BURGUNDY
DIAMOND MINES

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ASX Announcement

Burgundy Diamond Mines – Quarterly Activities Report – March 2023

28 April 2023

Highlights

- Burgundy entered into a binding share purchase agreement with Arctic Canadian Holdings LLC to acquire the world-class Ekati Diamond Mine, a producing diamond mine located in Canada's Northwest Territories, for total consideration of US$136 million (~A$209 million).
- Burgundy secured a 40% interest in the Naujaat Diamond Project in Nunavat from North Arrow Minerals Inc. following further cutting and polishing of fancy colour diamonds recovered from the 2021 bulk sample.
- The Company elected not to exercise the Option Deed with Gibb River Diamonds Ltd. to acquire 100% ownership of the Ellendale Diamond Project in the West Kimberley region of Western Australia and immediately ceased development of the project.
- Burgundy secured further sales of jewellery pieces with Solid Gold Diamonds, generating almost $1 million in revenue for the Company while continuing to establish new sales channels, developing new customers within the international jewellery, diamond and watch market.

Burgundy Diamond Mines Ltd (ASX: BDM) ("Burgundy" or "the Company") is pleased to provide its quarterly activities and cashflow report for the quarter ended 31 March 2023 ("March quarter").

Burgundy Chief Executive Officer, Kim Truter said it was a transformational quarter for the Company.

"The March quarter has been a very busy and exciting period for Burgundy," Mr Truter said.

"The proposed acquisition of Ekati is complementary to Burgundy, completing the vertically integrated business model: bringing the world's most beautiful diamonds to market from discovery through to design.

"Pending the completion of the proposed acquisition, Burgundy will become the largest ASX-listed diamond company and one of the largest listed diamond companies in the world.

"In line with this, we made the strategic decision to not proceed with acquiring 100% ownership of the Ellendale Diamond Project."

Vertical integration

Burgundy's vision remains centred on becoming the world's leading end-to-end diamond company via a vertically integrated business model.

The proposed acquisition of Ekati delivers significant rough diamond production including highly sought-after fancy coloured diamonds (mainly yellow) that can be cut and polished in Burgundy's commercial facilities in Perth and sold to end-customers, capturing margins along the diamond value chain.

Strategy

Pending the completion of the proposed acquisition, Burgundy's strategy will be focused on optimising Ekati's current mine performance and extending mine life through underwater remote mining, assessment of the Jay deposit and Fox Underground opportunities, and systematic exploration using newly applied machine learning (artificial intelligence) technology.

Capturing incremental margins along the diamond value chain by cutting and polishing coloured Ekati diamonds at Burgundy's commercial facilities in Perth and leveraging collaborative sales agreements with international jewellers remains a key focus.

Further, the Company continues actively assessing M&A opportunities to build out a balanced portfolio of diamond projects in Tier 1 jurisdictions.

Naujaat Project

Having confirmed the presence of high value, Fancy Orange and Yellow diamonds from the 2,000-tonne bulk sample in 2022, Burgundy is pleased to have secured a 40% interest in the Naujaat Diamond Project in Nunavat from North Arrow Minerals Inc. following further cutting and polishing of fancy colour diamonds recovered from the bulk sample.

Diamond sales

Collaborative sales agreements are being developed with international diamond, jewellery and watch brands complementing those already in place with Paris-based jeweller Bäumer Vendôme, and the Princess Grace Foundation's commercial arm, Grace de Monaco.

New sales channels with major international jewellers will be sought on an ongoing basis. A small portion of cut and polished diamonds are sold direct to end-customers.

The sales of jewellery pieces featuring Maison Mazerea-branded diamonds secured with Solid Gold Diamonds during the quarter generated $937,193 in revenue for the Company.

Corporate

Consistent with the Company's request for voluntary suspension on 19 December 2022 and the request for extension of voluntary suspension on 28 February 2023, the Company is progressing with due diligence activities and negotiations in respect of a potential material acquisition to which Listing Rule 11.1.3 may apply. As at the date of this quarterly activities report, the Company expects to make an announcement during this quarter.

Additional Information

During the quarter, exploration on expenditure totalled $463,000 and predominantly related to activities at Ellendale.

The following table sets out the information as required by ASX Listing Rule 5.3.3 namely:

1. Mining tenements held at the end of the Quarter and their location;
2. Mining tenements disposed during the Quarter and location;
3. Beneficial percentage interests held in farm-in or farm-out agreements at end of Quarter; and
4. Beneficial percentage interests held in farm-in or farm-out agreements acquired or disposed of during the Quarter.

Agreement	Project	Location	Area	Holder	% at start of quarter	% at end of quarter
Farm-in	La Victoria Project	Peru	~80 km^2	Eloro Resources Limited	18%	18%
Acquisition	Nanuk Diamonds	Quebec, Canada	274 km^2	Nanuk Diamonds Inc.	100%	100%

The following table sets out the information as required by ASX Listing Rule 5.3.5 regarding payments to related parties of the entity and their associates:

Related Party	Amount	Description
Directors	$351,734	Directors' salary and fees
Michael O'Keeffe – Director	$73,973	Convertible note interest

-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 Diamond Mines is focused on the mining, production and sale of polished Fancy Colour diamonds through a vertically integrated business model, with the vision to become the world's leading end-to-end diamond company.

In mid-2021, Burgundy acquired capability and facilities for the cutting and polishing of rough diamonds in Perth, Western Australia. This capability will be used for cutting and polishing of Burgundy's own production from future mining operations, as well as rough diamonds from third party producers.

Caution regarding Forward Looking Information

This document contains forwardlooking 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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Burgundy Diamond Mines Limited

ABN	Quarter ended ("current quarter")
33 160 017 390	31 March 2023

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	443	629
1.2	Payments for		
	(a) exploration & evaluation	(463)	(4,652)
	(b) development (branding, marketing and purchases of inventory)	(841)	(8,097)
	(c) production	-	-
	(d) staff costs	(722)	(2,066)
	(e) administration and corporate costs	(324)	(1,035)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	12	46
1.5	Interest and other costs of finance paid	(518)	(1,571)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (GST)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,413)**	**(16,746)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(1,639)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Option fee to GIB)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**(1,639)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	175	175
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**175**	**175**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,557	21,507
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,413)	(16,746)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1,639)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	175	175

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	22
4.6	**Cash and cash equivalents at end of period**	**3,319**	**3,319**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	3,319	5,557
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**3,319**	**5,557**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	426
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**-**	**-**
7.5	**Unused financing facilities available at quarter end**		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,413)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,413)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,319
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,319
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	**1.38**

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes the Company expects a similar level of net operating cash flows.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company is currently in voluntary suspension in relation to the proposed acquisition of the Ekati diamond mine in Canada (as announced on 14 March 2023 and 18 April 2023) (***Proposed Acquisition***). Total consideration for the Proposed Acquisition is ~A$209 million).

To fund the Proposed Acquisition, the Company is seeking to raise up to A$231 million under a conditional placement which will be underwritten by Aitken Mount Capital Partners Limited, Bell Potter Securities Limited and Euroz Hartleys Limited. (**Placement).** The Company is also proposing to offer existing shareholders the opportunity to participate in a non-underwritten share purchase plan (the offer size of which is still to be determined) (***SPP***) (the Placement and SPP together being the ***Capital Raising***).

The Placement is subject to shareholder approval which is expected to take place in early June 2023. The Proposed Acquisition and associated Capital Raising will not occur if shareholder approval is not obtained. As the Placement is underwritten, if shareholder approval in respect of the transaction is obtained, the Company is confident in its ability to raise at a minimum, the underwritten portion of the Capital Raising

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the Company anticipates that operating revenues from the next quarter and other activities will fund its continuing operations and enable the Company to meet its business objectives. Further, if shareholder approval in respect of the Capital Raising and the Proposed Acquisitions is obtained, the Company expects to have increased funds in order to continue operations and proceed with the integration of the Ekati diamond mine business into the Company's existing operations.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: **28 April 2023**

Authorised by: Board of Burgundy Diamond Mines Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.