

Dominion Files for Insolvency Protection



RAPAPORT... Dominion Diamond Mines has filed for and received insolvency protection, a month after suspending operations at its Ekati deposit in Canada due to the coronavirus pandemic.

The company was granted protection from its creditors under the Companies' Creditors Arrangement Act (CCAA) while it restructures, it said Wednesday. It now intends to use the order — which was issued by the Alberta Court of Queen's Bench — to engage with its lenders, creditors, equity owner and other stakeholders to “solicit and evaluate strategic alternatives to restructure the company financially and operationally.”

Dominion noted that it had already received an offer of liquidity from its owner, the Washington Companies, which acquired the business for \$1.2 billion in 2017. Under the terms of the agreement, the miner would be required to sign a memorandum of understanding regarding a possible sale of its assets to a Washington affiliate.

Whether it accepts the offer or not, Dominion expects to secure new financing, which, “combined with the company’s available cash, should provide sufficient liquidity [so it can] continue to operate during the CCAA process,” it said.

The filing was primarily necessitated by the COVID-19 outbreak, the miner noted, adding that the closure of sorting houses and diamond markets had stymied its ability to generate “sufficient revenue to support Dominion’s ongoing financial obligations.” On

March 19, the company announced it was suspending mining at Ekati amid the spread of the coronavirus. Operations are still on hold at the site in the Northwest Territories.

The miner, whose credit rating was downgraded by US agency Fitch Ratings earlier this month, said it planned to resume operations as the virus subsided and diamond market reopened, adding that it “continues to believe in the long-term viability of its assets and expects to emerge stronger and better able to deliver value to all stakeholders.”

As well as Ekati, Dominion owns 40% of Diavik, with the remainder held by Rio Tinto-owned subsidiary Diavik Diamond Mines.

Image: A 552-carat yellow diamond recovered at the Diavik mine in 2018. (Dominion Diamond Mines)