep project, which is below the existing Misery open pit, and has a very attractive incremental after-tax IRR of 40%. It is expected to enhance production profile at Ekati from fiscal 2020 to 2023.

Let's turn now to Diavik. In the first quarter, Diavik processed 430,000 tonnes of ore and recovered 1.4 million carats on a 100% basis. Ore mined was about 5% ahead of plan. Although tonnes processed decreased 5% year-over-year due to ore availability, carat production was consistent with Q1 of the prior year due to the processing of a relatively high proportion of higher-grade A-418 ore.

On a consolidated basis, cash cost per tonne processed in the first quarter increased 5% year-over-year to $85 per tonne due to the reduction in the tonnes processed at both Ekati and Diavik, partially offset by cost reduction at Diavik.

On a per carat basis, the cash cost of production decreased 15% year-over-year to $46 per carat due to the increase in carats recovered. As expected, higher depreciation related to the capitalized pre-stripping at Misery Main negatively impacted the total cost per carat and per tonne produced. Based on planned tonnes processed and carats production for the remainder of the fiscal year, we expect unit operating cost to be within the guidance ranges provided earlier this year.

Moving to exploration, our reinvigorated program is delivering promising results. At Ekati, we identified 4 areas of interest, including 2 10x10 kilometer areas for additional geophysical work and 2 high priority pipes. These 2 pipes, Leslie and Kodiak, are both located close to our existing infrastructure in the Lac de Gras area. Last month, we reported an inferred mineral resources at Leslie of 51 million tonnes and 16 million carats. In calendar 2017, we are planning a desktop study at Leslie and drilling and modelling at Kodiak. Depending on the results, we may plan a bulk sample at Kodiak in the winter 2018. At Diavik, drilling, mineral chemistry and microdiamond sampling are planned for 3 priority kimberlites in 2017.

So to summarize the performance of our operation, mining was ahead of plan at both Ekati and Diavik, and we expect to meet production and cost guidance as we continue to drive operational efficiencies. Misery Deep has been approved by the Board of Directors, and will extend the life of the high-value ore source, enhance our production and cash flow profile. Finally, we look forward to the results of the 2017 exploration program, including drilling results from Ekati and Diavik.

Thank you. And I will now hand the call to Elliot for an update on our development projects.

Elliot Holland - *Dominion Diamond Corporation - Vice-President of Projects*

Thanks, Chantal, and good morning, everyone. The project pipeline is well stocked with exciting opportunities, including Sable, Jay, Fox Deep and Misery Deep at Ekati as well as A-21 at Diavik, all of which I will discuss today.

At Sable, we're in the final push to complete the site infrastructure as we prepare to hand over the site to Chantal's operations team. In the quarter, activity was focused on the frozen core dam at the outlook of Two Rock Lake, which was fully completed on April 2. With the completion of the dam, we are shifting focus to the site buildings, which principally include a fuel farm, a maintenance shelter and an electrical generation and distribution system. In addition, we have some final open-water works on the filter dike to finish up.

As we discussed in the last call, given where we are in the construction schedule and the mine plan, we continue to expect the start of pre-stripping at Sable in July of this year, 3 quarters ahead of the pre-feasibility schedule.

With respect to cost at Sable, the first quarter was below budget. Furthermore, in the quarter, we placed orders for the primary mining fleet, including the haul trucks and the hydraulic shovel, locking in pricing for that equipment, which we delivered on the 2018 winter road.

Based on this progress, we now forecast initial development capital of around 25% below the pre-feasibility investment case, which is comforting as we expand our project pipeline.

At Jay, on May 30, we received a recommendation on our water license and land use permit from the Water Board. The Water Board has recommended approval to the Minister of Environment and Natural Resources, the Honourable Robert C. McLeod, who's decision is expected this summer.

On the construction front, we completed the stockpiling of clean granite from Lynx, our road-building material at the concrete pad. We have started crushing road-based material, and expect to begin road construction to the project site later this month.

Studies on the Fox Deep project are now well underway. After announcing an expanded indicated mineral resource of 45.6 million tonnes and 16.5 million carats in April, studies are progressing. We have selected an incline caving mine design for the project. This design, currently employed at Koala below the 1970 level, will allow us to lower the bottom extraction level to just below a high-grade zone identified in the 2016 drilling campaign. The initial production from this zone could be well above the average resource grade, improving project economics. We plan to release the preliminary economic assessments on the project in the third quarter using a base case scheduled production starting at the end of the current mine plan and assuming ramp access.

By the end of this fiscal year, we plan to refine the PEA results into a pre-feasibility study, which will examine additional scheduling scenarios as well as additional technical designs such as shaft access. If this study is positive, we would expect to update the Ekati technical report with an integrated mine plan based on the study outcomes early next year. This technical report will also include the results of the Misery Deep pre-feasibility study.

Chantal spoke about the Misery Deep results earlier. With an extremely positive return and Board approval to proceed to construction, we are quickly ramping up execution efforts. Our environment team and our consultants are well underway preparing a permitting application package which we expect to file in July. We're also putting together a construction and execution team, including personnel with experience on projects like Lynx and Sable which is starting to ramp down.

And last, but not least, the Diavik A-21 dike construction continues to rapidly advance towards completion. The A-21 project team has completed the curtain grouting required for the cutoff wall and is in the process of jet grouting the cutoff wall, the final major step prior to dewatering. We expect the start of pre-stripping at A-21 in late calendar 2017.

In summary, across all 5 active major projects, we are on plan for the quarter. We look forward to the start of pre-stripping at Sable and A-21 soon, while we continue infrastructure development at Jay, start development work at Misery Deep and study where Fox Deep fits into our pipeline of attractive projects.

Thank you, and I will now pass the call on to Matt.

Matthew Quinlan - *Dominion Diamond Corporation - CFO*

Thank you, Elliot, and good morning, ladies and gentlemen. Before I return -- turn my remarks to the results for the quarter, I would encourage each of you to refer to the accompanying management discussion and analysis that can be found on our website and also on SEDAR. As part of our continuing commitment to provide clear and relevant information to our shareholders, we have made extensive amendments to the format and content of this document. In the first quarter, we reported a consolidated net loss attributable to shareholders of $7.8 million or $0.09 per share. There were 2 items of note affecting our earnings in the quarter that I will review later in my comments.

During the quarter, there were 2 sales, and we sold 2.3 million carats at an average price of $90 per carat for total sales of $211 million. Recall that we hold 10 sales per year. Revenue in the quarter increased by some $33 million from the prior year, primarily as a result of a positive diamond market, combined with an auction of approximately $21 million of high-value fancy coloured diamonds.

In the first quarter, we recovered a total 2.1 million carats on a consolidated basis, 8% below the 2.3 million carats sold. Diamond inventory available for sale stood at 3.6 million carats at the end of the quarter with an estimated market value of $200 million. Gross margin of $30.8 million or 15% increased significantly from the same period in the prior year where we generated a loss -- a gross margin of negative $18.8 million or negative 11%. The increase in gross margin reflects the sale of higher-value goods from Ekati and a 9% reduction in cost of sales to $180.2 million, together with the effects of a $19.6 million inventory impairment in the first quarter of the prior year.

Adjusted EBITDA in the quarter increased to $97 million from $54.3 million in the comparable quarter of the prior year for the same underlying reasons. Notably, the last time that Adjusted EBITDA reached this level on a quarterly basis was for the 3 months ending October 31, 2014. The Adjusted EBITDA margin for the quarter was 46% as compared to 30% in the same period on the prior year and 48% in the prior quarter.

Items of note affecting our earnings in the quarter include $2.3 million of restructuring charges or $0.02 per share related to the move of the company's head office from Yellowknife to Calgary. This initiative is in its closing stages, and we remain on track to achieve annual cost savings of CAD 19 million from this initiative. And as previously noted, there will be further one-time restructuring charges in the balance of fiscal 2018.

Foreign exchange fluctuations during the quarter impacted income tax expense by $13.6 million or $0.16 per share. Cash provided from operating activities before changes in non-cash operating working capital were $73.5 million in the quarter as compared to $11.2 million in the same quarter of the prior year. Free cash flow in the quarter was negative $15.5 million as compared to negative $90 million in the same quarter in the prior year. Free cash flow in the quarter consists of net cash flow from operations of $57 million, less $47 million of sustaining capital expenditures and development and exploration capital expenditures of $25 million.

Development expenditures in the quarter primarily related to Sable at Ekati and A-21 at Diavik. Sustaining capital expenditures include $27 million of production stripping at Ekati related to the high-grade Misery Main open pit.

Turning to our financial liquidity. We finished the quarter with unrestricted cash of $131 million and no amounts outstanding under our $210 million revolving credit facility. Debt levels at $10.6 million remain minimal, and this debt was repaid after the quarter end.

Balance sheet management is an important focus for us. During the quarter, CAD 20 million of cash-backed letters of credit to support our environmental bonding obligations were cancelled and were replaced with a corresponding amount of surety bonds. In May, USD 48 million of cash-backed letters of credit were replaced with letters of credit drawn on our credit facility. Both of these initiatives released cash from our balance sheet that was earning very, very low rates of interest.

In the first quarter, we continued to repurchase shares under the previously announced share repurchase plan. Since the commencement of the program in the summer of 2016 to the end of May this year, we have returned approximately CAD 61 million to shareholders through repurchases and the cancellation of approximately 4.8 million shares. Share repurchases under this program are continuing. In addition, for the last 2 years, we have been paying a regular semi-annual dividend of $0.20 per share.

As Chantal mentioned, our fiscal 2018 guidance and 3-year business outlook are unchanged. We continue to forecast significant Adjusted EBITDA generation, supported by strong operations at both Ekati and Diavik, combined with reinvestment in our suite of development projects that support our strategic objective of increasing the net asset value per share of Dominion.

So in summary, Adjusted EBITDA was $97 million, continuing to benefit from the high-margin material from Ekati and consistent production from Diavik. Cash provided from operating activities before changes in non-cash operating working capital was $73.5 million. We ended the quarter with a strong balance sheet, with $341 million of available liquidity to support our strategy of deploying capital that will increase net asset value per share. And lastly, our previously provided 3-year outlook is affirmed.

Now I will pass the call to Jim Pounds to provide some colour on the diamond market. Jim?

James R. W. Pounds - *Dominion Diamond Corporation - EVP of Diamonds and President of Dominion Diamond Marketing Corporation*

Thank you, Matt, and good morning, everyone. While the last few months were impacted by the effects of last November's demonetization of the Indian rupee, we have started to see a recovery in trading and expect some levels of normality in activity as workers return to the Indian diamond polishing factories after the May break. As expected, we are seeing a pickup in pricing. However, the recovery has not been uniform across all segments of the market.

As we noted before, at the top end of the market, prices were not affected as much by demonetization and have remained relatively stable. In the smaller, cheaper ranges, brown goods have outpaced white goods. And as I will discuss further, this lag has impacted Diavik more than Ekati.

Between February and May, rough diamond prices increased on an average by 3% at Ekati and 1% at Diavik, reflecting a more positive diamond market overall and the reinvigoration of demand for lower-priced rough diamonds, especially browns. The prevalence of our brown product in the Ekati production, combined with the marked improvement in the market for cheaper goods, occurred later in the quarter and is continuing. The improvement in the prices of brown goods over white goods has led to a high average increase in prices at Ekati.

Our average price per carat sold in the first quarter increased to $90 from $69 a year ago on a consolidated basis, and to $75 from $68 at Ekati. Our successful tender of larger fancy coloured goods raised the average price of the sales, obscuring the sell-down of cheaper goods. Pricing at Diavik rose more dramatically to $147 from $69 per carat. This reflected a great proportion of sales of higher-value goods due to the aforementioned weakness in the market for smaller, cheaper white goods.

Turning to the retail market. The U.S. disappointed in the first quarter of the year. However, the market has recently become more optimistic in spite of the concerns about the larger retailers. Traffic in fashion jewelry has become more subdued over the last few months, but bridal goods are holding up. And the higher end of the market is improving, although it remains slow. The timing of the improved market activity has slipped this year, with the main impetus coming from an improvement in retail market conditions in China that was evident at the March Hong Kong show.

In the Indian retail market, there has been a pattern of cheaper pieces being sold through jewelry retail chains. We note that while the diamond content in jewelry pieces is falling in the rest of the world, it remains high in India.

The market is now restocking. It is the most active time of the year for purchases by the jewelry manufacturing segment as it prepares for the end of year sale season. I just returned from the JCK show in Las Vegas, and was encouraged by the level of demand and interest shown by attendees, particularly from the U.S. market, which is improving as the year progresses.

We're also excited about our online business, and where we have now a mine-to-consumer partnership with a leading online retailer, James Allen, to market our CanadaMark certified goods. James Allen is the fastest-growing online retailer of engagement rings and loose diamonds, and is looking to provide its customers with the assurance that their diamonds have been responsibly mined.

We recently partnered with one of our clients to create a 30-carat fancy vivid yellow, VS1 polished diamond called the Arctic Sun, which we unveiled at the JCK show to a tremendous response. Initiatives such as these fit well with our goal of getting closer to our customers, moving downstream and capturing the premium associated with our Canadian production.

So in summary, the demonetization initiative in India continued to weigh on our results during the quarter, but the demand for smaller, cheaper goods is improving. And we continue to expect activity to normalize this summer with a recovery in prices to follow.

The retail market in the U.S. remains stable, but conditions are improving in China, albeit off a low base. While the market for cheaper white goods should improve this summer, we expect browns to continue to outperform. This benefits our product mix at Ekati relative to Diavik, but both mines will participate in a broader recovery.

Finally, we continue to maximize the value of the diamonds we sell by building relationships and extending our CanadaMark brand and online presence.

I'll now pass the call back to Jim Gowans for some final remarks.

James K. Gowans - *Dominion Diamond Corporation - Chairman of the Board*

Thanks, Jim. Before we take our -- your questions, I would like to summarize the key points made by the management team on this morning's call. We continue to deliver against our plan, and our financial and operational guidance is unchanged. This includes strong growth in revenue and Adjusted EBITDA and a declining capital expenditure forecast over the next few years. We remain well supported by a strong balance sheet, which allows us to continue to optimize our operations, advance our exploration and development projects, enhance our sales and marketing initiatives and increase the net asset value per share over the long term.

Finally, the rough diamond market is recovering from the impact of demonetization in India. We expect prices to improve in the second half of the year and with a return to the long-term growth trend.

I would now like to take a moment to thank Brendan Bell for his contribution to the company, and I'm pleased that we will continue to benefit from Brendan's expertise as an advisor. Our CEO shirt -- search continues as are taking a dual track approach in creating value for shareholders, executing on our business plans, while advancing the strategic review.

Thank you for listening to our earnings call this morning. I would now like to open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Edward Sterck of BMO.

Edward Christopher Sterck - *BMO Capital Markets Equity Research - Analyst*

So I got a couple of questions. Firstly, on the integration of the fine diamond recovery sort of past the circuit at Ekati. Just wondering what the dealing issues are there that I think were referenced in the MD&A. And then secondly, in terms of the exploration at Diavik, is that being led by Rio Tinto or by Dominion? And then also the 3 kimberlites that are being investigated there. Whereabouts are they located? Are they relatively close to the (inaudible) at Diavik or are they closer to other infrastructure, perhaps Ekati infrastructure?

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Let's start. On the exploration at Diavik, I would refer you to our presentation, exploration workshop that we have done in Toronto a few weeks ago. You'll see that there's a map that clearly shows the 3 pipes. One of them is located fairly close to A-21 and then there's a second one just across Lac de Gras and the third one that's a bit further, but that map will show you specifically what these pipes are, and the program is led by Rio Tinto. It's our understanding that the drilling is completed. We have yet to meet with them to understand the initial results. To your first question about the Fine DMS, I think you know some of the adjustments, like I mentioned in the call this morning, we've reached the throughput. Initially what we saw a lot of yield, so a lot of fine material coming through the Fine DMS, and we have to adjust our screen size. We started with a bottom screen size of 0.65, top size 1.2. We saw a lot of material, so what we've done recently is increase the screens, bottom cutoff screen size to 0.8. We'll optimize the plant that way. And then once we've got things stabilized and work towards back to a 0.65. But for the time being, we feel that what's very important is to complete the project on time, below budget, stabilize the throughput and now we're optimizing recovery.

Operator

Our next question is from Chris Mancini of Gabelli.

Christopher Domenic Mancini - *G. Research, LLC - Analyst*

I just have a question on exploration. This is just a broad question. From the way that I understand it, you're going to be exploring a bunch of kind of virgin targets, so to speak, very greenfield targets over the next few months. And my question is, is there anything to look for relative to 1 hole that could potentially -- or a few holes that could potentially kind of change the game, so to speak, relative to the next potential development target on-site? So meaning, we know, obviously, about Misery Deep and Jay, and those are going to go forward. And then you're doing this PEA on Leslie. But is there anything that you, in theory, could find within the next couple of months that could possibly be put in front of the line like, say, ahead of Leslie or something that could be really good? And if so, what should we be looking for in terms of the specific drill hole results? Like would it be something like, something along the lines of what we see in the Misery pipe in terms of the number of carats per tonne and the dollar value per carat? Just kind of general question.

Matthew Quinlan - *Dominion Diamond Corporation - CFO*

Look -- thanks for your question. It's Matthew Quinlan here. I'll pass it over to my partner Chantal in a moment. We have a very exciting and multiyear program at Ekati. The Board has mandated management to spend up to, over 5 years, CAD 50 million on a success-based program. We have 150 kimberlites on the property at Ekati, 110 of which haven't had any substantial testing. In terms of the catalyst for this year, we are doing a number of drilling campaigns. There will be results released, but those will be early-stage drill results. I'll ask Chantal to add to those comments.

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Yes, so you are right, Chris. We've got -- we're doing really -- we're going from back to, call it, brownfield [inaudible]. We've identified geophysical anomalies that weren't identified in the past. We've also, in terms of, call it, midterm to long term, I would say Leslie, we see Leslie more as a long term. And we started with an inferred resource. We're going to do some desktop work on Leslie. But on the, call it, what I would call midterm, and we mentioned it in the call this morning, Kodiak is a pipe of great interest. It is close by the existing infrastructures, within 3 kilometers of the Misery road. We've got some information on the microdiamond. It's a land-based pipe. So it's a pipe that we're quite excited about, and it's actually the 1st pipe that will be drilled. The first hole that we're going to be drilling in our campaign this summer is on Kodiak. So we're working on all aspects from geophysical work, identify new anomalies, some drilling and I would say midterm, Kodiak is something that we're quite excited about it. Leslie is more of a longer-term asset that we now better understand and are going to take some time to do desktop work on it.

Christopher Domenic Mancini - *G. Research, LLC - Analyst*

Okay. So can you have a resource on Kodiak yet?

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

No, not yet.

Christopher Domenic Mancini - *G. Research, LLC - Analyst*

Okay. And so, I mean, should we be, say, in order to kind of ascertain whether or not that could be more medium-term, is there anything, again, like in terms of the types of hole like when we do see drill hole results, well, like, for example, in gold, if I saw 2 grams per tonne near surface over 100 meters, I would say, "Whoa, this could be an open pit mine." Is there anything that we could -- I guess, are there any holes that you pull from Kodiak or anything that we should -- that we could be looking for in the future from Kodiak that could tell us whether or not it might or might not be a mine in the medium term?

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Yes. Without going too technical, Chris, and from a diamond perspective, I see very different in gold and base metal. Our plan on Kodiak is to drill a hole that will test the depth and also capture additional microdiamonds on the basis that these diamond might -- the grade of these microdiamonds is in line with our expectation. The next step would be to go for a bulk sampling program in the winter of 2018. And that's typically what we do in diamonds. When we find a kimberlite that's diamond ferrous, that's got good quality microdiamonds that we can easily compare to the known pipes, the next step -- if all these things are positive, the next step will be a bulk sampling program in the winter of 2018.

Christopher Domenic Mancini - *G. Research, LLC - Analyst*

I see. So we don't have a real concept of the tonnes and grade until you do the bulk sample, is that right?

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Exactly.

Matthew Quinlan - *Dominion Diamond Corporation - CFO*

Exactly. That's a fair statement.

Operator

(Operator Instructions) Our next question is from Scott Macdonald of Scotiabank.

Scott MacDonald - *Scotiabank Global Banking and Markets, Research Division - Associate*

Just have a couple of questions for Chantal. First of all, on the maintenance shutdown, I was hoping you could give a little bit more colour on the one at Ekati on that. And also maybe just a sense if there's any other planned maintenance shutdowns over the rest of the year. I think there might have been one in May, but if there's any more coming and how long they are? And whether or not maybe you were able to get some of the maintenance work out of the way during the unplanned shutdown?

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

So Scott, I guess, 2 things. I'm assuming when you're talking about shutdown, you're probably talking about the additional downtime we incurred...

Scott MacDonald - *Scotiabank Global Banking and Markets, Research Division - Associate*

Sorry. Yes, downtime.

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Okay. So definitely, so there are major shutdowns. We've just complete 1 actually just after the visit. I think if you were at site, we've got a smaller shutdown scheduled in September. Otherwise the plant, we do normal maintenance shutdown every 3 weeks for 18 hours. The issue that we had earlier this year, I think we talked about it, were driven by 2 things. First, very wet ore coming from Misery, fresh ore being fed and obviously, going through the chutes when it's minus 40, minus 45. So that's created material handling issues. And in order to offset these material issues -- material handling issues, we introduced Pigeon ore earlier than planned. So that explained a bit our carat profile. Secondly, also, we had some work to do on unplanned breakdown on our main crusher -- main sizer. So these have been addressed, and we don't expect any more of these issues moving forward. Like I said, we've got a couple of shutdowns planned, but they are part of our overall production profile for this year.

Scott MacDonald - *Scotiabank Global Banking and Markets, Research Division - Associate*

Okay. Great. And that kind of actually leads into my next question a bit because you mentioned you fed the Pigeon ore a little earlier. Can you give us a sense of what kind of stockpiles you might have, if any, from Misery Main or Koala? I'm just trying to get -- I know you've given sort of the breakdown of the tonnages for the full year by pipe. Just trying to get a flavour of how that will of evolve over the remaining quarters of the year.

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Yes. So we stand very high level, we still stand with about 1.8 million tonnes of stockpile as of this morning. We've got 2 -- over 200,000 tonnes of Misery stockpile, very short -- very small stockpile from the underground. The underground, we process it as we get it. And then obviously, Pigeon is slowly being eaten up. Probably it's just around 600,000, the rest is Misery Southwest. We feel very comfortable with our guidance here. What you're going to see over the next quarter is a slowly increasing number of carats as we push Misery. We continue to push hard Misery Main, Koala. We're also going to be introducing Lynx in the end of the second quarter, more so at the beginning of the third quarter. So obviously, that's also part of the plan. So we feel really -- we feel very, very comfortable with our guidance of this year. Okay. And really, the 1.4 million carats in the first quarter was just an operational decision to introduce the Pigeon ore that's not as high as moisture and read out the throughput of the -- getting the ore through the process plant.

Scott MacDonald - *Scotiabank Global Banking and Markets, Research Division - Associate*

Okay. So it's really just you just swap some Misery ore for Pigeon ore and you'll catch up over the -- yes.

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Pretty much, yes. Yes, very, very comfortable. Mining is ahead of schedule, so the ore will be available.

Scott MacDonald - *Scotiabank Global Banking and Markets, Research Division - Associate*

Okay. That sounds good. And then just one more, if I may, a quick one, for either Chantal or Elliot. I know you said Q3 timing for the Fox Deep PEA. You came out ahead of schedule with the Misery Deep PFS. Is there any chance you might be able to get it out earlier? I won't hold you to it, but is that a realistic possibility at all?

Elliot Holland - *Dominion Diamond Corporation - Vice-President of Projects*

I don't think so. I think we're pretty comfortable with the schedule we talked about. There's -- Fox Deep is a much bigger project than Misery Deep. And we want to take the time that we've allocated to get to that result.

Operator

(Operator Instructions) At this time, I see no other questions in queue. I'll turn it back to Mr. Gowans for closing remarks.

James K. Gowans - *Dominion Diamond Corporation - Chairman of the Board*

Okay. Thank you. I'd like to thank everybody for joining in the call this morning. Good questions. The Board and management are committed to timely communications with shareholders. And so if you have any follow-up questions, please address them through Jackie. And thanks very much for joining the call this morning.

Elliot Holland - *Dominion Diamond Corporation - Vice-President of Projects*

Thank you.

James R. W. Pounds - *Dominion Diamond Corporation - EVP of Diamonds and President of Dominion Diamond Marketing Corporation*

Thank you.

Matthew Quinlan - *Dominion Diamond Corporation - CFO*

Thank you.

Chantal Lavoie - *Dominion Diamond Corporation - COO, President of Dominion Diamond Ekati Corporation and COO of Dominion Diamond Ekati Corporation*

Thanks.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Everyone, have a great day.