

Court File No. 08-CL-7355

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

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

December 7, 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 EIGHTH 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 presently expires December 10, 2009.
3. On March 6, 2009 the Court granted an order (the “**March 6 Order**”), *inter alia*, approving a Final Letter of Intent (“**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 (“**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 29 Order 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, 2008 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 last the Monitor’s last report to the Court on September 22, 2009, the Companies, in concert with various advisors, have undertaken and completed an extensive review of the Jericho Mine and adjacent properties, to finalize mining and business plans and engineering reports (collectively, the “**Mining Plan**”). Now that the Mining Plan is completed, the Companies and their advisors wish 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.

PURPOSE OF REPORT

12. The purpose of this, the Eighth Report to the Court of A. Farber & Partners Inc. (the “**Eighth Report**”), is to inform the Court of the following:

- the status of the Jericho Mine and in particular the Companies’ efforts to finalize a mining plan to move forward with a Mine Transaction for the Jericho Mine;
- the Companies’ receipts and disbursements for the period September 1, 2009 to December 5, 2009;
- the Companies’ cash flow forecast for the period from December 5, 2009 to May 31, 2010 and the adequacy of funding to allow the Companies to continue its efforts to pursue a Mine Transaction for the Jericho Mine;
- authorizing approval of a sales agreement dated December 3, 2009 (the “**Sales Agreement**”) among the Companies, Golden River Resources Corporation (“**Golden River**”) and Golden Bull Resources Inc.; and
- the Companies’ request for an extension of the Stay Period from December 10, 2009 to May 31, 2010.

TERMS OF REFERENCE

13. In preparing this Eighth 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.

JERICHO MINE STATUS

14. The Companies' progress towards finalizing a Mining Plan so the companies can move forward to affect a Mine Transaction for the Jericho Mine, is set out in detail in the Affidavit of Thomas Pladsen dated December 3, 2009 (the "**Pladsen Affidavit**"), filed in support of the Companies' motion.
15. In summary, the Companies engaged Procon Mining and Tunnelling (which would undertake the ultimate mining project if the determination is made to re-start operations), SRK Consulting (a mining engineering consulting firm), AMEC Engineering (a mill designer and operator), and MDJ Consulting (an independent company specializing in resource geology), for the purpose of creating new mining and business plans and engineering plans in respect of an eventual re-start of the Jericho Mine. These activities were completed in November 2009, culminating in finalization of the Mining Plan.
16. The Mining Plan addresses all aspects of the underground mining at the Jericho Mine, including updates with respect to the resources, the mine design, costing and scheduling, infrastructure and processing plants, waste management, economics and mine closure.
17. With the Mining Plan finalized, the Companies, its advisors and Cormark have commenced actively pursuing a Mining Transaction. Cormark has initiated a marketing process, identifying potential purchasers and possible transactions based on the outcome of the Mining Plan.
18. Through discussion with the Companies' advisors and Cormark it is confirmed that the ultimate structure of the pursuit of a Mine Transaction is unknown and it is difficult to formulate the most appropriate marketing process with any precision at this time. The Monitor is advised that the nature and extent of the marketing

process will depend in part on the recovery of the diamond market and the outlook in North American and global economy.

19. The Monitor's enquiries directly with Cormark confirm that the market for raising capital to finance diamond exploration has improved dramatically over the past month, following a period of next to no activity through late 2008 and most of 2009.
20. Cormark advises that, with the Mining Plan now in hand, it can formally canvass the market for interested parties. However, Cormack advises that it has already been in contact with 15 parties on an informal basis.
21. It is the Companies' intention to consider all options available to them to structure the best possible transaction for a re-start of the Jericho Mine.
22. As reported in the Pladsen Affidavit, Indian and Northern Affairs Canada ("INAC") has completed the winterization and temporary closure of the Jericho Mine site. The Companies and their advisors have recently met with INAC and engaged in discussions with respect to the Mining Plan and the anticipated reopening of the Jericho Mine. INAC, the Monitor is advised, is supportive of the ongoing efforts of the Companies and its advisors regarding that goal.

ACTUAL CASH FLOW SEPTEMBER 1, 2009 TO DECEMBER 4, 2009

23. The Companies' actual cash flows for the period from September 1 to December 5, 2009 compared to the forecast for the same period and attached as Appendix 1 to the Monitor's Seventh Report, are summarized as follows (all amounts in Canadian dollars, unless otherwise noted):

TAHERA - Actual Cash Flow
Comparison of Cash Flows - Previous Filing to Actual
September 1, 2009 to December 5, 2009

Account Description	Projected Cash Flow	Actual Cash Flow	Difference
CASH INFLOWS	400,000	420,000	20,000
DIP LOANS	400,000	420,000	20,000
TOTAL CASH OUTFLOW	463,265	451,984	11,280
TOTAL JERICHO OPERATION	202,500	264,890	(62,390)
Overhead	202,500	264,890	(62,390)
Camp	-	-	-
Travel	-	-	-
Environmental	-	-	-
Technical Assessment	202,500	264,890	(62,390)
Other Overhead	-	-	-
CORPORATE COSTS	118,477	107,581	10,896
Labour	45,879	46,137	(258)
Office & General	27,448	29,841	(2,393)
Audit, Legal, Consulting	7,650	1,650	6,000
Regulatory	-	-	-
Other Expenses	37,500	29,953	7,547
INTEREST (INCOME) / EXPENSE	-	(13,776)	13,776
PROFESSIONAL FEES	142,288	93,289	48,999
NET CASH FLOW	(63,265)	(31,984)	31,280
OPENING CASH	72,208	72,208	-
Outstanding cheques per August 31, 2009 bank reconciliation	-	(69,480)	(69,480)
Accruals included in expenditures	-	209,639	209,639
ENDING CASH	\$ 8,944	\$ 180,383	\$ 171,439

24. Effective December 4, 2009 the cash held by the Companies was \$180,383 compared to the December 2009 Forecast of \$8,944.

25. The DIP Loans advanced were \$420,000 compared to forecast of \$400,000. There were, however, certain additional costs incurred over and above those costs forecast. These additional costs related primarily to additional geological analysis work conducted at the Jericho Mine and adjacent properties, to help assess reserve levels. Professional fees were lower than forecast, due to less activity on the sales process than originally contemplated as further work and analysis was required to complete the Mining Plan, which has had the effect of delaying the start of a formal sale process.
26. Caz DIP Loans¹ advanced as of December 4, 2009 total \$1.6 million, comprising \$1.1 million advanced since June 14, 2009, plus the original AG DIP Loan assigned to Caz of \$500,000.

CASH FLOW OUTLOOK

27. The Companies have prepared a revised cash flow forecast for the period December 15, 2009 to May 30, 2010 (the “**May 2010 Forecast**”) which is attached hereto as Appendix 1. The May 2010 Forecast shows an opening cash position of \$180,383 with a projected balance of \$5,878 at May 31, 2010. During this time a further \$200,000 is expected to be advanced under the Caz DIP Loan. This would provide total advances under the Caz Dip Loan of \$1.8 million. In addition, the May 2010 Forecast in April and May 2010 contemplates that a total of \$200,000 in legal costs will be incurred related to a Mine Transaction, with recovery of such costs, assumed to flow from sales proceeds resulting from a Mine Transaction to closing at the end of May 2010.
28. Our review with Caz confirms it remains supportive of the process to pursue a Mine Transaction for the Jericho Mine and the Stay Extension being requested.

¹ Caz Petroleum Inc. (“**Caz**”) is the senior secured creditor in these proceedings. Caz entered into a DIP Loan commitment with the Companies (“**Caz Dip Loans**”) more particularly described in the Sixth Report dated June 15, 2009, filed with the Court. In addition, as set out in the Sixth Report, the AG Dip Loan in the amount of \$500,000, was pursuant to an assignment agreement dated June 3, 2009 assigned to Caz.

29. Based on a review of the May 2010 Forecast there appears to be sufficient cash reserves to continue the CCAA Proceedings through to May 31, 2010 to facilitate the Companies' pursuit of a Mine Transaction and, in turn, provide prospects for the filing and completion of a CCAA Plan.
30. The Companies and their advisors indicate that the Companies anticipate returning to Court in three to four months to present a Mine Transaction for approval and thereafter to proceed to closing of such transaction through April and May 2010.

GOLDEN RIVER TRANSACTION

31. The Pladsen Affidavit filed in support of the Companies' motion provides details on a Sales Agreement negotiated with Golden River and an affiliated entity of Golden River.
32. As discussed in the Pladsen Affidavit, the foundation of the Sales Agreement is a proposed transaction, contemplated by the Companies and Golden River in 2008. This proposed transaction predates the Monitor's appointment in these proceedings. The Monitor understands that, on June 24, 2008, the parties entered into a letter agreement for the sale of certain properties.
33. In connection with the proposed transaction, the Monitor understands that Golden River committed significant resources conducting due diligence and taking other preparatory steps, including providing \$86,296 in funds to Tahera for the purpose of financing assessments of the property and providing additional liquidity to Tahera (as discussed in the Pladsen Affidavit). Notwithstanding the foregoing, the proposed transaction did not close.
34. Since such time, culminating in the autumn of 2009, the parties continued to discuss the terms of an agreement. On December 3, 2009, Tahera and Golden River executed the Sales Agreement, pursuant to which Golden River has agreed

to purchase certain exploration properties for the following consideration: (i) CDN \$74,7034 being the amount payable by Tahera to NTI in lieu of assessment work on the Exploration Properties; (ii) reimbursement for legal expenses incurred by the Companies in connection with the Sale Agreement and transaction contemplated thereby, up to a maximum of \$20,000; and, (iii) 3,000,000 shares in the common stock of Golden River.

35. But for the valuation of the Golden River shares, the transaction contemplated by the Sales Agreement would be well below the threshold requiring Court approval, as set out in the Initial Order. Golden River shares trade on the OTC Bulletin Board market in the United States. The last trade was USD\$0.16 (or approximately CDN\$0.17). This results in an indicative value for the three million Golden River shares of \$510,000. Accordingly, the Companies seek the Court's approval of the Sales Agreement and the transaction contemplated thereby (which approval is also a condition of the Sales Agreement).
36. The Monitor's review and enquiry confirm that Golden River's interest in acquiring the properties arises, at least in part, from the fact that they have invested significant time and resources in connection with the same. The Monitor is advised by the Company and is satisfied that no other potential purchaser for these properties has presented itself or is readily apparent; and, it is highly unlikely that such a party (if in existence) would or could conduct the extensive due diligence conducted by Golden River within an appropriate time frame.
37. In view of the foregoing, and as the Monitor is satisfied that (a) the transaction contemplated by the Sales Agreement will not adversely affect the integrity of Tahera's mining operations and, (b) the transaction has the support of the senior secured creditor, the Monitor recommends that the Court approve the Sales Agreement and the transaction contemplated thereby.

REQUEST FOR EXTENSION OF STAY OF PROCEEDINGS

38. Based on the positive progress made to date, including the Companies' and their advisors' efforts to finalize the Mining Plan coincident with commencement of

marketing activities to identify potential purchasers/investors, the Monitor believes the Companies and their advisors are acting in good faith and with due diligence and that an extension of the Stay Period to May 31, 2010 is appropriate.

39. Further, the Monitor is satisfied that access to the Caz DIP Loan provides sufficient cash flow resources to continue the CCAA Proceedings through to May 31, 2010.

CONCLUSION AND RECOMMENDATIONS

40. Having regard to the above, the Monitor recommends that this Honourable Court approve:

- the extension of the Stay Period to May 31, 2010; and
- the Sales Agreement.

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

Dated this 7th day of December 2009.

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

A. Farber & Partners Inc.,