

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  
  
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 TENTH 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.

**December 1, 2020**

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**TENTH 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**”) 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 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 October 30, 2020, this Honourable Court granted an order:
  - a. extending the Stay of Proceedings until and including December 15, 2020; and
  - b. directing the Monitor to provide this Honourable Court with a report on or before each of November 15, 2020 and December 1, 2020, providing an update on material developments with respect to the Applicants’ restructuring efforts (the “**Reporting Requirements**”).

## PURPOSE

4. The purpose of this Tenth Report is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to:
  - a. the Applicant’s restructuring efforts since the Ninth Report dated November 15, 2020, in accordance with the Reporting Requirements; and
  - b. the Applicants’ actual cash receipts and disbursements for the 31-week period ended November 20, 2020 as compared to the cash flow statement included in the

Seventh Report of the Monitor dated October 27, 2020 (the “**Fifth Cash Flow Statement**”).

## **TERMS OF REFERENCE**

5. 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**”).
6. 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.
7. 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.
8. 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.
9. All capitalized terms that are used in this Tenth Report but not defined herein are intended to bear their meanings as defined in the Monitor's prior Reports.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

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

11. Since the date of the Ninth Report, the Applicants’ activities have included, among other things:

- a. continuing to facilitate ongoing discussions between the senior secured first lien lenders (the “**First Lien Lenders**”) and the ad hoc committee of senior secured second lien lenders (the “**Ad Hoc Group**”) as well as their respective legal and financial advisors;
  - b. engaging in direct dialogue and discussions with the First Lien Lenders and the Ad Hoc Group with respect to restructuring options and a going concern transaction;
  - c. with the assistance of their financial advisor, sharing confidential information, documentation, analysis and financial models with both the First Lien Lenders and the Ad Hoc Group in an effort to assist in advancing a restructuring transaction;
  - d. engaging with the Monitor with respect to, among other matters, restructuring options and a going concern transaction;
  - e. conducting a preliminary review of a draft asset purchase agreement between the Ad Hoc Group and the Applicants (the “**APA**”) received from the Ad Hoc Group on November 29, 2020;
  - f. continuing 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; and
  - g. planning and taking required preliminary steps for a potential restart of mining operations at the Ekati mine in early 2021, as contemplated by the APA.
12. On November 29, 2020 the Ad Hoc Group and the First Lien Lenders advised the Applicants and the Monitor that the First Lien Lenders and the Ad Hoc Group have, subject to final sign-off of the parties, settled the terms of a Mutual Support Agreement (the “**MSA**”). The First Lien Lenders and the Ad Hoc Group have, on a confidential basis, provided the Applicants and the Monitor with drafts of the APA and the MSA.

13. The MSA remains subject to reaching an acceptable agreement with the GNWT and the Applicants' surety providers, and the Ad Hoc Group has advised the Monitor that they are engaged in ongoing negotiations with the surety providers and expect to have an agreement in the near term. The surety providers have independently advised the Monitor that they have had very positive discussions with GNWT and that the parties are in the process of documenting an arrangement.
  
14. Based on the Monitor's and its legal counsel's recent discussions with the First Lien Lenders and the Ad Hoc Group and their review of the draft MSA and APA, the Monitor is of the view that the parties are working diligently and in good faith with a view to reaching definitive documents, with the goal of seeking Court approval of the transaction at the hearing currently scheduled for December 11, 2020. However, it is apparent that significant work must be done to resolve conditions and for the parties to agree on the terms of a final asset purchase agreement.

#### **CASH FLOW VARIANCE ANALYSIS**

15. The Applicants' actual cash flows in comparison to those contained in the Fifth Cash Flow Statement for the period April 22, 2020 to November 20, 2020 are summarized below:

<b>Cash Flow Variance Analysis</b>			
<b>Thirty-One Week Period Ending November 20, 2020</b>			
<i>(\$ thousands)</i>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Operating Receipts</b>			
Sales	\$ 82,796	\$ 82,796	\$ -
<b>Total Operating Receipts</b>	<b>82,796</b>	<b>82,796</b>	<b>-</b>
<b>Operating Disbursements</b>			
Payroll and Benefits	21,807	22,045	(237)
Consultants and Contractors	5,001	6,172	(1,171)
Rent	906	867	39
Equipment Leases	6,177	6,388	(211)
Underground Mining Contractor	3,003	3,602	(599)
Travel	604	649	(45)
Insurance	3,926	5,026	(1,100)
IT & Software	3,255	3,271	(16)
IBA Payments	575	1,669	(1,093)
Power	941	1,144	(203)
Site Maintenance & Environment	2,325	3,670	(1,345)
CCAA Professional Fees	20,418	21,452	(1,034)
Critical Vendors Accounts Payable	2,510	2,409	101
Winter Road & Diesel Purchases	8,571	8,863	(292)
Net GST	(13,150)	(12,479)	(672)
Other	2,843	4,318	(1,476)
<b>Total Operating Disbursements</b>	<b>69,711</b>	<b>79,064</b>	<b>(9,353)</b>
<b>Startup Disbursements</b>			
Diesel Purchases / Freight	-	5,597	(5,597)
Other Winter Road consumables	560	2,347	(1,787)
<b>Total Startup Disbursements</b>	<b>560</b>	<b>7,943</b>	<b>(7,384)</b>
<b>Net Change in Cash from Operations</b>	<b>12,525</b>	<b>(4,212)</b>	<b>16,737</b>
<b>Financing</b>			
Intercompany Receipts / (Disbursements)	4,745	4,532	213
Interest & Bank Charges	(4,377)	(4,993)	616
DIP Facility Interest	(437)	(439)	2
Government Support Program	6,108	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>	<b>6,038</b>	<b>5,208</b>	<b>831</b>
<b>Net Change in Cash</b>	<b>18,564</b>	<b>996</b>	<b>17,568</b>
<b>Opening Cash</b>	<b>26,823</b>	<b>26,823</b>	<b>-</b>
<b>Ending Cash</b>	<b>\$ 45,387</b>	<b>\$ 27,819</b>	<b>\$ 17,568</b>

- a. Operating Disbursements are approximately \$9.4 million lower than forecast which is primarily due to timing differences which are expected to reverse in future periods; and
  - b. Startup Disbursements are \$7.4 million below forecast due to delays in certain fuel purchases until a decision is made with respect to timelines for a possible restart of mining operations and other timing differences in delivery of winter road consumables which are expected to reverse in the following weeks.
16. As at November 20, 2020, the Applicants have an ending cash balance of approximately \$45.4 million.
17. The Applicants, in conjunction with their financial advisors, are preparing an updated cash flow forecast to set out the liquidity requirements of the Applicants pending the completion of the transaction contemplated by the APA and reflecting the anticipated restart of the Ekati mine in early 2021. The Monitor will report on the updated cash flow forecast once finalized.

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All of which is respectfully submitted this 1<sup>st</sup> day of December, 2020.

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



Deryck Helkaa  
Senior Managing Director



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Senior Managing Director