

NOTIFICATION

DOMINION DIAMOND MINES REACHES AGREEMENT ON KEY TERMS WITH THE WASHINGTON COMPANIES TO SELL SUBSTANTIALLY ALL OF ITS ASSETS

Washington Agrees to Provide up to \$60 Million in New Financing to Dominion

***Proposed Sale is Subject to Court Approval and No Receipt of Higher and Better Offers
as Part of Competitive Bidding Process Under Ongoing CCAA Proceedings***

CALGARY, AB – May 22, 2020 – Dominion Diamond Mines ULC (“Dominion” or the “Company”) announced today that it has signed a letter of intent (“LOI”) with an affiliate of The Washington Companies (“Washington”) under which an entity to be managed by Washington would acquire substantially all of Dominion’s assets for approximately US\$126 million in cash and the assumption of substantially all of Dominion’s operating liabilities. Washington has also agreed to provide Dominion up to US\$60 million in short-term debtor-in-possession (“DIP”) financing.

As previously announced, on April 22 Dominion filed for insolvency protection under the Companies’ Creditors Arrangement Act (“CCAA”) and obtained an order from the Alberta Court of Queen’s Bench (the “Court”) granting Dominion protection under the CCAA.

Dominion believes that the proposed sale:

- Ensures Dominion will be able to deliver on its plans to resume mining operations at the Ekati Diamond Mine (“Ekati”) and safely recall its furloughed workers as the spread of COVID-19 subsides and diamond markets reopen;
- Provides assurance to Dominion’s employees, suppliers and the communities in the Northwest Territories that Ekati will continue to operate into the future;
- Allows Dominion to pay or meet obligations owed to employees, including pension obligations, and to remain a significant employer and corporate citizen in the Northwest Territories; and
- Provides assurance to the Government of the Northwest Territories that Dominion will continue to comply with all appropriate health, safety and environmental standards at Ekati and provide economic support to the communities in the Northwest Territories.

Dominion continues to believe in the long-term viability of its assets and expects to emerge from the CCAA process stronger and better able to deliver value to all stakeholders, including the Government and citizens of the Northwest Territories.

Details on Proposed Transaction

In the immediate term, Washington has agreed to provide Dominion up to US\$60 million in DIP financing, which is intended to help provide the Company sufficient liquidity to fund business operations and other expenses through the closing of the sale of Dominion, including ongoing obligations to employees and suppliers of goods and services. Dominion may draw down up to US\$10 million immediately upon Court approval of the DIP financing and the balance in instalments conditional on the parties signing the definitive asset purchase agreement contemplated under the LOI. The banks who hold the Company’s first lien debt (the “First Lien Debtholders”) will be

permitted to participate in up to 34% of the DIP facility and, pursuant to the DIP loan agreement, the First Lien Debtholders have agreed to support of the proposed sale and DIP financing transactions.

Under the LOI, an entity managed by Washington will serve as the “stalking horse” bidder for Dominion’s assets, and its bid will be subject to a Court-supervised bidding process designed to achieve the highest or otherwise best offer, including an auction if necessary. Accordingly, Dominion intends to file a motion with the Court seeking approval of (i) the proposed asset sale, which would be subject to termination if Dominion determines it has received one or more higher and better offers; (ii) the proposed DIP financing; and (iii) bidding procedures for the solicitation of competing offers, either to purchase part or all of the Company’s assets or to make an investment in the Company. Dominion expects the sale process to move quickly and close in the coming 90 to 120 days.

Under the sale contemplated by the LOI, Dominion expects the ongoing business to pay or otherwise satisfy, among other things, obligations to certain stakeholders, including:

- Dominion’s employees, including pension obligations;
- Governmental authorities, including reclamation obligations at Ekati; and
- Dominion’s Impact Benefit Agreement partners and other Indigenous groups and Northern communities.

Dominion and Washington both recognize the importance of and are committed to protecting the interests of the Company’s local stakeholders, specifically its employees and obligations at Ekati, through the CCAA process.

The proposed asset purchase agreement for the purchase of substantially all the assets of Dominion will be subject to certain conditions, including Dominion reaching a separate agreement with Rio Tinto regarding the Dominion/Rio Tinto joint venture at the Diavik Diamond Mine on terms that are acceptable to Washington. If an agreement with Rio Tinto on terms acceptable to Washington is not reached, then the sale would not include Dominion’s interest in, or any liabilities relating to, the Diavik Mine, and would instead proceed as a sale of Dominion’s other assets, including its interests in Ekati and the Lac de Gras Diamond Project, its diamond inventory and other assets. Dominion and Washington are hopeful that a mutually beneficial and equitable resolution can be reached with Rio Tinto that allows for responsible and economically sustainable mining practices at Diavik and helps protect the future of diamond mining in the Northwest Territories.

The obligations under the LOI are non-binding and subject to definitive documentation. The definitive asset purchase agreement will also be subject to certain other conditions, including agreements with the Government of the Northwest Territories and Dominion’s sureties, the absence of COVID-related restrictions on operations, receipt of certain financing commitments, and other customary conditions.

A copy of the Initial Order and other Court materials and information related to the Company’s CCAA proceedings are available on the website maintained by FTI, which has been appointed by the Court as Dominion’s Monitor to oversee the CCAA proceedings: cfcanada.fticonsulting.com/Dominion.

Blake, Cassels & Graydon LLP is serving as Dominion’s legal counsel and McDermott Will & Emery is serving as U.S. counsel. Evercore is serving as financial advisor.

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About Dominion Diamond Mines

Dominion Diamond Mines ULC is a Canadian mining company and one of the world's largest producers and suppliers of premium rough diamond assortments to the global market. The company owns a controlling interest in the Ekati Diamond Mine, which it operates, and owns 40% of the Diavik Diamond Mine. The company also holds a controlling interest in the Lac de Gras Diamond Project. The Ekati and Diavik Diamond Mines, and the Lac de Gras Diamond Project are located in the Northwest Territories of Canada. In addition to its mining and exploration operations, Dominion has offices in Canada, Belgium and India.

For more information, please visit www.ddmines.com and Dominion's private investor portal, or contact investor@ddcorp.ca.

Media Contacts:

Rebecca Hurl
Rebecca.Hurl@ddcorp.ca
403-797-0486

Sard Verbinnen & Co
Jared Levy/Liz Zale
DominionDiamond-SVC@sardverb.com

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