

Court File No. 08-CL-7355

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

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

March 26, 2010

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 TENTH 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. ("**Old Benachee**") (collectively referred to herein as the "**Applicants**" or the "**Companies**", which terms shall include, where the context requires, Newco (defined below)), made an application under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). On such date, 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 Companies 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 Companies 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 is scheduled to expire on March 31, 2010.
3. On March 6, 2009, the Court granted an order (the “**March 6 Order**”), *inter alia*, approving a final letter of intent (the “**Final LOI**”) with AG Growth Income Fund (“**AG Fund**”) (originally ordered sealed but now able to be disclosed) in respect of a transaction to realize on certain non-strategic tax losses. The Final LOI provided for an interim DIP financing loan (the “**AG DIP Loan**”) from AG Fund in an amount sufficient to allow time for due diligence to be completed under the Final LOI, a definitive agreement be entered into, and to close a transaction.
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 be referred to herein as the “**AG Transaction**”.
5. On April 28, 2009, the Court granted an order approving the CBCA Arrangement Agreement between Tahera, Benachee and AG Fund and the transaction contemplated therein (the “**April 28 Order**”). Pursuant to the CBCA Arrangement Agreement, the AG Transaction was to close no later than June 30, 2009.
6. As part of the AG Transaction approved in the April 28 Order, a subsidiary of Tahera, 7166893 Canada Ltd. (“**Newco**”), was incorporated under the *Canadian Business Corporations Act* (“**CBCA**”). The CBCA Arrangement Agreement contemplates, as a step in the AG Transaction, and the April 28 Order gives effect to, a transfer and vesting of the assets of Old Benachee to Newco and an assumption by Newco of the liabilities of Old Benachee (save for certain intercompany indebtedness). The April 28 Order also added Newco as a debtor in the CCAA Proceedings, subject to the appointment of the Monitor and all of the protections of the stay of proceedings in the Initial Order.

7. On May 8, 2009, an order was made extending the Stay Period to June 30, 2009 to permit, *inter alia*, the AG Transaction to be completed. On that same date, in separate proceedings brought under the CBCA by certain AG Fund related entities, an interim order was obtained under the CBCA addressing the manner in which security holders of AG Fund would meet and vote on the CBCA Plan of Arrangement contemplated in the AG Transaction.
8. On June 3, 2009, the Court granted a final order approving the Plan of Arrangement under the CBCA relating to the AG Transaction. The AG Transaction was completed on that same date.
9. Through the AG Transaction, the Companies met their stated initial goal of realizing on their non-strategic tax assets. Completing the AG Transaction has provided the Companies with a source of funding and additional time to move forward with the stated ultimate goal in these CCAA Proceedings: a potential re-start or sale of a certain mining property, hereinafter referred to as the “**Jericho Mine**”. As part of that objective, pursuant to a April 28 Order, the Court approved a letter agreement, pursuant to which Tahera engaged Cormark Securities Inc. (“**Cormark**”) 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.
10. By order dated June 17, 2009, the Court replaced the former Chief Restructuring Officer, 2192640 Ontario Inc. with a new Chief Restructuring Officer, 2208932 Ontario Inc., (the “**CRO**”), of which Mr. Thomas Pladsen is the controlling shareholder, officer and director.
11. Since late September 2009, the Companies, in concert with various advisors, have undertaken and completed an extensive review of the Jericho Mine and adjacent properties and have finalized mining and business plans and engineering reports (collectively, the “**Mining Plan**”). Following completion of the Mining Plan, the Companies and their advisors began to actively pursue a potential transaction

involving debt or equity financing and/or the direct or indirect sale or other disposition (a "**Mine Transaction**") of the Jericho Mine.

12. On December 9, 2009, the Court granted an extension of the Stay Period to March 31, 2010 to allow the Companies and their advisors to actively pursue a potential Mine Transaction. In addition, the Court authorized and approved a Purchase and Sale Agreement between Golden River Resources Corporation and Golden Bull Resources Corporation (together "**Golden River**") effective December 18, 2009 (the "**Golden River Sale Agreement**"), subject to a further supplementary Report from the Monitor as to the fairness and reasonableness of the consideration for that transaction, to be submitted by January 30, 2010.
13. The Monitor engaged an independent mining consulting firm, Micon International Limited ("**Micon**"), to conduct a review as to the fairness and reasonableness of the consideration offered under the Golden River Sale Agreement. In Micon's opinion, the consideration offered to acquire Tahera's interest in any gold, silver or base metals, fell within the range of market values for such assets and is fair and reasonable. Having regard to the Micon opinion, the Monitor was satisfied that the consideration pursuant to the Golden River Sale Agreement was fair and reasonable and reported to the Court as much in its supplementary report to the Eighth Report, dated January 28, 2010. The transaction with Golden River is expected to close on March 31, 2010.
14. With respect to the Jericho Mine, the Companies developed a formal Sale Process, inviting offers for either a sale *en bloc* to facilitate a going concern reopening or, alternatively, a liquidation, in whole or in part, of the mine (the "**Sale Process**"). The Sale Process contemplated a broad canvassing of the market which included posting documents on the Companies' website, placing advertisements in major publications, contacting potential purchasers, and arranging site visits to the Jericho Mine. The Sale Process provided that offers would be accepted until March 1, 2010 (the "**Offer Deadline**"), a bid would be selected by March 8, 2010 and a closing would occur by March 30, 2010.

15. On January 15, 2010, this Honourable Court approved and authorized the Companies to conduct the Sale Process (the “**Sale Process Order**”).

PURPOSE OF REPORT

16. The purpose of this, the Tenth Report to the Court of A. Farber & Partners Inc. (the “**Tenth Report**”), is to report to the Court the following:
 - (a) the status of the Sale Process and in particular the Companies’ efforts to canvass the market and attract interested parties;
 - (b) the Companies’ cash flow projections versus actual results for the period December 12, 2009 to March 26, 2010;
 - (c) the Companies’ cash flow forecast for the period from March 27, 2010 to May 15, 2010 and the adequacy of funding to allow the Companies to continue their efforts to pursue a Mine Transaction; and
 - (d) the Companies’ request for an extension of the Stay Period from March 31, 2010 to May 14, 2010.

TERMS OF REFERENCE

17. In preparing this Tenth Report, the Monitor has relied upon unaudited, internally prepared financial information, the Applicants’ records and discussions with management of the Applicants. 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 Companies’ 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.

SALE PROCESS

18. An update of the Sale Process is set out in detail in the Affidavit of Thomas Pladsen, sworn on March 24, 2010 (the "**Extension Affidavit**"), which was filed in support of the Companies' motion dated March 30, 2010.
19. The Monitor has reviewed the description of the Sales Process contained in the Extension Affidavit, commencing at paragraph 13 thereof, and confirms that such description comports with the Monitor's observations and understanding of the same.
20. As a result of the Sale Process, three parties expressed interest in making a proposal for the Jericho Mine but did not submit formal offers by the Offer Deadline. There was, however, one offer received for the purchase of certain miscellaneous equipment at a remote exploration camp. The Companies were of the opinion that this offer was too low and not worth pursuing.
21. Meanwhile, the three interested parties advised the Companies that they did not have sufficient time to conduct due diligence prior to the Offer Deadline. At present, the Monitor has been advised by the Companies that a fourth party has expressed an interest in the Jericho Mine and that the original three interested parties are each currently conducting due diligence.
22. Of the parties conducting due diligence, we have been advised by the Companies that one has submitted a financing proposal and another is in the process of drafting a formal proposal for the Companies' review. The third has entered into a formal confidentiality agreement with the Companies.
23. The Companies expect that the interested parties will require at least 30 days from the date hereof to complete their due diligence and present formal offers. The Companies, therefore, request an extension to May 14, 2010.

ACTUAL CASH FLOW DECEMBER 12, 2009 TO MARCH 26, 2010

24. The Companies' actual cash flows for the period from December 12, 2009 to

March 26, 2010 compared to the forecast of the same (which forecast was attached as Appendix "1" to the Monitor's Eighth Report), may be summarized as follows (all amounts in Canadian dollars, unless otherwise noted):

TAHERA CARE & MAINTENANCE WEEKLY BUDGET
Comparison of Cash Flows - Previous Filing to
Actual
December 12, 2009 to March 26, 2010

Account Description	Projected Cash Flow	Actual Cash Flow	Difference
CASH INFLOWS	150,000	74,995	(75,005)
SALE OF ASSETS	-	74,995	74,995
DIP LOANS	150,000		(150,000)
TOTAL CASH OUTFLOW	289,005	441,398	(152,393)
TOTAL JERICHO OPERATION	70,190	92,182	(21,992)
CORPORATE COSTS	120,086	186,852	(66,766)
Labour	25,000	38,125	(13,125)
Office & General	20,155	18,916	1,239
IT/Accounting	2,655		2,655
Rent / Storage	6,000	14,591	(8,591)
Other	11,500	4,325	7,175
Audit, Legal, Consulting	12,000	13,685	(1,685)
Regulatory	-	71,396	(71,396)
Other Expenses	62,931	44,730	18,201
INTEREST (INCOME) / EXPENSE	-	(4,821)	4,821
PROFESSIONAL FEES	98,729	167,185	(68,456)
NET CASH FLOW	(139,005)	(366,403)	(227,398)
OPENING CASH	180,383	180,383	-
Accruals included in expenditures	45,000	195,671	150,671
ENDING CASH	86,378	9,651	(76,727)

25. Effective March 26, 2010 the cash held by the Companies was \$9,651, compared to the forecast of \$86,378.
26. Cash inflows of \$74,995 related entirely to the sale of certain share certificates of Vault Minerals Inc., owned by the Companies.
27. Expenses of \$441,398 exceeded projected expenses of \$289,005 due mainly to two factors. Firstly, the Companies paid \$71,396 of unprojected legal and bank fees to TD Bank. This payment reimbursed TD Bank for costs it incurred when Indian and Northern Affairs Canada drew down on approximately \$1.7 million of a letter of credit securing claims of the Jericho Mine. Secondly, professional fees of \$167,185 were \$68,456 above the forecast. It should be noted that the original budget contemplated the sales process would take place in April and May, but it actually took place in February and March, thus resulting in higher professional fees during that time period. \$195,671 in the expenses have not been paid. The Companies' cash balance, as at March 26, 2010, is \$9,651.
28. Caz DIP Loans advanced as of the date of this Tenth Report total of approximately \$1.5 million.

CASH FLOW OUTLOOK

29. The Companies have prepared a revised cash flow forecast for the period March 27, 2010 to May 15, 2010 (the "**Revised Forecast**") which is attached hereto as **Appendix "A"**. The Revised Forecast shows an opening cash position of \$9,651 with a projected balance of \$32,154 at May 15, 2010. During this time, a further \$100,000 is expected to be advanced under the Caz DIP Loan. This would provide total advances under the Caz DIP Loan of approximately \$1.6 million. In addition, the Revised Forecast anticipates the completion of the Golden River Sale Agreement and related proceeds of \$264,000 during the forecast period. The Revised Forecast in April and May 2010 contemplates that a total of \$145,000 in professional fees will be incurred in relation to a Mine Transaction, with recovery

of such costs assumed to flow from resulting sales proceeds.

30. Based on a review of the Revised Forecast, there appears to be sufficient cash to continue the CCAA Proceedings through to May 15, 2010 to facilitate the Companies' pursuit of a Mine Transaction and, in turn, provide prospects for the filing and completion of a CCAA Plan.

MONITOR'S ASSESSMENT OF THE PROPOSED EXTENSION

31. As part of assessing the appropriateness of the proposed extension, Farber has reviewed the Extension Affidavit filed in support of the same, consulted with the Companies and their advisors, including Cormark. Farber has also considered the extent of the previous marketing process, undertaken in 2008 as part of the CCAA Proceeding. In view of the forgoing, the market for a transaction involving the Jericho Mine has been canvassed extensively. Commentary on the Monitor's assessment of the proposed Sale Process is set out below.
32. Although, the March 1, 2010 deadline for the submission of offers did not result in any offers for the Jericho Mine, the Monitor notes the following in support of granting a further extension:
 - (a) three parties expressed interest in the Jericho Mine prior to the deadline but each indicated that there was insufficient time to conduct due diligence;
 - (b) subsequent to the deadline, a fourth party has expressed interest in the Jericho Mine;
 - (c) of the four interested parties, three are currently conducting due diligence;
 - (d) the Companies and their advisors are both of the opinion that the additional time requested will provide sufficient time to identify and enter into a formal letter of intent;

- (e) the Companies achieved success on realizing on the value of Old Benachee's non-strategic assets in 2009;
- (f) the Monitor is of the view the Companies and advisors are acting in good faith, with due diligence and in accordance with the Sale Process Order;
- (g) the Monitor has confirmed directly with Caz that it will continue to provide DIP financing to support the Companies, if necessary; and
- (h) the Monitor believes, given Caz's support and the finite extension requested, that no creditor will be prejudiced if the extension is granted.

RECOMMENDATIONS

33. Having regard to the above, the Monitor recommends that this Honourable Court approve the proposed extension.

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

Dated this 26 day of March, 2010.

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

A. Farber & Partners Inc.

APPENDIX "A"

**CASH FLOW FORECAST
FOR THE PERIOD MARCH 27, 2010 TO MAY 15, 2010**

Appendix A - "Revised Forecast"

TAHERA CARE & MAINTENANCE WEEKLY BUDGET

	51	52	53	54	55	56	57
Current Budget - Week	116	117	118	119	120	121	122
Week from Filing	8	7	7	7	7	7	7
Days per week							
Account Description	27-Mar-10	4-Apr-10	11-Apr-10	18-Apr-10	25-Apr-10	2-May-10	9-May-10
	3-Apr-10	10-Apr-10	17-Apr-10	24-Apr-10	1-May-10	8-May-10	15-May-10
CASH INFLOWS		100,000		66,000	66,000	66,000	66,000
SALE OF ASSETS				66,000	66,000	66,000	66,000
DIP LOANS		100,000					
TOTAL CASH INFLOW		100,000		66,000	66,000	66,000	66,000
TOTAL CASH OUTFLOW	39,000	35,000			31,500		90,000
TOTAL JERICHO OPERATION							
Overhead							
CORPORATE COSTS							
Labour	19,000				31,500		
Salaries (CRO)					12,500		
Office & General					12,500		
Rent	3,500				3,500		
IT/Accounting							
Rent / Storage	1,500				1,500		
Other	2,000				2,000		
Audit, Legal, Consulting	3,000				3,000		
Regulatory							
Travel (Corporate)							
Other Expenses	12,500				12,500		
Vancouver Rent	12,500				12,500		
Insurance							
Jericho Project Review							
Other							
INTEREST (INCOME) / EXPENSE							
PROFESSIONAL FEES	20,000	35,000					90,000
Monitor Costs		10,000					20,000
Legal Costs (TGF)		15,000					30,000
Legal Costs (MD)	20,000	10,000					40,000
KERP PAYMENTS							
NET CASH FLOW	(39,000)	65,000		66,000	34,500	66,000	(24,000)
OPENING CASH	9,651	651	28,039	1,696	39,475	46,066	84,106
Accruals included in expenditures (payment of accruals)	30,000	(37,612)	(26,343)	(28,221)	(27,908)	(27,960)	(27,952)
ENDING CASH	651	28,039	1,696	39,475	46,066	84,106	32,154