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COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

Justice Eidsvik
COM
Sep 8, 2021

AND IN THE MATTER OF A PLAN OF ARRANGEMENT
OF DOMINION DIAMOND MINES ULC, DOMINION
DIAMOND DELAWARE COMPANY LLC, DOMINION
DIAMOND CANADA ULC, WASHINGTON DIAMOND
INVESTMENTS, LLC, DOMINION DIAMOND HOLDINGS,
LLC, DOMINION FINCO INC. AND DOMINION
MARKETING CORPORATION

DOCUMENT

FIFTEENTH REPORT OF FTI CONSULTING CANADA
INC., IN ITS CAPACITY AS MONITOR OF DOMINION
DIAMOND MINES ULC, DOMINION DIAMOND
DELAWARE COMPANY LLC, DOMINION DIAMOND
CANADA ULC, WASHINGTON DIAMOND
INVESTMENTS, LLC, DOMINION DIAMOND HOLDINGS,
LLC, DOMINION FINCO INC. AND DOMINION
MARKETING CORPORATION

August 30, 2021

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR

FTI Consulting Canada Inc.
1610, 520, 5th Ave S.W.
Calgary, AB T2P 3R7
Deryck Helkaa / Tom Powell
Telephone: (403) 454-6031 / (604) 551-9881
Fax: (403) 232-6116
E-mail: deryck.helkaa@fticonsulting.com
E-mail: tom.powell@fticonsulting.com

COUNSEL

Bennett Jones LLP
4500 Bankers Hall East, 855 - 2nd Street SW
Calgary, AB, T2P 4K7
Christopher Simard / Kelsey Meyer
Telephone: (403) 298-4485 / (403) 298-3323
Fax: (403) 265-7219
E-mail: simardc@bennettjones.com
E-mail: meyerk@bennettjones.com

FIFTEENTH REPORT OF THE MONITOR

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Eighth Cash Flow Statement

INTRODUCTION

1. On April 22, 2020, Dominion Diamond Mines ULC (“**Dominion Diamond**”), Dominion Diamond Canada ULC (“**DDCU**”), Dominion Diamond Delaware Company LLC (“**DDC**”), Washington Diamond Investments, LLC, Dominion Diamond Holdings, LLC (“**Holdings**”) and Dominion Finco Inc. (“**Finco**”) were granted an initial order (the “**Initial Order**”) commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”). On September 18, 2020, Dominion Diamond Marketing Corporation (“**Dominion Marketing**”) was added as an applicant in the CCAA Proceedings. Dominion Diamond, DDCU, DDC, Washington Diamond Investments, LLC, Holdings, Finco and Dominion Marketing are collectively referred to herein as “**Dominion**” or the “**Applicants**”.
2. The Initial Order appointed FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”) and established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until May 2, 2020. The Stay of Proceedings was subsequently extended by further Orders of this Honourable Court. On March 4, 2021, this Honourable Court granted an order extending the Stay of Proceedings to September 17, 2021.
3. On November 4, 2020, this Honourable Court granted an order (the “**Monetization Order**”) approving a process for Diavik Diamond Mines (2012) Inc. (“**DDMI**”) to monetize certain diamond production held by DDMI as collateral for cover payments made by DDMI (“**DDMI Collateral**”) pursuant to the Diavik Joint Venture Agreement dated March 23, 1995 between Kennecott Canada Inc. and Aber Resources Limited, the predecessors in interest to DDMI and Dominion Diamond, respectively (the “**Diavik JVA**”).
4. On December 11, 2020, this Honourable Court granted a sale approval and vesting order which approved an asset purchase agreement dated December 6, 2020 (the “**APA**”) in relation to a going concern restructuring transaction (the “**Ekati Transaction**”) between Holdings, DDM, DDC, Dominion Marketing, DDCU and Finco Dominion, as vendor, and

DDJ Capital Management, LLC and Brigade Capital Management, LP, as purchasers (collectively, the “**Bidders**”). The Bidders designated Arctic Canadian Diamond Company Ltd. (“**ACDC**”) as the purchaser under the Ekati Transaction. The Ekati Transaction was closed on February 3, 2021.

5. On January 27, 2021, this Honourable Court granted an order expanding the Monitor’s powers upon the closing of the Transaction (the “**EMP Order**”). The EMP Order authorized the Monitor to, among other things, execute a transition services agreement on behalf of the Applicants concurrent with or after closing of the Transaction, and to take any and all actions and steps in the name of and on behalf of the Applicants that are necessary to satisfy the obligations thereunder.
6. On February 3, 2021, the Monitor entered into a transition services agreement as contemplated by the EMP Order, as between ACDC, the administrative agent to the 1L Lenders (the “**Agent**”), and Dominion (the “**TSA**”).
7. Concurrent with this Fifteenth Report, the Monitor filed an Application for an order extending the Stay of Proceedings to December 15, 2021 (the “**Stay Extension Order**”).
8. The purpose of this Fifteenth Report of the Monitor is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to:
 - a. the activities of the Monitor since granting the EMP Order;
 - b. the status of the Diavik JVA and realization of assets thereunder;
 - c. the Applicants’ actual cash receipts and disbursements for the 28-week period ended August 13, 2021 as compared to the cash flow statement included in the Fourteenth Report of the Monitor dated March 4, 2021 (the “**Seventh Cash Flow Statement**”);

- d. a cash flow statement (the “**Eighth Cash Flow Statement**”) prepared by the Monitor to set out the liquidity requirements of Dominion for the 18 weeks ending December 17, 2021, including the key assumptions on which it is based; and
- e. the Monitor’s application for the Stay Extension Order.

TERMS OF REFERENCE

- 9. In preparing this report, the Monitor has relied upon certain information (the “**Information**”) including Dominion’s unaudited financial information, books and records and discussions with senior management (“**Management**”).
- 10. Except as described in this report, the Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
- 11. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
- 12. Future oriented financial information reported to be relied on in preparing this report is based on Management’s assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
- 13. All capitalized terms that are used in this Fifteenth Report but not defined herein are intended to bear their meanings as defined in the Monitor's prior Reports.
- 14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

ACTIVITIES OF THE MONITOR

15. The activities of the Monitor since the granting of the EMP Order have included:

- a. attending to post-closing matters with respect to the Ekati Transaction;
- b. attending weekly meetings with the Agent and its legal counsel;
- c. preparing bi-weekly cash flow variance reporting for the Agent as required under Dominion's Amended Credit Agreement;
- d. preparing financial projections with respect to the Diavik JVA for the period ending December 31, 2021, including projected diamond collateral held by DDMI, cover payments made by DDMI for cash calls under the Diavik JVA, dispositions of DDMI diamond collateral pursuant to the Monetization Order, projected DDMI diamond collateral surplus or shortfall and projected diamond deliveries to Dominion and the illustrative net realizations from the Diavik JVA interest;
- e. attending quarterly Diavik JVA Committee meetings;
- f. reviewing the Diavik Mine Life of Mine Plan prepared by DDMI;
- g. participating in calls and evaluating proposals from various environmental consulting firms to act as technical consultants to the Monitor in respect of the Diavik JVA;
- h. arranging and coordinating the filing of Dominion's corporate tax returns;
- i. administering payments in respect of estate costs;
- j. coordinating with ACDC to address accounting matters, corporate filings and other regulatory and statutory requirements pursuant to the TSA;

- k. submitting GNWT Royalty Installment filings and coordinating royalty payments pursuant to the Monetization Order and TSA;
- l. administering corporate name changes pursuant to the APA and EMP Order;
- m. entering into amendments to Dominion's first lien Credit Agreement;
- n. attending calls with first lien lender syndicate members, second lien lenders and other stakeholders to discuss the status of the estate;
- o. reviewing monthly cash calls received from DDMI and corresponding cover payment notices;
- p. considering and discussing with stakeholders strategies to attempt to maximize value from Dominion's remaining assets; and
- q. preparing this Fifteenth Report.

DIAVIK JVA INTEREST

- 16. As described above, the Monitor has administered the Diavik JVA pursuant to the EMP Order and in consultation with the Agent.
- 17. Since the Date of the EMP Order, Dominion has received from DDMI two deliveries of diamonds containing approximately 263,000 carats and 179,000 carats, respectively. The first delivery was monetized in April 2021 by ACDC pursuant to the TSA, resulting in net proceeds of \$18.9 million distributed to the Agent. The second delivery is expected to be monetized pursuant to the TSA in September 2021, the proceeds of which are expected to be distributed to the Agent.
- 18. Dominion and DDMI are in disagreement as to the appropriate treatment of certain diamond collateral of less common size or category (the "**Section 4 Diamonds**"). Section

4 Diamonds with a DICAN value of approximately \$8.4 million have not been delivered to Dominion and currently remain in DDMI's possession.

19. Since the granting of the EMP Order, DDMI has made approximately \$210.4 million of cash calls, including \$148.4 million for operating cash calls, \$1.1 million for exploration cash calls, and \$60.9 million for reclamation cash calls, the latter resulting from an increase in DDMI's provision for Diavik reclamation costs. DDMI has made cover payments to fund these cash calls.

20. DDMI has continued to sell diamond collateral pursuant to the Monetization Order and apply the proceeds, after deduction of certain costs, against the cash call balance.

21. As at July 31, 2021, the net cover payment balance was approximately \$230.0 million and the DICAN value of diamond collateral held by DDMI was approximately \$152.7 million.

CASH FLOW VARIANCE ANALYSIS

22. The Applicants' actual cash flows in comparison to those contained in the Seventh Cash Flow Statement for the 28 weeks ended August 13, 2021 are summarized below:

| Cash Flow Variance Analysis | | | | |
|---|---------------|-----------------|----------------|--------------|
| Twenty-Eight Week Period Ended August 13, 2021 | | | | |
| <i>(\$ thousands)</i> | Actual | Forecast | Var \$ | Var % |
| Operating Receipts | | | | |
| Sales | \$ - | \$ - | \$ - | 0% |
| Total Operating Receipts | - | - | - | 0% |
| Operating Disbursements | | | | |
| Professional Fees | 857 | 750 | 107 | 14% |
| Other | 64 | - | 64 | 0% |
| Total Operating Disbursements | 921 | 750 | 171 | 23% |
| Net Change in Cash | (921) | (750) | (171) | 23% |
| Opening Cash | 1,598 | 1,598 | - | 0% |
| Ending Cash | \$ 677 | \$ 848 | \$(171) | -20% |

23. Variances primarily relate to costs incurred for professional fees in excess of forecast and the impact of foreign exchange rate fluctuations during the period.
24. The cash flow variance analysis does not reflect the net proceeds of approximately \$18.9 million resulting from the sale of diamonds delivered by DDMI which proceeds were delivered directly to the Agent and which are being held by the Agent as cash collateral in respect of its LCs.
25. As of August 13, 2021, the Monitor was holding total cash of approximately \$677,000 which includes approximately \$316,000 (US\$250,000) being held in the Wind-Down Account pursuant to the EMP Order.

EIGHTH CASH FLOW STATEMENT

26. The Monitor has prepared the Eighth Cash Flow Statement to set out Dominion’s liquidity requirements for the 18 weeks ending December 17, 2021 (the “**Forecast Period**”). A copy of the Eighth Cash Flow Statement is attached as Appendix “A”.
27. The Eighth Cash Flow Statement is summarized as follows:

| <i>(\$ thousands)</i> | February 5 to August 13 Actuals | August 14 to December 17 Forecast | Total |
|----------------------------|---------------------------------------|---|---------|
| Receipts | | | |
| Advance from 1L Lenders | \$ - | \$ 469 | \$ 469 |
| Total Receipts | - | 469 | 469 |
| Disbursements | | | |
| Professional Fees | 857 | 1,146 | 2,003 |
| Other | 64 | - | 64 |
| Total Disbursements | 921 | 1,146 | 2,067 |
| Net Change in Cash | (921) | (677) | (1,598) |
| Opening Cash | 1,598 | 677 | 1,598 |
| Ending Cash | \$ 677 | \$ - | \$ - |

28. The key assumptions on which the Eighth Cash Flow Statement is based are summarized as follows:

- a. receipts relate to a requested advance from the 1L Lenders which may be funded from the cash collateral held by the Agent in respect of its LCs. As at July 31, 2021 the 1L Lenders are holding USD \$29.1 million of cash collateral in respect of their LCs which they may use to fund additional estate costs, should it be warranted. Pursuant to the TSA, the 1L Lenders are authorized to provide further funding to Dominion or the Monitor to further realization activities, if the Diavik Realization Account and the Wind-down Account are depleted. The Monitor anticipates entering into an agreement with the Agent to provide for this additional funding, if necessary;
- b. operating receipts are assumed to be nil during the period as any receipts that may be realized in respect of the DDMI Collateral are assumed to be distributed directly to the Agent in accordance with the Monetization Order;
- c. disbursements include professional fees and expenses to administer the Diavik Realization Assets and the wind-down of Dominion's estate. A summary of the forecast professional fees and expenses, by role, is set out in the table below:

| Professional Fees (by Role) <i>(\$ thousands)</i> | February 5 to August 13 Actuals | August 14 to December 17 Forecast | Total |
|---|--|--|-----------------|
| 1L Lenders | \$ 243 | \$ 596 | \$ 839 |
| Monitor | 498 | 300 | 798 |
| Legal Counsel to the Monitor | 117 | 250 | 367 |
| Total Professional Fees | \$ 857 | \$ 1,146 | \$ 2,003 |

29. Overall, the Eighth Cash Flow Statement forecasts that Dominion will have sufficient liquidity to fund the CCAA Proceedings through to their anticipated conclusion by the end of the Forecast Period.

STAY EXTENSION

30. The Monitor's comments with respect to its application for the Stay Extension Order are as follows:

- a. it will enable Dominion to take reasonable steps to pursue recovery on the Diavik Realization Assets, provide information and reporting to the Agent and ACDC, and distribute any proceeds of the Diavik Realization Assets in accordance with the TSA;
- b. the Eighth Cash Flow Statement projects that Dominion will have sufficient funds to cover the costs of the CCAA Proceedings during the period of the proposed extension;
- c. it will allow the Monitor to evaluate the prospects of pursuing a value-maximizing transaction with respect to Dominion's remaining assets other than the Diavik Realization Assets;
- d. Dominion will be under the expanded oversight of the Monitor during the period of the extension pursuant to the EMP Order;
- e. Dominion is acting in good faith and with due diligence; and
- f. an extension of the Stay of Proceedings is in the best interests of Dominion's stakeholders.

31. Based on the forgoing, the Monitor respectfully recommends that this Honourable Court grant an Order extending the Stay of Proceedings to December 15, 2021.

All of which is respectfully submitted this 30th day of August, 2021.

FTI Consulting Canada Inc.
in its capacity as Monitor of the Applicants

A handwritten signature in blue ink, appearing to read 'Deryck Helkaa', with a large circular flourish at the end.

Deryck Helkaa
Senior Managing Director

A handwritten signature in black ink, appearing to read 'Tom Powell', with a large, stylized initial 'T'.

Tom Powell
Senior Managing Director

APPENDIX “A”

Eighth Cash Flow Statement

Appendix A
Dominion Diamond Mines
Eighth Cash Flow Statement

| Eighth Cash Flow Statement | Week 1 to | Week 29 | Week 30 | Week 31 | Week 32 | Week 33 | Week 34 | Week 35 | Week 36 | Week 37 | Week 38 | Week 39 | Week 40 | Week 41 | Week 42 | Week 43 | Week 44 | Week 45 | Week 46 | | |
|--|-----------|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| For the Forty-Six Week Period Ending December 17, 2021 | Week 28 | Aug-20 | Aug-27 | Sep-03 | Sep-10 | Sep-17 | Sep-24 | Oct-01 | Oct-08 | Oct-15 | Oct-22 | Oct-29 | Nov-05 | Nov-12 | Nov-19 | Nov-26 | Dec-03 | Dec-10 | Dec-17 | Total | |
| (\$ thousands) | Notes | Actuals | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | |
| Receipts | | | | | | | | | | | | | | | | | | | | | |
| Advance from 1L Lenders | [1] | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 469 |
| Total Receipts | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 469 |
| Disbursements | | | | | | | | | | | | | | | | | | | | | |
| Professional Fees | [2] | 857 | 219 | - | - | 232 | - | - | 232 | - | - | - | - | 232 | - | - | - | 172 | - | 60 | 2,003 |
| Other | | 64 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 64 |
| Total Disbursements | | 921 | 219 | - | - | 232 | - | - | 232 | - | - | - | - | 232 | - | - | - | 172 | - | 60 | 1,146 |
| Net Change in Cash | | (921) | (219) | - | - | (232) | - | - | 237 | - | - | - | - | (232) | - | - | - | (172) | - | (60) | (1,598) |
| Opening Cash | | 1,598 | 677 | 457 | 457 | 457 | 226 | 226 | 226 | 463 | 463 | 463 | 463 | 463 | 232 | 232 | 232 | 232 | 60 | 60 | 1,598 |
| Ending Cash | | \$ 677 | \$ 457 | \$ 457 | \$ 457 | \$ 226 | \$ 226 | \$ 226 | \$ 463 | \$ 463 | \$ 463 | \$ 463 | \$ 463 | \$ 232 | \$ 232 | \$ 232 | \$ 232 | \$ 60 | \$ 60 | \$ 0 | \$ - |

Notes:

The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

[1] Advance from 1L Lenders relate to a requested advance from the 1L Lenders which may be funded from the cash collateral held by the Agent in respect of its LCs.

[2] Professional fees include disbursements related to the 1L Lenders, the Monitor and the Monitor's Legal Counsel.