



ASX Announcement

24 March 2021

## Burgundy secures option to acquire Ellendale Diamond Project in Western Australia

### Highlights

- Acquisition includes a historic producing mine renowned for high-value yellow diamonds and a highly prospective adjoining alluvial diamond deposit.
- Burgundy to pay A\$1.7 million in cash and issue 4 million fully paid ordinary shares to Gibb River Diamonds Ltd as the first option payment.
- Total transaction consideration is A\$6.7 million in cash, 16 million Burgundy fully paid ordinary shares in Burgundy ("Shares") – payable in three staged payments at Burgundy's election, and a 1.5% gross revenue royalty.
- Option agreement structure of transaction minimises Burgundy's project development risk and maximises capital flexibility.
- Transaction aligns closely with the continued progression of Burgundy's diamond strategy.
- The acquisition provides Burgundy the opportunity to reach accelerated production of high-value diamonds within the two-year option period.

### Overview

Burgundy Diamond Mines Limited (ASX: BDM; "Burgundy" or "the Company") is pleased to announce that it has signed an Option Deed with Gibb River Diamonds Ltd (ASX: GIB; "Gibb River") to acquire 100% ownership of the Ellendale and Blina projects (together the "Ellendale Diamond Project") in the West Kimberley region of Western Australia.

The acquisition of the Ellendale Diamond Project includes all tenements pegged by Gibb River in 2019 over the historic Ellendale diamond mine, famed for its production of iconic yellow diamonds, as well as the highly prospective Blina alluvial diamond deposit to the north-west of the Ellendale properties.

Access to the Blina deposits, as well as the Ellendale remnant stockpiles, unworked alluvial deposits, unexplored pit-rim deposits and potentially remnant material from the E9 and E4 open pits, gives Burgundy the opportunity to reach accelerated production of high-value diamonds within the two-year option period, at the same time as establishing longer-term mineral resources for potential ongoing production at the Ellendale Diamond Project.

Burgundy intends to extract maximum value from the natural beauty of the Ellendale stones via its own marketing initiatives, and re-establish Western Australia as a supplier of unique high-value diamonds to luxury goods markets worldwide.

The Company has been publicly advancing its growth-focused diamond strategy since late 2019, examining numerous potential opportunities and acquiring interests in three high-potential development and exploration diamond projects during this period, with which the acquisition of the Ellendale Diamond Project aligns very closely. Burgundy continues to actively evaluate other incremental acquisition opportunities in line with its strategy and its disciplined approach to capital management.



Commenting on this announcement, **Burgundy Managing Director and CEO Peter Ravenscroft** said:

*"We are delighted to have been able to successfully secure this transaction, which ticks many of our strategic boxes as we build out Burgundy as the world's leading mid-cap diamond company. It is in one of our focus jurisdictions of low-risk diamond countries; it provides us potential for early cash-flow to underpin our expansive growth strategy; and it focuses on the production of high-value coloured stones in the same way as our Naujaat diamond project in Canada.*

*As a Western Australian based company, we are well-placed to operate in close concert with the local traditional owners, respecting the heritage and fragile environment of this important region of the country, and we are excited to be able to regenerate economic activity in the region.*

*We look forward to working with Gibb River through an orderly transition period, and are pleased to have been able to provide Gibb River shareholders with significant upside value in the issue of Burgundy shares as a part of the transaction. This allows them to share in the exciting future of Burgundy, now strengthened by the immediate potential of the development of the Ellendale Diamond Project."*

### **The Ellendale and Blina Projects**

Historical mining from 2004 to 2014 was conducted on the E9 and E4 diamondiferous lamproite pipes and associated diamondiferous alluvial gravels, and under a series of previous owners the operation produced more than half of the world's Fancy Yellow diamonds. The mine was closed in June 2015, when the last owner went into liquidation, and the tenements were acquired by Gibb River from the West Australian government in 2019 via a bid process under Section 19 of the Mining Act. Under this process, there are no environmental or other legacy liabilities associated with the tenements.

The Blina alluvial prospect has been owned by Gibb River since 2015 and has granted mining leases and is fully permitted.

### **The Transaction Structure**

The transaction is in the form of an Option Deed over two years, with a series of staged payments from Burgundy to Gibb River at Burgundy's election:

- (i) On execution of the formal agreement, Burgundy paid Gibb River A\$1.7 million in cash and issued to Gibb River 4 million Shares;
- (ii) On the first-year anniversary of the grant of the option, Burgundy to pay Gibb River A\$1 million in cash and issue to Gibb River 5 million Shares;
- (iii) On the exercise of the option to purchase the Ellendale Diamond Project, Burgundy to pay Gibb River A\$4 million in cash and issue to Gibb River 7 million Shares in Burgundy. Burgundy will also pay Gibb River a 1.5% gross revenue royalty on the diamonds and other minerals obtained from the tenements while it remains the registered holder of the tenements.

All shares issued to Gibb River in respect of the transaction will be subject to a 6-month voluntary escrow period commencing on the date of issue.

As at the date of this announcement, Burgundy has already paid the A\$1.7 million cash payment and issued the 4 million Shares. Burgundy does not currently intend to conduct a capital raise as it has sufficient capital to fund its short-term commitments under the transaction and its other existing projects. Burgundy will



reassess the need to raise funds for the remaining payments under the transaction closer to the first year anniversary of the grant of the option and before it intends to exercise the option.

If Burgundy chooses to exercise the option, completion of the transaction is conditional on:

- the receipt of ministerial consent to transfer the tenements; and
- the delivery of notice to the native title party notifying them of the proposed sale of the tenements under the existing mining agreement which Gibb River is a party to.

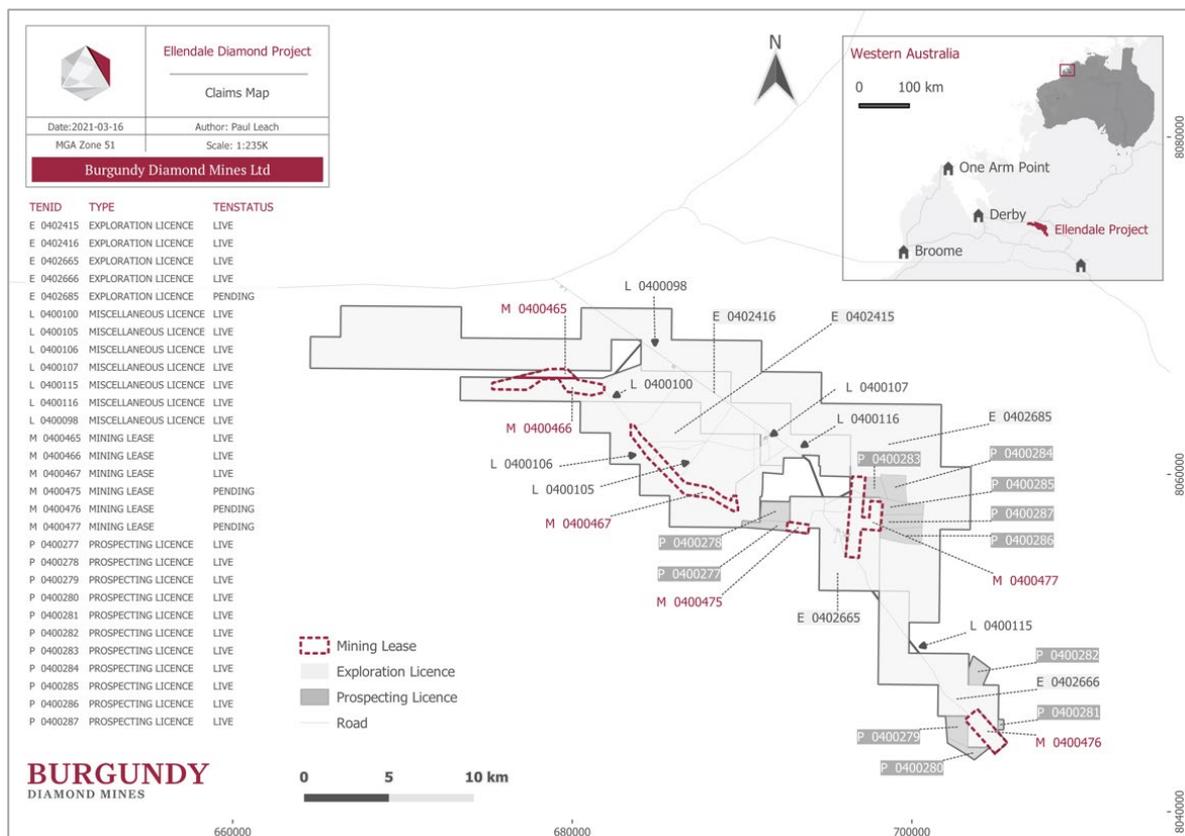
Both Gibb River and Burgundy have received confirmation from ASX that shareholder approval is not required for the transaction for the purposes of ASX Listing Rule 11.1.2.

Burgundy has no plans to change its board or senior management personnel as a consequence of the transaction.

### The Acquisition Tenements

The total tenement package being acquired under the current option agreement is shown in Figure 1, comprising a number of mining leases, applications for the grant of certain tenements, exploration licences and miscellaneous licenses that cover all of the prospective ground in the Ellendale and Blina project areas. Together, these are now being referred to as the “Ellendale Diamond Project”.

Figure 1 – Location of Tenements Included in Option Agreement





## Future Plans

Burgundy is in the process of detailed assessment work on all of the potential sources of diamond-bearing material within the leases, and will be defining sampling programs and potential trial mining operations as this assessment work progresses.

Essentially, the development strategy for the Ellendale Diamond Project is:

- Initial geological focus on the Blina alluvial deposits, including trenching and other sampling to establish the continuity and diamond potential of the alluvial gravels, with a particular focus on the potential thicker areas of gravel identified by Gibb River's previous Ground Penetrating Radar studies;
- Assessment of the various sources of diamond-bearing material on the old Ellendale Mine tenements, including alluvial, eluvial, stockpile and remnant pit material;
- Concurrent fabrication of a fit-for-purpose containerised bulk sampling process plant using Tomra XRT sorters and a customised front-end (Burgundy has already completed preliminary design and costing for this plant in association with engineering company Imilingo Mineral Processing in South Africa);
- Bulk sampling of prioritised targets once the plant is commissioned, with progression to trial mining where appropriate;
- Transition to sustained diamond production towards the end of the Option period;
- Future incremental expansion with addition of modular process plant units as required.

Preliminary options are already being considered for the niche marketing of the high-value yellow diamonds which are expected to make up the bulk of the value from the Ellendale Diamond Project. Consistent with Burgundy's focus on high-value and coloured diamonds, development of this capability will be key to the ongoing evolution to becoming the world's leading mid-cap diamond company.

**-Ends-**

This announcement was authorised for release on the ASX by the Board of Burgundy Diamond Mines Ltd.

Further Information:

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## About Burgundy Diamond Mines Limited

Burgundy is focused on global diamond exploration and project development with a vision to become a leading mid-cap diamond company.



## Diamonds

Since late 2019, Burgundy has acquired interests in three diamond projects:

- An earn-in agreement with North Arrow Minerals Inc. (TSX-V: NAR) over the Naujaat diamond project in Nunavut, Canada. The world class Naujaat project contains an exceptional population of uniquely coloured and rare high value stones. Burgundy has the option to earn-in to a 40% interest in the project by funding a C\$5.6 million preliminary 1,500 to 2,000 tonne bulk sampling program in 2021. The Company has already successfully raised the funds for this program, and delivery of fuel and sampling materials to the site is currently underway in preparation for next year. Burgundy has also made a preliminary proposal to earn an additional 20% interest by funding a larger 10,000 tonne bulk sample pending positive results from the first phase.
- An Exploration Alliance Agreement in Botswana with Diamond Exploration Strategies Ltd, a privately-owned company with an excellent management team. Burgundy is providing funding of US\$1.5 million over three years to finance exploration activities, earning 50% ownership of any discoveries made. Burgundy will have the option to sole fund a Scoping Study on a designated project to earn-in to a 70% ownership interest, with a further option to reach a 90% ownership interest by sole funding a Feasibility Study. The Alliance is initially over five areas that have existing prospecting licenses, but extends to cover other prospective areas of Botswana that may be identified. A drilling program on one of the initial areas was completed in February 2021 and sample analysis results are expected towards the end of March 2021.
- 100% ownership of the Nanuk Diamonds project east of the Ungava Bay in Northern Quebec. The 274 sq.km area contains several occurrences of diamond-bearing kimberlite dykes that were originally found in the early 2000's but were left unexplored for the last 15 years.

In addition to these projects, Burgundy continues to actively evaluate other investment opportunities, principally in Canada, Botswana and Australia, as it seeks to build a world-class portfolio of diamond exploration, development and mining projects.

## Gold and Silver

Burgundy holds an 18% interest in the La Victoria Gold/Silver Project, located in the prolific North-Central Mineral Belt of Peru, which it acquired through an earn-in arrangement with Eoro Resources Ltd (TSX-V: ELO) starting in 2017. Proposed drilling at this project has been impacted by permitting delays, but Burgundy remains enthusiastic about the potential of this project and expects to participate in the next drilling program when Covid-19 restrictions are eased and drill permits are granted.

## **Caution regarding Forward Looking Information**

*This document contains forward looking statements concerning Burgundy Diamond Mines Limited. Forward looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements in this document are based on Burgundy's beliefs, opinions and estimates as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions or estimates should change or to reflect other future developments.*