

**ENTERED**

COURT FILE NUMBER 2001-05630

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

COM  
Oct 30, 2020  
Justice Eidsvik

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 AND DOMINION FINCO INC.

DOCUMENT SEVENTH 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 AND DOMINION FINCO INC.

**October 27, 2020**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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# SEVENTH REPORT OF THE MONITOR

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Territories business community**

## INTRODUCTION

1. On April 22, 2020, Dominion Diamond Mines ULC (“**DDM**”), Dominion Diamond Delaware Company LLC (“**DDD**”), Dominion Diamond Canada ULC; Washington Diamond Investments, LLC (“**WDI**”), Dominion Diamond Holdings, LLC (“**DDH**”) and Dominion Finco Inc. (collectively, “**Dominion**” or the “**Applicants**”) 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. On September 18, 2020, Dominion Diamond Marketing Corporation (“**Dominion Marketing**”) was added as an applicant in the CCAA Proceedings.
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.
3. On June 19, 2020, this Honourable Court granted a second Amended and Restated Initial Order (the “**Second ARIO**”) including, among other things, the following relief:
  - a. approving a financial advisor agreement (the “**Financial Advisor Agreement**”) dated April 22, 2020 between the Applicants and Evercore Group L.L.C. (“**Evercore**”);
  - b. authorizing and empowering the Applicants to obtain and borrow under a credit facility (the “**Interim Facility**”) pursuant to a term sheet among the Applicants and Washington Diamond Lending, LLC and the other lenders party thereto (collectively, the “**Interim Lenders**”), provided that borrowings under the Interim Facility shall not exceed US\$60.0 million;
  - c. approving procedures for a sales and investment solicitation process (the “**SISP**”);  
and

- d. authorizing DDH and DDM (collectively, the “**Sellers**”) to execute a stalking horse agreement of purchase and sale (the “**Stalking Horse Bid**”) with an affiliate of Washington Diamond Investments Holdings II, LLC (the “**Stalking Horse Bidder**”), and approving the Sellers’ obligation to pay the break-up fee and expense reimbursements provided for in the Stalking Horse Bid.
4. On September 18, 2020 this Honourable Court granted an order extending the Stay of Proceedings until and including November 7, 2020.
5. On October 23, 2020 the Applicants filed a Notice of Application for an extension of the Stay of Proceedings until and including December 15, 2020 (the “**Stay Extension**”).

## **PURPOSE**

6. The purpose of this Seventh Report is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to:
  - a. the status of the SISP and the Stalking Horse Bid;
  - b. an update on the Applicants’ restructuring efforts;
  - c. an update on the sales of diamond inventory by the Applicants;
  - d. the Applicants’ actual cash receipts and disbursements for the 26-week period ended October 16, 2020 as compared to the cash flow statement included in the Sixth Report of the Monitor dated September 22, 2020 (the “**Fourth Cash Flow Statement**”);
  - e. a summary of the updated cash flow statement (the “**Fifth Cash Flow Statement**”) prepared by the Applicants for the 13 weeks ending January 15, 2021, including the key assumptions on which it is based;
  - f. the Applicants’ request for the Stay Extension; and

- g. the Monitor's conclusions and recommendations.
7. The Monitor will file a separate report in relation to the application of Diavik Diamond Mines (2012) Inc. ("**DDMI**") scheduled to be heard by the Court on October 30, 2020.

## **TERMS OF REFERENCE**

8. 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**").
9. 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.
10. 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.
11. 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.
12. All capitalized terms that are used in this Seventh Report but not defined herein are intended to bear their meanings as defined in the Monitor's prior Reports.
13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

## UPDATE ON THE SISP

14. As described in the Sixth Report of the Monitor dated September 22, 2020, the Applicants, in conjunction with Evercore, have been marketing the business and assets of Dominion in accordance with the SISP. The detailed timelines and procedures of the SISP are described in the Fifth Report of the Monitor and are not repeated herein.
15. The Applicants received one or more qualified bids in addition to the Stalking Horse Bid prior to the Phase I non-binding bid deadline, and therefore advanced the SISP to Phase 2.
16. Prior to the August 31, 2020 Phase 2 Bid Deadline, one of the qualified bidders participating in Phase 2 of the SISP requested an extension to the bid deadline, citing a need for additional time to secure financing and to attempt to come to agreements with Dominion's surety providers and also with DDMI in its capacity as the manager of the Diavik Mine under the Diavik Joint Venture Agreement (the "**Diavik JVA**").
17. Prior to August 31, 2020, the Applicants, with the approval of the Stalking Horse Bidder, the Interim Lenders and the Monitor, agreed to an extension of the timelines under the SISP as follows:
  - a. binding Phase 2 bids would remain due on August 31, 2020 and bidders would be required to submit Phase 2 bids in accordance with the terms of the SISP, subject to the terms below:
    - i. Dominion extended the requirements that (A) bidders identify whether they were purchasing the Diavik interest and (B) bids not contain financing conditionality, until 3:00 o'clock p.m. Eastern Standard Time on September 8, 2020, at which point bidders would have to confirm whether they were purchasing the Applicants' interest in the Diavik JV and also would have to remove any financing condition; and
    - ii. certain corresponding dates under the SISP were also extended.

18. On September 9, 2020, the Applicants extended the Phase 2 bid deadline until September 15, 2020.
19. Notwithstanding the above-noted extensions, no bids were submitted by September 15, 2020, to compete with the Stalking Horse Bid.
20. On October 5, 2020, the Applicants filed a Notice of Application for a sale approval and vesting order (the “**SAVO**”) which provided for:
  - a. approval of the sale transaction contemplated by the Stalking Horse Bid;
  - b. authorization for and direction to the Sellers to complete the transaction subject to the terms of the Stalking Horse Bid; and
  - c. upon delivery of a Monitor’s Certificate to the Stalking Horse Bidder, vesting of the acquired assets in the Stalking Horse Bidder, free and clear of any encumbrances other than permitted encumbrances.
21. The Stalking Horse Bid remained subject to, among other things, entering into agreements with the Government of the Northwest Territories (“**GNWT**”) and Dominion’s surety providers with respect to collateralization obligations of the Stalking Horse Bidder under environmental agreements, permits, licenses and subleases to be transferred.
22. On October 9, 2020 Dominion issued a press release (the “**Press Release**”) providing an update on the SISP. A copy of the Press Release is attached as Appendix “**A**”.
23. Highlights of the Press Release are as follows:
  - a. Dominion had been advised by the issuers of its surety bonds and the Stalking Horse Bidder that those parties had reached an impasse in negotiations and that there was no reasonable prospect of reaching a satisfactory agreement;

- b. the Applicants had determined that it was impractical to seek court approval of the Stalking Horse Bid at the hearing scheduled for October 14, 2020 as there was no transaction capable of being completed as a result of, among other things, the Purchaser being unable to satisfy the surety condition;
- c. as a result of the foregoing, Dominion did not anticipate it would be able to complete the transaction contemplated by the Stalking Horse Bid; and
- d. Dominion was working with its advisors and would be consulting with stakeholders to determine the Applicants' next steps which would include the assessment of all strategic alternatives to return the Ekati Diamond Mine to full operations for the benefit of its employees, the Northwest Territories and other stakeholders.

#### **UPDATE ON THE APPLICANTS' RESTRUCTURING EFFORTS**

24. Since concluding that there was no transaction capable of being completed with the Stalking Horse Bidder and the issuing of the Press Release, the Applicants have been working in conjunction with their legal and financial advisors to consider alternative paths forward.

25. Since the date of the Press Release, the Applicants' activities have included:

- a. in conjunction with their financial and legal advisors, evaluating a range of restructuring alternatives and realization strategies for the Applicants' assets and businesses;
- b. preparing an analysis of the Applicants' liquidity requirements under a range of operating scenarios, including various assumptions with respect to care and maintenance activities and possible restart of mine production at Ekati;
- c. holding numerous discussions with representatives of key creditor constituencies, including the senior secured first lien lenders (the "**First Lien Lenders**"), the ad



hoc committee of senior secured second lien lenders (the “**Ad Hoc Group**”), the GNWT, surety bond issuers, the labour union, and other stakeholders as well as their respective legal and financial advisors;

- d. contingency planning for a scenario under which the Applicants are unable to achieve a going concern solution in the near term, including scaled down care and maintenance operations, delayed restart of mining operations and/or possible liquidation of the Applicants’ assets; and
- e. continuing to operate care and maintenance activities at the Ekati mine site to preserve the assets and ensure compliance with environmental and regulatory requirements including Dominion’s obligations under its water licence.

## **DIAMOND SALES**

26. As reported in the Sixth Report, the Applicants have recently been able to monetize certain of their diamond inventory through their Antwerp sales office. As of October 16, 2020, the Applicants have sold three tranches of diamonds, for gross proceeds of approximately \$92 million (\$70 million USD) during the CCAA Proceedings to date. After the payment of sorting costs, royalties, withholding taxes, joint venture interests and other direct costs, the diamond sales have resulted in net proceeds to Dominion of approximately \$83 million (\$63 million USD).

27. The Applicants are holding remaining diamond inventory with a book value of approximately \$134 million, the majority of which is currently held in Antwerp, Belgium by Dominion Diamond Marketing N.V., a wholly-owned subsidiary of the Applicants.

## **CASH FLOW VARIANCE ANALYSIS**

28. The Applicants’ actual cash flows in comparison to those contained in the Fourth Cash Flow Statement for the period April 22, 2020 to October 16, 2020 are summarized below:

<b>Cash Flow Variance Analysis</b>			
<b>Twenty-Six Week Period Ending October 16, 2020</b>			
<i>(\$ thousands)</i>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Operating Receipts</b>			
Sales	\$ 82,796	\$ 53,014	\$ 29,782
<b>Total Operating Receipts</b>	<b>82,796</b>	<b>53,014</b>	<b>29,782</b>
<b>Operating Disbursements</b>			
Payroll and Benefits	17,046	17,199	(153)
Consultants and Contractors	4,809	5,348	(539)
Rent	780	879	(99)
Equipment Leases	5,365	5,488	(123)
Underground Mining Contractor	852	677	175
Travel	505	803	(298)
Insurance	3,919	4,306	(387)
IT & Software	2,837	2,994	(157)
IBA Payments	441	1,611	(1,170)
Power	846	1,018	(172)
Site Maintenance & Environment	2,027	2,496	(469)
CCAA Professional Fees	17,717	23,542	(5,825)
Critical Vendors Accounts Payable	2,409	3,862	(1,453)
Winter Road & Ramp-up Costs	1,538	4,391	(2,853)
Net GST	(1,128)	(1,235)	107
Other	1,647	3,447	(1,800)
<b>Total Operating Disbursements</b>	<b>61,610</b>	<b>76,826</b>	<b>(15,216)</b>
<b>Net Change in Cash from Operations</b>	<b>21,186</b>	<b>(23,812)</b>	<b>44,998</b>
<b>Financing</b>			
Intercompany Receipts / (Disbursements)	4,895	5,133	(238)
Interest & Bank Charges	(4,038)	(4,400)	362
DIP Facility Interest	(422)	(432)	10
Government Support Program	5,375	5,379	(4)
FX on DIP Draw	(2,198)	(3,050)	852
DIP Facility Draw	42,600	56,800	(14,200)
DIP Facility Repayment	(40,402)	(42,600)	2,198
<b>Net Change in Cash from Financing</b>	<b>5,809</b>	<b>16,830</b>	<b>(11,021)</b>
<b>Net Change in Cash</b>	<b>26,995</b>	<b>(6,982)</b>	<b>33,977</b>
<b>Opening Cash</b>	<b>26,823</b>	<b>26,823</b>	<b>-</b>
<b>Ending Cash</b>	<b>\$ 53,818</b>	<b>\$ 19,841</b>	<b>\$ 33,977</b>

- a. Operating Receipts are approximately \$30 million higher than forecast due to an additional diamond sale conducted in September for which the net sales proceeds were received in October;

- b. Operating Disbursements are approximately \$15 million lower than forecast which is primarily due to timing differences which are expected to reverse in future periods; and
  - c. DIP Facility Draws are lower than forecasted as the net proceeds from diamond sales in September and October were used to repay the Interim Facility in full and provided additional liquidity to Dominion without requiring further DIP Facility Draws.
29. As at October 16, 2020, the Interim Facility has been repaid in full and the Applicants have an ending cash balance of approximately \$54 million.

#### **FIFTH CASH FLOW STATEMENT**

30. Management has prepared the Fifth Cash Flow Statement to set out the Applicants' liquidity requirements for the 13 weeks ending January 15, 2021 (the "**Forecast Period**"). A copy of the Fifth Cash Flow Statement is attached as Appendix "**B**".
31. For the purposes of preparing the Fifth Cash Flow Statement, Management has assumed that the Applicants will be making the minimum operating disbursements required to preserve the Ekati mine and related assets, while still maintaining the ability to restart the mine in 2021, and will defer discretionary disbursements with respect to restarting mining operations until there is greater certainty with respect to a going concern transaction.
32. The Fifth Cash Flow Statement is summarized as follows:

<i>(\$ thousands)</i>	April 22 to October 16 Actuals	October 17 to January 15 Forecast	Total
<b>Operating Receipts</b>			
Sales	\$ 82,796	\$ 46,144	<b>\$ 128,940</b>
<b>Total Operating Receipts</b>	<b>82,796</b>	<b>46,144</b>	<b>128,940</b>
<b>Operating Disbursements</b>			
Payroll and Benefits	17,046	8,637	<b>25,683</b>
Consultants and Contractors	4,809	3,628	<b>8,437</b>
Rent	780	173	<b>953</b>
Equipment Leases	5,365	2,836	<b>8,201</b>
Underground Mining Costs	852	3,750	<b>4,602</b>
Travel	505	294	<b>799</b>
Insurance	3,919	4,829	<b>8,748</b>
IT & Software	2,837	2,361	<b>5,198</b>
IBA Payments	441	1,659	<b>2,100</b>
Power	846	550	<b>1,396</b>
Site Maintenance & Environment	2,027	2,818	<b>4,845</b>
CCAA Professional Fees	17,717	7,551	<b>25,268</b>
Critical Vendors Accounts Payable	2,409	-	<b>2,409</b>
Winter Road & Diesel Purchases	1,538	9,327	<b>10,865</b>
Net Taxes	(1,128)	(11,286)	<b>(12,414)</b>
Other	1,647	3,724	<b>5,371</b>
<b>Total Operating Disbursements</b>	<b>61,610</b>	<b>40,850</b>	<b>102,460</b>
<b>Startup Disbursements</b>			
Diesel Purchases / Freight	-	14,925	<b>14,925</b>
Other Winter Road Consumables	-	4,582	<b>4,582</b>
<b>Total Startup Disbursements</b>	<b>-</b>	<b>19,507</b>	<b>19,507</b>
<b>Net Change in Cash from Operations</b>	<b>21,186</b>	<b>(14,213)</b>	<b>6,973</b>
<b>Financing</b>			
Intercompany Receipts / (Disbursements)	4,895	(663)	<b>4,232</b>
Interest & Bank Charges	(4,038)	(2,574)	<b>(6,613)</b>
DIP Facility Interest	(422)	(17)	<b>(439)</b>
Government Support Program	5,375	733	<b>6,108</b>
FX on DIP Draw	(2,198)	-	<b>(2,198)</b>
DIP Facility Draw	42,600	-	<b>42,600</b>
DIP Facility Repayment	(40,402)	-	<b>(40,402)</b>
<b>Net Change in Cash from Financing</b>	<b>5,809</b>	<b>(2,521)</b>	<b>3,288</b>
<b>Net Change in Cash</b>	<b>26,995</b>	<b>(16,734)</b>	<b>10,261</b>
<b>Opening Cash</b>	<b>26,823</b>	<b>53,818</b>	<b>26,823</b>
<b>Ending Cash</b>	<b>\$ 53,818</b>	<b>\$ 37,084</b>	<b>\$ 37,084</b>
<b>Net Change in Cash before Diamond Sales</b>		<b>(62,879)</b>	<b>(35,883)</b>
<b>Ending Cash excluding Diamond Sales</b>		<b>(9,061)</b>	<b>(9,061)</b>

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

- a. operating receipts include \$46 million in net proceeds from diamond sales expected to occur during the weeks ending November 27 and December 4, 2020. For illustrative purposes, the Monitor has also presented the comparative change in cash before the proceeds of diamond sales and ending cash excluding the proceeds of diamond sales for the forecast period;
- b. operating disbursements relate primarily to continued course care and maintenance with the scope scaled back to include only those expenses required to maintain the integrity of the mine site and remain in compliance with all environmental and regulatory requirements;
- c. taxes including a tax refund for pre-filing input tax credits. Property taxes are assumed to be deferred until beyond the Forecast Period;
- d. operating disbursements during the Forecast Period outside of care and maintenance include the following:
  - i. Winter Road Construction: participation in the winter road construction is required to ensure continued access to the Ekati mine site over the winter period, which is considered necessary in any scenario going forward (continuing operations, continued care and maintenance, or other scenarios);
  - ii. Diesel Purchases / Freight: diesel fuel is required to be reserved in advance, as such additional costs have been included in the forecast in anticipation of a restart scenario to ensure the Applicants have access to the required fuel to restart. The forecast includes diesel orders committed to in September 2020, prior to the termination of the Stalking Horse Bid, and that could be resold in a liquidation scenario as needed. In the event of a 2021 restart,

additional diesel would be required. These costs are reflected in the forecast as start-up disbursements and reflect the Applicants estimate for diesel orders that would be required under a restart scenario (approximately \$15 million). These diesel orders have not yet been placed and would only be committed to in the event of a restart scenario.

- e. professional fees are forecast to be approximately \$8 million during the period. A summary of the fees forecast to be incurred by role are set out in the table below:

<i>(\$ thousands)</i>	Weeks 1 - 26	Weeks 27 - 39	Weeks 1 - 39
Role	Actuals	Forecast	Total
Financial Advisor to Applicant	\$ 4,369	\$ 804	\$ 5,173
Legal Counsel to Applicants	4,508	2,750	7,258
Monitor	1,117	450	1,567
Legal Counsel to Monitor	298	655	953
Legal Counsel to The Washington Companies	4,373	-	4,373
Agent advisor & Legal Counsel to the Existing Credit Facility Lenders	3,027	1,342	4,369
Other	26	1,550	1,576
<b>Total Professional Fees</b>	<b>\$ 17,717</b>	<b>\$ 7,551</b>	<b>\$ 25,268</b>

34. Overall, the Applicants are forecasting to have \$37 million in cash at the end of the forecast period. As noted above, if the proceeds from the assumed diamond sales are removed, the Applicants are forecast to have a liquidity shortfall of \$9 million at the end of the forecast period and would likely run out of cash before year-end.

## **STAY EXTENSION**

35. The Monitor's comments with respect to Dominion's application for the Stay Extension are as follows:
- a. the Applicants require a short extension to the Stay of Proceedings to continue to evaluate various restructuring transactions and alternative realization scenarios, in consultation with key stakeholders;

- b. in the event the Applicants are unable to complete a going concern restructuring transaction with respect to the Ekati mine in the near term, the Applicants require time to arrange funding for the ongoing preservation of the Ekati mine;
- c. the Stay Extension allows the Applicants to continue to perform ongoing care and maintenance activities to preserve the Ekati mine site and related assets as well as ensuring ongoing compliance with the Applicants' environmental and regulatory obligations and terms of the Ekati mine's water licence;
- d. the Fifth Cash Flow Statement forecasts that the Applicants' cash on hand will provide Dominion with sufficient liquidity during the term of the Stay Extension without relying on the sale of any diamonds during the period;
- e. the Stay Extension is supported by certain key creditor constituencies including the Ad Hoc Group, the Government of the Northwest Territories and certain other stakeholders. The Monitor understands that the First Lien Lenders are supportive of an extension but are of the view an extension to December 15 is longer than is appropriate in the circumstances. Conversely, the Ad Hoc Group, the GNWT and certain other stakeholders have expressed a preference for a longer extension period. The Monitor's view is that an extension through to December 15 is warranted to allow parties to further develop a restructuring strategy while operating within the liquidity available from existing cash balances without relying on diamond sales;
- f. the Applicants are acting in good faith and with due diligence; and
- g. Dominion's overall prospects of effecting a viable restructuring transaction with respect to the Ekati mine will be enhanced by the Stay Extension.

36. Attached hereto as Appendix "C" is correspondence received by the Monitor from Aurora Geosciences Ltd. dated October 21, 2020, enclosing a letter dated October 20, 2020 from members of the business community of the Northwest Territories.

## MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

37. The Applicants, in conjunction with their legal and financial advisors, are taking appropriate steps to care for and maintain the Ekati mine site while managing liquidity and pursuing restructuring alternatives to the benefit of all stakeholders.
38. Based on the forgoing, the Monitor respectfully recommends that this Honourable Court grant the Stay Extension.

\*\*\*\*\*

All of which is respectfully submitted this 27<sup>th</sup> day of October, 2020.

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



Deryck Helkaa  
Senior Managing Director



Tom Powell  
Senior Managing Director



# APPENDIX “A”

Dominion Diamond Mines Press Release  
dated October 9, 2020

## Dominion Diamond Mines Provides Update on Sale Process

October 09, 2020 01:05 PM Eastern Daylight Time

CALGARY, Alberta--(BUSINESS WIRE)--Dominion Diamond Mines ULC (“Dominion” or the “Company”) provided an update today on its previously announced sales and investment solicitation process and the stalking horse bid (the “Stalking Horse Bid”) submitted by Canadian Diamond Holdings, L.P. and CA Canadian Diamond Mines ULC (the “Purchaser”), affiliates of the Washington Companies, for the purchase of certain of Dominion’s assets.

Dominion has been advised that surety bond issuers, Aviva Insurance Company of Canada, Argonaut Insurance Company and Zurich Insurance Company Ltd. (collectively, “the Surety Bond Issuers”) and the Purchaser have reached an impasse in negotiations and there is no reasonable prospect of reaching a satisfactory agreement among them. The Surety Bond Issuers are the issuers of approximately C\$280 million in surety bonds currently posted with the Government of the Northwest Territories, which provide continued security for the reclamation obligations of Dominion related to the Ekati mine. The Stalking Horse Bid is subject to a condition that the Surety Bond Issuers and the Purchaser reach an agreement regarding the treatment of the existing surety bonds.

In these circumstances, Dominion has determined that it is impractical to seek court approval of the Stalking Horse Bid, which is scheduled to be heard on October 14, 2020, because there is no transaction capable of being completed as a result of, among other things, the Purchaser being unable to satisfy the surety condition. As a result, Dominion does not anticipate it will be able to complete the transaction contemplated by the Stalking Horse Bid. As previously disclosed, no other qualified bids were submitted as part of the sale and investment solicitation process in relation to Dominion’s business.

The current bonds issued by the Surety Bond Issuers will continue in place for the benefit of the Government of the Northwest Territories in accordance with their terms.

Dominion remains in creditor protection until November 7, 2020, unless extended. Dominion is working with its advisors and will be consulting with stakeholders to determine next steps. The Company will be assessing all strategic alternatives to return the Ekati Diamond Mine to full operations for the benefit of its employees, the Northwest Territories and other stakeholders.

Copies of the applicable Court orders and other Court materials and information related to the Company’s CCAA proceedings are available on the website maintained by FTI, which has been appointed by the Court as Dominion’s Monitor to oversee the CCAA proceedings: [cfcanada.fticonsulting.com/Dominion](http://cfcanada.fticonsulting.com/Dominion).

### About Dominion Diamond Mines

Dominion Diamond Mines ULC is a Canadian mining company and one of the world’s largest producers and suppliers of premium rough diamond assortments to the global market. The company owns a controlling interest in the Ekati Diamond Mine, which it operates, and owns 40% of the Diavik Diamond Mine. The company also holds a controlling interest in the Lac de Gras Diamond Project. The Ekati and Diavik Diamond Mines, and the Lac de Gras Diamond Project are located in the Northwest Territories of Canada. In addition to its mining and exploration operations, Dominion has offices in Canada, Belgium and India.

For more information, please visit [www.ddmines.com](http://www.ddmines.com) and Dominion’s private investor portal, or contact [investor@ddcorp.ca](mailto:investor@ddcorp.ca).

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Sard Verbinnen & Co

Jared Levy/Liz Zale

[DominionDiamond-SVC@sardverb.com](mailto:DominionDiamond-SVC@sardverb.com)

# APPENDIX “B”

Fifth Cash Flow Statement

**Appendix B**  
**Dominion Diamond Mines**  
Fifth Consolidated Cash Flow Statement  
For the 39-week period ending January 15, 2021

(\$ thousands)	Week Ending	Notes	Week 1 to	Week 27	Week 28	Week 29	Week 30	Week 31	Week 32	Week 33	Week 34	Week 35	Week 36	Week 37	Week 38	Week 39	Total
			Week 26	23-Oct	30-Oct	6-Nov	13-Nov	20-Nov	27-Nov	4-Dec	11-Dec	18-Dec	25-Dec	1-Jan	8-Jan	15-Jan	
<b>Operating Receipts</b>																	
Sales	[1]	\$ 82,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,518	\$ 15,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,940
<b>Total Operating Receipts</b>		82,796	-	-	-	-	-	-	30,518	15,626	-	-	-	-	-	-	128,940
<b>Operating Disbursements</b>																	
Payroll and Benefits	[2]	17,046	1,443	153	2,005	-	1,398	-	1,213	-	-	1,213	-	1,213	-	-	25,683
Consultants and Contractors	[3]	4,809	441	464	375	198	215	140	260	166	165	140	635	281	148	-	8,437
Rent	[4]	780	43	-	43	-	-	-	43	-	-	-	43	-	-	-	953
Equipment Leases		5,365	116	436	99	371	-	436	99	371	-	436	99	371	-	-	8,201
Underground Mining Costs	[5]	852	-	2,250	-	500	-	-	-	500	-	-	-	-	-	500	4,602
Travel	[6]	505	64	30	-	50	-	-	50	-	-	50	-	-	-	50	799
Insurance	[7]	3,919	387	-	720	-	-	752	2,970	-	-	-	-	-	-	-	8,748
IT & Software		2,837	144	92	66	66	66	66	66	66	170	66	66	1,362	66	-	5,198
IBA Payments	[8]	441	27	27	1,173	-	-	65	-	-	301	-	-	65	-	-	2,100
Power	[9]	846	172	-	126	-	-	-	126	-	-	-	126	-	-	-	1,396
Site Maintenance & Environment	[10]	2,027	432	941	90	90	90	245	90	90	171	90	90	309	90	-	4,845
CCAA Professional Fees	[11]	17,717	1,630	868	300	638	300	868	638	300	505	300	1,206	-	-	-	25,268
Critical Vendors Accounts Payable	[12]	2,409	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,409
Winter Road & Diesel Purchases	[13]	1,538	3,965	3,151	143	66	-	-	1,001	-	-	-	-	1,001	-	-	10,865
Net Taxes	[14]	(1,128)	-	(11,416)	-	-	65	-	-	-	-	65	-	-	-	-	(12,414)
Other	[15]	1,647	552	1,133	335	163	159	130	296	80	181	111	369	88	128	-	5,371
<b>Total Operating Disbursements</b>		61,610	9,415	(1,870)	5,475	2,142	2,292	2,702	6,852	1,573	1,493	2,471	2,633	4,691	981	-	102,460
<b>Startup Disbursements</b>																	
Diesel purchases / freight		-	-	-	2,488	-	3,109	3,109	3,109	3,109	-	-	-	-	-	-	14,925
Other Winter Road consumables		-	817	-	620	620	290	250	140	67	150	-	429	-	1,200	-	4,582
<b>Total Startup Disbursements</b>		-	817	-	3,108	620	3,399	3,359	3,249	3,176	150	-	429	-	1,200	-	19,507
<b>Net Change in Cash from Operations</b>		21,186	(10,232)	1,870	(8,582)	(2,762)	(5,692)	24,457	5,525	(4,749)	(1,643)	(2,471)	(3,062)	(4,691)	(2,181)	-	6,973
<b>Financing</b>																	
Intercompany Receipts / (Disbursements)	[16]	4,895	(50)	(50)	(163)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	-	-	4,232
Interest & Bank Charges	[17]	(4,038)	(291)	(331)	-	-	(332)	-	-	-	(297)	(1,026)	-	-	(297)	-	(6,613)
DIP Facility Interest		(422)	-	(17)	-	-	-	-	-	-	-	-	-	-	-	-	(439)
Government Support Program		5,375	733	-	-	-	-	-	-	-	-	-	-	-	-	-	6,108
FX on DIP Draw		(2,198)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,198)
DIP Facility Draw		42,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,600
DIP Facility Repayment		(40,402)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(40,402)
<b>Net Change in Cash from Financing</b>		5,809	392	(398)	(163)	(50)	(382)	(50)	(50)	(50)	(347)	(1,076)	(50)	-	(297)	-	3,288
<b>Net Change in Cash</b>		26,995	(9,840)	1,471	(8,745)	(2,812)	(6,074)	24,407	5,475	(4,799)	(1,990)	(3,547)	(3,112)	(4,691)	(2,478)	-	10,261
<b>Opening Cash</b>		26,823	53,818	43,978	45,450	36,704	33,893	27,819	52,226	57,701	52,902	50,912	47,365	44,253	39,562	-	26,823
<b>Ending Cash</b>		\$ 53,818	\$ 43,978	\$ 45,450	\$ 36,704	\$ 33,893	\$ 27,819	\$ 52,226	\$ 57,701	\$ 52,902	\$ 50,912	\$ 47,365	\$ 44,253	\$ 39,562	\$ 37,084	\$	\$ 37,084
<b>Net Change in Cash before Diamond Sales</b>			(9,840)	1,471	(8,745)	(2,812)	(6,074)	(6,111)	(10,151)	(4,799)	(1,990)	(3,547)	(3,112)	(4,691)	(2,478)	-	(35,883)
<b>Ending Cash excluding Diamond Sales</b>			43,978	45,450	36,704	33,893	27,819	21,708	11,557	6,757	4,768	1,220	(1,891)	(6,582)	(9,061)	-	(9,061)

Kristal Kaye, Chief Financial Officer  
Dominion Diamond Mines

**Notes:**  
Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Company during the CCAA Proceedings.  
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] Sales are shown after deducting profit margin in Belgium, sorting expenses in India, Government Royalties, Private Royalties and CZ NCI partner portion of sale which is assigned to cash calls receivable.
- [2] Payroll and benefits relate to management and employees at Dominion's corporate office as well as two rotating shifts of employees that perform care and maintenance activities at the Ekati mine site.
- [3] Consultants and contractors relate primarily to contract camp and catering staff and consultants.
- [4] Rent includes lease costs, utilities and property taxes for the Applicants' office in Calgary.
- [5] Underground mining costs relate to rehabilitation costs and standby fees for the contractor that operates the underground mine.
- [6] Travel relates to airlines that transport employees and contractors to the Ekati mine site.
- [7] Insurance mainly relates to property insurance.
- [8] Impact and benefit agreements are assumed to remain current during the forecast period.
- [9] Power includes contractors that operate the power plant at the Ekati mine.
- [10] Site maintenance and environmental costs largely relate to mineral lease payments due during the forecast period.
- [11] CCAA Professional fees includes the Applicants' legal counsel and financial advisor, the Monitor and the Monitor's legal counsel, Canadian and United States legal counsel and financial advisor to the Revolving Facility Lenders.
- [12] The Initial Order authorizes the Applicants to pay certain pre-filing amounts owing to critical suppliers of up to \$5.0 million, with prior approval of the Monitor.
- [13] Winter Road & Diesel Purchases relate to costs for construction of the winter ice road and diesel purchases required on site for care & maintenance.
- [14] Net Taxes includes pre-filing fuel tax payments for March and April and refund for certain pre-filing GST payments.
- [15] Other operating costs include miscellaneous disbursements and a contingency.
- [16] Intercompany accounts relate to cash calls to the joint venture partner in respect of the Ekati Core Zone and cash requirements of DDMC, DDMNV (Belgium) and DDIPL (India) beyond existing cash balances.
- [17] Interest and bank fees are comprised of interest and letter of credit fees in respect of the Applicants' Revolving Facility.

# APPENDIX “C”

Letter from Aurora Geosciences Ltd.  
dated October 21, 2020

and

Letter from members of Northwest Territories  
business community  
dated October 20, 2020



**October 21, 2020**

**RE: Attention Justice Eidsvik**

Court File No. 2001 – 05630

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C 1985, c. C-36, AS AMENDED, AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DOMINION DIAMOND MINES ULC, DOMINION DIAMOND DELAWARE COMPANY, LLC, DOMINION DIAMOND CANADA ULC, WASHINGTON DIAMOND INVESTMENTS, LLC, DOMINION DIAMOND HOLDINGS, LLC AND DOMINION FINCO INC.

Dear Madame Justice;

My name is Gary Vivian. I am the Chairman of Aurora Geosciences Ltd., Yellowknife, NWT. I am the Past President of the NWT & Nunavut Chamber of Mines. I am not a lawyer, but in a business capacity I represent the signatories on the letter I have appended to this correspondence. The signatories include the NWT & Nunavut Chamber of Mines, the NWT Chamber of Commerce, the Yellowknife Chamber of Commerce, the NWT & Nunavut Construction Association, the Northern Air Transport Association and the two largest NWT Indigenous business corporations Det'on Cho Corporation and Tlicho Investment Corp. Together, many of our members are creditors of Dominion Diamond Mines ULC. The group represents some 20 companies and over 2,000 individuals as either direct employees of Ekati or the service providers to Ekati.

I would ask this Honourable Court to allow me to present this correspondence to the court in the public interest at the next court hearing, which I understand is scheduled for October 30, 2020.

Respectfully submitted,

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Gary Vivian, M.Sc., P.Geol.  
Chairman

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Aurora Geosciences Ltd.

3506 McDonald Drive, Yellowknife, Northwest Territories, Canada, X1A 2H1; Tel: 867.920.2729, Fax: 867.920.2739  
34A Laberge Road, Whitehorse, Yukon, Canada, Y1A 5Y9; Tel: 867.668.7672, Fax: 867.393.3577  
Unit B-1, 1901 Davis Street, Juneau, Alaska, USA, 99801; Tel 907.789.7672 Fax:907.789.7009

[www.aurorageosciences.com](http://www.aurorageosciences.com)

October 20, 2020

Court of Queen's Bench Alberta

Re: Court File No. 2001-05630: Dominion Diamond Mines ULC



We, the undersigned, represent a significant portion of the Northwest Territories economy, and are writing in respect of the CCAA process as it relates to Dominion Diamond Mines ("Dominion") and specifically the Ekati diamond mine and its operations. Despite the recently publicized setback, we urge that the process should continue, including the proper and full consideration of all avenues that would allow for the orderly restructuring of Dominion and the restart of operations at the Ekati Mine for the benefit of the NWT and its residents. We do not support a liquidation of Dominion as this could create an insurmountable hurdle to ever re-open the mine.

The mineral resource industry is the backbone of the Northwest Territories economy. Northern mineral resources are developed not just to provide the components required for our everyday lives, but far more importantly as a tool in creating economic benefits to its residents. Furthermore, a majority of northern residents are Indigenous, and the benefits from resource development in training, employment, business development and even tax and royalty payments are critically important to improving the health, resilience and economic opportunities and outcomes of our Indigenous communities.

Since the discovery and mining of diamonds in the Northwest Territories in the 1990's, the NWT's mineral industry and its associated service providers have provided as much as 40% of the GDP of the territory, including providing:

- Training leading to employment of 7% of the entire NWT working labour force;
- Over 65,000 person-years of employment, 23% Indigenous;
- More than \$23 Billion in business, including \$7 Billion with Indigenous businesses;
- Well over \$200 Million to communities in IBA payments, scholarships, donations, & community wellness projects; and
- Billions in various taxes and royalties to the federal, territorial and Indigenous governments

Through its commitments and actions, the Ekati Mine has been a large contributor to this success, and to the development of business capacity in the North.

Diamonds have been mined in places like Southern Africa for over 100 years. Based on publicized business plans, the Ekati Mine has the potential to continue viable operations for decades to come. The diamond resource base at Ekati is enormous and the potential for the discovery of new resources is very good. The diamond industry is a sunrise industry in the NWT with the potential to continue contributing significantly to the economic future of the North.

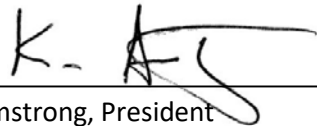
COVID has brought very challenging and difficult circumstances for all our northern diamond mines. However, they are not insurmountable as two of our mines are demonstrating. The NWT business community needs the CCAA process to result in an



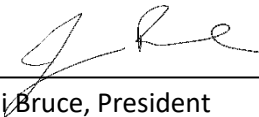
orderly restructuring of Dominion and the resumption of operation at the Ekati Mine. This is absolutely essential for all our businesses that rely on it, and for the health of our economy, our communities and our residents. A liquidation of Dominion and the closure of the Ekati Mine would be devastating for the people and economy of the North and significantly hurt investment sentiment for the Northwest Territories.

The signatories of this letter strongly support an orderly restructuring of Dominion under CCAA to allow the reopening and continue operations at the Ekati Mine in order to keep the NWT private sector economy on a solid footing.

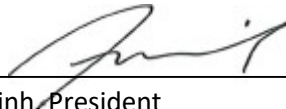
Respectfully and in earnest,



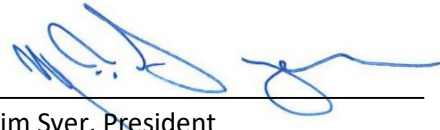
Ken Armstrong, President  
NWT & Nunavut Chamber of Mines



Jenni Bruce, President  
NWT Chamber of Commerce



Duc Trinh, President  
NWT & Nunavut Construction Association



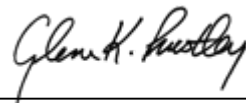
Tim Syer, President  
Yellowknife Chamber of Commerce



Mark Brajer, President  
Tlicho Investment Corporation



Paul Gruner, President  
Det'on Cho Corporation



Glenn Priestley, Executive Director  
Northern Air Transport Association

c.c.: Honourable Caroline Cochrane, Premier of the NWT  
Honourable Caroline Wawzonek, NWT Minister of Industry Tourism & Investment  
Paula Isaac, President of CanNor  
Mr. Michael McLeod, Member of Parliament for the NWT  
Dawn Anderson, Senator for the NWT  
Service List