

Court File No. 08-CL-7355

**TAHERA DIAMOND CORPORATION
AND BENACHEE RESOURCES INC.**

**FIFTH REPORT TO THE COURT OF A. FARBER &
PARTNERS INC. AS MONITOR**

May 4, 2009

ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

TAHERA DIAMOND CORPORATION
BENACHEE RESOURCES INC.

**NEW MONITOR'S FIFTH REPORT TO THE COURT SUBMITTED BY
A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On January 16, 2008, Tahera Diamond Corporation ("**Tahera**") and its wholly owned subsidiary, Benachee Resources Inc. ("**Benachee**") (collectively, referred to herein as the "**Applicants**" or the "**Company**"), made an application under the *Companies' Creditors Arrangement Act* (the "**CCAA**") and an initial order (the "**Initial Order**") was granted by the Honourable Mr. Justice Spence of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") providing for, *inter alia*, a stay of proceedings against the Company until February 14, 2008 (the "**Stay Period**") and appointing PricewaterhouseCoopers Inc. ("**PWC**") as monitor. By Order dated December 12, 2008 (the "**December 12 Order**") the Court, *inter alia*, appointed A. Farber & Partners Inc. as Monitor ("**Farber**" or the "**Monitor**") in place of PWC. The proceedings commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".
2. The Stay Period has been extended on a number of occasions since the date of the Initial Order and presently expires May 29, 2009.

3. On March 6, 2009 the Court granted an Order (the "**March 6 Order**") amongst other matters approving a Final Letter of Intent ("**Final LOI**") with AG Growth Income Fund (the "**AG Fund**") (originally ordered sealed but now able to be disclosed) as well as an interim DIP financing loan ("**AG DIP Loan**"), in an amount sufficient to allow time for due diligence to be completed under the Final LOI, a definitive agreement be entered into, and thereafter provide time to close a transaction. In addition, the March 6 Order extended the Stay Period to May 29, 2009.

4. On April 19, 2009 the Applicants and their advisors confirmed that they had entered into a definitive agreement with AG Fund, hereinafter referred to as the "**CBCA Arrangement Agreement**". The transaction contemplated in the CBCA Arrangement Agreement will also be referred to herein as the "**Transaction**".

5. On April 28, 2009, the Court granted and approved the CBCA Arrangement Agreement between Tahera, Benachee and the AG Growth Income Fund and the transaction contemplated therein with it contemplated that such transaction will close no later than June 30, 2009. The Transaction has been structured by the Applicants so that no creditor of the Applicant is prejudiced and additional financing is secured to provide improved prospects for re-opening the Jericho Mine for the benefit of all stakeholders including the creditors, as it may permit the Applicants to put forward a CCAA Plan. As part of the Transaction approve on April 28, 2009 a subsidiary of Tahera has been incorporated under the Canadian Business Corporations Act ("**Newco**"), which has been added as a debtor under the CCAA Proceedings.

6. In summary, this Transaction provides funding and time to move forward with the ultimate goal of a potential re-start or sale of the Jericho Mine. In addition, on April 28, 2009, the Court approved a Letter Agreement, pursuant to which Tahera engaged Cormark Securities Inc. as its financial advisor in connection with a potential transaction involving an equity or debt financing and/or direct or indirect sale or disposition of the Jericho Mine.

7. A more detailed chronology of events of the CCAA Proceedings is set out in Farber's Fourth Report dated April 24, 2009.

PURPOSE OF REPORT

8. The purpose of this, the Fifth Report to the Court of A. Farber & Partners Inc. (the "**Fifth Report**"), is to inform the Court of the following:
 - The Company's cash flow forecast for the period from April 12 to June 30, 2009 and adequacy of funding to allow time for the Transaction to be progressed towards a closing; and
 - Extension of the Stay Period from May 29 to June 30, 2009.

TERMS OF REFERENCE

9. In preparing this Fifth Report, the Monitor has relied upon unaudited, internally prepared financial information, the Applicant's records and discussions with management of the Applicant. The Monitor has not performed an audit, review or other verification of such other information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this report is based on the Company's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material. Unless otherwise stated, dollars referenced in these materials are in Canadian funds.

CBCA ARRANGEMENT AGREEMENT STATUS

10. As previously reported, the finite cash resources and liquidity of the Company, the life blood of any restructuring, were constraining factors in any effort to provide time to effect a transaction related to realization of non-strategic assets, to in turn secure additional financing to provide more time to fully explore the ultimate goal of restarting of the Jericho Mine. A restart of the Jericho Mine, by

way of a refinancing and recapitalization or sale or a combination thereof, would prospectively be for the benefit of all stakeholders, including the creditors as it may permit the Company to put forward a CCAA Plan.

11. The Company summarized this approach in the form of two goals: (i) the first to close the transaction contemplated by the Final LOI, through realization of non strategic assets, and coincident with and as part of a transaction, securing sufficient and immediate financing to allow the Final LOI transaction to close; and (ii) second to secure additional financing to permit a restart of the Jericho Mine.
12. Since approval of the CBCA Arrangement Agreement, the Monitor has continued to liaise with the Applicants and their advisors and based on that review confirm that there remains reasonable prospects that the Transaction can be successfully completed and closed by an outside date of June 30, 2009.

AG DIP FUNDING

13. A critical component of the Final LOI was the financing component. AG Fund agreed to provide immediate DIP Financing to Tahera on a priority basis. Specifically AG Fund agreed to cause a subsidiary to loan to Tahera:
 - \$100,000 upon signing the Final LOI;
 - \$100,000 when the due diligence condition was satisfied and a definitive agreement signed; and
 - \$100,000 every two weeks thereafter up to a maximum amount of \$500,000.
14. As a result of the previously reported extension of the due diligence timeline from March 31, 2009 to April 15, 2009, further costs are required to be funded prior to completion of the Transaction. To address this factor, the Company and its advisors successfully negotiated an increase of the AG Fund DIP Loan from

\$500,000 to \$700,000. All other terms of the AG DIP Loan remain the same (as that approved in the March 6 Order).

15. Related to the AG DIP Loan under the Final LOI, was a further DIP Loan Commitment from the senior secured lender CAZ Petroleum Inc. (“CAZ”) (the “CAZ DIP Loan”), which contemplates additional financing of up to \$5 million on a priority basis, which was also approved in the March 6 Order. Funding by CAZ under the CAZ DIP Loan commences upon closing of the Transaction with AG Fund, with CAZ acquiring the AG DIP Loan (projected to be \$700,000 at closing), and directing cash proceeds received from the AG transactions to settle this loan. CAZ has advised that it intends thereafter to make further advances to Tahera to advance the process of restarting the Jericho Mine.

CASHFLOW OUTLOOK

16. The Company has prepared a revised cash flow forecast for the period April 12 to June 30, 2009 (the “June 30 Forecast”) which is attached hereto as Appendix A. The June 30 Forecast shows an opening cash position of \$365,722 with a projected balance of \$85,997 at June 30, 2009. During this time six further \$100,000 tranches of the AG DIP Loan are forecast to provide total advances under the AG DIP facility of \$700,000. Additionally, \$34,000 in proceeds are expected to be received by the Company related to the sale of office furniture and equipment related to the Toronto office location.
17. Based on a review of the June 30 Forecast there appears to be sufficient cash reserves to continue the CCAA Proceedings through to June 30, 2009, the stated outside date that the Transaction is scheduled to close.

REQUEST FOR EXTENSION OF STAY OF PROCEEDINGS

18. Based on the positive progress made on the CBCA Arrangement Agreement to date, the fact the Court has already approved the CBCA Arrangement Agreement with an outside closing date of June 30, 2009 and the view of the

Monitor that the Applicants and advisors are acting with good faith and due diligence, the Monitor is of the view that an extension of the Stay Period to June 30, 2009 is warranted and appropriate. Further, the Monitor is satisfied that access to the AG DIP Loan provides sufficient cash flow resources to continue the CCAA Proceedings through to June 30, 2009.

CONCLUSION AND RECOMMENDATIONS

19. Having regard to the above, the Monitor recommends this Honourable Court approve the extension of the Stay Period to June 30, 2009.

The Monitor respectfully submits to the Court this, its Fifth Report.

Dated this 4th day of May, 2009.

A. Farber & Partners Inc.
in its capacity as Monitor of
Tahera Diamond Corporation
and Benachee Resources Inc.

A. Farber & Partners Inc.

APPENDIX A

TAHERA - CASH FLOW FORECAST: APRIL 12 TO JUNE 30, 2009

Account Description	Days per week																							
	7	7	7	7	7	7	7	7	7	7	7	7	7	7										
	12-Apr-09	19-Apr-09	26-Apr-09	3-May-09	10-May-09	17-May-09	24-May-09	31-May-09	7-Jun-09	14-Jun-09	21-Jun-09	28-Jun-09	18-Apr-09	25-Apr-09	2-May-09	9-May-09	16-May-09	23-May-09	30-May-09	6-Jun-09	13-Jun-09	20-Jun-09	27-Jun-09	30-Jun-09
CASH INFLOWS																								
Other Cash Flow	634,125	-	100,000	-	134,125	-	100,000	-	100,000	-	100,000	-	100,000	100,000	-	-	-	-	-	-	100,000	100,000	-	100,000
TOTAL CASH INFLOWS	913,650	139,268	137,678	61,463	59,888	27,863	12,638	68,288	35,475	210,929	77,600	16,575	66,188											
TOTAL JERICHO OPERATION																								
Regulatory	330,282	-	85,928	-	-	-	-	-	-	-	194,354	-	-	-	-	-	-	-	-	-	-	50,000	-	-
Other Overhead	330,282	-	85,928	-	-	-	-	-	-	-	194,354	-	-	-	-	-	-	-	-	-	-	50,000	-	-
CORPORATE COSTS																								
Labour	210,658	53,658	3,500	30,250	11,250	15,750	1,250	34,250	3,000	5,000	15,500	5,000	32,250											
Salaries	75,000	12,500	-	12,500	-	12,500	-	12,500	-	12,500	12,500	-	12,500											
Office & General	75,000	12,500	-	12,500	-	12,500	-	12,500	-	12,500	12,500	-	12,500											
IT	56,550	32,550	3,500	1,250	1,250	1,250	1,250	5,250	1,250	1,250	1,250	1,250	1,250											
Other	5,250	250	2,500	250	250	250	250	4,000	250	250	250	250	250											
Regulatory	15,500	7,500	-	-	-	-	-	4,000	-	-	-	-	4,000											
Other Expenses	35,800	24,800	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000											
Vancouver Rent	18,858	6,608	-	1,750	-	-	-	1,750	-	-	1,750	1,750	1,750											
Jericho Project Review	60,250	2,000	-	14,750	10,000	2,000	-	14,750	-	-	14,750	2,000	2,000											
Other	23,250	-	-	7,750	-	-	-	7,750	-	-	7,750	-	7,750											
Interest (Income) / Expense	15,000	-	-	5,000	-	-	-	5,000	-	-	5,000	-	5,000											
Other	22,000	2,000	-	2,000	10,000	2,000	-	2,000	-	-	2,000	-	2,000											
INTEREST (INCOME) / EXPENSE	(30,847)	(11,047)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)											
PROFESSIONAL FEES																								
Monitor Costs	374,500	89,500	47,500	30,000	47,500	12,500	12,500	32,500	32,500	12,500	12,500	12,500	12,500											
Legal Costs	50,000	5,000	7,500	10,000	7,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500											
Advisors	254,500	69,500	35,000	15,000	35,000	5,000	5,000	25,000	25,000	5,000	5,000	5,000	5,000											
Other	70,000	15,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000											
KERP PAYMENTS																								
GST	29,258	7,158	2,550	3,013	2,938	1,413	688	3,338	1,775	875	1,400	875	875											
NET CASH FLOW	(279,725)	(139,268)	(37,678)	(61,463)	74,238	(27,863)	87,363	(68,288)	64,525	(210,929)	22,400	(16,575)	33,813											
OPENING CASH	365,722	365,722	226,454	188,776	127,313	201,551	173,688	261,051	192,763	257,288	46,359	68,759	52,184											
ENDING CASH	85,997	226,454	188,776	127,313	201,551	173,688	261,051	192,763	257,288	46,359	68,759	52,184	85,997											