

COURT FILE NUMBER 20016-05630

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

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 FIRST 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.

April 29, 2020

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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FIRST REPORT OF THE MONITOR

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FIRST REPORT OF THE MONITOR

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INTRODUCTION

1. On April 22, 2020, 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. (collectively, “**Dominion**” or the “**Applicants**”) were granted an initial order (the “**Initial Order**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
2. The Initial Order established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until May 2, 2020 and appointed FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”).
3. On April 24, 2020 the Applicants filed a notice of application returnable May 1, 2020 for an amended and reinstated Initial Order (the “**ARIO**”) which provides for:
 - a. an extension of the Stay of Proceedings until and including June 1, 2020 (the “**Stay Extension**”);
 - b. an increase of the Administration Charge and Directors’ Charge granted in the CCAA Proceedings to the amounts sought in the Originating Application of \$3.5 million and \$4.0 million, respectively (the “**Charge Amounts**”); and
 - c. increasing the amount of the payments the Applicants are authorized, but not required, to make with respect to expenses incurred prior to the commencement of the CCAA Proceedings (the “**Pre-filing Payment Amounts**”) to the amounts sought in the Originating Application of \$5.0 million.

PURPOSE

4. The purpose of this first report of the Monitor is to provide this Honourable Court and the Applicants' stakeholders with information and the Monitor's comments with respect to the following:
 - a. the activities of the Monitor since the granting of the Initial Order and the filing of the Pre-Filing Report of the Proposed Monitor dated April 21, 2020 (the "**Pre-Filing Report**");
 - b. Dominion's application for the Stay Extension; and
 - c. the Monitor's conclusions and recommendations.
5. The Monitor's comments with respect to the Cash Flow Statement, Charge Amounts and Pre-filing Payment Amounts are described in the Pre-Filing Report and are not repeated herein.

TERMS OF REFERENCE

6. 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**").
7. 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.
8. 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.

9. 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.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
11. Capitalized terms not otherwise defined herein are as defined in the Pre-Filing Report.

ACTIVITIES OF THE MONITOR

12. Up to and including the date of this First Report, the Monitor's activities have included, but have not been limited to, the following:
 - a. retaining Bennett Jones LLP to act as legal counsel to the Monitor;
 - b. ongoing discussions with Management and the Applicants' legal counsel regarding Dominion's business and financial affairs;
 - c. ongoing discussions with Evercore Inc. in its capacity as financial advisor to the Applicants to discuss, among other things, the status of the Applicants' efforts to secure interim financing;
 - d. attending telephone conferences with legal counsel to The Washington Companies and reviewing various draft documents, including interim financing term sheets and related documentation;
 - e. attending telephone discussions with various stakeholders including:
 - i. legal counsel and financial advisors to the senior secured lenders;
 - ii. legal counsel to an *ad hoc* group of senior secured second lien noteholders;

- iii. legal counsel to Diavik Diamond Mines (2012) Inc., the Applicants' joint venture partner in respect of the Diavik Diamond Mine; and
- iv. various unsecured creditors and other stakeholders;
- f. facilitating information requests for RPA Advisors, LLC in its capacity as financial advisor to the senior secured lenders;
- g. preparing and issuing notices required under the CCAA and Initial Order, including the following:
 - i. notices to creditors as referenced in paragraph 34 of the Initial Order was mailed on April 27, 2020 to known creditors;
 - ii. notices to creditors to be published in the Globe and Mail on April 29 and May 6, 2020 and in The Northern Miner on May 11 and May 25, 2020;
 - iii. Form 1 and Form 2 notices issued to the Office of the Superintendent of Bankruptcy in the prescribed form as required under section 23(1)(f) of the CCAA; and
- h. reviewing various cash flow statements and financial projections prepared by Management.

CRITICAL SUPPLIERS

13. Since the filing of the Pre-Filing Report no amounts have been paid to those parties identified as potential critical suppliers. The Monitor's views regarding critical suppliers have not changed since the Pre-Filing Report and the Monitor continues to liaise with the Applicants with respect to the Pre-filing Payment Amounts.

STAY EXTENSION

14. The Monitor's comments with respect to Dominion's application for the Stay Extension are as follows:

- a. the Cash Flow Statement forecasts that the Applicants will have available liquidity during the term of the proposed Stay Extension;
- b. the Applicants require the Stay Extension in order to pursue a restructuring strategy including arranging interim financing and developing a sales and investment solicitation process;
- c. there will be no material prejudice to the Applicants' creditors and other stakeholders as a result of the Stay Extension;
- d. the Applicants are acting in good faith and with due diligence; and
- e. Dominion's overall prospects of effecting a viable restructuring will be enhanced by the Stay Extension.

CONCLUSION AND RECOMMENDATION

15. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the ARIO.

All of which is respectfully submitted this 29th day of April 2020.

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



Deryck Helkaa
Senior Managing Director



Tom Powell
Senior Managing Director