

EXTENSION OF THE STAY PERIOD

44. Pursuant to the October 1 Order, the Stay Period expires on November 28, 2008. The Applicants are now seeking an extension of the Stay Period to December 12, 2008.
45. Notwithstanding the Company will not be able to propose a plan of arrangement to its creditors under the CCAA, the Company requires a brief period of additional time to take the appropriate steps to wind down the Company's operations on an orderly basis and in order to provide INAC with sufficient time to prepare for a possible Intervention. The Monitor believes that an extension of the Stay Period is needed to provide the stability required during that time and further believes that the most cost-effective and efficient alternative available to the Company is a brief continuation of the CCAA Proceedings, to enable the CRO to oversee these matters.
46. At the current time:
 - i) the Plan Sponsorship Agreement has terminated;
 - ii) the Company is not aware of any viable alternatives available to it with respect to the funding of ongoing operations;
 - iii) the Cash Reserves will be exhausted by mid to late December and, at that time, the Company will have no ability to continue to operate; and
 - iv) in the absence of a plan of arrangement, it is virtually certain that unsecured creditors will not recover any amounts owed to them by the Company.
47. Accordingly, the Monitor is of the view that, based on the information currently available, the Company's creditors would not be materially prejudiced by an extension of the Stay Period to December 12, 2008.

48. The Monitor believes that the Applicants have acted and are acting in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate. Further, the Monitor believes that an extension of the Stay Period is advisable, in the circumstances, in order to enable the Company to wind down its operations and assist the Minister with respect to the Intervention on an orderly basis. Therefore respectfully recommends that the Applicants' request for an extension of the Stay Period to December 12, 2008, be granted.
49. The Monitor respectfully submits to the Court this, its Eighth Report.

Dated this 26th day of November 2008

PricewaterhouseCoopers Inc.
in its capacity as Monitor of
Tahera Diamond Corporation
and Benachee Resources Inc.

A handwritten signature in black ink, appearing to read 'Gregory Prince', written in a cursive style.

Gregory Prince
Senior Vice President

Court File No. 08-CL-7355

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

**MONITOR'S SEVENTH REPORT TO THE COURT
September 26, 2008**

**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.

**SEVENTH REPORT TO THE COURT SUBMITTED BY
PRICEWATERHOUSECOOPERS 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") granting, *inter alia*, a stay of proceedings against the Company until February 14, 2008 (the "Stay Period") and appointing PricewaterhouseCoopers Inc. as monitor (the "Monitor"). 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. Pursuant to the Order of the Honourable Mr. Justice Morawetz granted June 26, 2008 (the "June 26 Order"), the Stay Period currently expires on September 30, 2008.
3. The Marketing Process, as defined in the Monitor's first report to the Court (the "First Report"), was approved pursuant to the Order of the Honourable Madam Justice Pepall made February 22, 2008 (the "Marketing Process Order").

4. The purpose of this, the Monitor's seventh report (the "Seventh Report"), is to inform the Court of the following:
- (i) the Company's receipts and disbursements for the period February 24 to September 6, 2008;
 - (ii) the Company's revised cash flow forecast (the "Revised Forecast") for the period September 7, 2008 to December 31, 2008;
 - (iii) the current status of the Marketing Process;
 - (iv) the Monitor's comments and recommendations in respect of the Company's motion seeking an Order:
 - (a) approving the plan sponsorship agreement dated as of September 26, 2008, between 0835732 BC Ltd. (the "Plan Sponsor"), the Companies and the Monitor (the "Plan Sponsorship Agreement");
 - (b) approving the Claims Procedure, as hereinafter defined, and authorizing the Monitor to administer the Claims Procedure;
 - (c) approving the appointment of Mr. Peter Gillin as Chief Restructuring Officer;
 - (d) approving an addendum to the Executive Management Incentive Plan that was approved by Order of the Honourable Madam Justice Pepall granted February 22, 2008; and
 - (e) extending the Stay Period to November 30, 2008.

and to seek an Order of this Honourable Court approving the Monitor's accounts and the accounts of its legal counsel for the period to September 7, 2008.

5. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms used herein not otherwise defined are as defined in the Initial Order.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD FROM FEBRUARY 24, 2008 TO SEPTEMBER 6, 2008

6. The Company's actual cash flow for the period February 24, 2008 to September 6, 2008 (the "Period"), together with an explanation of key variances as compared to the March 6 Forecast (as defined in the Monitor's Third Report) is attached hereto as Appendix A. Actual net cash flows for the Period were approximately \$1,001,000 higher than the March 6 Forecast, summarized as follows:

	Actual	Forecast	Variance
	\$000	\$000	\$000
Total Receipts	10,169	9,183	986
Disbursements:			
Direct Mining	882	1,009	127
Direct Processing	33	373	340
Mine Overhead	7,777	8,765	988
Corporate Costs and Other	1,365	1,501	136
Capex	607	666	59
Employee Incentive Plans	255	281	26
Legal and Professional Fees	1,571	1,910	339
Lien Holder Fund ²	2,000	0	(2,000)
Total Disbursements	14,490	14,505	15
Surplus/(deficiency)	(4,321)	(5,322)	1,001
Cash on hand:			
Balance b/f	6,064	6,064	0
Net change for period	(4,321)	(5,322)	1,001
Balance c/f	1,743	742	1,001
Cash held by Monitor ¹	375	1,794	(1,419)
Total balance c/f	2,119	2,537	(418)

¹ In respect of supplier payment arrangements in accordance with paragraph 25(j) of the Initial Order

² amount has been segregated and is being held pending determination of entitlements of individual lien holders

7. In addition to the net cash flows summarized above, as at September 6, 2008, the Company has unpaid obligations incurred during the CCAA Proceedings (the "Accrued Post-Filing Liabilities"), which management estimate to be approximately \$628,000, summarized as follows:

	\$000
Payroll, Payroll Taxes & Benefits	32
Direct Mining	0
Direct Processing	0
Jericho Overhead	441
Corporate and Other	20
Legal and Professional	135
Total	628

THE REVISED CASH FLOW FORECAST

8. The Company has prepared a revised cash flow forecast for the period September 7, 2008 to December 31, 2008 (the "September 22 Forecast"). A copy of the September 22 Forecast is attached hereto as Appendix B.

THE MARKETING PROCESS

9. The Monitor provided an update on the status of the Marketing Process, which is being carried out pursuant to the terms of the Marketing Process Order, in its Fifth Report, dated June 20, 2008. The Monitor reported therein that the Company and its advisors had been continuing discussions with a number of the parties that had submitted expressions of interest with a view to:
- (i) developing such expressions of interest to the status of offers that could be capable of acceptance generating an offer or series of offers; and
 - (ii) where necessary, clarifying the terms of such expressions of interests.

10. Following the completion of these activities with the help of the Company's investment bankers, four expressions of interest were available to the Company. Each of these provided for a cash payment in return for which the interested party would receive all or a substantial part of the equity in Tahera via a restructuring of the Company. One of the expressions of interest also contemplated an acquisition of Tiffany's secured debt prior to the restructuring transaction (the "Debt Acquisition Proposal").
11. Completion of any of the transactions contemplated in the expressions of interest would result in a significant shortfall to Tiffany. Furthermore, as a result of the size of its secured claim, the support of Tiffany would be necessary to be able to effect the restructuring contemplated in each of the expressions of interest.
12. Accordingly, the Company consulted Tiffany to establish which, if any, of the expressions of interest it would support the Company proceeding with. Tiffany informed the Company that it intended to pursue the Debt Acquisition Proposal and requested that the Company not pursue any of the other expressions of interest pending determination of whether a definitive agreement could be negotiated based on the Debt Acquisition Proposal. Based on its understanding that such negotiations would be completed quickly and the knowledge that, if Tiffany did sell its debt to the interested party, that party would not support any other transaction but its own, the Company agreed to Tiffany's request.
13. However, by mid-August little progress had been made on the Debt Acquisition Proposal and, as a result of the Company's lack of cash resources, the Company and the Monitor became concerned that there would soon be insufficient time left to complete a transaction based on any one of the expressions of interest. The Company and the Monitor expressed this concern to Tiffany which agreed. Accordingly, the Company, with Tiffany's consent, went back to each of the other parties and requested that they submit revised expressions of interest.

14. As a result of this process, the Company, in consultation with its investment bankers and the Monitor, selected Hunter Dickinson Acquisitions Inc. ("HDI") as the party with whom to enter into negotiations toward a definitive agreement.

THE PLAN SPONSORSHIP AGREEMENT

15. As a result of the negotiations with HDI, the Plan Sponsorship Agreement was executed by the parties, subject to Court approval.
16. The Plan Sponsorship Agreement contemplates transactions whereby the Company's liabilities will be compromised pursuant to a plan of arrangement under the CCAA (the "CCAA Plan"), with the cash to be funded by the Plan Sponsor (the "Cash Amount") being used for payments to creditors and payments of the costs of the CCAA Plan and the Plan Sponsor obtaining 100% of the equity of Tahera via a concurrent reorganization (the "CBCA Reorganization") pursuant to the *Canada Business Corporations Act* (the "CBCA").
17. The key conditions of the Plan Sponsorship Agreement are summarized as follows:
 - (i) The Company shall receive approval of the Plan Sponsorship Agreement and authorization by the Court to carry out its terms;
 - (ii) The Plan Sponsor shall have until October 31, 2008 to undertake and be satisfied with its due diligence;
 - (iii) The CBCA Reorganization shall result in the Plan Sponsor owning not less than 100% of the issued and outstanding shares of Tahera;
 - (iv) The CCAA Plan and the CBCA Reorganization shall have received Court approval by no later than November 21, 2008; and
 - (v) The transactions shall close and the Plans shall be implemented within three business days of Court approval thereof.

18. As the Plan Sponsorship Agreement is still subject to due diligence conditions, the Monitor and the Company are each of the view that it is in the best interests of the creditors that certain aspects of the Plan Sponsorship Agreement, including the Cash Amount, be kept confidential at this time. Accordingly, a redacted copy of the Plan Sponsorship Agreement is attached hereto as Appendix C. An unredacted copy of the Plan Sponsorship Agreement will, of course, be provided to the Court if so requested, but if an unredacted copy of the Plan Sponsorship Agreement is to form part of the Court record, an order that the unredacted copy of the Plan Sponsorship Agreement be sealed until further order of the Court will be sought.
19. It is contemplated that, if the Plan Sponsor's Conditions are waived, the Company would file the Plans shortly thereafter and seek the approval of the Court to convene meetings of creditors for the purposes of considering and voting on the CCAA Plan, with such meetings to be held on or around November 18, 2008.
20. The Monitor respectfully submits that, through the Marketing Process, the business and assets of Tahera have been appropriately and widely marketed and that the Transaction as contemplated in the Plan Sponsorship Agreement represents the best opportunity currently available to provide realizations for the Company's creditors.
21. Accordingly, the Monitor respectfully recommends that the Company's request for the approval of the Plan Sponsorship Agreement be granted.

THE CLAIMS PROCEDURE

22. The Company is seeking the approval of a process for the submission, evaluation and adjudication of claims against the Company, as set out in Appendix D attached hereto (the "Claims Procedure"). The Monitor, with the assistance of the Company, will be responsible for the administration of the Claims Procedure.
23. All capitalized terms used in this section of this report are as defined in the Claims Procedure unless otherwise stated.

24. In summary, the major steps of the Claims Procedure are as follows:
- (i) The Monitor will send a Notice of Claim to all Known Creditors;
 - (ii) Known Creditors will have the option of accepting the Notice of Claim as is or disputing the Notice of Claim by filing a Notice of Dispute by the Claims Bar Date;
 - (iii) Notification of the Claims Procedure will be published in the National Edition of the Globe and Mail in order to identify unknown creditors, who will be required to file a Proof of Claim. Notification will also be posted on the Monitor's website at: www.pwc.com/car-tahera ;
 - (iv) Any Claimant which does not receive a Notice of Claim must file with the Monitor a Proof of Claim together with the supporting documentation in respect of such Claim on or before the Claims Bar Date;
 - (v) The Monitor will, for voting purposes, review and evaluate Notices of Dispute and Proofs of Claim received and, if not accepted in whole or in part, the Monitor shall issue a Notice of Revision or Disallowance;
 - (vi) For voting purposes, Creditors may dispute the Notice of Revision or Disallowance by filing a Notice of Dispute. If not accepted by the Monitor, the dispute shall be referred to the Claims Officer, who shall make a determination as to the quantum of the Claimant's Claim for voting purposes. The decision of the Claims Officer shall be final and binding for voting purposes;
 - (vii) For distribution purposes, the Monitor will review and evaluate Notices of Dispute and Proofs of Claims received and, if not accepted in whole or in part, the Monitor shall issue a Notice of Revision or Disallowance;

- (viii) For distribution purposes, Creditors may dispute a Notice of Revision or Disallowance by filing a Notice of Dispute. Claims not settled by agreement through the dispute and review process will be sent to a Claims Officer for adjudication; and
 - (ix) Adjudication by a Claims Officer of Claims for distribution purposes may be appealed to the Court.
25. Subject to the approval of the Claims Procedure by the Court, the key activities and dates for voting purposes are summarized below:

Key Activity	Purpose	Date
Mailing of Notice of Claim to Known Creditors	Voting/Distribution	1/10/2008
Publication of Call for Proofs of Claim	Voting/Distribution	3/10/2008
Claims Bar Date	Voting/Distribution	21/10/2008
Notice of Revision or Disallowance for Voting	Voting	28/10/2008
Notice of Dispute for Voting	Voting	6/11/2008
Claims Officer Adjudication for Voting	Voting	14/11/2008
Notice of Revision or Disallowance for Distribution	Distribution	5/12/2008
Notice of Dispute for Distribution	Distribution	19/12/2008
Referral of Disputes for Distribution to Claims Officer	Distribution	16/1/2009
Claims Officer Adjudication for Distribution	Distribution	30/1/09
Appeal of Claims Officer Adjudication for Distribution	Distribution	6/2/2009

26. While the time frames for determination of claims for voting purposes are relatively short, such a timetable is required in order to enable the Company to complete the restructuring in accordance with the timelines provided for in the Plan Sponsorship Agreement, which timelines are in turn driven by the Company's lack of cash resources and the ongoing consumption of such cash. In the circumstances, the Monitor does not consider the timetable of the Claims Procedure to be unreasonable.
27. Accordingly, the Monitor respectfully recommends that the Court grant the Company's request for the approval of the Claims Procedure and authorize the Monitor to carry it out in accordance with its terms.