



Burgundy Diamond Mines Limited

ACN 160 017 390

Notice of Extraordinary General Meeting

The Extraordinary General Meeting of the Company will be held at Allens, Level 28, Deutsche Bank Place, Corner Hunter & Phillip Streets, Sydney, NSW 2000, on Friday, 23 June 2023 at 10.00am (Sydney time).

The Notice of Extraordinary General Meeting should be read in its entirety.

If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice.

Burgundy Diamond Mines Limited
ACN 160 017 390
(Company)

Notice of Extraordinary General Meeting

Notice is hereby given that the extraordinary general meeting of Shareholders of Burgundy Diamond Mines Limited will be held at Allens, Level 28, Deutsche Bank Place, Corner Hunter & Phillip Streets, Sydney, NSW 2000, on Friday, 23 June 2023 at 10.00am (Sydney time) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Wednesday, 21 June 2023 at 7pm (Sydney time).

Terms and abbreviations used in the Notice are defined in Schedule 1.

Agenda

1 Resolutions

Resolution 1 – Approval to change in nature and scale of activities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Transaction Resolutions being passed, pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the nature and scale of the Company's activities resulting from the Transaction and the Placement, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Arctic Shareholder and any other person who will obtain a material benefit as a result of the Transaction (except a benefit solely by reason of being a Shareholder) or an associate of those persons.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

- (ii) the holder votes on the Resolution in accordance with direction given by the beneficiary to the holder to vote in that way.

Resolution 2 – Approval to issue Vendor Shares to the Arctic Shareholder and the Lenders

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Transaction Resolutions being passed, and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of:

- (a) *up to 129,230,769 Shares to the Arctic Shareholder (or its nominee) (**Consideration Shares**); and*
- (b) *up to 149,598,457 Shares to the Lenders (or their nominees) (**Debt Repayment Shares**),*
*at an issue price of A\$0.25 per Share (at an assumed exchange rate of AUD/US \$0.65), on the terms and conditions set out in the Explanatory Memorandum (the Consideration Shares, together with Debt Repayment Shares, being the **Vendor Shares**)."*

Voting Exclusion

The Company will disregard any votes cast in favour of these Resolutions by or on behalf of the Arctic Shareholder (and its nominee), the Lenders and any person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder) or an associate of those persons.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with direction given by the beneficiary to the holder to vote in that way.

Resolution 3 – Approval to issue Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Transaction Resolutions being passed, and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 773,478,466 Placement Shares at an issue price of A\$0.25 per Share, to raise ~\$193.4 million (~US\$125.7 million at an assumed exchange rate of AUD/US \$0.65) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any of their respective associates.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with direction given by the beneficiary to the holder to vote in that way.

Resolution 4 – Participation in Placement by Mr Michael O'Keeffe

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution, the following:

"That, subject to each of the other Transaction Resolutions being passed, and pursuant to and in accordance with Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of up to 40,000,000 Placement Shares to Mr Michael O'Keeffe (or his nominee) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Michael O'Keeffe (and his nominee) and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a Shareholder), or an associates.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

- (ii) the holder votes on the Resolution in accordance with direction given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to read 'M. O'Keeffe', written over a horizontal line.

Michael O'Keeffe
Executive Chairman
Burgundy Diamond Mines Limited
Dated: 24 May 2023

Burgundy Diamond Mines Limited
ACN 160 017 390
(Company)

Explanatory Memorandum

1 Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Allens, Level 28, Deutsche Bank Place, Corner Hunter & Phillip Streets, Sydney, NSW 2000, on Friday, 23 June 2023 at 10.00am (Sydney time).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 1	Introduction
Section 2	Voting and attendance information
Section 3	Conditional Transaction Resolutions
Section 4	Background to the Transaction
Section 5	Risks associated with the Transaction
Section 6	Resolution 1 – Approval to change in nature and scale of activities
Section 7	Resolution 2 – Approval to issue Vendor Shares to the Arctic Shareholder
Section 8	Resolution 3 – Approval to issue Placement Shares
Section 9	Resolution 4 – Participation in Placement by Mr Michael O'Keeffe
Schedule 1	Definitions
Schedule 2	Arctic Companies Audited Financial Statements
Schedule 3	Unaudited Pro forma Statement of Financial Position

A Proxy Form is located at the end of the Explanatory Memorandum.

2 Voting and attendance information

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting by proxy

Shareholders are encouraged to vote by completing a Proxy Form.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Lodgement instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form to the Notice of Meeting.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Proxy Forms can be lodged:

Online:	At https://investor.automic.com.au/#/loginsah
By mail:	Automic GPO Box 5193 Sydney NSW 2001
In person	Automic Level 5, 126 Phillip Street Sydney NSW 2000
By email:	meetings@automicgroup.com.au
By fax:	+61 2 8583 3040
By mobile:	Scan the QR Code on your Proxy Form and follow the prompts

2.2 Voting in person

To vote in person, attend the Meeting at the time, date and place set out above. You may still attend the meeting and vote in person even if you have appointed a proxy. If you have previously submitted a Proxy Form, your attendance will not revoke your proxy appointment unless you actually vote at the meeting for which the proxy is proposed to be used, in which case, the proxy's appointment is deemed to be revoked with respect to voting on that resolution.

Please bring your personalised Proxy Form with you as it will help you to register your attendance at the meeting. If you do not bring your Proxy Form with you, you can still attend the meeting but representatives from Automic Registry Services will need to verify your identity. You can register from 9.00am (Sydney time) on the day of the Meeting.

2.3 Chair's voting intentions

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on any of the Resolutions by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention.

3 Conditional Transaction Resolutions

Resolution 1 to Resolution 3, inclusive (**Transaction Resolutions**) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders'

votes at the Meeting. If any of the Transaction Resolutions are not approved at the Meeting, none of the Transaction Resolutions will take effect and the Transaction and other matters contemplated by the Transaction Resolutions will not be completed.

4 Background to the Transaction

4.1 Existing activities of the Company

The Company was incorporated on 22 August 2012 and admitted to the Official List of ASX on 4 January 2013. The Company's securities were suspended from official quotation on 19 December 2022 at the request of the Company and have remained suspended since that date.

The Company is focused on the mining, production, cutting, polishing and sale of fancy colour diamonds. The Company's business strategy is focused on capturing upside along the value chain of the diamond market. By building a portfolio of diamond projects and operating a cutting and polishing facility in Perth, the Company's operating model is vertically integrated.

Formally known as EHR Resources Limited, the Company changed its name to Burgundy Diamond Mines Limited on 20 November 2020 to reflect its transition from a resource explorer with a single gold / silver project to a developer of a portfolio of diamond projects.

Since the transition begun, Burgundy has invested in two key projects:

- Botswana Exploration Alliance; and
- the Naujaat Diamond Project.

In addition to the above, on 24 March 2021, the Company announced the signing of 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 option deed, structured over two years, involved a series of staged payments from Burgundy to Gibb River at Burgundy's election. As announced on 20 March 2023, the Company has decided not to exercise the option to acquire the Ellendale Diamond Project.

In June 2021, the Company:

- secured a lease for a purpose-built, high-security facility specifically designed for downstream diamond operations, located in Perth, Western Australia;
- came to an agreement to purchase specialised equipment for the valuing, cutting, polishing, grading, secure storage and sale of high-value diamonds; and
- initiated a process to recruit a team of specialists to support the move to downstream operations.

The high-security facility, specialised equipment and team of specialists acquired by the Company previously belonged to a diamond operation producing highly renowned pink diamonds.

Since June 2021, the Company has successfully developed the facility into Australia's only commercial diamond cutting and polishing facility, supporting a more vertically integrated business model. The facility allows the Company to cut, polish, value and grade diamonds from its own potential mine operations, as well as rough diamonds from third party producers.

During Q1 2022, the Company purchased approximately 350 carats of rough 2-5 carat stones produced from the Ellendale Diamond Mine and approximately 150 carats of yellow fancy colour rough diamonds from ACDC. The rough diamonds were sent to the Company's facility in Perth to be cut and polished, then sold to jewellers. Further selective purchases of rough diamonds are planned for 2023.

The Company's capacity at its cutting and polishing facility doubled during the December 2022 quarter with two master craftsmen joining the team. The current cutting and polishing capacity of the facility is 2,500 – 3,000 (rough) carats per year.

On 14 March 2023, the Company announced that it had entered into a share purchase agreement (**SPA**) (as amended on 18 April 2023) with Arctic Canadian Holdings LLC (**Arctic Shareholder**) whereby the Company will, on the satisfaction of various conditions precedent, acquire 100% of the issued common shares in Arctic Canadian Diamond Marketing N.V. (**ACDM**) and Arctic Canadian Diamond Company Ltd (**ACDC**) (ACDC and ACDM together being, the **Arctic Companies**) (the **Transaction**).

ACDC holds:

- (a) 100% interest in the Ekati Diamond Mine. This consists of the Core Zone, which includes the primary mining operations and other kimberlite pipes, as well as the Buffer Zone, an adjacent area hosting kimberlite pipes having both development and exploration potential; and
- (b) 78.43% interest in the mineral claims on the Lac de Gras property.

4.2 The Transaction

(a) SPA

The Company¹ has entered into an SPA with the Arctic Shareholder, which contemplates the Company acquiring 100% of the issued common shares in the Arctic Companies.

Completion under the SPA remains subject to satisfaction (or waiver) of certain key conditions precedent, including:

- (i) the Company obtaining all necessary shareholder and noteholder approvals in connection with the Transaction, Placement and re-compliance listing;
- (ii) completion of an equity financing of at least US\$125.7 million;
- (iii) concurrent completion of the Debt Repayment (as defined below)(customary undertakings to release all liens related to relevant debts) and the 2L Amendment (as defined below); and
- (iv) other customary closing conditions, including, without limitation, obtaining necessary consents waivers and approvals from the ASX and ASIC, no injunctions or proceedings in connection with the transaction, receipt of all required governmental (including approval under the *Competition Act* (Canada)) or third-party consents, replacement of surety bonds (or an indemnity from Burgundy in favour of the Vendor in respect of its obligations under the surety bonds) and approvals and delivery of share certificates and other documents and instruments.

If any of the conditions precedent set out above are not satisfied (or waived) by 31 July 2023 (or such later date as the parties may agree), either the Company or the Arctic Shareholder may terminate the SPA.

Completion will take place 3 business days after satisfaction or waiver of the Conditions Precedent (or such other date as the parties may agree).

The SPA contains additional provisions, including warranties and indemnities in relation to the status and operations of the Arctic Companies which are considered standard for agreements of this kind. These warranties have been provided by the Arctic Shareholder.

Total consideration for the Transaction is US\$136 million (~A\$209 million), comprised of:

¹ To facilitate the Proposed Acquisition, a newly incorporated Canadian wholly owned subsidiary of Burgundy, is a party to the SPA.

- (i) the issue of ~129.2 million shares in the Company to the Arctic Shareholder with an aggregate issue price of US\$21 million (~A\$32 million), based on the issue price in the Placement, expected to represent approximately 9.2% of the issued and outstanding shares of the Company calculated on a post-Placement and undiluted basis (being the **Consideration Shares**). The Consideration Shares will be subject to a voluntary 12 month escrow period from Completion;
- (ii) a deferred payment of US\$15 million in cash in December 2023 (**Deferred Payment**); and
- (iii) in exchange for forgiveness of ~US\$24.3 million (~A\$37.4 million) of debt owed by the Arctic Companies, the issue of ~149.6 million shares in the Company to the Lenders (or their nominees) based on the issue price in the Placement, expected to represent approximately 10.7% of the issued and outstanding shares of the Company calculated on a post-Placement and undiluted basis (being the **Debt Repayment Shares**)². The Debt Repayment Shares will be subject to a voluntary 12 month escrow period from Completion. Burgundy will repay the balance of outstanding debt of ACDC of ~US\$75.7 million (~A\$116.4 million) in cash (**Debt Repayment**),

Certain lenders to ACDC (who are existing shareholders of the Arctic Shareholder), have agreed with the Company that following the Debt Repayment, the remaining outstanding debt will be governed by the existing 2L credit agreement (as amended pursuant to the SPA) (**2L Amendment**), expected to be ~US\$70 million (~A\$108 million) (**2L Amendment Amount**). Burgundy will assume the 2L Amendment Amount at closing and provide a working capital contribution equal to proceeds raised under the Placement, less the Debt Repayment, the Company's transaction costs in respect of the Placement and the Deferred Payment (**Working Capital Contribution**).

In addition, the Company has agreed to a potential earn-out payment to the Arctic Shareholder of US\$7.5 million in cash in the first quarter of 2024 if 2023 EBITDA³ of the Arctic Companies equals or exceeds US\$200 million and US\$7.5 million in cash in the first quarter of 2025 if 2024 EBITDA³ of the Arctic Companies equals or exceeds US\$200 million.

(b) **Transaction Resolutions**

As noted above, Completion under the SPA is conditional on Shareholders approving the Transaction Resolutions. A summary of the Transaction Resolutions is as follows:

- (i) approval under Listing Rule 11.1.2 for the Transaction, given it will represent a significant change in the nature and scale of the Company's operations (Resolution 1); and
- (ii) the following approvals under Listing Rule 7.1:
 - (A) the issue of the Consideration Shares to the Arctic Shareholder (or its nominee) in part consideration for the Company's acquisition of the Arctic Companies and the issue of the Debt Repayment Shares to the Lenders in exchange for the partial forgiveness of debt owed by the Arctic Companies. (Resolution 2); and

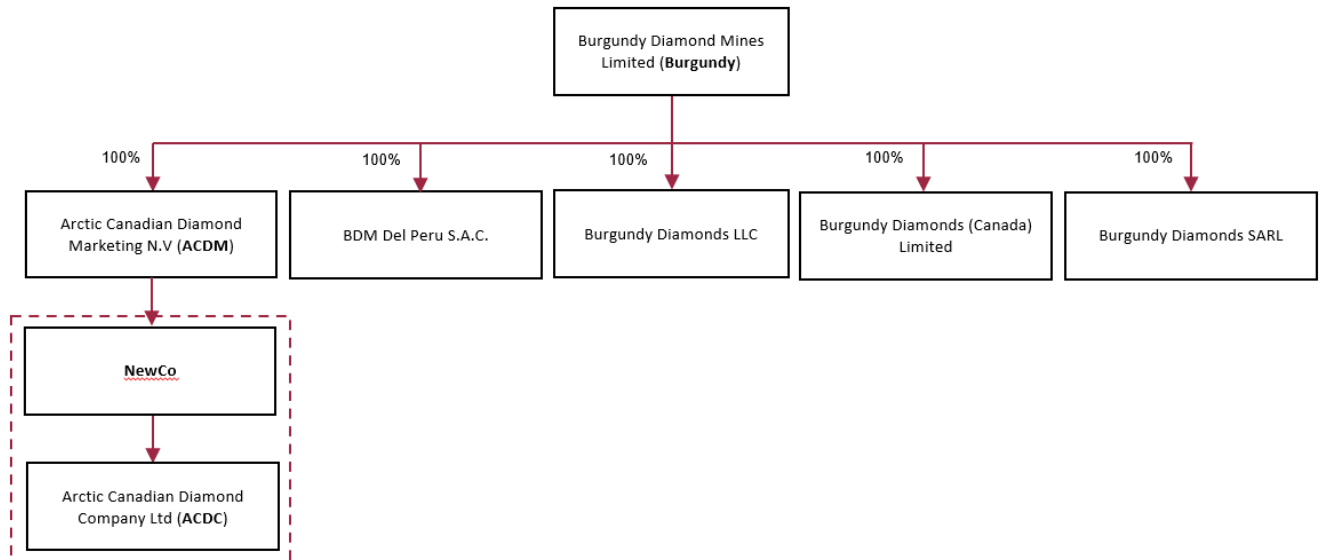
² Provided that the number of shares that will be issued to the Lenders, when taken together with the Consideration Shares, will not be more than 19.9% of the issued capital of the Company.

³ To be calculated in accordance with the SPA, pursuant to which EBITDA means, for any period, the net income of the Arctic Companies on a combined basis, calculated in a manner consistent with past practices, provided, however, that: (i) such net income shall be reduced by the net income generated by or from any assets or operations acquired, commenced or expanded after the Closing Date; (ii) such net income shall be reduced by the portion of the overhead expenses of the Company and its affiliates (other than the Arctic Companies) reasonably allocable to the Arctic Companies; (iii) such net income shall be reduced by finance income; and (iv) to the extent deducted in calculating such net income, shall be increased by the sum of: (a) interest expense (including all interest, fees, costs and expenses in relation to the 2L Amendment); (b) income taxes; (c) depreciation of fixed assets and amortisation of intangible assets; and (d) customary non recurring, non-cash items as agreed to by the parties, acting reasonably.

(B) the issue of the Placement Shares (Resolution 3).

(c) **Corporate Structure**

The diagram below summarises the corporate structure of the Company following Completion:



The Transaction will be structured as follows:

- (i) the Company will acquire 100% of the issued and outstanding shares of ACDM;
- (ii) the Company's recently incorporated wholly owned Canadian subsidiary (**NewCo**) will be acquired by ACDM;
- (iii) NewCo will acquire 100% of the issued and outstanding shares of ACDC; and
- (iv) NewCo will amalgamate with ACDC at or following closing.

4.3 Overview of the Arctic Companies

(a) **Introduction to the Arctic Companies**

ACDC is a Canadian mining company and one of the largest producers and suppliers of premium rough diamond assortments to the global market. It is the 100% owner of all businesses, assets and other interests comprising the Ekati Diamond Mine (**Ekati**). In addition to its mining and exploration operations, ACDC owns a marketing business with a sales office in Antwerp, Belgium (ACDM) which sells rough diamonds to manufacturers for cutting and polishing.

The single shareholder of ACDC is Arctic Canadian Holdings LLC (**Arctic Shareholder**), a limited liability company owned and managed by DDJ Capital Management (**DDJ**), Brigade Capital Management, LP (**Brigade**) and Western Asset Management Company, LLC (**Western Asset**). DDJ is a privately held asset manager that specialises in investments within the leveraged credit markets. In February 2022, DDJ was acquired by Polen Capital Management, a global investment management firm advising approximately US\$80bn in assets (**Polen**). Brigade is a global asset management firm with approximately US\$30bn under management that utilises a multi-strategy, multi-asset class approach to investing across the credit universe. Western Asset is a leading global fixed-income manager focusing on long-term fundamental value.

ACDC was formed in 2020 following the collapse of Dominion Diamonds ULC (**Dominion**), Ekati's previous owner, during the COVID-19 pandemic. In April 2020, Dominion sought bankruptcy protection, citing major disruptions to the global diamond trade. In December 2020, The Alberta Court of Queen's Bench approved the sale of substantially all of Dominion's assets, excluding its joint venture agreement and liabilities relating to the Diavik Diamond Mine (**Diavik**), to ACDC.

Burgundy Chief Executive Officer and Executive Director Mr Kim Truter is one of five directors of ACDC. As noted above, the single shareholder of ACDC is the Arctic Shareholder, with whom Mr Truter has no association.

ASX has confirmed it will not exercise its discretion under Listing Rule 10.1.5 to apply Listing Rule 10.1 to the Transaction.

(b) **Ekati Overview**

Ekati, named after the Tilcho word meaning 'fat lake', is renowned for its premium gem-quality diamonds. Ekati is Canada's first surface and underground diamond mine, with production at the mine having commenced in October 1998 following extensive exploration and development work dating back to 1981. The mine is at a mature stage for exploration, having discovered more than 175 kimberlite occurrences on the historical claim block to date. Ekati operated continuously until March 2020, when COVID-19 prompted previous owners Dominion to temporarily suspend operations. Following a 10-week phased restart program, Ekati recommenced operations in February 2021 (**Mine Restart**). There are two active mining operations at Ekati, including the Sable Open Pit and Misery Underground operations.

Ekati is located near Lac de Gras, approximately 1,870 km north north-east of Vancouver, 300 kilometres northeast of Yellowknife and 200 kilometres south of the Arctic Circle in the Northwest Territories of Canada. The mining lease block comprises 121 mining leases, covering an area of approximately 113,469 hectares. Despite its location in the Canadian sub-arctic, mining activities are conducted year-round.

The current mine-life of Ekati, including the addition of a new open pit development at Point Lake, runs to 2028. Exploration and project evaluation activities are ongoing, including the development of innovative mining techniques that could be used to extract the deeper resources from the Sable Open Pit, Fox Open Pit and Point Lake Open Pit. If successful, the mining of these deeper portions of existing orebodies would extend the life of Ekati.

Figure 1 – Ekati property overview

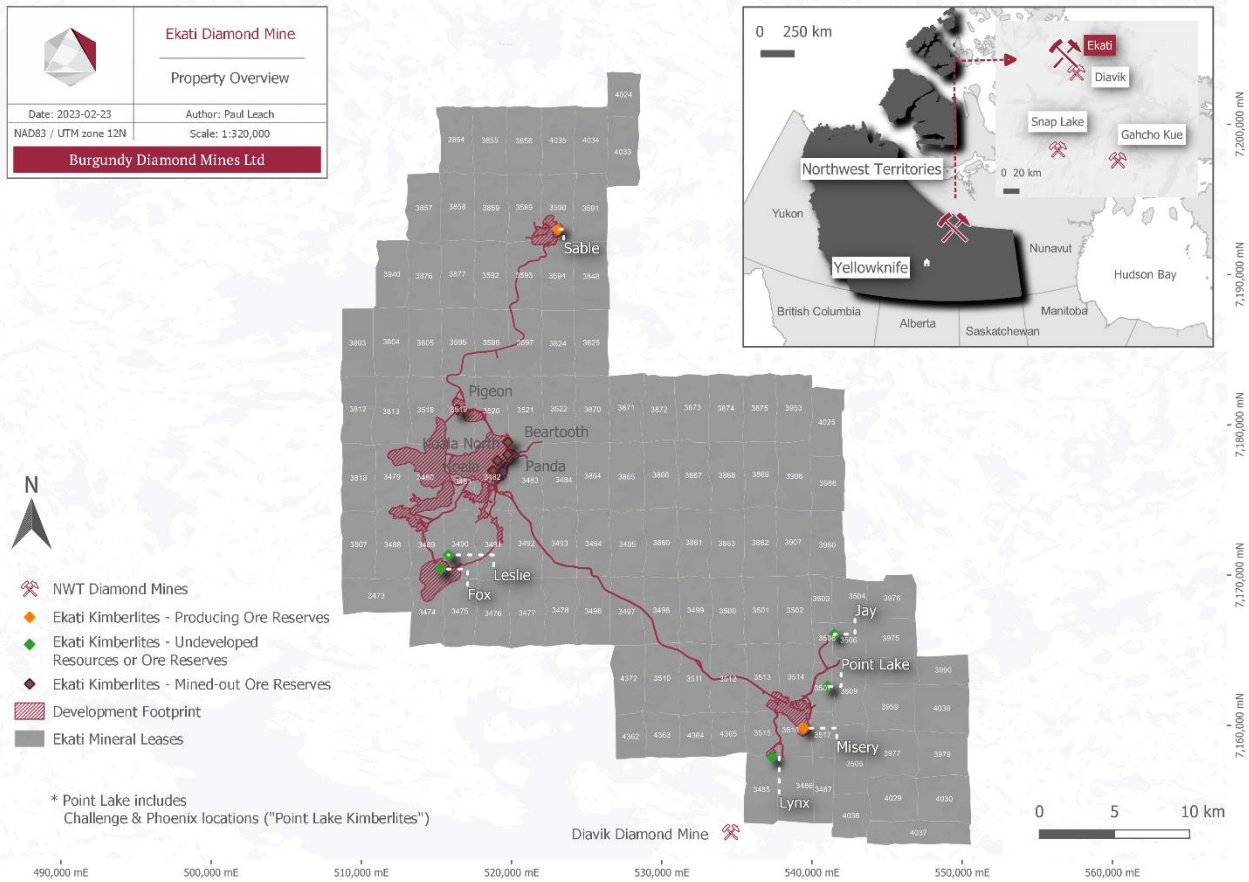


Figure 2 – Aerial view of Ekati



(c) History of Ekati

The timeline below summarises Ekati's ownership and operating history since exploration and development work commenced 1998:

- **1981:** Exploration and development work commenced
- **October 1998:** Ekati delivers first rough diamond production under BHP Billiton (**BHP**) ownership

- **April 2013:** Following a decision to divest several 'non-core' assets and focus on its large iron ore, petroleum, and coal operations, BHP sells Ekati to Dominion for US\$553m
- **November 2017:** The Washington Companies (*Washington*), a group of privately held North American mining industrial and transportation businesses, acquires Ekati as part of a US\$1.2bn acquisition of Dominion
- **March 2020:** Ekati is placed into care and maintenance in response to the COVID-19 pandemic and major disruptions in the global diamond trade
- **April 2020:** Dominion files for insolvency protection under the Companies' Creditors Arrangement Act
- **February 2021:** ACDC acquires Ekati with associated assets and liabilities from Dominion and mining operations recommence at Ekati
- **March 2023:** Burgundy announces the acquisition of the Arctic Companies

(d) **Ekati accessibility**

(i) Winter ice road

Road access to Ekati is by a winter ice road that is seasonal in nature. The ice road is approximately 475km long, is constructed largely (approximately 86%) across lakes and connects from the permanent all-weather road east of Yellowknife to the main Ekati complex via the Misery haulage road. Typically open approximately 8 weeks from 1 February until the end of March, the road is constructed each year as part of a joint venture between the Ekati, Diavik and Gahcho Kué mines. Prevailing ice conditions can reduce or extend the operational period of the winter road. The road is shared by other industrial users (i.e., exploration companies), and is open to the public, providing access for hunters and tourists. Each mine shares the cost of construction, maintenance, operation and closure of the annual winter road.

Fuel, large equipment and heavy consumables are freighted to site on the winter road. Ekati freight for the 2023 winter road is estimated at approximately 1,700 truckloads. Critical to achieving the mine plans are the logistics of planning and expediting the delivery of freight required for a full year of operation over the winter road in a period of approximately two months. Three seasonal maintenance / staging camps are located along the winter ice road with the most northerly being located at the Lac de Gras camp, which is located on the south-eastern shore of Lac de Gras.

(ii) Air transport

Ekati has an all-weather gravel airstrip that is 1,950 metres long with an aircraft control building. The airport is equipped with runway lighting and approach system, navigational aids, radio transmitters and weather observation equipment.

Outside of winter road season, general and light freight, fresh produce, and equipment is flown to the site year-round, with one ATR and five Electra freighters per week visiting site. On occasion, when high value, large dimension spares are required but not held in immediate stock, a Hercules C130 is chartered to fly such components to site. These production-critical flights are infrequent and amount to one or two every two to five years.

Air transport is used year-round for transport of all personnel to and from the site as well as light or perishable supplies, and, as required, emergency freight.

(e) **Ekati infrastructure**

The buildings and infrastructure facilities at Ekati include all buildings (mobile and permanent), pipelines, pump stations, electrical systems, quarry site, camp pads and laydowns, ore storage pads, roads, culverts and bridges, airstrip, helipad, and mobile equipment.

The primary facilities at Ekati include:

- main accommodations complex that consists of 763 sleeping accommodation rooms, dining, kitchen, and recreation areas, first aid station, emergency response / mine rescue stations and maintenance shops. A sewage treatment plant, water treatment facility and incinerator room adjoin the main accommodations building;
- power plant;
- processing plant;
- bulk sampling plant;
- truckshop / offices / warehouse complex that provides for heavy and light vehicle maintenance, heated warehouse storage, change rooms, an environmental laboratory and administration offices; and
- bulk lubrication facility situated adjacent to the truckshop and holds bulk lubricant and glycol.

Ancillary buildings located within the Ekati main camp area include:

- ammonium nitrate storage facility with a capacity of 16,500 tonnes;
- emulsion plant;
- waste management building (waste to be sent off site is prepared for transport at this building);
- site maintenance shed and sprung facility (used for shipping and receiving, during winter road operations and for aircraft freight);
- airport building (the control point for all Ekati flight operations including fixed wing and helicopter); and
- core logging facility (building with core logging area and work offices to support advanced exploration and mine operation geological activities).

(f) **Ekati climate**

Ekati is located in the Canadian sub-arctic that experiences cold winter conditions for most of the year, with day-time temperatures consistently above freezing for approximately four months of the year. The mean annual temperature at the mine site is -10°C and the warmest average monthly temperature is 14°C in July. The coldest average monthly temperature is -28°C in January with extremes reaching -50°C.

The site is generally windy (average velocities of ~20km/hr on typical days) while average precipitation is 345mm, consisting of relatively equal amounts of rain and snow. Available daylight ranges from a minimum of four hours per day in December to a maximum of 22 hours per day in June. Ekati operates 24 hours per day year-round, except during white-out conditions.

Ekati uses a level-system for designating severity of weather events. Production is impacted by level two and level three weather events. Level two events typically happen two to three times per annum (lasting up to 24 hours) and level three events occur once every five years. The

annual mine plan is developed so that Q1 reflects daily planned tonnage lower than the remainder of the year to reflect reduced productivity of the equipment fleet.

(g) **Communities and wildlife**

The closest community to Ekati is Wekweètí, located approximately 180km southeast of the Ekati site. Yellowknife, the capital city of the Northwest Territories, is approximately 300km southwest of Ekati and the nearest large city to Yellowknife is Edmonton, located due south via an 18-hour drive or accessed by several daily flights offered by four commercial airlines.

The site is within the continuous permafrost zone, in this area, the layer of permanently frozen subsoil and rock is generally ~300m deep and overlain by a 1– 3m active layer that thaws during summer. Approximately one-third of Ekati is covered by oligotrophic water bodies (a body of water which is poor in dissolved nutrients and usually rich in dissolved oxygen). The low terrain has resulted in a diffuse drainage pattern, and streams typically meander in braided channels through extensive boulder fields between lakes and ponds.

Ekati is predominantly a wildlife habitat, with human use for hunting and fishing. The Bathurst caribou herd migrates through the area to access spring calving and winter forage grounds. Grizzly bears, wolves, foxes, wolverines and small mammals are also present at various times of the year.

(h) **Royalty**

The Ekati property is 100% owned by ACDC and is no longer subject to joint venture agreements. The Core Zone and Buffer Zone Joint Venture agreements were previously terminated and have been superseded by private royalties which are due to Dr. Stewart Blusson (negotiated in exchange for his minority joint venture interest in the Core Zone and Buffer Zone) (**Private Royalties**). In addition to the Private Royalties, ACDC pays royalty tax to the Government of Northwest Territories based on a sliding scale.

The Core Zone Private Royalty is based on 2% of gross proceeds of sales and adjusted for market value of diamond inventory. The Buffer Zone Private Royalty is based on 2.3% of gross proceeds of sales and adjusted for market value of diamond inventory.

All mines in the Northwest Territories located on Crown land are subject to a royalty payment (**Crown Royalties**). Currently, Crown Royalties are calculated on the value of the output of the mine for each financial year, and are equal to the lesser of:

- 13% of the value of the output of the mine; or
- an amount calculated based on a sliding scale of royalty rates dependent upon the value of output of the mine, ranging from 5% for value of output between \$10,000 and C\$5 million and 14% for value of output greater than C\$45 million.

In 2022, ACDC paid approximately US\$5 million in Private Royalties.

(i) **Impact and Benefit Agreements**

Impact and Benefit Agreements (**IBAs**) were concluded with four Aboriginal communities – Tlicho, Akaichto Treaty 8, North Slave Métis and the Inuit of Kugluktuk – who were impacted by the mine's operations prior to the commencement of mining. The IBAs establish requirements for funding, training, preferential hiring, business opportunities and communications. Whilst the exact terms of the IBAs are confidential in nature, they are considered not too dissimilar to other agreements of this type that have been negotiated with Aboriginal groups in Canada. The IBAs extend over the current life-of-mine at Ekati.

(j) **Ore Reserves and Mineral Resources Estimates**

The current Ore Reserve estimate for Ekati is set out below.

All Mineral Resources converted to Ore Reserves have undergone pre-feasibility studies following Canadian Institute of Mining (CIM) guidelines.

Table 1 – Ore Reserves table (31 December 2022, 100% basis)

Ekati	Probable Ore Reserves		
Project / operation	Tonnes (millions)	Grade (cpt)	Carats (millions)
Sable Open Pit	6.1	0.8	4.7
Point Lake Open Pit	9.7	0.6	5.6
Misery Underground	1.6	3.3	5.4
Fox Underground	31.0	0.3	10.3
Run of Mine Stockpiles	0.2	0.8	0.1
Total Ore Reserves	48.5	0.5	26.1

Notes to Ore Reserves table:

- Ore Reserves have an effective date of 31 December 2022 and were prepared by certified professional geologists and mining engineers employed by ACDC.
- All Ekati Ore Reserves are classified as Probable. Tonnes are expressed as dry metric tonnes. Grade is in carats per tonne (**cpt**). Carat estimate includes process plant recovery.
- Ore Reserves are reported on a 100% basis.
- Ore Reserve carats are reported according to 2020 Ekati process plant configuration (1.2 mm slot de-grit screens with final recovery using a 1.0 mm screen circular aperture cut-off).
- Ore Reserves that are mined or will be mined using open pit methods include Sable Open Pit and Point Lake. Sable Open Pit designs assumed dilution of 6% waste and mining recovery of 98% diluted material. The Point Lake Open Pit design assumes dilution of 2% waste and mining recovery of 98% diluted material.
- Ore Reserves that are mined or will be mined using underground methods include Misery Underground and Fox Underground. The underground design for Misery Underground is based on sublevel retreat with 25 m levels assuming an overall dilution of 12% waste and overall mining recovery of 94% of diluted material. Conceptual designs for Fox Underground are based on inclined cave mining method.
- Stockpiles are minor run-of-mine stockpiles (sourced from open pit and underground operations) that are available to maintain blending to the process plant.
- Tables may not sum as totals have been rounded.

The current Mineral Resource estimate for Ekati is set out below.

Table 2 – Mineral Resources table (31 December 2022, 100% basis)

Kimberlite pipes		Measured Resources			Indicated Resources			Inferred Resources		
Pipe Name	Type	Mt	Ct/t	Mct	Mt	Ct/t	Mct	Mt	Ct/t	Mct
Sable	Open pit	-	-	-	10.2	1.0	9.9	0.3	1.0	0.3
Point Lake	Open pit	-	-	-	31.8	0.8	24.0	9.1	0.8	6.9
Phoenix	Open pit	-	-	-	-	-	-	1.8	1.4	2.5
Challenge	Open pit	-	-	-	-	-	-	2.4	1.3	3.1
Leslie	Open pit	-	-	-	-	-	-	50.8	0.3	16.3

Misery Main	Underground	-	-	-	1.3	5.0	6.8	1.0	5.6	5.8
Fox	Underground	-	-	-	45.6	0.4	16.5	5.1	0.4	2.2
Stockpile	Open pit	-	-	-	0.2	1.2	0.2	6.7	0.2	1.0
Jay	Open pit	-	-	-	48.1	1.9	89.8	4.2	2.1	8.7
Lynx	Open pit	-	-	-	0.5	0.8	0.4	0.2	0.8	0.2
Total Mineral Resources		-	-	-	137.7	1.1	147.6	81.7	0.6	47.0

Notes to Mineral Resources table:

1. Mineral Resources have an effective date of 31 December 2022 and were prepared by certified professional geologists and mining engineers employed by ACDC.
2. Ekati Mineral Resources are classified as Indicated and Inferred (no Measured category). Tonnes are expressed as dry metric tonnes. Grade is in carats per tonne (**cpt**).
3. Mineral Resources are reported on a 100% basis.
4. Mineral Resources are reported inclusive of Ore Reserves. Mineral Resources that are not Ore Reserves do not have demonstrated economic viability.
5. Mineral Resources are reported at +0.5 mm (based upon diamonds that would be recovered by the Ekati Bulk Sample Plant using 0.5 mm width slot de-grit screens and retained on a 1.0 mm circular aperture screen).
6. Mineral Resources have been classified considering drill hole spacing, volume and moisture models, grade, internal geology and diamond valuation, mineral tenure, processing characteristics and geotechnical and hydrogeological factors.
7. Mineral Resources amenable to open pit mining methods include Sable Open Pit, Leslie, Lynx, Point Lake, Phoenix and Challenge. Conceptual pit designs for open cut Mineral Resources (Sable Open Pit, Leslie, Jay and Lynx) were completed using Whittle shell analysis.
8. Mineral Resources amenable to underground mining methods include Misery Main and Fox. Underground design for Misery Main is based on sublevel retreat method and underground design for Fox is based on inclined cave mining.
9. Stockpiles are located near the Fox open pit and were mined from the uppermost portion of the Fox open pit operation. Minor run of mine stockpiles (open pit and underground) are maintained and are available for blending of kimberlite sources at the process plant.
10. Tables may not sum as totals have been rounded.

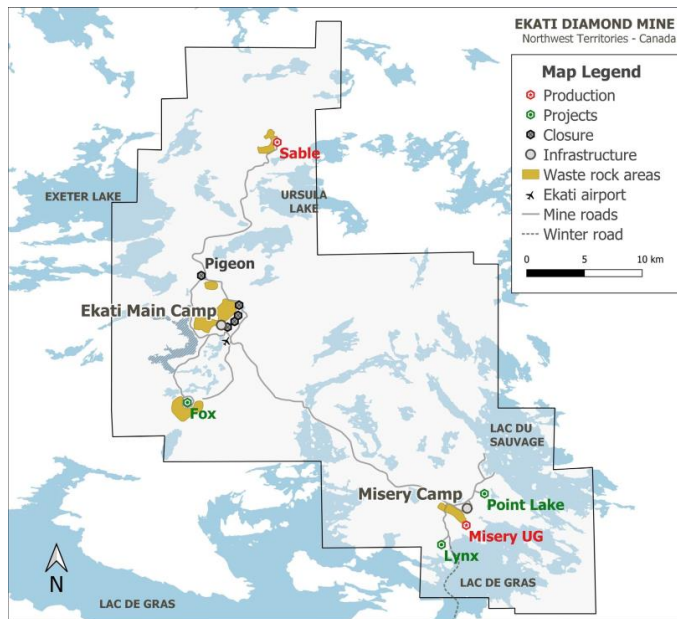
The information in this announcement with respect to Mineral Resources and Ore Reserves for the Ekati Mine were first released by the Company on 14 March 2023 (**R&R Announcement**). The Company confirms it is not aware of any new information or data that materially affects the information included in the R&R Announcement and, in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Further information on the geology of Ekati will be included in an Independent Technical Assessment Report (**ITAR**) in the Company's recompliance prospectus.

(k) Current operations at Ekati

Historically, mining at Ekati has included open pit and underground mining methods. Currently, there are two active mining operations at Ekati including the Sable Open Pit and Misery Underground operations.

Figure 3 – Ekati property overview

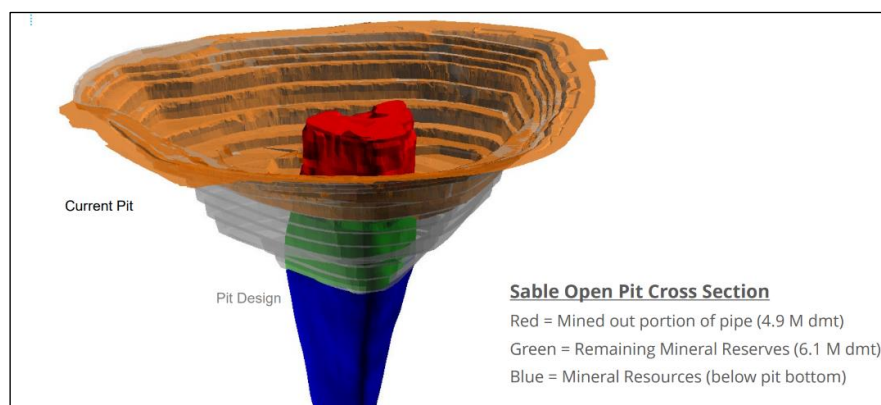


(i) Sable Open Pit

The Sable Open Pit is situated approximately 17 kilometres north-northeast of the Ekati Main Camp. Following a two year construction period, the pit has been operational since 2018 with full production achieved in 2019. The Sable Open Pit is a 60,000 tonne per day (tpd) operation providing 10,500 tpd of kimberlite ore feed to the plant. It is a conventional truck and shovel operation utilizing CAT 6060 and 6030 shovels and 793 and 777 haul trucks.

A conceptual layout plan for the operation is included in Figure 4. The Sable Open Pit has been designed to maximise the use of existing infrastructure to reduce the environmental footprint.

Figure 4 – Plan view of Sable Open Pit (31 December 2022)



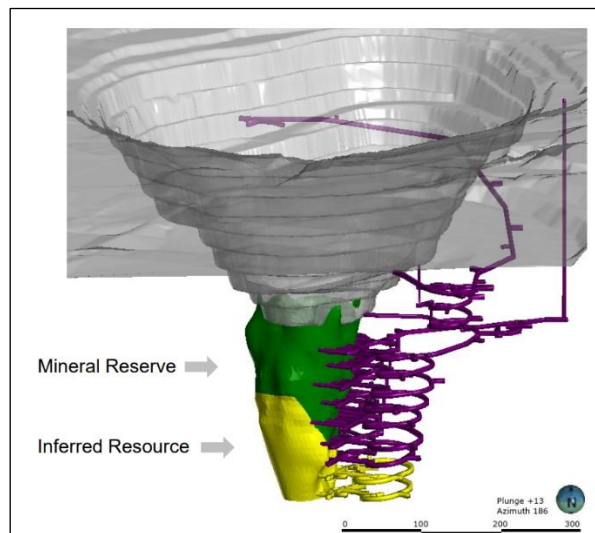
(ii) Misery underground

Misery Underground is a continuation of Misery Open Pit which is fully depleted and yielded approximately 20.7 million recovered carats. The Misery Underground operation, which ramped up in 2021, utilizes a sublevel retreat mining method at a nominal mining rate of 3,000 tpd providing 2,750 tpd of ore to the process plant. Ore and waste are hauled from the underground utilizing AD30 haul trucks and two ramp

portals to the surface of the previously operating Misery Open Pit. Ore is further hauled to surface utilizing CAT 740 haul trucks.

All ore from both Sable Open Pit and Misery Underground is transported to the process plant utilizing a fleet of dual-powered road trains at a nominal rate of 13,000 tpd. Ore haulage is supplemented by the CAT 777 fleet as required.

Figure 5 – Cross Section Showing Misery Underground Ore Reserves and Development (31 December 2022)



(iii) Mine restart – February 2021

Since the Mine Restart in February 2021 until the end of 2022, Ekati has:

- mined 36.4Mwmt waste and 6.6Mwmt ore;
- recovered 7.1Mcts; and
- sold 6.4Mcts,

as shown in Figures 6 and 7 below.

Figure 6 – Waste and ore mined (Mwmt)

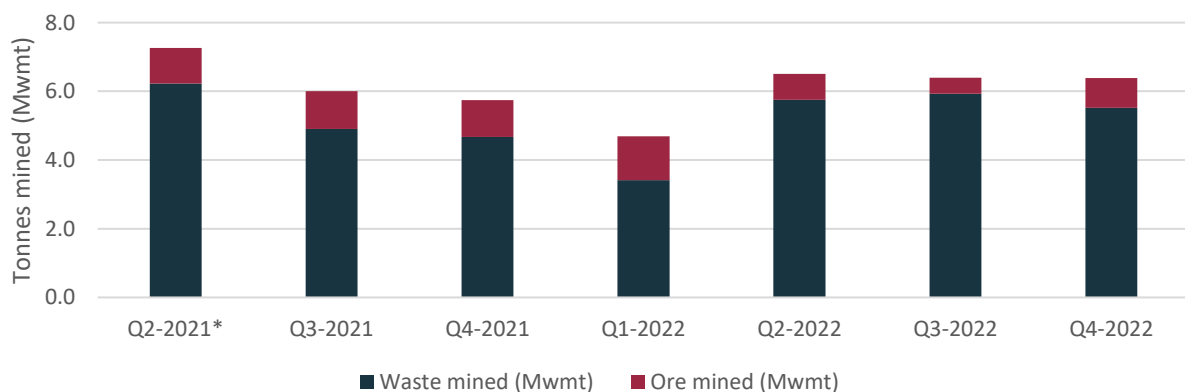
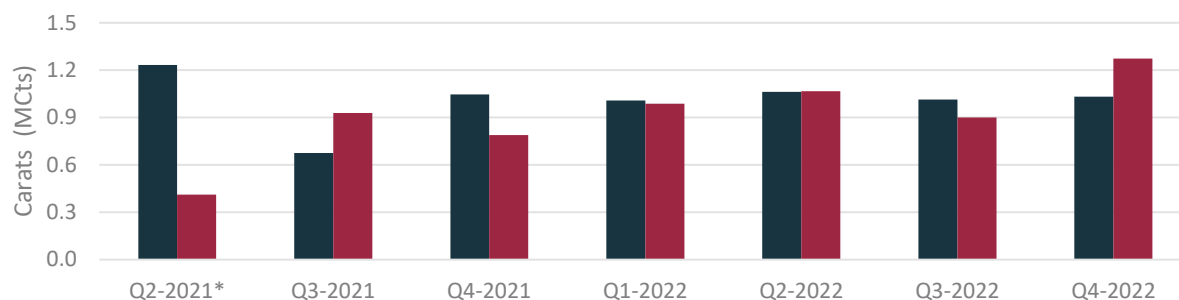


Figure 7 – Carats recovered (Mt) and carats sold (Mcts)



*For the period 3 February 2021 to 30 June 2021, in accordance with the Mine Restart

In 2022, the Arctic Companies delivered revenue of US\$494m and adjusted EBITDA⁴ of US\$200m (implied adjusted EBITDA margin of ~40%). During this period, 4.1Mcts were recovered and 4.2Mcts were sold for an average price of ~US\$117/ct and the total operating cost / carat sold was ~US\$84/ct

Revenue was slightly lower than ACDC's forecast due to a decrease in production value resulting from lower carat production from Sable Open Pit as the waste backlog was addressed in that pit, which was partially offset by strong auction results in December 2022. Operating costs (labour, contracting, consumables and spares, freight and travel) were lower than expected in 2022, supporting a strong earnings profile.

These key operational metrics at Ekati and financial metrics at the Arctic Companies for 2022 are summarised in the table below.

⁴ EBITDA is defined as net profit after tax before the deduction of interest expense and finance income, taxes, depreciation and amortisation. Adjusted EBITDA is defined as EBITDA adding back unrealised foreign exchange losses, a fair value adjustment on consideration payable for future royalty distributions and asset impairments.

Table 3 – 2022 Key Operational and Financial Metrics

2022 key operational and financial metrics			
Ekati	3.4Mwmt Ore mined	4.1Mcts Carats recovered	4.2Mcts Carats sold
Arctic Companies	US\$494m Revenue	US\$200m Adjusted EBITDA*	US\$192m Cash flow from operations
	US\$117/ct Average price / carat sold	~40% Adjusted EBITDA* margin	US\$84/ct Operating costs** / carat sold

* EBITDA is defined as net profit after tax before the deduction of interest expense and finance income, taxes, depreciation and amortisation. Adjusted EBITDA is defined as EBITDA adding back unrealised foreign exchange losses, a fair value adjustment on consideration payable for future royalty distributions and asset impairments.

**Operating costs include cost of sales, selling and distribution expenses, general and administrative expenses and other expenses.

A summary of the key operational metrics for Ekati for the first quarter of CY23 is set out below.

		Jan	Feb	Mar	1Q CY23
Ore mined	kWMT	250	439	359	1,048
Waste mined	kWMT	1,665	1,166	1,367	4,198
Total Tonnes mined	kWMT	1,915	1,605	1,726	5,246
Carats recovered	Kcts	372	416	390	1,178
Carats sold	Kcts	214	220	364	798

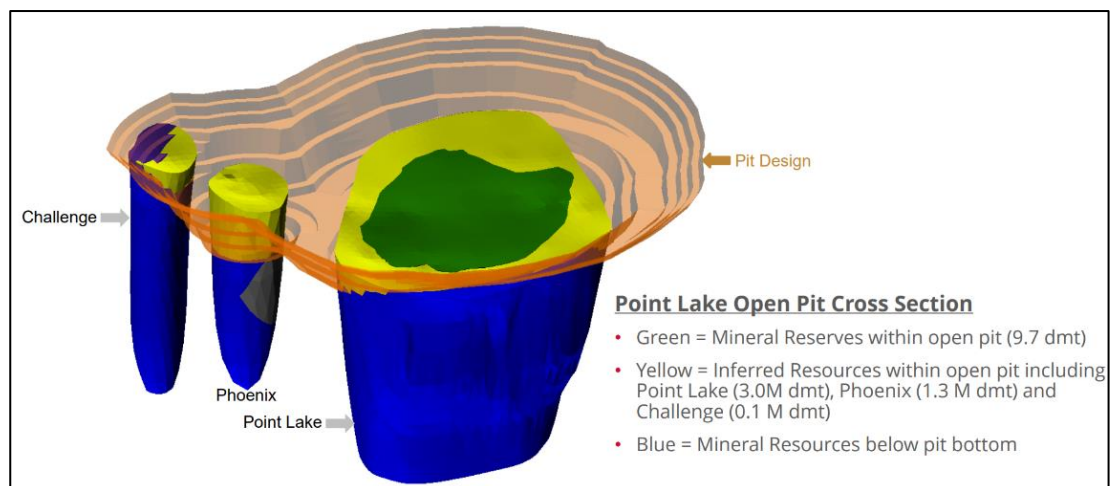
(iv) **Life of mine plan**

Ekati's current mine plan is underpinned by Ore Reserves of 15.8Mcts, supporting a mine life to 2028. Sable Open Pit and Misery Underground are expected to deliver most of the production until 2025 when Point Lake ore becomes the dominant process plant feed source. Point Lake is expected to provide the gateway to the future of Ekati by keeping the mine running while future projects are prepared.

Point Lake is permitted and is nearing hand off to mine operations. Project development work slated for 2023 includes final dewatering of Point Lake, final road construction and surfacing and construction of waste rock storage area pads. The other key development project to sustain mine-life – underwater remote mining – targets exploitation of mineral resources below completed open pits. It is described in more detail in Section 4.3(l)(i).

Point Lake open pit comprises Ore Reserves from the Point Lake pipe (69%) and Inferred Mineral Resources (31%) from the Point Lake, Phoenix and Challenge pipes and these are shown in Figure 8.

Figure 8: Point Lake open pit with Point Lake, Phoenix and Challenge pipes



The table below summarises the remaining LOM plan for Ekati showing production from Sable pit continues until 2024 and Misery Underground continues until 2025. Mining at Point Lake commences in 2023 and continues up to 2028. Estimated carat contributions from the various sources are shown in Figure 11.

Table 4 – LOM plan compared against available Reserves and stockpiles as of December 2022

	2023	2024	2025	2026	2027	2028	2029	Total (T)	Reserves + Stockpiles (R)	Inferred (I)	% Diff. (I/T)
Sable											
Dry ore tonnes (M)	2.917	3.409	0.085					6.411	6.274	0.137	-2.1%
Recoverable carats (M)	2.343	2.540	0.062					4.946	4.853	0.092	-1.9%
Recovered grade	0.80	0.75	0.73					0.771	0.774	-0.003	0.3%
Misery Underground											
Dry ore tonnes (M)	0.860	0.884	0.446					2,191	1.624	0.566	-25.9%

	2023	2024	2025	2026	2027	2028	2029	Total (T)	Reserves + Stockpiles (R)	Inferred (I)	% Diff. (I/T)
Recoverable carats (M)	2.730	2.747	1.391					6.868	5.385	1.483	-21.6%
Recovered grade	3.17	3.11	3.12					3.13	3.31	-0.18	5.7%
Point Lake											
Dry ore tonnes (M)			3.167	3.928	4.015	2.960	0.09	14.080	9.667	4.413	-31.3%
Recoverable carats (M)			2.537	2.572	2.556	1.578	0.04	9.248	5.612	3.636	-39.3%
Recovered grade			0.80	0.65	0.64	0.53	0.41	0.66	0.58	0.080	-11.6%

Within Table 4 there are variable amounts of Inferred Resources contained in the LOM plan, totalling ~22%. This ranges from negligible amounts in Sable pit (2.1%), to relatively large amounts in Misery underground (25.9%) and Point Lake open pit (31.3%). In accordance with Listing Rule 5.16.4, there is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources of that the production target itself will be realised. The Company confirms that the use of inferred resources is not the determining factor for Ekati's financial viability. The Mineral Resources and Ore Reserves underpinning the forecast production in the LOM plan have been prepared by a competent person in accordance with the JORC Code.

Production profiles for Misery and Point Lake showing the proportions of Reserves and Inferred Resources are set out below.

With respect to Point Lake, ~63% of inferred mineral resources underpin production during the first year of operation. The inferred material is within the Point Lake open pit reserves-only pit design as part of material to be removed to access Ore Reserves. For the Point Lake open pit two financial evaluations were completed. One (PFS) treated Inferred Resources as waste and resulted in positive NPV and the second was in the form of a preliminary economic assessment and included inferred in the ore mined leading to a higher NPV. Financial viability is therefore not dependent on the inclusion of the Inferred Resource.

Figure 9 – Production profiles for Misery

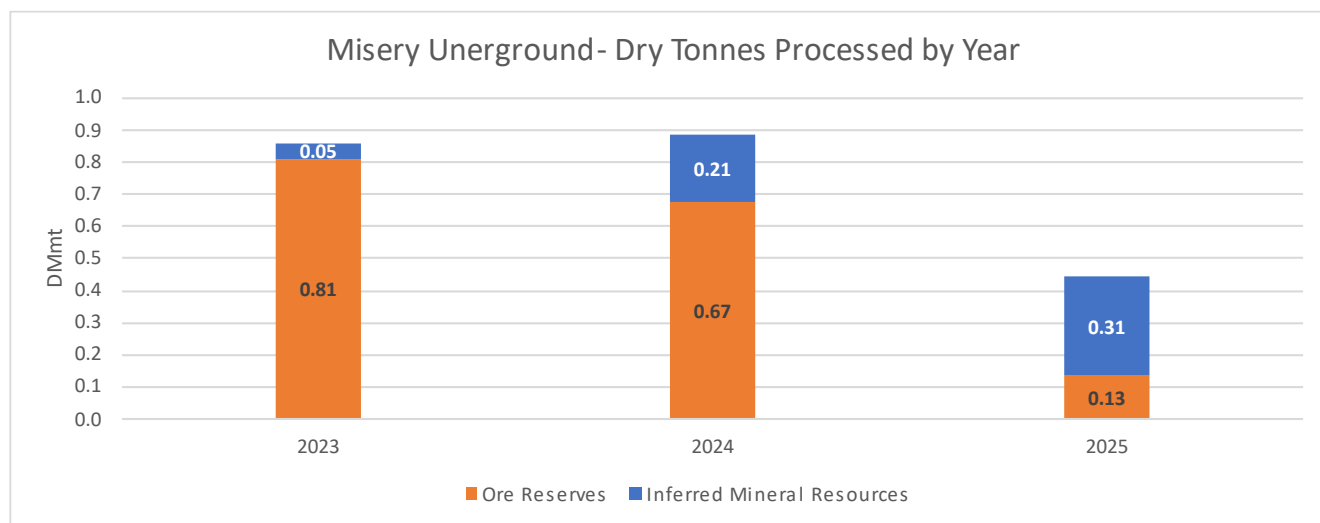


Figure 10 – Production profile for Point Lake

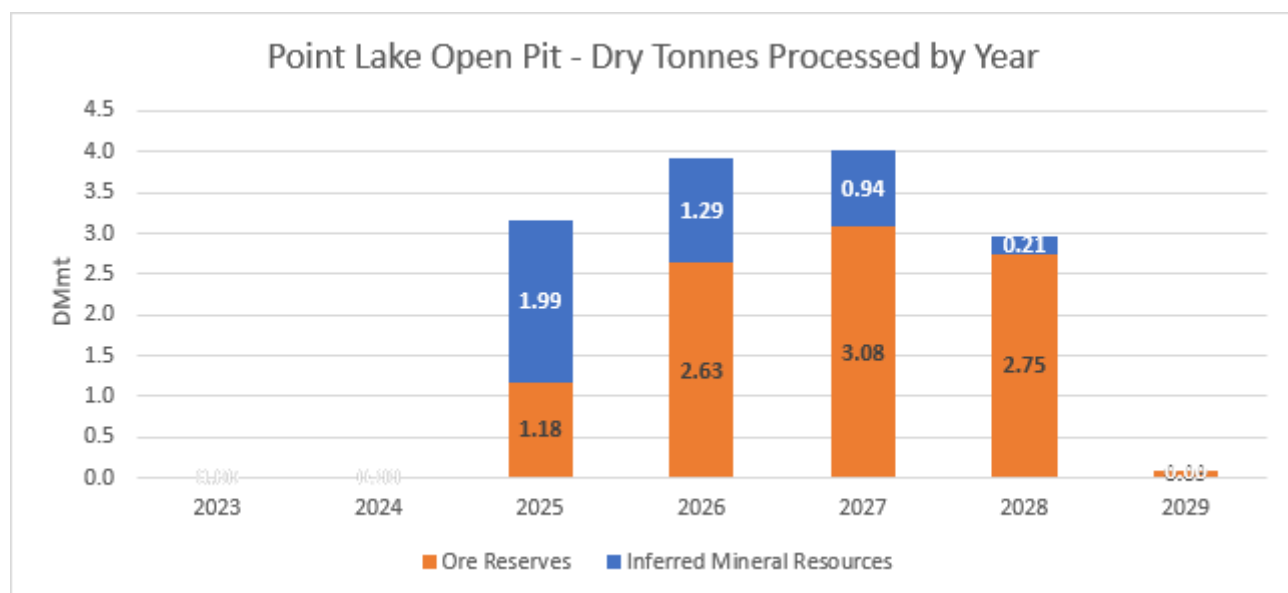
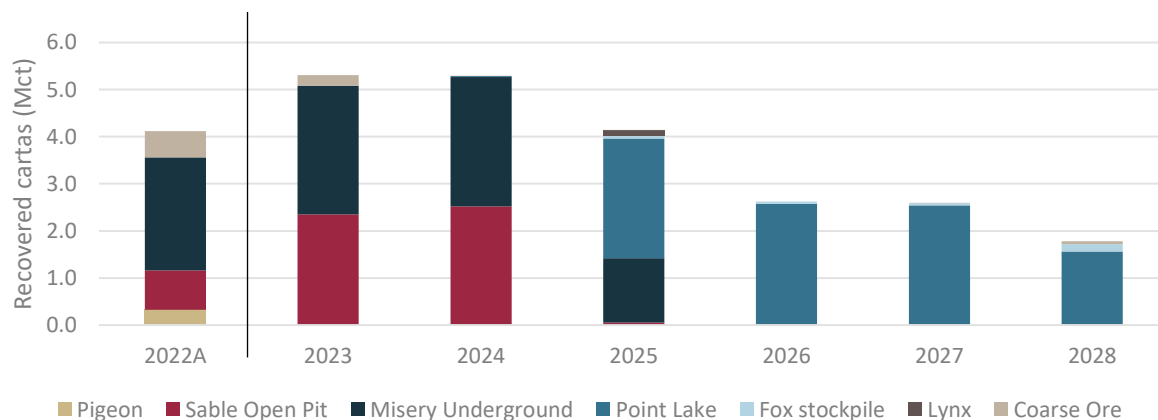


Figure 11 – Forecast recovered carats by deposit (Mcts)



Capital and operating cost estimates for the LOM for Ekati are summarised in the tables below:

Table 5 – Ekati capital forecast (\$US millions)

Capital item	Total	2023	2024	2025	2026	2027	2028
Corporate	1.284	1.163	0.013	0.013	0.032	0.063	0
Antwerp	0.303	0.084	0.061	0.013	0.072	0.073	0
Ekati	156.3	33.0	36.3	29.5	25.4	20.2	11.9
Total Sustaining Capital	157.9	34.2	36.3	29.6	25.6	20.3	11.9
Point Lake	7.9	5.0	2.9	0	0	0	0
URM	31.4	9.4	13.9	8.1	0	0	0
Misery Underground	6.2	4.8	1.3	0	0	0	0
Total Development Capital	45.5	19.3	18.1	8.1	0	0	0
TOTAL SUSTAINING AND DEVELOPMENT	203.4	53.5	54.5	37.6	25.6	20.3	11.9
Production stripping	125.9	12.2	90.7	23.1	0	0	0
TOTAL CAPEX	329.3	65.7	145.2	60.7	25.6	20.3	11.9

Figure 12 - Ekati Operating Costs (Budget and Actual)

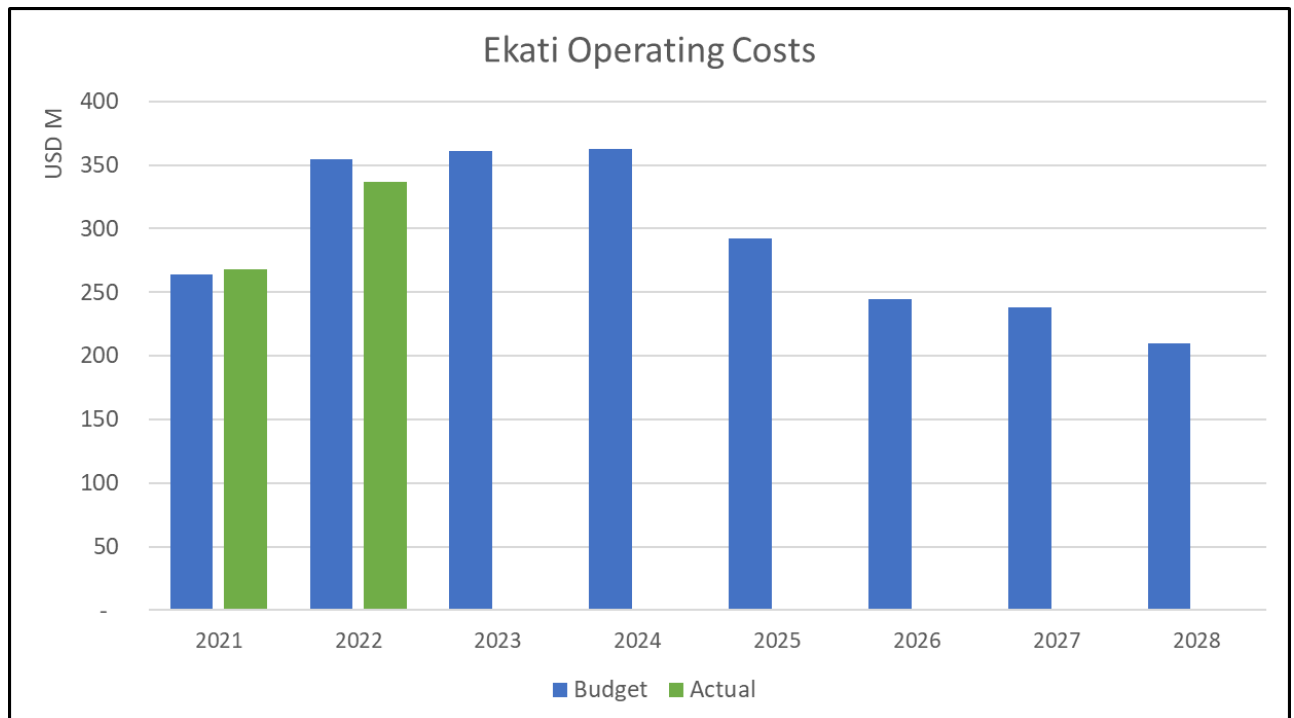


Table 6 - Ekati itemised operating costs (budget and actual) for 2021 to 2028 (US\$ millions)

BUDGET	2021	2022	2023	2024	2025	2026	2027	2028
Open Pit Mining	81.4	121.0	123.8	118.7	83.2	63.1	58.4	38.8

Underground Mining	35.2	41.5	37.4	32.3	12.7	-	-	-
Processing	41.0	49.5	50.1	54.4	50.7	50.0	49.6	46.4
Support Services	106.4	142.9	149.6	157.0	146.0	131.8	130.1	124.7
Total Cost (budget)	264.1	354.9	361.0	362.5	292.5	244.9	238.2	209.9
ACTUAL	2021	2022	2023	2024	2025	2026	2027	2028
Open Pit Mining	100.4	118.5	-	-	-	-	-	-
Underground Mining	35.0	43.1	-	-	-	-	-	-
Processing	34.8	47.3	-	-	-	-	-	-
Support Services	97.9	128.1	-	-	-	-	-	-
Total Cost (actual)	268.1	337.0	-	-	-	-	-	-

The following notes are relevant for the cost items in Table 6 above:

- Open pit mining costs include costs associated with mining open pit waste and ore as well as maintenance costs of mobile equipment. Reduced costs from 2024 onward are a result of lower waste stripping.
- Underground mining costs include costs associated with mining ore and waste as well as maintenance of mobile equipment all based on contracted rates with an outsourced supplier.
- Processing costs include direct processing costs as well as maintenance associated with the process plant.
- Support services include:
 - Diamond sorting
 - Power supply to the full site (and is not charged to OP Mining, UG Mining or Processing)
 - Mine Technical Services (including Survey, Geology and Mine Planning)
 - Site services (including Ore long haul to the process plant and site road maintenance)
 - Supply Chain and Logistics (including camp and catering, freight, warehousing, winter road and procurement)
 - Health and Safety
 - Environment
 - Site-based Information Technology
 - Insurance and Property Taxes
 - Security

Unit operating costs (budget and actual) expressed in S/t is shown in Table 7.

Table 7 - Ekati unit operating costs (budget and actual)

BUDGET	Units	2021	2022	2023	2024	2025	2026	2027	2028
Open Pit Mining	\$/t OP mined	3.01	4.03	5.96	7.03	6.63	8.78	11.09	23.51
Underground Mining	\$/t UG mined	42.65	37.57	42.09	32.06	24.89	-	-	-
Processing	\$/t Processed	10.28	11.53	11.88	12.68	11.77	11.60	11.49	10.76
ACTUAL		2021	2022	2023	2024	2025	2026	2027	2028
Open Pit Mining	\$/t OP mined	5.48	5.19	-	-	-	-	-	-
Underground Mining	\$/t UG mined	50.72	37.26	-	-	-	-	-	-
Processing	\$/t Processed	10.34	12.34	-	-	-	-	-	-

Open pit \$/t in both 2021 and 2022 were impacted by COVID isolation and lower than planned equipment availability which impacted production levels and increased mobile equipment maintenance costs. Costs from 2023 and beyond are planned based on the lower achieved equipment availability evidenced by the closer alignment of budget costs with actuals achieved in 2021 and 2022.

(I) Mine life extension opportunities

The Company is currently exploring three innovative options to extend Ekati's mine life including:

- Underwater remote mining (see Section 4.3(I)(i))
- Systematic exploration using newly applied machine learning (artificial intelligence) technology (see Section 4.3(I)(ii)); and
- Development of the Fox Underground and/or Jay projects (see Section 4.3(I)(iii)).

(i) Underwater remote mining

Underwater remote mining (**URM**) technology is being developed at Ekati to recover diamonds outside of the winter months from the bottom of previously mined pits that will be filled with water. URM involves extracting kimberlite from flooded open pits with an underwater continuous mining crawler. The crawler is remote-operated and powered through a suspended umbilical cord and equipped with underwater control and positioning equipment. It has four independent tracks and a centrally located drum cutter that directly excavates the ore in small layers like a surface miner. The kimberlite is then hydraulically pumped to the surface to the dewatering plant and transported to the main processing plant for diamond recovery.

URM is a cost-efficient mining method that has minimal environmental impact as it is designed to operate in flooded open pits and is mining kimberlite only. The kimberlite cuttings produced by the crawler are pumped to the surface and passed through a dewatering plant positioned alongside the flooded pit. Fine material is removed together with the water in this process, increasing the diamond content of the kimberlite in proportion to the volume of fine material removed. With lower tonnages of higher-grade ore transported to the processing plant, there is an additional saving on transportation costs.

Netherlands-based IHC Mining (part of Royal IHC) have developed a three-part URM system for Ekati that involves a submersible mining crawler, a floating platform for

launch and recovery of the mining crawler, and a dewatering plant for removing fines and dewatering the ore. It is estimated that the crawler can operate at water depths of up to 400 metres.

The URM system has been fully engineered and the floating (launch and recovery) platform has been constructed, completed harbor assessment testing and taken apart and readied for shipping to Canada. The mining crawler, which is being built and assembled at Royal IHC's facilities in the United Kingdom, is scheduled for commissioning by the end of 2023. The de-watering plant and slurry lines have engineered drawings and are slated for construction in 2024. It is currently planned for the crawler to be trialled in the Lynx pit, along with the surface components of the underwater mining system, in mid-2025. It is expected that the URM system will extract more than 150,000 tonnes of indicated resource from Lynx (nominal production capacity from a single crawler is estimated at 500 tonnes per hour).

The main purpose of the Lynx trial is to de-risk the system. The individual components have been used in many other applications, but the system has not been used specifically for kimberlite mining to date. Assuming successful deployment of the URM system at Lynx, much larger mineral resources could be targeted at Point Lake and Sable Open Pit flooded open pits.

Figure 13 – URM mining crawler

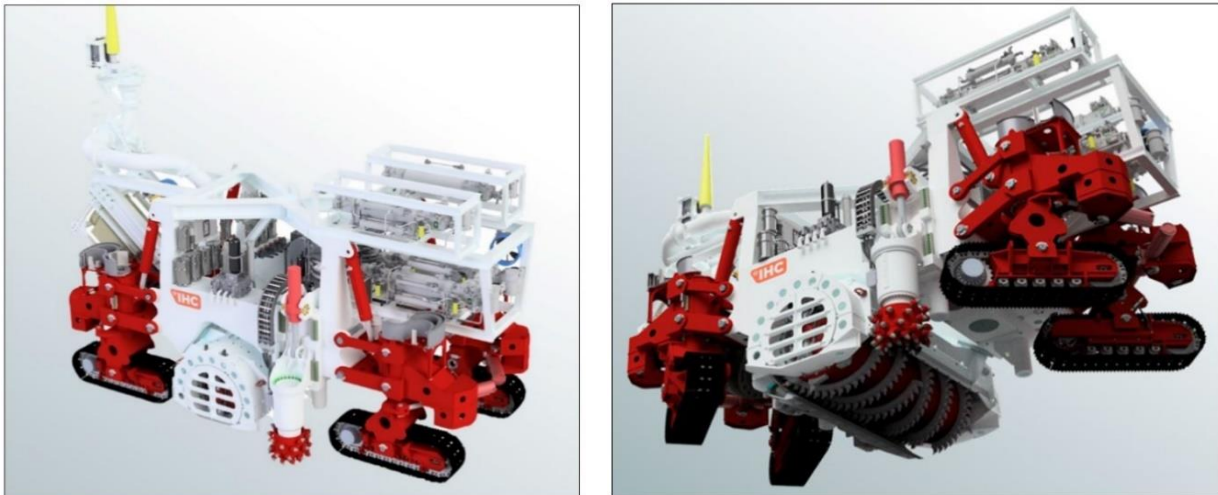
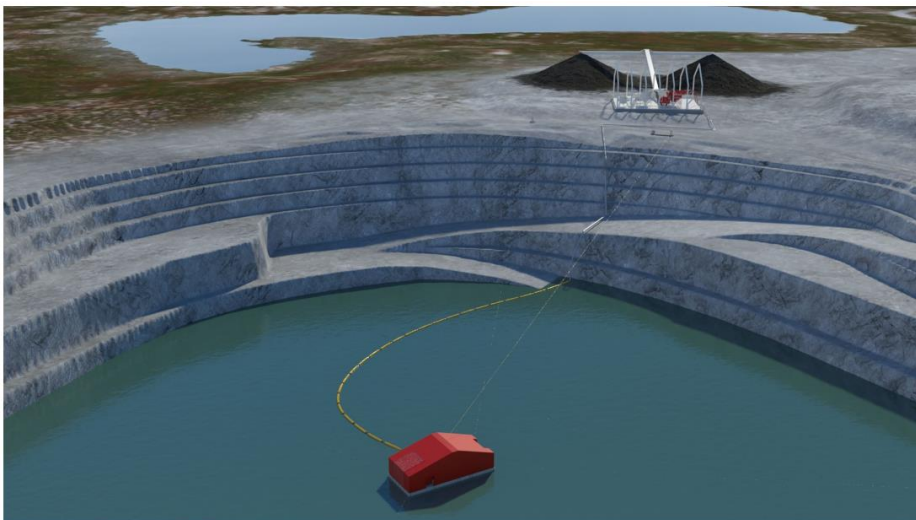


Figure 14 – Concept view of URM operation



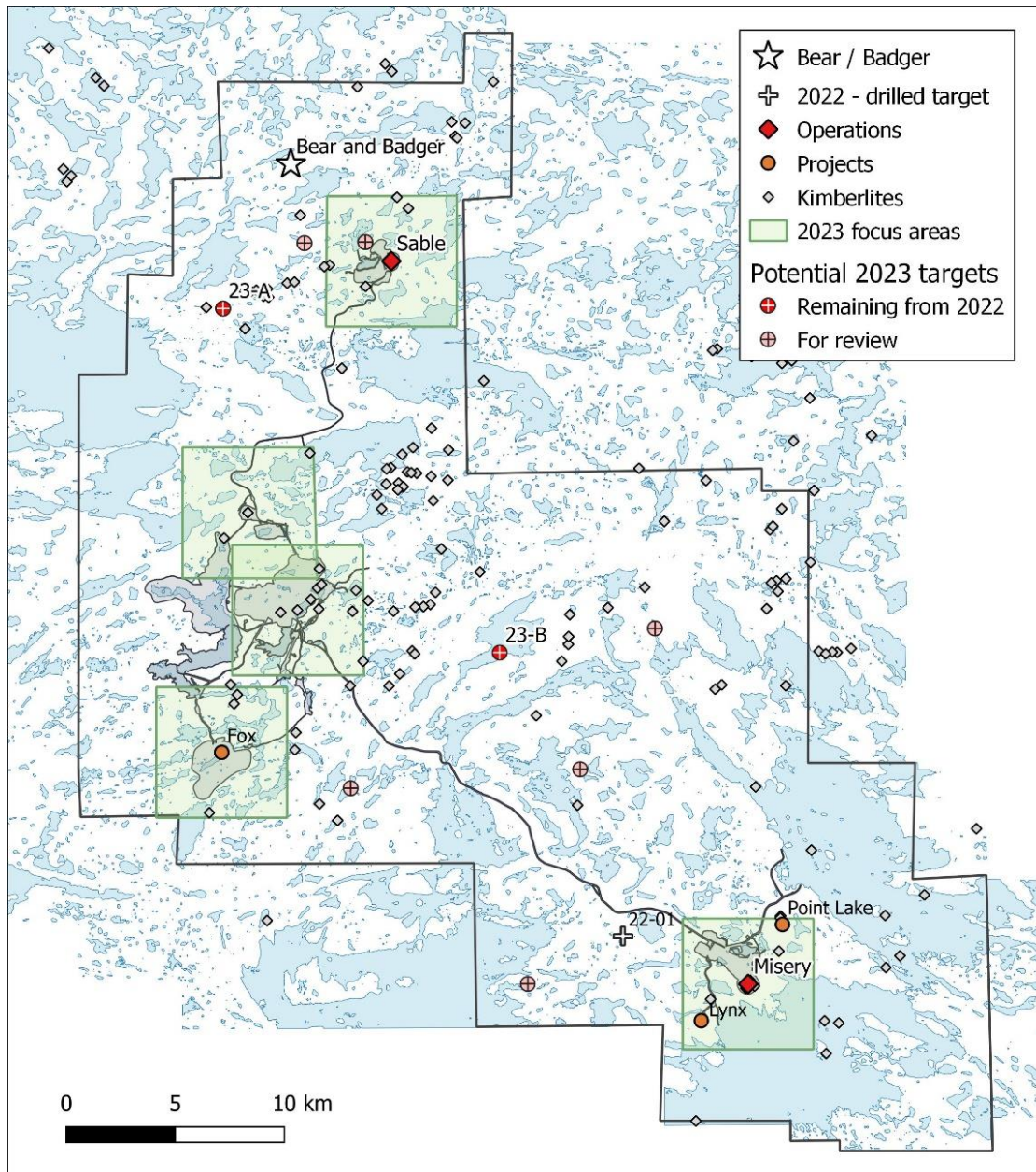
(ii) ***Technology-led, systematic exploration program***

Ekati has a long history of exploration. Since 1990, more than 15,000 till samples have been taken, multiple airborne integrated geophysical surveys have been flown and approximately 400 targets have been drill-tested with 177 kimberlites discovered to date. More recently, Ekati has been explored with the application of new technology including high resolution airborne magnetic surveying using remote controlled unmanned aerial vehicles, remote boat bathymetry and new geophysical data processing methods such as electromagnetic inversions. Artificial intelligence / deep machine learning, which can lead to discovery of more subtle geophysical kimberlites is also now being utilised at Ekati.

A property-wide exploration review was completed in the second quarter of 2022 based on the results from deep machine learning initiative carried out during 2021. Eleven drill targets were identified and five were prioritised using electromagnetic inversions and detailed geophysical analysis. Helicopter supported exploration drilling of prioritised targets was completed in the third quarter of 2022 and two of three targets that were drilled were confirmed as kimberlite pipes – named ‘Badger’ (Badger) and ‘Bear’ (Bear) pipes – located approximately 6 kilometres northwest of the Sable Open Pit pipe. Follow up delineation drilling on the Bear kimberlite confirmed a similar pipe infill to known economic deposits and reasonable size potential.

Additional machine learning work is underway along with geophysical data processing to develop targets for drill testing in summer 2023. It is anticipated that there will be four to six drill targets ready for helicopter supported core drilling. The new discoveries would then be evaluated for diamond potential (microdiamonds and mineral chemistry) and if prospective would be slated for large scale bulk sample programs in future programs.

Figure 15 – Ekati property map with planned core drillhole



(iii) Development of Fox Underground and Jay deposit

Fox Underground is an undeveloped future project located approximately 7 kilometres southwest of Ekati's processing plant. In 2018, a prefeasibility study on the development of the underground operation was completed. The study found that over a nine-year production period, Fox Underground (incline cave) could provide approximately 31.3Mt of kimberlite and recover approximately 10Mcts.

The Jay deposit is another undeveloped future project. Located approximately 30 kilometres northeast of Ekati's processing plant within a large lake (Lac du Sauvage), Jay is the largest undeveloped pipe at Ekati and likely one of the largest undeveloped kimberlites in the world (Indicated Resource of approximately 90Mcts). Development of Jay will presumably require construction of a containment dike with subsequent dewatering prior to the start of mining activities. Permits are not in place for

Jay, however the large Mineral Resource and high grades could extend the life of Ekati considerably, if developed.

Post Completion of the Transaction, the Company has no immediate plans to commence the development of Fox Underground and Jay deposit but remains interested in exploring the feasibility of these projects.

(m) **Supply chain, sorting, sales preparation and marketing**

After the rough diamonds are sorted and valued, ACDC sells the diamonds directly to manufacturers for cutting and polishing through its marketing company ACDM, which has a sales office in Antwerp, Belgium.

ACDC maximizes the value of the run-of-mine rough diamonds it produces at Ekati through sorting techniques that accurately assess each stone's quality – and therefore its value – among thousands of seemingly near-identical stones. ACDC currently sorts rough diamonds into approximately 18,000 different categories or price points.

Recovered diamonds undergo an initial size sort at the mine site. Stones less than four or five carats (depending on overall cycle production) are riffled to hold back 5% for the Government of the Northwest Territories' (**GNWT**) valuation and the balance is early shipped to a third party, Worldwide Diamond Sorting Pvt. Ltd (**WDS**) in Visakhapatnam, India for sorting.

The larger stones and the 5% holdbacks are held until the GNWT valuation is complete (10 per year). All stones over 10.8 carats are shipped directly to Antwerp for sorting, all other stones are shipped to WDS for sorting. Once sorted into parcels based on ACDC specifications, WDS ships the sorted parcels to the Antwerp sales office.

In Antwerp, parcels are mixed to prepare for sale. Customer viewing appointments are pre-booked over seven to ten days depending on volume and mix. Once viewings are complete, an online platform is used to auction the goods. At the close of the auction, winners are notified, invoices are then prepared and sent. Customers have five days to pay for the parcels they won.

ACDC marketing is currently limited. ACDC belongs to the Natural Diamond Council and its fees support natural diamond marketing campaigns. ACDC has a few customers who continue to use its 'CANADAMARK' brand but have not invested meaningfully in direct advertising since the assets were acquired from Dominion out of bankruptcy.

(n) **Health and safety**

ACDC places a strong emphasis on safety in all its operations and is committed to creating a culture of safety, responsibility, and caring among its employees and contractors. ACDC's health and safety team provides standards, processes, and systems to help ensure compliance and stewardship across ACDC's operations. Its focus on safety includes reporting and addressing safety hazards and near-miss events to improve safety performance.

One of the key metrics that ACDC uses to measure safety achievements is the All-Injury Frequency Rate (**AIFR**), which includes lost-time injuries, restricted work duties, and medical treatment cases. ACDC continues to work on improving safety performance by rolling out new safety programs to develop a safety culture that promotes the prevention of hazards, near-misses, and safety incidents, and taking the necessary steps to eliminate the potential for safety incidents in the future. The overall objective for ACDC is to continue significantly reducing AIFR going forward.

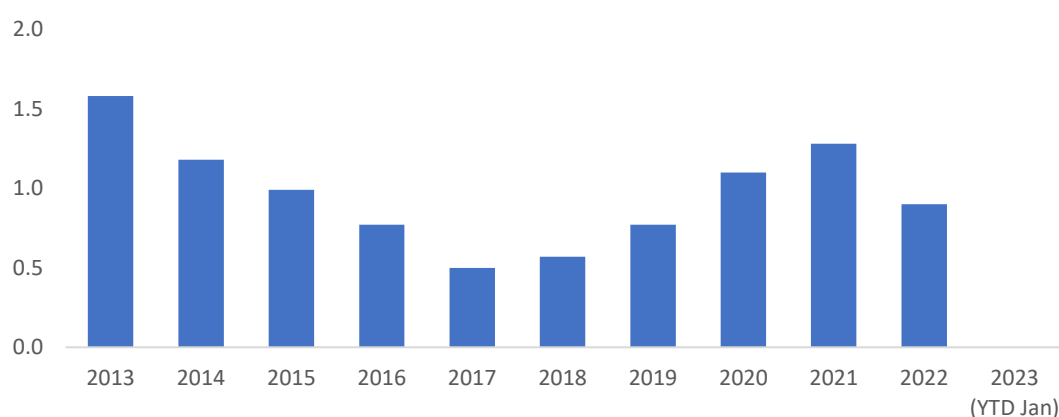
ACDC also places a strong emphasis on the mental and physical well-being of its employees, recognising that supporting overall well-being results in a resilient workforce and thriving workplace. It offers support through the LifeWorks Employee & Family Assistance Program,

which includes a wide range of resources, such as counselling for employees and their families, stress management and work-life balance practices. ACDC aims to ensure that its workers feel psychologically safe in the workplace, and that all employees are aware that resources such as LifeWorks are accessible for support.

A component of culture within ACDC's workforce relates to communication. ACDC places importance on open communication with not only its leadership team but its operational workforce. ACDC holds quarterly townhall meetings for the whole workforce and holds formal quarterly leadership meetings at site.

ACDC records and reports all significant injuries and lost time incidents. Details of all recordable incidents are contained in ACDC's 'First Priority and Cority' databases and is reported in the 'Health and Safety Business Plan Review'. The AIFR results since 2013 have been set out in Figure 16 below. Since exploration and development work commenced in 1981, there have been no fatalities at Ekati.

Figure 16 – AIFR results since 2013



(o) Combined business and strategy

The acquisition of the Arctic Companies is in line with Burgundy's vision to become a leading end-to-end diamond company via a vertically integrated business model. Ekati delivers significant rough diamond production including highly sought-after fancy coloured diamonds (mainly yellow) that can be cut and polished in the Company's commercial facilities in Perth and sold to end-customers, allowing the Company to capture margins along the diamond value chain.

1. Production

Rough diamonds produced from Company mines (including those from Ekati) will be amplified by the purchase of third-party rough diamonds from select producers globally.

2. Cutting and polishing

The Company currently has cutting and polishing capacity of 2,500 – 3,000 rough carats per year utilising its Perth based facilities and people. The focus is on using world-class skills to cut and polish fancy coloured diamonds for sale as high-end polished diamonds and in luxury jewellery.

The majority of rough diamonds that the Company will produce will be sold to third parties who will cut, polish and on-sell themselves. The Company will only utilise their facilities in Perth for select diamonds, where they can see significant value uplift.

3. Diamond sales

Collaborative sales agreements are in place with Paris-based jeweller Bäumer Vendôme. New sales channels with major international jewellers are being put in place. A small portion of cut and polished diamonds are sold directly to end-customers.

Following the Transaction, the Company's strategy will be focused on:

- (i) optimising Ekati's current mine performance and extending mine life through, among other things, underwater remote mining, assessment of the Fox Underground and Jay opportunities, and systematic exploration using newly applied machine learning (artificial intelligence) technology;
- (ii) 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; and
- (iii) actively assessing M&A opportunities to build out a balanced portfolio of diamond projects in Tier-1 jurisdictions.

4.4 Additional ASX Guidance Note 12 Disclosure

ASX Guidance Note 12 sets out various disclosure requirements for notices of meeting. The Company provides the following disclosure in accordance with Guidance Note 12, to the extent that the information has not been provided elsewhere in this Notice.

(a) **Arctic Companies Financial Statements**

Refer to Schedule 2 for the Arctic Companies audited combined financial statements for the financial years ended 31 December 2021 and 31 December 2022.

(b) **ASX Waivers and Confirmations**

The Company has confirmation from ASX that existing options on issue with an exercise price of less than \$0.20 each do not require a waiver from Listing Rule 1.1 Condition 12.

The Company has obtained confirmation that ASX will not exercise its discretion under Listing Rule 10.1.5 to apply Listing Rule 10.1 to the Transaction.

The Company must obtain Shareholder approval for the Transaction Resolutions. No further Australian regulatory approvals are required.

(c) **ASX takes no responsibility**

ASX takes no responsibility for the contents of this Notice or the Explanatory Memorandum.

4.5 Reinstatement on ASX

As the Company is currently proposing to make a significant change in the nature and scale of the Company's activities through the acquisition of the Arctic Companies, the Company must re-comply with the admission and quotation requirements set out in Chapters 1 and 2 of the Listing Rules prior to its securities recommencing quotation on ASX.

Pursuant to Listing Rules 11.1.2 and 11.1.3, the change in the nature and scale of the Company's activities requires the approval of Shareholders and the Company to re-comply with the admission and quotation requirements set out in Chapters 1 and 2 of the Listing Rules.

The Company's Shares have been suspended from trading on ASX since 19 December 2022 and will not be reinstated unless each Transaction Resolution is passed by Shareholders (see Section 4.2(b) above for further details) and ASX is satisfied the Company has met the requirements of Chapters 1 and 2 of the Listing Rules.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders; and
- (b) the Company must satisfy the "assets test" as set out in Listing Rule 1.3.

It is expected that the conduct of the Placement (for which Shareholder approval is sought pursuant to Resolution 3) will enable the Company to satisfy the above requirements.

In the event that the Company does not receive conditional approval for re-admission to the Official List, the Company will not proceed with the Placement and Share Purchase Plan. In this regard, the Company notes that:

- (a) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Transaction may not proceed if ASX exercises that discretion to not re-admit the Company; and
- (b) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

The Company has sought in-principle advice from ASX in which ASX has set out, on an in-principle basis, that it has not identified any reasons to date, to exercise its discretion to prevent the Company from being re-admitted to the Official List. Investors are cautioned however, that such advice is not binding and cannot be relied upon to prevent ASX from exercising its discretion as it sees fit.

4.6 Material contracts and arrangements

The Directors consider that certain contracts entered into by the Company and the Arctic Companies are material to the Company and Merged Group or are of such a nature that an investor may wish to have particulars of them when assessing whether to approve the Transaction or apply for Shares under the Placement or Share Purchase Plan. The provisions of such material contracts and arrangements are summarised in this Section.

(a) Arctic Companies material contracts and arrangements

(i) General Indemnity Agreement and Surety Bonds

ACDC and the Arctic Shareholder (together with ACDC, the **Surety Bond Indemnitors**), Zurich Insurance Company Ltd. (**Zurich**), Aviva Insurance Company of Canada (**Aviva**) and Argonaut Insurance Company (collectively with Zurich and Aviva, the **Surety Parties**) entered into a general indemnity agreement dated 3 February 2021 (the **Surety Indemnity Agreement**).

Pursuant to the Surety Indemnity Agreement, the Surety Bond Indemnitors undertake to indemnify and hold the Surety Parties harmless from any losses arising from the issuance of the surety bonds (the **Surety Bonds**) issued by the Surety Parties to secure certain environmental obligations of ACDC owed to the Government of the Northwest Territories in connection with the operation of Ekati.

As of 31 March 2023, the following Surety Bonds were outstanding:

- (A) surety bond (#25006-14) dated 3 November 2014, as amended from time to time, in the amount of ~C\$103.7 million issued to the Government of the Northwest Territories, Department of Environment and Natural Resources, as represented by the Minister of Environment and Natural Resources, by Aviva;
- (B) surety bond (#6341868) dated 3 November 2014, as amended from time to time, in the amount of C\$124 million issued to the Government of the Northwest Territories, Department of Environment and Natural Resources, as represented by the Minister of Environment and Natural Resources, by Zurich; and

- (C) surety bond (#39116-21) dated 3 February 2021 in the amount of C\$1.4 million, issued to the Government of the Northwest Territories, as represented by the Minister of Lands, by Aviva.

Under the Surety Indemnity Agreement, the Surety Bonds must be cash collateralised in favour of the Surety Parties or, as directed by the Surety Parties, the Government of the Northwest Territories, in equal instalments of C\$43.8 million each, payable 45 days after each quarter-end, until the quarter ending 31 March 2024. Payment of the collateral is subject to the Surety Bond Indemnitors' having minimum cash on hand of US\$15 million, failing which payment for any accumulated deficit rolls over to the next due date. Cash collateral delivered to the Government of the Northwest Territories reduce the amount of the Surety Bonds on a dollar for dollar basis, as directed by the Surety Parties in their sole discretion.

Upon completion of the acquisition of the shares of ACDC by the Company, it is expected that the Arctic Shareholder will be replaced by the Company under the Surety Indemnity Agreement.

(ii) **Amended Second Lien Credit Agreement**

It is expected that on closing of the Transaction, ACDC, as borrower, ACDM (**Parent**, and together with ACDC, the **Loan Parties**), as parent of ACDC, Alter Domus (US) LLC, as administrative agent, and the lenders party thereto, will enter into a second amendment agreement to the second lien credit agreement dated as of 3 February 2021 (the **Amended Second Lien Credit Agreement**).

Pursuant to the Amended Second Lien Credit Agreement and the SPA, each lender party thereto will make a loan to ACDC in an amount equal to such lender's commitment, for a total loan amount of ~US\$70 million (the **Loans**). The Loans will mature on the third anniversary thereof and will bear interest at an amount equal to 10.00% per annum. The Loans will be secured by a second lien security interest in all assets of ACDC and Parent (including the shares held by the Company in Parent).

The Amended Second Lien Credit Agreement contains affirmative and negative covenants, including restrictions on dividends and other distributions and on prepayment of unsecured and junior debt, and is subject to events of default standard for a contract of this nature.

(iii) **Winter Road Joint Venture Agreement**

BHP Diamonds Inc. (**BHP**) entered into a joint venture agreement with Diavik Diamond Mines Inc. and DeBeers Canada Inc. (**DeBeers**) on 17 December 2008 (the **Winter Road JV Agreement**). The Winter Road JV Agreement was subsequently amended in September 2013 and assigned by BHP to DDM and thereafter to ACDC in February 2021. The Winter Road JV Agreement provides for the construction, maintenance and closure of the seasonal access road from Tibbitt Lake, Northwest Territories, to the site of the Lupin Mine, Nunavut (the **Winter Road**). DeBeers joined the agreement for the purpose of seasonal access to resupply the Snap Lake mining operation only. ACDC is a party to the Winter Road joint venture in its capacity as owner and operator of Ekati.

The Winter Road JV Agreement is valid from 17 December 2008 until the expiry date of the license of occupation of the Winter Road granted by His Majesty the King in right of Canada, which is 30 April 2033.

The liability of each of the joint venturers under the Winter Road JV Agreement is several and not joint nor joint and several, and limited to its proportionate ownership interest in the Winter Road joint venture. The Winter Road JV Agreement may be terminated or a

joint venturer may withdraw therefrom at any time upon six (6) months' notice, or if a joint venturer closes its operations served by the Winter Road, in which case it must offer its joint venture interest to the other joint venturers.

(iv) **KeTe Goods and Services Agreement**

Dominion Diamond Mines ULC (***Dominion***) entered an Amended and Restated Goods and Services Agreement with KeTe Whii/Procon Joint Venture, an unincorporated joint venture between Procon Mining & Tunnelling Ltd. And KeTe Whii Ltd (the joint venture hereby referred to as ***KeTe***) on 19 January 2021 (the ***Kete G&S Agreement***). The Kete G&S Agreement was assigned to ACDC in February 2021.

Under the Kete G&S Agreement, KeTe undertakes to provide all materials, equipment, tools, labour, supervision, overhead, travel and everything required to complete the development of access to underground kimberlite resources beneath the existing completed Misery open pit mine at Ekati. KeTe has been engaged at Ekati since 2002 and has provided mining services at Misery Underground since the start of operations in 2018. ACDC has a high dependency on KeTe due to its knowledge, expertise and access to resources. The Kete G&S Agreement contains standard provisions for a contract of this nature, including an obligation for Kete to replace the supplied goods free of charge in the event of defect and termination provisions, including termination for convenience in favour of ACDC, and termination in favour of both parties in cases of breach of contract, subject to a cure period.

(v) **Finning (Canada), Goods and Services Alliance Agreement**

Under a Goods and Services Alliance Agreement entered into on 1 April 2022 between Finning (Canada), a division of Finning International Inc. (***Finning***) and ACDC (the ***Finning G&S Agreement***), Finning provides Caterpillar products and associated services to the mining sites of ACDC. Finning has had a long-term presence at Ekati. ACDC is highly dependent on Finning due to the concentration of Caterpillar equipment within its fleet as well as Finning's extensive knowledge, expertise and access to global resources. The Finning G&S Agreement has an initial term of five years and can be renewed by either party for a term to be agreed upon by the parties.

The Finning G&S Agreement contains standard provisions for a contract of this nature, including an obligation for Finning to perform quality assurance testing on shipped goods and termination provisions, including termination for convenience in favour of both parties with six months' notice and termination for cause in favour of both parties, subject to a cure period.

(vi) **Dene Aurora Mining Ltd., Master Goods and Services Agreement**

Dene Aurora Mining Limited, along with its joint venture partner, Hay River Heavy Truck Sales Limited (together, ***Dene***) entered into the following agreements with ACDC: (i) a Master Goods and Services Agreement dated 1 January 2022 for the maintenance of dual-powered road trains and fleet services (the ***Dene G&S Agreement***), and (ii) a Master Services Agreement dated 25 June 2021 for the provision of a fire watch service and trained personnel at Ekati (the ***Dene Services Agreement***). The Dene G&S is effective for a period of four years commencing on 1 January 2022 and the Dene Services Agreement is effective for a period of five years commencing on 25 June 2021. ACDC may, at its sole option, extend the term of either agreement by a period of one year.

The agreements contain an obligation for Dene to maintain a certain service level, including in relation to health, safety, environment and community plans, and satisfaction of key performance indicators, and termination provisions, including termination for

convenience in favour of ACDC with 90 days' notice and termination for default in favour of ACDC.

(vii) **IHC Mining B.V., Supply Contract**

ACDC has entered into a series of agreements with IHC Mining B.V. (**IHC**) in the last few years, including a Mining Equipment Supply Agreement dated 30 June 2022 for the building and delivery by IHC of an underwater mining vehicle as part of an alternative mining system (the **IHC Supply Contract**). The completion time of the mining equipment is in the period between 7 August 2022 and 30 November 2023. Should the materials required by IHC be unavailable, IHC shall be entitled to an extension period to be negotiated in good faith. ACDC has a high dependency on the unique technology provided by IHC and IHC has the knowledge, expertise and access to resources that ACDC requires. The parties enjoy an alliance-type relationship. The IHC Supply Contract contains provisions standard for a contract of this nature and may be terminated by either party upon material breach by the other party and in certain other circumstances.

(viii) **Det'on Cho Summit Aviation LP, Aviation Services Agreement**

DDM and Det'on Cho Summit Aviation (a limited partnership between 1805144 Alberta Ltd. As general partner and limited partners, Det'on Cho Corporation and Summit Air Ltd. (the **Carrier** and collectively, the **Det'on Cho Partnership**), and where Det'on Cho Corporation is owned and operated by the Yellowknife's Dene First Nation and owns 50.1% interest in the Partnership) entered into an Aviation Services Agreement on 15 January 2020 (the **Det'on Cho Aviation Services Agreement**). The Det'on Cho Aviation Services Agreement was assigned to ACDC in February 2021. Under the Det'on Cho Aviation Services Agreement, the Det'on Cho Partnership provides charter aviation services in support of Ekati's mining activities to ACDC. The Det'on Cho Aviation Services Agreement is effective until 15 July 2023. The Det'on Cho Aviation Services Agreement contains provisions standard for a contract of this nature, including a termination for cause provision in favour of ACDC in the event that the Carrier fails to meet key performance indicators for a continuous period of sixty (60) days or more, a termination for convenience in favour of both parties upon twelve (12) months' written notice. The Det'on Cho Aviation Services Agreement also contains an exclusivity provision in favour of the Det'on Cho Partnership.

(ix) **Dene Dyno Nobel Inc., Master Goods and Services Agreement**

Dominion Diamond Ekati Corporation and Dene Dyno Nobel (DWEI) Inc., an incorporated joint venture between Denesoline Corporation and Dyno Nobel Canada Inc. (**Dyno**) have entered into a Goods and Services Agreement dated 1 April 2017 for the purchase of bulk explosives and related services (the **Dyno G&S Agreement**). The Dyno G&S Agreement was assigned to ACDC in February 2021 and is effective until 31 March 2026, with an option for ACDC to extend the term for a period of one to two years. The Dyno G&S Agreement contains provisions standard for a contract of this nature, including termination for breach and termination for convenience provisions in favour of both parties. Under the Dyno G&S Agreement, ACDC must supply 90% of its goods and services contemplated in the agreement, including its annual requirement of ammonium nitrate prill, from Dyno.

(x) **North Arrow Joint Venture Agreement**

Dominion Diamond Holdings Ltd. (**DDH**), 6355137 Canada Inc. and North Arrow Minerals Inc. initially entered into a joint venture agreement on 30 June 2015 to participate in the exploration and evaluation, and if feasible, the development and mining of mineral

resources in certain mineral properties in the Northwest Territories of Canada (the **North Arrow JV Agreement**). The North Arrow JV Agreement was assigned to ACDC in February 2021.

The North Arrow JV Agreement is effective from 30 June 2015 to 30 June 2035 and for so long after as products – defined as ores, minerals and mineral resources, including diamonds – are produced from Ekati or the joint venturers are actively engaged in exploration or development of the Lac de Gras property or continue to jointly own or operate any of the assets or post-mining reclamation operations being conducted.

The North Arrow JV Agreement contains standard provisions for a contract of this nature, including a right of first refusal provision whereby if any joint venturer desires to transfer all or any part of its joint venture interest, or its right to be paid a percentage of net profits, the other joint venturers shall have a right to acquire such interests. Under the North Arrow JV Agreement, each joint venturer must pay to Covello, Bryan and Associates Ltd. A portion of their royalty of 2% of net smelter returns from the sale of mineral products derived from the Lac de Gras property.

The North Arrow JV Agreement contains termination provisions agreement in favour of all parties by mutual consent, or if the joint venture's management committee fails to adopt a proposed operations program for eighteen (18) months after the expiration of the last adopted operations program. The North Arrow JV Agreement will terminate in respect of a joint venturer if such joint venturer's interest falls under 10%, subject to being entitled to a payout of 2% of the net profit of the joint venture. The North Arrow JV Agreement will also terminate if the acting operator resigns as acting operator of the joint venture and no other party consents to act as operator.

(xi) **Buffer Zone Gross Production Royalty Agreement**

Dominion Diamond Ekati Corporation (**DDEC**), Archon Minerals Ltd. (**Archon**) and 1012987 B.C. Ltd. (**1012987**) entered into a royalty agreement on 5 June 2017 with respect to the Buffer Zone property (the **Buffer Zone Royalty Agreement**), which is the focus of new development and exploration potential. The Buffer Zone Royalty Agreement was assigned by DDEC to ACDC in February 2021.

Under the Buffer Zone Royalty Agreement, each of Archon and 1012987 was granted a royalty at a rate equal to 2.07% and 0.23%, respectively, of the computed value of the diamonds produced from the Buffer Zone property. The royalties are granted in perpetuity. Under the Buffer Zone Royalty Agreement, ACDC has the right to suspend, curtail or terminate its operations or activities on the Buffer Zone property, to abandon it or to allow its rights and interests therein to lapse or expire.

(xii) **Core Zone Gross Production Royalty Agreement**

ACDC and 1312986 B.C. Ltd. (**1312986**) entered into a royalty agreement on 1 October 2021 with respect to the Core Zone property (the **Core Zone Royalty Agreement**), which is the current focus of the mining operations. Under the Core Zone Royalty Agreement, ACDC granted to 1312986 a royalty at a rate equal to 2.00% of the computed value of the diamonds produced from the Core Zone property. The royalty is granted in perpetuity. Under the Core Zone Royalty Agreement, ACDC has the right to suspend, curtail or terminate its operations or activities on the Core Zone property, to abandon it or to allow its rights and interests therein to lapse or expire.

(xiii) **Dogrib/Tlicho First Nation, Impact and Benefits Agreement**

The Tlicho First Nation Impact and Benefits Agreement was originally entered into on 18 October 1996 between the Dogrib Treaty 11 Council, now the Tlicho First Nation, and BHP (the ***Tlicho Impact and Benefits Agreement***). The Tlicho Impact and Benefits Agreement was initially assigned by BHP to DDM, and thereafter to ACDC in February 2021.

Pursuant to the Tlicho Impact and Benefits Agreement, ACDC undertakes to provide the Tlicho First Nation with training, employment and business opportunities in the operations of Ekati, to the greatest extent possible, to establish an effective ongoing relationship in the spirit of cooperation between the parties and to respect the Tlicho First Nation's land-based economy and culture, and their environment. Under the Tlicho Impact and Benefits Agreement, ACDC is required to financially support certain community and heritage funds created jointly with the Tlicho First Nation, and to fund traditional knowledge studies. Under the Tlicho Impact and Benefits Agreement, ACDC is also required to carry out socio-economic and environmental mitigation measures, investigate any environmental concerns raised and be bound by the terms of any licences, permits, regulations and agreements with the Government of the Northwest Territories.

The Tlicho Impact and Benefits Agreement will continue throughout the operations, including the abandonment of the mines, rehabilitation, reclamation and environmental protection.

On May 4, 2022, ACDC and the Tlicho First Nation entered into the Point Lake Project agreement (the ***Point Lake Project Agreement***), which further defines the benefits to be provided by ACDC to the Tlicho First Nation and the terms of support the Tlicho First Nation will provide to ACDC and Ekati. Pursuant to the Point Lake Project Agreement, in the event of any new mining activity beyond the existing operations, ACDC and the Tlicho First Nation shall undertake in good faith a joint review and assessment process to determine if and how the existing benefits under the Tlicho Impact and Benefits Agreement can be improved.

(xiv) **Akaiicho Treaty 8, Impact and Benefits Agreement**

The Akaiicho Treaty 8 Impact and Benefits Agreement was originally entered into on 14 November 1996 between Akaiicho Treaty 8 and BHP (the ***Akaiicho Impact and Benefits Agreement***). The Akaiicho Impact and Benefits Agreement was initially assigned by BHP to DDM, and thereafter to ACDC in February 2021.

Pursuant to the Akaiicho Impact and Benefits Agreement, ACDC undertakes to provide Akaiicho Treaty 8, specifically the Yellowknives Dene First Nations and the Lutsel K'e First Nation, with training, employment and business opportunities in the operations of Ekati, including the construction, operation and maintenance of diamond ore bodies, to the greatest extent possible and to establish an effective ongoing relationship in the spirit of cooperation between the parties. Under the Akaiicho Impact and Benefits Agreement, ACDC is required to financially support certain community and heritage funds created jointly with the Yellowknives Dene First Nations and the Lutsel K'e First Nation. The Akaiicho Impact and Benefits Agreement also incorporates by reference the environmental agreement signed between the Government of the Northwest Territories, the Government of Canada and BHP, which was assigned to ACDC in February 2021, and pursuant to which ACDC is required to carry out environmental mitigation measures.

The Akaitcho Impact and Benefits Agreement will terminate on the closure of the last mine. The parties will review, as required, the terms of the Akaitcho Impact and Benefits Agreement every five years from the effective date thereof.

(xv) **The Hamlet of Kugluktuk and the Kitikmeot Inuit Association, Impact and Benefits Agreement**

The Hamlet of Kugluktuk and the Kitikmeot Inuit Association Impact and Benefits Agreement was originally entered into on 7 December 1998 between the Hamlet of Kugluktuk and the Kitikmeot Inuit Association (the **Inuit Groups**) and BHP (the **Inuit Impact and Benefits Agreement**). The Inuit Impact and Benefits Agreement was initially assigned by BHP to DDM, and thereafter to ACDC in February 2021.

Pursuant to the Inuit Impact and Benefits Agreement, ACDC is required to provide the Inuit Groups with training, employment and business opportunities in Ekati, including the construction, operation and maintenance of diamond ore bodies, to the greatest extent possible and to establish an effective ongoing relationship in the spirit of cooperation between the parties. Under the Inuit Impact and Benefits Agreement, ACDC is required to take all necessary measures to mitigate any negative impact of its construction or operations on the environment, wildlife and harvesting rights of the Inuit, provided the impacts can be mitigated.

The Inuit Impact and Benefits Agreement will terminate on the closure of the last mine.

(xvi) **North Slave Métis Alliance, Impact and Benefits Agreement**

The North Slave Métis Alliance Impact and Benefits Agreement was originally entered into on 14 July 1998 between the North Slave Métis Alliance (the **North Slave Alliance**) and BHP (the **North Slave Alliance Impact and Benefits Agreement**). The North Slave Alliance Impact and Benefits Agreement was initially assigned by BHP to DDM' and thereafter to ACDC in February 2021.

Pursuant to the North Slave Alliance Impact and Benefits Agreement, ACDC is required to provide the North Slave Alliance with training, employment and business opportunities in Ekati, including the construction, operation and maintenance of diamond ore bodies, to the greatest extent possible and to establish an effective ongoing relationship in the spirit of cooperation between the parties. Under the North Slave Alliance Impact and Benefits Agreement, ACDC is required to financially support certain heritage funds created jointly with the North Slave Alliance and commits to responsible environmental management and will be bound by any licenses, permits or agreements issued to or committed by it.

(b) **Company material contracts**

(i) **SPA**

The Company has entered into the SPA, to acquire 100% of the issued capital of the Arctic Companies. Key terms of the SPA are detailed in section 4.2(a).

4.7 Placement and Share Purchase Plan

As set out in Section 4.2(a) above, one of the conditions precedent to Completion is the Company completing an equity financing to raise at least US\$125.7 million. The Company intends to satisfy this condition by undertaking a fully-underwritten placement to institutional and sophisticated shareholders, and a broker firm offer, to raise approximately A\$193.4 million (approximately US\$125.7 million using an assumed exchange rate of 0.65 AUD:US) (before costs) (**Placement**). Under the Placement, the Company will issue ~773.5 million Shares at an issue price of A\$0.25 per Share.

The Company has appointed Bell Potter, Aitken Mount and Euroz Hartleys as joint lead managers and bookrunners to the Placement on the terms set out in Section 4.19. It is intended that the Company and Joint Lead Managers enter into an underwriting agreement for the Placement prior to the Prospectus being lodged.

In addition to the Placement, the Company will also offer existing Shareholders the opportunity to participate in a non-underwritten share purchase plan to raise up to A\$10 million via the issue of up to 40,000,000 Shares (**Share Purchase Plan**). Full details will be set out in the Prospectus.

4.8 Pro forma statement of financial position

An unaudited pro forma statement of financial position of the Company as at 31 December 2022 based on the reviewed financial statements of the Company and the audited combined financial statements of the Arctic Companies (assuming completion of the Transaction) is set out in Schedule 3.

4.9 Effect on capital structure

The current capital structure of the Company is as follows:

	Shares	Unquoted options	Convertible Notes
Number	348,844,195	19,532,548 ¹	35,000,000 ²

Notes:

- As at 24 May 2023 these options were comprised of:

Expiry date	Exercise Price (A\$)	Number
31 July 2023	0.12	2,500,000
31 August 2023	0.12	2,500,000
30 September 2023	0.12	2,500,000
23 September 2024	0.36	10,000,000
30 August 2027	Nil	2,032,548

- Convertible Notes which are not redeemed can be converted into Shares in the Company at a conversion price of A\$0.264 (**Conversion Price**). The face value of each Convertible Note, which is \$1.00, is divided by the Conversion Price to produce the amount of fully paid ordinary shares in the Company to be issued on conversion of the relevant Convertible Notes. As such, as at 24 May 2023, the maximum amount of shares which could be issued by the Company, if all holders of Convertible Notes elect to convert those Convertible Notes into Shares, is 132,575,758 Shares.

The indicative issued Share capital of the Company following Completion of the Transaction is set out below. As only the Placement is proposed to be fully underwritten, the two scenarios below are based on a Placement only and Placement and SPP basis.

Placement Only	Number of Shares	%
Existing Shares ¹	348,844,195	24.9
Consideration Shares	129,230,769	9.2
Debt Repayment Shares	149,598,457	10.7
Placement Shares	773,478,466	55.2
Total¹	1,401,151,887	100

Placement and SPP	Number of Shares	%
Existing Shares ¹	348,844,195	24.2
Consideration Shares	129,230,769	9.0
Debt Repayment Shares	149,598,457	10.4
Placement Shares	773,478,466	53.7
SPP Shares	40,000,000	2.8
Total¹	1,441,151,887	100

Notes:

1. Assumes no further Shares are issued, including as a result of the exercise of existing options on issue or upon the exercise of Convertible Notes.

4.10 Substantial Shareholders' voting power

As at the date of this Notice, the following Shareholders hold a relevant interest in 5% or more of the Shares on issue:

Name	Shares	% Shares
Michael O'Keeffe	27,903,535	8.1

Based on the information known as at the date of this Notice, upon re-admission of the Company to the Official List, the following persons will have a relevant interest in 5% or more of the Shares on issue (each on a Placement only basis):

Name	Shares	% Shares
Arctic Canadian Diamond Holdings LLC	129,230,769	9.2
Lenders	149,598,457	10.7
Choron Group	120,000,000	8.6
Schroder Investment Management Australia Limited	92,000,000	6.6

4.11 Proposed use of funds

The Company intends to use the funds raised under the Placement, together with the Company's and the Arctic Companies' estimated existing cash reserves as at 30 April 2023 as follows:

Uses of funds	US\$m	A\$m
Debt Repayment (cash component)	76	116
Debt Repayment (scrip component)	24	37
Deferred Payment	15	23
Transaction Costs ¹	6	10
Cash to balance sheet ²	37	57
Total	158	244

Notes:

1. Expenses of the Placement including lead manager, legal, accounting, independent geologist, ASIC, ASX and share registry fees.
2. Any funds raised from the SPP will be for additional working capital (i.e. cash to balance sheet) and are in addition to the amount quoted in this table.

The above table is a statement of the Board's current intentions as at the date of this Notice.

Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors including:

- (a) the risk factors outlined in Section 5; and
- (b) the outcome of operational activities, regulatory developments and market and general economic conditions.

In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Placement, the Company will have sufficient working capital to meet its stated objectives.

4.12 Indicative timetable for the key business the subject of the Transaction Resolutions

Description	Indicative timing
Despatch of Notice of Extraordinary General Meeting	Wednesday, 24 May 2023
Lodgement of Prospectus with ASIC	Wednesday, 7 June 2023
Opening of the Placement and Share Purchase Plan	Wednesday, 14 June 2023
Extraordinary General Meeting held to approve the Transaction	Friday, 23 June 2023
Closing of Placement and Share Purchase Plan	Monday, 26 June 2023
Issue of securities under the Placement and Share Purchase Plan	Wednesday, 28 June 2023
Transaction closing	Saturday, 1 July 2023
Reinstatement of securities to trading on ASX	By Friday, 7 July 2023

This timetable is a proposed indicative timetable only and the Board reserves the right to vary the dates in accordance with the Listing Rules.

4.13 Current Board of Directors

The Board currently comprises:

- (a) Michael O'Keeffe – Executive Chairman;
- (b) Kim Truter – Chief Executive Officer and Executive Director; and
- (c) Marc Dorion – Non-Executive Director.

On Completion, all of the existing Directors will remain on the Board. No new appointments to the Board are contemplated on Completion of the Transaction.

4.14 Advantages of the proposed Transaction Resolutions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Transaction Resolutions:

- (a) the Transaction will deliver a globally significant diamond mining asset in a tier-1 jurisdiction with production and earnings;
- (b) the Transaction is in line with and completes Burgundy's vision to become a leading end-to-end diamond company via a vertically integrated business model;
- (c) ownership of Ekati will allow the Company to capture 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; and
- (d) Completion will enable the Company to be reinstated to the Official List with the Arctic Companies as wholly owned subsidiaries, a strong Board and management team and defined growth strategy. Shareholders will be able to share in the growth of the Company and will also be able to buy or sell Shares on ASX.

4.15 Disadvantages of the proposed Transaction Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Transaction Resolutions:

- (a) the Company's change in scale may not align with a Shareholder's investment objectives;

- (b) Shareholders will be diluted through the issue of Shares under the Transaction and Placement (although Shareholders will have the opportunity to participate in the Share Purchase Plan);
- (c) whilst the Transaction will deliver a globally significant diamond mining asset in a tier-1 jurisdiction with production and earnings, the Company's overall debt profile will increase; and
- (d) there are inherent risks associated with the Arctic Companies' business as well as other risks which may not suit a Shareholders risk profile or be consistent with their objectives. A summary of key risks to be faced by the Merged Group is set out in Section 5.

4.16 Taxation

The Transaction may give rise to income tax implications for the Company and Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Transaction Resolutions on their personal taxation position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Transaction or the Transaction Resolutions.

4.17 Plans for the Company if the Transaction Resolutions are not passed or if the Transaction does not proceed

If the Transaction Resolutions are not passed, the Company will be unable to proceed with the Transaction. The Company will request ASX to end the voluntary suspension.

4.18 Directors' interests in the Company

The Directors (and their respective related entities) have the following interests in Securities as at the date of this Notice:

Name	Shares	Options	Convertible Notes
Kim Truter	Nil	2,500,000	-
Michael O'Keeffe	27,903,535	-	5,000,000
Marc Dorian	12,541,667	-	-

Set out in the table below are details of the anticipated relevant interests of the Directors (and their respective related entities) in the Securities of the Company upon Completion (assuming the Placement and SPP are fully subscribed):

Name	Shares	% Shares	Options	Convertible Notes
Kim Truter	Nil	-	2,500,000	-
Michael O'Keeffe	67,903,535	4.7	-	5,000,000
Marc Dorian	12,541,667	0.9	-	-

4.19 Advisers

The Company proposes to enter into an underwriting agreement with the Joint Lead Managers (**Underwriting Agreement**) under which Bell Potter, Aitken Mount and Euroz Hartleys will act as joint lead managers, bookrunners and underwriters to the Placement. The Share Purchase Plan will not be underwritten. It is proposed that the Underwriting Agreement is executed prior to the Prospectus being lodged.

As at the date of this Notice of Meeting, the Company and the Joint Lead Managers have entered into a letter of engagement (**JLM Engagement Letter**) which provides that in consideration for acting as joint lead managers and bookrunners, the Company will pay the Joint Lead Managers a management and underwriting fee of 5% of the proceeds from the Placement.

The Company has also agreed to reimburse the Joint Lead Manager for all reasonable costs and out-of-pocket expenses incidental to the Placement.

The JLM Engagement Letter contains additional provisions which are considered standard for agreements of this nature.

Other than as set out above, no other fees are payable by the Company to any person for finding, arranging or facilitating the Transaction.

5 Risks associated with the Transaction

This Section identifies the key dependencies and areas of risk associated with the Transaction, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed. References to the Company in this Section 5 include the Merged Group.

5.1 Risks relating to the change in nature and scale of activities

(a) Re-Quotation of Shares on ASX

The Transaction constitutes a significant change in the nature and scale of the Company's activities and consequently the Company is required by the ASX to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List.

There is a risk that the Company may not be able to meet ASX's requirements for re-quotation of its Shares on the ASX. Should this occur, the Shares will likely remain in suspension and will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders will be prevented from trading their Shares until such time as the Company is able to re-comply with the Listing Rules.

(b) Dilution risk

The Company currently has ~349 million Shares on issue. On completion of the Transaction , and on a Placement only basis, and assuming ~278.8 million Vendor Shares are issued:

- (i) the existing Shareholders will retain approximately 24.9% of the Company's issued share capital on an undiluted basis and 22.6% of the Company's issued share capital on a fully diluted basis;
- (ii) the Arctic Shareholder will hold approximately 9.2% of the Company's issued share capital on an undiluted basis and 8.4% of the Company's issued share capital on a fully diluted basis;
- (iii) the Lenders will hold approximately 10.7% of the Company's issued share capital on an undiluted basis and 9.4% of the Company's issued share capital on a fully diluted basis; and
- (iv) the investors under the Placement will hold approximately 53.7% of the Company's issued share capital on an undiluted basis and 48.5% of the Company's issued share capital on a fully diluted basis.

There is a risk that the interests of shareholders will be further diluted as a result of future capital raisings that will be required in order to fund the future development and activities of the Company. While the Company must comply with the ASX Listing Rules and Corporations Act regarding the percentage of its capital that it is able to issue within a 12-month period, any such capital raising may dilute the interests of existing shareholders.

(c) **Completion, counterparty and contractual risk**

Burgundy has agreed to acquire 100% of the issued capital of each of the Arctic Companies subject to the fulfilment of certain conditions precedent. There is a risk that the conditions precedent for completion of the Transaction will not be fulfilled and, in turn, that Completion will not occur.

The ability of the Company to achieve its stated objectives will depend on the performance by the Arctic Shareholder of its obligations under the SPA. If the Arctic Shareholder or any other counterparty defaults in the performance of its obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly and without any certainty of a favourable outcome.

(d) **Reliance on information provided**

The Company undertook a due diligence investigation process in respect of the Transaction and was provided with the opportunity to review detailed information provided by or on behalf of the Arctic Shareholder. The Company has not been able to verify the accuracy, reliability or completeness of all the information that was provided to it against independent data. There is no assurance that the due diligence undertaken was conclusive. If any of the information that was provided is incomplete, inaccurate or misleading, the benefits expected to be derived from the Transaction may not be delivered, or may not be delivered in the time period anticipated. The information reviewed by the Company includes forward looking information. Whilst the Company has been able to review and assess some of the foundations for the forward looking information relating to the Arctic Companies, forward looking information can be unreliable and is based on assumptions that may prove to be incorrect or may change in the future, outside of the control of the Company.

(e) **Title to the mining leases**

The Company has diligently investigated all title matters concerning ACDC's rights to the mining leases. Whilst to the best of its knowledge, ACDC's rights to the mining leases are in good standing, this should not be construed as a guarantee of rights.

Maintenance of such interests is subject to ongoing compliance with the terms governing such mining leases. Mineral properties and the leases associated with such properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that ACDC does not have rights to any of its mining leases, including those which constitute Ekati, could cause the Company to lose any rights to explore, develop and mine any minerals from Ekati, without compensation for any prior expenditures incurred by the Company.

(f) **Change of control risk**

The Transaction may trigger change of control clauses in some material contracts to which the Arctic Companies are a party. There is a risk that the counterparty will not provide their consent to the Transaction which may trigger a termination right in favour of that counterparty or the counterparty may seek to renegotiate terms to obtain such consent which may adversely affect the Arctic Companies' financial performance. This in turn could affect the Company's financial performance post-Transaction.

(g) **Funding risk**

Burgundy proposes to enter into an underwriting agreement pursuant to which the Joint Lead Managers will agree to jointly underwrite the Placement. Any underwriting agreement will be subject to customary conditions precedent and termination events. If the conditions precedent are not satisfied (or waived) or the underwriting agreement is terminated, the Company would need to seek alternative sources of funding.

5.2 Specific risks applicable to the Merged Group

On Completion of the Transaction, the Arctic Companies will become wholly owned subsidiaries of the Company and the exploration, development and operation of Ekati will become the Company's main undertaking. Set out below is a non-exhaustive list of key risks applicable to the Merged Group. References to the "Company" below are to be read assuming the Transaction has completed.

(a) Mine life extension

The Company's Ore Reserves will reduce as they are depleted through mining operations, and the Company's continuing operations and financial performance depend on its ability to replace and increase its current levels of Ore Reserves. As described in Section 4.3(l), the Company is currently exploring options to potentially extend the mine life of Ekati beyond the current life of mine plan through developing the Fox pipe Ore Reserve (not currently in the mine plan), upgrading the Jay deposit Mineral Resource to Ore Reserve, underwater remote mining below open pit extents and for known kimberlite pipes that may otherwise be uneconomic, and by discovering additional kimberlite pipes by systematic exploration using newly applied machine learning (artificial intelligence) technology. Whilst ACDC has already begun to utilise artificial intelligence for mining exploration, there can be no assurance that this will lead to the discovery of new kimberlite pipes that are economically viable. Similarly, there can be no guarantee that underwater remote mining will lead to the recovery of kimberlite that is economically viable. Accordingly, there is no assurance that these measures will enable the Company to extend the mine life beyond the current life of mine plan which will impact the long-term financial viability of Ekati.

(b) Operational and production risks

The operations of the Company may be affected by various factors, including difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, destruction caused by fire, pit wall failure, open or underground pit flooding, unanticipated problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, labour shortages or strike action, industrial disputes and unexpected shortages of consumables and parts. Due to the nature of the operational risks listed above, no assurances can be given that the Company can mitigate all such risks nor that it will achieve commercial viability through the successful continued exploration or mining of Ekati.

Furthermore, increases in the costs of consumables, spare parts, plant and equipment may impact the operating and financial performance of the Company. Such price increases may be due to changes in both global markets (including commodity price movements) and domestic markets (including wage increases), which are outside the Company's control. In particular, where commodity prices are rising this has historically resulted in increased production levels in the relevant sector, which results in increased demand for limited production resources, and increased production costs. Accordingly, the Company's profitability may be impacted by increasing production and operating costs.

(c) Exploration and development risks

Mineral exploration and development are high-risk undertakings. There can be no assurance that the exploration, development and operation of Ekati, or any other exploration properties that may be acquired in the future will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no guarantee that it can be commercially exploited and result in actual production or profit.

The future exploration and development activities of the Company may be affected by a range of factors including variations in grade and other geological conditions, unexpected problems associated with required water retention dikes, limitations on activities due to seasonal weather

patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, labour disputes, Aboriginal and First Nations processes, changing government regulations, variations in grade and other geological differences, water quality, surface and underground conditions, risks relating to the physical security of the diamonds, force majeure risks, natural disasters and many other factors beyond the control of the Company.

As the Company has underground mining operations, inherent risks include variations in rock structure and strength as they impact on mining method selection and performance, de-watering and water handling requirements, unexpected local ground conditions. Hazards, such as unusual or unexpected rock formations, rock bursts, pressures, collapses, flooding or other conditions, may be encountered during mining. Such risks could result in personal injury or fatality; damage to or destruction of mining properties, processing facilities or equipment; environmental damage; delays, suspensions or permanent reductions in mining production; monetary losses; and possible legal liability.

The Company's success will also depend upon the Company having access to sufficient development capital, being able to maintain title to the mining leases and any other projects which may arise in the future, and obtaining all required approvals for its activities. In the event that development programs are unsuccessful this could lead to a diminution in the value of the Company's projects, a reduction in the cash reserves of the Company and possible relinquishment of part or all of its mining operations.

(d) General economic conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, commodity prices, inflation, interest rates and exchange rates, increased labour, materials and commodities costs, supply and demand, industrial disruption, access to debt and capital markets and fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on the Company's operating and financial performance and therefore its financial position. The Company's future possible revenues, and share price performance may be affected by these factors, which are beyond the control of the Company.

(e) Currency and diamond price volatility

The ability of the Company to proceed with the development production and operation of Company's current, and any future, mining activities will depend on market factors, some of which may be beyond the Company's control. It is anticipated that any revenues will be derived primarily from the mining and production of diamonds. Consequently, any future earnings will be closely related to the price of diamonds.

The revenue derived by the Company from the production of diamonds may expose the Company to diamond price and exchange rate risks. The price of diamonds fluctuates and is affected by numerous factors beyond the control of the Company, such as supply and demand, exchange rates, inflation rates, changes in global economic conditions, confidence in the global monetary system and other global or regional political, social or economic events. Future serious price declines in the market value of diamonds and other minerals could cause the Company's mining operations to be rendered uneconomic. Depending on the price of diamonds, the Company could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, some or all of its properties, whether current or future. There is no assurance that, even if commercial quantities of diamonds are produced, a profitable market will exist for it.

The production of synthetic diamonds (created through artificial processes) may also impact the price of natural diamonds, as they can be offered in significant quantities and at a lower price point. Although significant questions remain as to the ability of producers to produce synthetic diamonds economically within a full range of sizes and natural diamond colours, and as to consumer acceptance of synthetic diamonds, they are becoming a larger factor in the market (although it is uncertain as to whether synthetic diamonds will impact the luxury and high-end jewellery market segments). A significant uptake by consumers of synthetic diamonds may reduce demand for natural diamonds, as well as put pricing pressure on natural diamond sales in order to compete with synthetic diamonds. Additionally, the presence of undisclosed synthetic diamonds in jewellery could erode consumer confidence in the natural product and may negatively impact demand.

Currency fluctuations may affect the Company's financial performance. Diamonds are sold throughout the world based principally on the US dollar price, and although the Arctic Companies report their financial results in US dollars, a majority of the costs and expenses of the Arctic Companies' mineral properties are incurred in Canadian dollars. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company.

In addition to adversely affecting any potential future reserve estimates of the Company and its financial condition, declining diamond prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project, whether current or future.

(f) Reliance on key suppliers

Due to the nature of the industry in which the Company operates, in particular the remote location of the mines and the technical equipment required for diamond mining, the Company is reliant on a number of suppliers and contractors for the operation of Ekati.

In particular, the Company is reliant on a joint venture between Kete Whii and Procon, who have been engaged at Ekati since 2002, and since 2018 for the provision of mining services at Misery Underground. Due to Procon's extensive knowledge of the Ekati site, as well as their access to experienced underground labour resources, any disruption to or termination of the agreement could have adverse operational and financial impacts on the Company. The Company is also reliant on Finning (Canada) and Dene Aurora Mining Ltd for the provision of equipment parts and maintenance services, and any breakdown in the relationship with these companies could lead to operational delays and adverse financial impacts due to the companies' depth of knowledge regarding the equipment used at Ekati and access to parts and equipment globally. In addition, any new supply arrangements to replace the above may be on less favourable terms and conditions than those presently in place.

As noted in Section 4.3(l), the Company is hoping to extend the mine life at Ekati through the use of underwater remote mining. The Company's ability to execute that strategy is currently reliant on the provision of goods and services by Royal IHC, who have been contracted to develop and build the underwater remote mining technology for use at Ekati. As this is emerging technology, termination or suspension of the agreement with Royal IHC may adversely impact the Company's future prospects as it could limit the ability to extend the life of Ekati.

(g) Supplies and infrastructure risks

Mineral exploration and development activities depend heavily on adequate infrastructure and access to supplies. The regions where the Company operates Ekati is often difficult to access and has limited populations and is heavily reliant on adequate winter roads, bridges and access

to power and water supply. Due to the remoteness of its mining operations, the Company must rely heavily on a seasonal winter road or air transport for the supply of goods and services. Both forms of transport are very susceptible to disruptions due to adverse weather conditions, resulting in unavoidable delays in planned programs and/or cost overruns. If adequate infrastructure is not available in a timely manner, there can be no assurance that the development and operation of the Company's mining activities will be commenced or completed on a timely basis, if at all, or that ongoing operating costs will be maintained at anticipated levels. In addition, unusual or infrequent weather phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations.

Likewise, reliable power sources, water and fuel supply, among other factors, are important determinants which affect capital and operating costs. A number of factors may impact the availability of such supplies and infrastructure, including inclement weather, industrial action, terrorist attacks or capacity constraints. The lack of availability, including on acceptable terms, or the delay in the availability of any one or more of these items, could delay, prevent or negatively impact the development, production and operation of the Company's mining activities. The expected fuel needs for the Company's mineral properties are purchased periodically during the prior year, held in storage, and transported to the mine site by way of the winter road. The cost of fuel purchased is based on the then prevailing price and expensed into operating costs on a usage basis. Any increase in fuel usage or loss of fuel supply may have an adverse financial impact on the Company as any required further purchases may be at a higher cost and may not be built into the Company's operating metrics.

(h) Cash Flow and Liquidity

The Company's liquidity requirements fluctuate from quarter to quarter and year to year depending on, among other factors, the seasonality of production at the Company's mineral properties; the seasonality of mine operating expenses; exploration expenses; capital expenditure programs; the number of rough diamond sales events conducted during the quarter, and the volume, size and quality distribution of rough diamonds delivered from the Company's mineral properties and sold by the Company in each quarter. The Company's principal working capital needs include development and exploration, capital expenditures, investments in inventory, prepaid expenses and other current assets, and accounts payable, income taxes payable and surety cash collateralisation. There can be no assurance that the Company will be able to meet each or all of its liquidity requirements. A failure by the Company to meet its liquidity requirements or obtain the requisite financing as and when needed for future activities could result in the Company failing to meet its planned development objectives, or in the Company being in default of a contractual obligation, each of which could have a material adverse effect on the Company's business prospects or financial condition.

(i) Ore Reserve and Mineral Resource Estimates

The Company reports Ore Reserve and Mineral Resource estimates in accordance with the JORC Code 2012. Ore Reserve and Mineral Resource statements are modelled estimates which may vary from actual values. Mineral Resource estimates are determined by applying a number of material assumptions and may be affected by a number of modifying factors, including diamond valuation and price assumptions, changes to geological interpretations, changes to the assumptions used to estimate the diamond carat content (grade), conceptual mining methods, geotechnical, mining and process plant recovery assumptions, diamond parcel sizes for the kimberlite pipes that are not in production or planned for production, and the effect of different sample-support sizes. Ore Reserve estimates take into consideration diamond price assumptions, grade model assumptions, mining method designs, geotechnical mining and

process plant recovery assumptions, practical control of dilution, mining recovery, changes to capital and operating cost estimates and variations to permitting, operating or social license regime assumptions as well as overall diamond market movement, foreign exchange and other external economic factors. In addition, the quantity, average size, and/or value, of the diamonds ultimately recovered from mining operations may differ from sampling or modelled data. There can be no assurance that diamonds recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

As set out in section 4.3(j), part of the Company's Mineral Resources estimates are classified as either "Indicated Resources" or "Inferred Resources", with the different classification reflecting different levels of confidence. There can be no guarantee that the Company's continuing exploration activities will provide the necessary confidence required to convert Inferred Resources to Indicated Resources, nor to bring material that is currently not classified as Mineral Resource or Ore Reserve into Mineral Resource classification.

In addition, material classified as Mineral Resources may not conform to its expected grade and tonnage estimates, and any material potentially processed and recovered, may be below the estimated levels. Any material reduction in tonnage and/or grade of Mineral Resources included in the life of mine plan could adversely affect the Company's business, results of operations financial condition and prospects and lead to changes to its life of mine plans and other forecasts as to future performance.

(j) Regulatory risk

The Company is required to obtain regulatory approvals, permits and licences from the Canadian and Northwest Territories governments to undertake its operations. This includes approvals under mining laws (for example, mining tenure) and environmental regulations (for example, environmental approvals, including amendments to existing approvals). The process for obtaining and renewing such approvals, licences and permits often takes an extended period of time and is subject to numerous delays, and there is no guarantee that such approvals, permits and licences will be granted. In addition, various conditions may be imposed on the grants of such regulatory approvals, permits and licences which may impact on the cost or the ability of the Company to mine the land which is the subject of the mining leases. Failure to comply with applicable laws and regulations may result in injunctions, fines, criminal liability, suspensions or revocation of permits and licences, and other penalties.

Of the Company's existing permits, only its water license is due to be renewed in the near term in the ordinary course of business, which is in the process of being renewed and is critical to production at Ekati. A failure or delay in obtaining the renewal of required permits, or the granting of such renewal on unfavourable terms, could adversely impact the Company's economic viability and operating performance.

Likewise, the operations of the Company's mineral properties are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, mine safety and other matters. New laws or regulations, changes to existing laws and regulations or changes in enforcement of existing laws and regulations may affect both the Company's ability to undertake exploration, development and production activities in respect of present and future properties in the manner currently contemplated, and its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

(k) Environmental risk

The current operations and proposed activities of the Company are subject to laws and regulations concerning the environment. The costs of complying with these laws and regulations may impact the development of economically viable projects. As with most exploration projects and mining operations, the Company's activities have an impact on the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all applicable environmental laws. However, the cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company understands that ACDC is currently compliant in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

The Company may require approval from the relevant Canadian and Northwest Territories authorities before it can undertake additional activities that are likely to impact the environment. In addition, the Company will be subject to certain ongoing obligations, including obligations to renew certain environmental licences and permits on Ekati. Failure to obtain such approvals will prevent the Company from undertaking desired activities.

The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area, including Canada. There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and operations.

(I) **Surety bonds**

ACDC has entered into environmental agreements with the Government of the Northwest Territories (**GNWT**) that require security to be provided to cover estimated reclamation and remediation costs, which have been provided in the form of surety bonds (**Surety Bonds**). ACDC is the principal obligor under the Surety Bonds; however, to secure ACDC and the Arctic Shareholder's obligations, certain insurers are parties to the Surety Bonds, being Zurich Insurance Company Ltd, Aviva Insurance Company of Canada and Argonaut Insurance Company (**Surety Parties**).

As noted in Section 4.6(a)(i), the current agreed arrangement is to collateralise the reclamation and remediation costs into a trust fund via payment of six equal instalments of C\$43.8 million each, with the final payment due 45 days after the quarter ending 31 March 2024. Payment of the collateral is subject to the Surety Bond Indemnitors' having minimum cash on hand of US\$15 million, failing which payment for any accumulated deficit rolls over to the next due date. As noted in Schedule 3 (Unaudited pro-forma), in February 2023, ACDC made a payment of C\$34.1 million (A\$37.4 million) to the Government of the Northwest Territories pursuant to its obligations to cash collateralise its surety bonds and maintain the minimum cash on hand. No payment will be made in May 2023 in order to maintain the minimum cash balance. However, the total amount required to collateralise the Surety Bonds by the final date in May 2024 has been provided for in the cashflow estimates with sufficient funds in reserve to cover various unforeseen operational and market events.

In connection with Surety Bonds, ACDC and the Arctic Shareholder have entered into a general indemnity agreement with the Surety Parties, dated February 3, 2021. Among other things, ACDC and the Arctic Shareholder jointly and severally, undertake to exonerate, indemnify and hold the Surety Parties harmless from any loss arising from or related to the underwriting or

issuance of any Surety Bonds, and ACDC and the Arctic Shareholder agrees to comply with the collateralisation arrangements. At completion, the Company will become a party to the indemnity agreement.

In the future, the Company may seek more favourable terms under the surety arrangements; however, there is no guarantee that more favourable terms may be negotiated. In the meantime there remains a risk that unforeseen operational and market events deplete the Merged Group's cash reserves over above the amount allocated for unforeseen events such that payment for the balance due in May 2024 to complete the cash collateralisation cannot be made. If the Company is unable to make complete the cash collateralisation (or raise sufficient funds to do so via debt or equity markets or otherwise agree to extend or amend the terms of the Surety Indemnity Agreement) it will be in default of the Surety Indemnity Agreement, which could have a material adverse effect on the Company's financial prospects.

As is standard for mining operations of this nature, ACDC's reclamation and remediation plans, as well as the costs of such plans, are subject to periodic regulatory review, which could result in an increase or decrease to the amount of security required to be posted in connection with the Company's mining operations. The Company could also be required to provide additional security in support of the surety bonds posted with the GNWT. Any of these could result in additional constraints on liquidity.

(m) Information systems and cyber security

The Company relies on secure and adequate operations of information technology systems in the conduct of its operations. The Company's information systems are vulnerable to an increasing threat of continually evolving cybersecurity risks. Unauthorised parties may attempt to gain access to these systems or the Company's information through fraud or other means of deception. The Company's operations depend, in part, on how well the Company and those entities with which they do business, protect networks, equipment, information, technology systems and software against damage from a number of threats.

The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software. The Company may be required to increasingly invest in better systems, software, and use of consultants to periodically review and adequately adapt and respond to dynamic cyber risks or to investigate and remediate any security vulnerabilities. Failures in the Company's information technology systems could result in operational delays, loss or disclosure of confidential, proprietary, personal or sensitive information and third party data, or destruction or corruption of data. Accordingly, any failure of information systems or a component of information systems could adversely impact the Company's reputation, business, financial position, as well as compliance with its contractual obligations and applicable laws, and potential litigation and regulatory enforcement proceedings.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that they will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorised access remains a priority for the Company.

(n) Work place health and safety risks

Due to the nature of the Company's operations, it is subject to significant legislation in respect of workplace health and safety in each jurisdiction in which it operates. Mining is an inherently

dangerous occupation, and risks to the Company's employees including incidents involving light and heavy vehicles, moving machinery, electrical, falls from height, slips and trips, crush injuries, passenger flights, being struck by suspended loads, open pit wall stability, water, falling through ice, blizzards, rock falls underground, fire and confined space incidents and many more. The Company's employees may also be subject to longer-term health risks including due to exposure to noise and hazardous substances (such as dust and other particulate matter).

Whilst the Company regularly reviews its workplace health and safety systems and monitors its compliance with workplace health and safety regulations, no assurance can be made that the Company has been or will be at all times in full compliance with all applicable laws and regulations, or that workplace accidents will not occur.

In addition, the occurrence of workplace accidents or serious breaches of workplace health and safety laws may lead to civil claims, criminal prosecutions or statutory penalties against the Company which could adversely impact the Company both financially as well as reputationally.

(o) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition, including competition from other major diamond (and other precious metals and stones) exploration and production companies. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company.

Some of the Company's competitors have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will be able to compete effectively with these companies.

(p) **Insurance**

The Company's business is subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, risks relating to the physical security of diamonds held as inventory or in transit and changes in the regulatory environment. Any incidents may result in personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Although insurance is maintained to protect against certain risks in connection with the Company's operations, the Company's existing insurance policies will not cover all potential risks. Likewise, if the Company has to make numerous claims on their existing insurance policies, or has ineffective processes in place to manage compliance with its insurance policies, the Company may not be able to negotiate or enter into insurance policies on economically feasible terms.

(q) **Aboriginal Agreements**

The Company is currently in compliance with its Aboriginal agreements with the exception of its socio-economic agreement with GNWT, under which 62% of the Company's workforce are required to be employed from the Northwest Territories and 70% of expenditure is to be made in the Northwest Territories. The Company makes commercially reasonable efforts to comply with these socio-economic agreement commitments. The Company has been in contact with the GNWT in respect of such non-compliance regarding proposals for rectification and on-going compliance due to there being a limited workforce in the region. The Company's failure to comply with its commitments under Aboriginal agreements may result in loss of its social licence to operate.

(r) **Litigation risk**

The Company is exposed to possible litigation risks including, without limitation, tenure disputes, environmental claims, compliance with Aboriginal agreements, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any material litigation and is not aware of any threatened litigation.

(s) **Reliance of key personnel**

Production at the Company's mineral properties and cutting and polishing facilities is dependent upon the efforts of certain key personnel. The loss of one or more of these key contributors could have an adverse impact on the business of the Company.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people given the current high demand in the industry and relatively small size of the Company compared with other industry participants.

Further, the Company's success in executing its business strategy and marketing its diamonds is dependent on the services of key executives and skilled employees, as well as the continuance of key relationships with certain third parties. The loss of these persons or the Company's inability to attract and retain additional skilled employees or to establish and maintain relationships with required third parties may adversely affect the Company's future operations in marketing diamonds.

(t) **ESG-driven investment policies**

Climate change and fossil fuel consumption are key drivers of environmental, social and corporate governance (**ESG**) investment criteria, and their perceived importance continues to grow. Being a mining company, the Company's carbon footprint, sustainability practices, and approach to environmental management are likely to be scrutinised by stakeholders and prospective Shareholders. It is possible that prospective investors may determine not to invest in (or to divest) shares based on its performance against certain ESG criteria, which could have a material adverse impact on the liquidity and price of shares.

Furthermore, there is also a focus by fund managers, market participants and prospective Shareholders alike on ensuring that companies have robust governance and ethical business practices. While the Company considers it has a robust framework, including key governance policies such as whistle blower, anti bribery and corruption policies in place, the standard of best practice is constantly evolving and the focus on ESG may change over time. When making investment decisions, prospective Shareholders are likely to compare the Company's business practices against those of other companies. If the Company does not meet the evolving expectations of its stakeholders and potential Shareholders, its reputation, access to and cost of capital, and the share price could be negatively impacted.

(u) **Climate change risks**

The Company cannot predict with any certainty the potential direct consequence of climate change on its operations and financial condition. Nonetheless, the climate change risks which may be particularly attributable to the Company include:

- (i) the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage, for example changes in respect of carbon tax payments as are currently proposed by the Canadian federal government. These

examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. Whilst the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences;

- (ii) climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates; and
- (iii) due to the remote location of the mines, other environmental risks related to climate change such as the shortening of the winter road season can significantly impact the supply of goods and services and may result in delays in planned programs and/or cost overruns.

The occurrence of such events, or an increase in the frequency and severity of such events, could result in damage to the properties which are the subject of the mining leases, or future properties in which the Company has an interest. It could also result in damage to the Company's equipment, interruptions to critical infrastructure such as transport, water and power supply, loss of workforce productivity and increased competition for, and regulation of, limited resources (such as power and water), each of which could in turn adversely affect the Company's business, results of operations and financial position.

(v) **Negative impacts of an outbreak of infectious diseases or a pandemic**

An outbreak of an infectious disease, pandemic or a similar public health threat, such as the COVID-19 pandemic, and the responses thereto, could adversely impact the Company, both operationally and financially. The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions and extreme fluctuations in financial and commodity markets. Additional measures may be implemented by one or more governments around the world in jurisdictions where the Company operates in the event that there is an outbreak of an infectious disease, a pandemic or a similar public health threat.

Labour shortages due to illness, isolation programs imposed by relevant government authorities or the Company, restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or interruption of the Company's operations, including operational shutdowns or suspensions. The inability to continue ongoing exploration and development work could have a material adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of and the actions required to contain the COVID-19 pandemic or any other public health crisis, or remedy their respective impacts, amongst others.

5.3 General risks relating to an investment in the Company

(a) **Investment in capital markets**

As with all stock market investments, there are numerous risks associated with an investment in the Company. The value of any quoted securities is subject to fluctuations due to changes in the market which cannot be controlled nor predicted accurately. Securities listed on the stock market have experienced extreme price and volume fluctuations that have often been unrelated to the operating performance of such companies. For example, sudden or material movements in stock market may be caused by or due to changes in global macroeconomic conditions,

changing industry cycles and trends, geopolitical events, natural disasters and pandemics and acts of terrorism.

These factors may materially affect the market price of the Company's shares regardless of the Company's performance and there is no guarantee that the Company's share price will be equal to or higher than the offer price following completion of the Placement and SPP.

(b) No assurance as to liquidity of the Company's Shares

While the Company is listed on the ASX, no assurance can be given that there will be an active market for its shares. If an active market for the Company's Shares does not develop, investors may not be able to sell their shares and achieve liquidity. Further, securities with low trading volumes tend to be more susceptible to dramatic price fluctuations from relatively minor buying and selling activity.

6 Resolution 1 – Approval to change in nature and scale of activities

6.1 General

Resolution 1 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the Transaction.

A detailed description of the Transaction is outlined in Section 4 above.

Resolution 1 is a Transaction Resolution and is subject to Shareholders passing each of the Transaction Resolutions.

Resolution 1 is an ordinary Resolution.

6.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the Official List.

Listing Rule 11.1.2 empowers ASX to require a listed entity to obtain the approval of its shareholders to a significant change to the nature or scale of its activities. The Transaction will involve a significant change to the nature or scale of the Company's activities for these purposes and, as is its usual practice, ASX has imposed a requirement under Listing Rule 11.1.2 that the Company obtain shareholder approval to the Transaction.

In addition, pursuant to Listing Rule 11.1.3 ASX also requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules.

If Resolution 1 is passed (and subject to Shareholders passing each of the Transaction Resolutions), the Company will be able to proceed with the Transaction as outlined in this Notice.

If Resolution 1 is not passed, the Company will not be able to proceed with the Transaction. In these circumstances the Company will continue with its current operations and seek reinstatement of its

securities to trading on ASX, whilst continuing to look for acquisition opportunities consistent with the Company's objectives as outlined in this Notice.

6.3 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 1.

The Chair intends to exercise all available proxies in favour of Resolution 1.

7 Resolution 2 – Approval to issue Vendor Shares to the Arctic Shareholder and the Lenders

7.1 General

Resolution 2 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of Consideration Shares to the Arctic Shareholder (or its nominee) and the issue of the Debt Repayment Shares to the Lenders.

A detailed description of the Transaction is outlined in Section 4 above.

Resolution 2 is a Transaction Resolution and is subject to Shareholders passing each of the Transaction Resolutions.

Resolution 2 is an ordinary resolution.

7.2 Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Vendor Shares does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 2 seeks the required Shareholder approval to the issue of the Vendor Shares under and for the purposes of Listing Rule 7.1.

If Resolution 2 is passed, the Company will be able to proceed with the issue of the Vendor Shares and will issue the Vendor Shares no later than 3 months after the date of the Meeting. In addition, the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the Vendor Shares and the Transaction will not progress.

7.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Vendor Shares:

- (a) the Arctic Shareholder (or its nominee) will be issued 129,230,769 Consideration Shares for aggregate value of US\$21 million (at a deemed issue price of A\$0.25 per Share (being the same issue price as the Placement Shares)), which will form part of the consideration for the acquisition of 100% of the issued capital of the Arctic Companies.
- (b) the Lenders (or their nominees) will be issued 149,598,457 Debt Repayment Shares for aggregate value of US\$24.3 million (at a deemed issue price of A\$0.25 per Share (being the same issue price as the Placement Shares)) exchange for forgiveness of ~US\$24.3 million of debt owed by the Arctic Companies.

- (c) the Vendor Shares will be issued no later than 3 months after the date of the Meeting and it is intended that the Vendor Shares will be issued on the same date, being the date of Completion;
- (d) the Vendor Shares will be issued for nil cash consideration and therefore no funds will be raised as a result of the issue;
- (e) the Consideration Shares will be issued to the Arctic Shareholder (or its nominee);
- (f) the Debt Repayment Shares will be issued to the Lenders (or their nominees);
- (g) the Vendor Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (h) a summary of the terms of the SPA is set out in Section 4.2(a);
- (i) further details of the Transaction are set out in section 4; and
- (j) a voting exclusion statement is included in the Notice.

7.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 2.

The Chair will cast all available proxies in favour of Resolution 2.

8 Resolution 3 – Approval to issue Placement Shares

8.1 General

A detailed description of the Transaction is outlined in Section 4 above.

Resolution 3 seeks Shareholder approval for the issue of up to 773,478,466 Shares at an issue price of A\$0.25 each to raise up to ~A\$193.4million (~US\$125.7) million at an assumed AUD:USD exchange rate of 0.65) (before costs) (**Placement Shares**).

The Placement Shares will be issued under the Prospectus to be issued by the Company in order to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company has appointed Bell Potter, Aitken Mount and Euroz Hartleys as joint lead managers and bookrunners in respect of the Placement on the terms summarised in Section 4.19.

Resolution 3 is a Transaction Resolution and is subject to Shareholders passing each of the Transaction Resolutions.

Resolution 3 is an ordinary resolution.

8.2 Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Placement Shares does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 3 seeks the required Shareholder approval to the issue of the Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to proceed with the issue of the Placement Shares and will issue the Placement Shares no later than 3 months after the date of the Meeting. In addition, the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Placement Shares and the Transaction will not progress.

8.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Placement Shares:

- (a) the maximum number of Placement Shares to be issued is 773,478,466;
- (b) the subscribers will be applicants under the Placement, and, other than Mr Michael O'Keeffe for whom separate Shareholder approval is sought, will not be related parties of the Company;
- (c) the Placement Shares will be issued no later than 3 months after the date of the Meeting and it is intended that the Placement Shares will be issued on the same date, being the date of Completion;
- (d) the issue price of the Placement Shares will be A\$0.25 per Share;
- (e) the Placement Shares are proposed to be issued to participants in the Placement who will be determined by the Joint Lead Managers, in consultation with the Board and in accordance with the allocation policy set out in the Prospectus. The Placement is not expected to be open to the general public and will be made to institutional and sophisticated investors and select retail investors via a broker firm offer;
- (f) the Placement Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (g) the Company's intended use of the funds raised from the issue of the Placement Shares is set out in Section 4.11 above;
- (h) further details of the Transaction are set out in Section 4; and
- (i) a voting exclusion statement is included in the Notice.

8.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 3.

The Chair intends to exercise all available proxies in favour of Resolution 3.

9 Resolution 4– Participation in Placement by Mr Michael O'Keeffe

9.1 General

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 10.11 for the issue of up to 40,000,000 Placement Shares to Mr Michael O'Keeffe (or his nominee) to raise up to A\$10,000,000 (**Participation**).

Resolution 4 is not a Transaction Resolution, however, it is subject to Shareholders passing each of the Transaction Resolutions.

Resolution 4 is an ordinary resolution.

9.2 Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, equity securities to:

- (a) a related party;
- (b) a person who is or was at any time in the 6 months before the issue or agreement to issue, a substantial (30%+) holder in the entity;
- (c) a person who is or was at any time in the 6 months before the issue or agreement to issue, a substantial (10%+) holder in the entity and who has nominated a director to the board of the entity pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an associate of any of the persons referred to above; or
- (e) a person who or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies.

Under the Listing Rules, related parties include Directors of a Company. As such, Mr Michael O'Keeffe (existing Director) is a related party of the Company.

As the Participation involves the issue of Placement Shares to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

Approval pursuant to Listing Rule 7.1 is not required for the Participation as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Placement Shares to Mr Michael O'Keeffe (or his nominee) will not be included in the use of the Company's 15% placement capacity pursuant to Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to proceed with the issue of the Placement Shares to Mr Michael O'Keeffe pursuant to his Participation.

If Resolution 4 is not passed, Mr Michael O'Keeffe will not be able to acquire the Placement Shares pursuant to his Participation and the Transaction will not progress.

9.3 Specific information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) Mr Michael O'Keeffe is to be issued a maximum of 40,000,000 Placement Shares;
- (b) Mr Michael O'Keeffe is related party of the Company by virtue of his position as a Director and falls under the category stipulated under Listing Rule 10.11.1;

- (c) the Placement Shares will be issued to Mr Michael O'Keeffe (or his nominee) no later than 1 month after the date of the Meeting;
- (d) the Placement Shares to be issued to Mr Michael O'Keeffe will be issued at a price of A\$0.25 each;
- (e) the Placement Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company's intended use of the funds raised from the issue of the Placement is set out in Section 4.11 above;
- (g) further details of the Transaction are set out in Section 4; and
- (h) a voting exclusion statement is included in the Notice.

9.4 Chapter 2E of the Corporations Act

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Placement Shares which constitutes giving a financial benefit and Mr Michael O'Keeffe is a related party of the Company by virtue of his position as a Director.

The Board (other than Mr O'Keeffe) considers that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation, because the Placement Shares to be issued to Mr Michael O'Keeffe will be issued on the same terms as Placement Shares issued to other unrelated participants in the Placement, and as such the giving of the financial benefit is on arm's length terms.

9.5 Board recommendation

The Board (other than Mr Michael O'Keeffe who has a material personal interest in the outcome of Resolution 4) recommends that Shareholders vote in favour of the resolution which forms part of Resolution 4.

The Chair will cast all available proxies in favour of Resolution 4.

Schedule 1 Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ or A\$ means Australian Dollars.

2L Amendment has the meaning given in Section 4.2(a).

2L Amendment Amount has the meaning given in Section 4.2(a).

ACDC means Arctic Canadian Diamond Company Ltd.

ACDM means Arctic Canadian Diamond Marketing N.V.

Arctic Companies means ACDC and ACDM.

Arctic Shareholder means Arctic Canadian Diamond Holdings LLC.

ASX means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

Brigade means Brigade Capital Management, LP.

CAD or C\$ means Canadian dollars.

Chair means the person appointed to chair the Meeting of the Company convened by the Notice.

Company means Burgundy Diamond Mines Limited (ACN 160 017 390).

Completion means completion of the Transaction in accordance with the SPA.

Consideration Shares means Shares to be issued to the Arctic Shareholder (or its nominee) pursuant to the SPA (being the subject of Resolution 2).

Constitution means the constitution of the Company as at the date of this Notice.

Corporations Act means the *Corporations Act 2001* (Cth).

Debt Repayment has the meaning given in Section 4.2(a).

Debt Repayment Shares means Shares to be issued to the Lenders (or their nominees) pursuant to the SPA (being the subject of Resolution 2).

Deferred Payment has the meaning given in Section 4.2(a).

Director means a director of the Company.

Ekati means the Ekati Diamond Mine.

Equity Security has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Joint Lead Managers means Bell Potter Securities Limited (ACN 006 390 772), Aitken Mount Capital Partners Pty Ltd (ACN 169 972 436) and Euroz Hartleys Limited (ACN 04 195 057).

Lenders means Brigade and Polen.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Merged Group means the Company, and its wholly owned subsidiaries, including the Arctic Companies, after Completion.

Notice means this notice of Extraordinary General Meeting.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Placement means the offer of the Placement Shares (the subject of Resolution 3) pursuant to the Prospectus.

Placement Shares means up to 773,478,466 Placement Shares to be issued pursuant to the Placement (the subject of Resolution 3).

Polen means Polen Capital Management.

Prospectus means the prospectus to be issued by the Company for the issue of the Placement Shares, Consideration Shares and any Shares issued under the Share Purchase Plan.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means any Equity Securities of the Company (including Shares and/or Options).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Share Purchase Plan or **SPP** means the share purchase plan defined in Section 4.7.

SPA means the share purchase agreement defined in Section 4.2(a).

Transaction means the acquisition by the Company of 100% of the common shares in the Arctic Companies, in accordance with the SPA.

Transaction Resolutions has the meaning given in Section 3.

USD or US\$ means US dollars.

Vendor Shares means the Consideration Shares and the Debt Repayment Shares

Working Capital Contribution has the meaning given in Section 4.2(a).

Schedule 2 Arctic Companies Audited Financial Statements



Arctic Canadian Diamond Company Ltd. and Arctic Canadian Diamond Marketing N.V.

Combined Financial Statements

Years ended December 31, 2022 and 2021

Combined Statements of Financial Position

(expressed in thousands of United States dollars)

	December 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment (note 6)	302,863	320,935
Employee benefit plans (note 14)	1,614	—
Other non-current assets (note 7)	26,678	3,038
Non-current assets	331,155	323,973
Inventory and supplies (note 8)	203,257	209,957
Other current assets	5,214	9,037
Trade and other receivables (note 9)	8,149	10,987
Cash and cash equivalents	66,604	87,286
Current assets	283,224	317,267
Total assets	614,379	641,240
EQUITY		
Net parent investment (note 10)	61,719	(6,494)
Accumulated other comprehensive income	11,780	8,872
Equity attributable to owners of the Company	73,499	2,378
Non-controlling interest	(338)	(322)
Total equity	73,161	2,056
LIABILITIES		
Loans and borrowings (notes 11, 24)	127,490	133,200
Consideration payable (note 12)	35,252	33,853
Lease obligations (note 13)	6,105	16,385
Employee benefit plans (note 14)	798	2,424
Reclamation provisions (note 15)	231,760	292,630
Deferred income tax liabilities (note 16)	50,760	46,516
Non-current liabilities	452,165	525,008
Trade and other payables (note 17)	45,608	27,365
Current portion of loans and borrowings (note 11, 24)	—	41,355
Current portion of consideration payable (note 12)	14,881	10,866
Current portion of lease obligations (note 13)	9,671	8,236
Current portion of employee benefit plans (note 14)	—	271
Current portion of reclamation provision (note 15)	452	244
Income taxes payable	18,441	25,839
Current liabilities	89,053	114,176
Total liabilities	541,218	639,184
Total equity and liabilities	614,379	641,240

Commitments and guarantees (note 23)

The accompanying notes are an integral part of these combined financial statements.

Comparatives are for the period in which Arctic Canadian Diamond Company Ltd. commenced operations from February 3, 2021, to December 31, 2021. Arctic Canadian Diamond Company Ltd. was incorporated on December 18, 2020, and was dormant with no business transactions until February 3, 2021. Arctic Canadian Diamond Marketing N.V. was not acquired until February 3, 2021. (see note 2 (b))

Combined Statements of Profit

(expressed in thousands of United States dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue (note 18)	493,845	295,724
Cost of sales (note 19)	(325,160)	(222,909)
Gross margin	168,685	72,815
Selling and distribution expenses (note 19)	(5,225)	(4,623)
General and administrative expenses (note 19)	(18,682)	(19,867)
Other expenses (note 19)	(6,082)	(2,150)
Other income (note 20)	191	16,511
Operating profit	138,887	62,686
Finance expenses (note 21)	(33,882)	(29,661)
Finance income (note 4)	3,132	11,664
Fair value adjustment on consideration payable (note 12)	(13,047)	(1,318)
Foreign exchange gain (loss)	897	(408)
Net finance costs	(42,900)	(19,723)
Profit before income taxes	95,987	42,963
Current income tax expense (note 16)	(18,360)	(29,575)
Deferred income tax (expense) recovery (note 16)	(2,730)	5,676
Income taxes	(21,090)	(23,899)
Net profit	74,897	19,064
Net profit (loss) attributable to:		
Owners of the Company	74,913	14,677
Non-controlling interest	(16)	4,387

The accompanying notes are an integral part of these combined financial statements.

Comparatives are for the period in which Arctic Canadian Diamond Company Ltd. commenced operations from February 3, 2021, to December 31, 2021. Arctic Canadian Diamond Company Ltd. was incorporated on December 18, 2020, and was dormant with no business transactions until February 3, 2021. Arctic Canadian Diamond Marketing N.V. was not acquired until February 3, 2021. (see note 2 (b))

Combined Statements of Comprehensive Income

(expressed in thousands of United States dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
Net profit	74,897	19,064
Other comprehensive income		
Items that will not be reclassified to income		
Re-measurement of defined benefit obligation (net of tax expense of \$1.5 million for year ended December 31, 2022 - net of tax expense of \$4.7 million for the period ended December 31, 2021)	2,908	9,673
Total comprehensive income	77,805	28,737
Comprehensive income (loss) attributable to:		
Owners of the Company	77,821	23,549
Non-controlling interest	(16)	5,188

The accompanying notes are an integral part of these combined financial statements.

Comparatives are for the period in which Arctic Canadian Diamond Company Ltd. commenced operations from February 3, 2021, to December 31, 2021. Arctic Canadian Diamond Company Ltd. was incorporated on December 18, 2020, and was dormant with no business transactions until February 3, 2021. Arctic Canadian Diamond Marketing N.V. was not acquired until February 3, 2021. (see note 2 (b))

Combined Statements of Changes in Equity

(expressed in thousands of United States dollars)

	December 31, 2022	December 31, 2021
Net parent investment:		
Balance at beginning of year (<i>note 4</i>)	(6,494)	(8,391)
Contributions from parent	27,300	4,646
Dividend distribution	(34,000)	—
Acquisition of non-controlling interest (<i>note 5</i>)	—	(23,709)
Tax impact on acquisition of non-controlling interest	—	6,283
Profit attributable to owners of the Company	74,913	14,677
Balance at end of year	61,719	(6,494)
Accumulated other comprehensive income:		
Balance at beginning of year	8,872	—
Items that will not be reclassified to profit:		
Re-measurement of defined benefit obligation (net of tax expense of \$1.5 million for year ended December 31, 2022 - net of tax expense of \$4.7 million for the period ended December 31, 2021)	2,908	8,872
Balance at end of year	11,780	8,872
Non-controlling interest ("NCI"):		
Balance at beginning of year (<i>note 4</i>)	(322)	10,267
Net (loss) profit attributed to non-controlling interest	(16)	4,387
Other comprehensive income attributable to non-controlling interest	—	801
Contribution from minority interest partner	—	9,621
Distribution to minority interest partner (<i>note 5</i>)	—	(3,267)
Derecognition of non-controlling interest (<i>note 5</i>)	—	(22,131)
Balance at end of year	(338)	(322)
Total equity	73,161	2,056

The accompanying notes are an integral part of these combined financial statements.

Comparatives are for the period in which Arctic Canadian Diamond Company Ltd. commenced operations from February 3, 2021, to December 31, 2021. Arctic Canadian Diamond Company Ltd. was incorporated on December 18, 2020, and was dormant with no business transactions until February 3, 2021. Arctic Canadian Diamond Marketing N.V. was not acquired until February 3, 2021. (see note 2 (b))

Combined Statements of Cash Flows

(expressed in thousands of United States dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
OPERATING		
Net profit	74,897	19,064
Adjustments for		
Depreciation and amortization	57,040	36,534
Deferred income tax expense (recovery)	2,730	(5,676)
Current income tax expense	18,360	29,575
Finance expenses	33,882	29,661
Other non-cash items	(261)	(4,106)
Fair value adjustment on consideration payable	13,047	1,318
Royalties paid (note 12)	(5,006)	—
Unrealized foreign exchange loss	286	592
Defined benefit plan contributions	(1,703)	(3,010)
Impairment of assets (note 6)	2,437	—
Interest paid	(9,191)	(10,123)
Income taxes paid	(25,218)	(16,598)
Change in non-cash operating working capital		
Accounts receivable	(31)	(1,150)
Inventory and supplies	6,032	(27,530)
Other current assets	3,824	(408)
Trade and other payables	20,336	(12,839)
Employee benefit plans	483	974
Net cash from operating activities	191,944	36,278
FINANCING		
Proceeds from loans and borrowings	—	85,000
Repayment of term loan	(61,906)	(8,094)
Contribution from minority interest partner	—	2,381
Payment to minority interest partner (note 5)	—	(717)
Contribution from parent	27,300	4,646
Dividend distribution	(34,000)	—
Lease payments (note 13)	(7,989)	(8,183)
Net cash from (used in) financing activities	(76,595)	75,033
INVESTING		
Purchase of property, plant and equipment	(109,495)	(67,894)
Acquisition of business (note 4)	—	43,823
Restricted cash	(10,956)	—
Collateral for reclamation surety bonds	(12,454)	—
Reclamation security deposits	(2,995)	—
Net cash used in investing activities	(135,900)	(24,071)
Net increase (decrease) in cash and cash equivalents	(20,551)	87,240
Cash and cash equivalents, beginning of year	87,286	—
Foreign exchange effect on cash balances	(131)	46
Cash and cash equivalents, end of year	66,604	87,286

The accompanying notes are an integral part of these combined financial statements.

Comparatives are for the period in which Arctic Canadian Diamond Company Ltd. commenced operations from February 3, 2021, to December 31, 2021. Arctic Canadian Diamond Company Ltd. was incorporated on December 18, 2020, and was dormant with no business transactions until February 3, 2021. Arctic Canadian Diamond Marketing N.V. was not acquired until February 3, 2021. (see note 2 (b))

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Note 1: Reporting Entity

Arctic Canadian Diamond Holding, LLC ("ACDH") is a limited liability company that was incorporated in Delaware, US and is held by a syndicate of investment funds comprising of DDJ Capital Management, LLC ("DDJ Capital"), Brigade Capital Management, LP ("Brigade") and ACD Western Holding, LLC ("Western"). DDJ Capital was acquired by Polen Capital on February 1, 2022. ACDH's registered office is located at 251 Little Falls Drive, County of New Castle, Wilmington, DE 19808.

On February 3, 2021, ACDH through its wholly owned subsidiary, Arctic Canadian Diamond Company Ltd. ("ACDC Ltd." - incorporated on December 18, 2020, with registered office at 595 Burrard Street, Vancouver BC, V7X 1L3, Canada) acquired the Joint Venture Interests in Ekati Core Zone, Ekati Buffer Zone, Lac de Gras, along with other rights and interests in certain assets and assumed certain liabilities. ACDC Ltd. operates the Ekati Diamond Mine ("Ekati") in Northern Canada.

Furthermore, on February 3, 2021, ACDH also acquired 100% controlling interest in Dominion Diamond Marketing N.V. which effective as of September 21, 2021, is known as Arctic Canadian Diamond Marketing N.V. ("ACDM N.V."). ACDM N.V. is incorporated in Antwerp, Belgium and its registered office is located at 15 Schupstraat, 2018 Antwerp, Belgium. ACDM N.V. markets polished and rough diamonds to the global market. The activities of ACDM N.V. are wholly dependent on the import of diamonds from Ekati.

Refer to Note 4 for assets acquired and liabilities assumed pertaining to ACDC Ltd. and ACDM N.V. on February 3, 2021 (collectively referred to as the "Acquisition").

Following the Acquisition, ACDC Ltd. has ownership interests in the Ekati group of mining leases. The Ekati Diamond Mine consists of the Core Zone, which includes the primary mining operations and other kimberlite pipes, as well as the Buffer Zone, an adjacent area hosting kimberlite pipes having both development and exploration potential. ACDC Ltd. owned an 88.9% interest in the Core Zone up to September 30, 2021, and a 100% interest in the Buffer Zone. On September 30, 2021, ACDC Ltd. reached an agreement with the minority partner to convert its participating interest in the Core Zone Joint Venture ("JV") to a royalty based on gross revenue of diamonds produced from the JV. As a result of this transaction, ACDC Ltd.'s ownership in the Core Zone increased to 100.0%. In addition, ACDC Ltd. also owns 78.3% interest in the mineral claims on the Lac de Gras property. ACDC Ltd. controls and consolidates the Ekati Diamond Mine and Lac de Gras; the interests of minority partners are presented as non-controlling interests within these combined financial statements.

Note 2: Basis of Preparation

(a) Basis of combination

These combined financial statements ("financial statements") combine the financial statements of ACDC Ltd. and ACDM N.V. (collectively, the "Company") which are under common control of ACDH.

(b) Statement of compliance

These combined financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The combined financial statements were approved by the Board of Directors on February 17, 2023.

(c) Comparatives

ACDH and ACDC Ltd. were dormant companies with no operations prior to February 3, 2021, and ACDM N.V. was not acquired by ACDH until February 3, 2021. Accordingly, the comparatives in these combined financial statements are for the period from February 3, 2021, to December 31, 2021, during which ACDH completed the Acquisition of ACDC Ltd. and ACDM N.V. and commenced operations on February 3, 2021.

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(d) Basis of measurement

These combined financial statements were prepared on a going concern basis under the historical cost method. The significant accounting policies as presented in note 26 are consistent with the accounting policies of the Company and have been consistently applied for all periods presented.

(e) Currency of presentation

These combined financial statements are expressed in United States dollars, which is the functional currency of the Company and each of its subsidiaries. All financial information presented in United States dollars has been rounded to the nearest thousand.

(f) Standards issued but not yet effective

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company plans to implement this standard by the effective date and does not expect any material impact on the combined financial statements.

Non-current liabilities with covenants (Amendments to IAS 1)

The International Accounting Standards Board ("IASB") has published 'Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. These amendments modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted. The Company is on track for implementation of this standard by the effective date and does not expect any material impact on the combined financial statements.

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Note 3: Use of Judgements and Estimates

In preparing these combined financial statements, management made judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the combined financial statements, as well as the reported amounts in combined statement of profit during the year. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the combined financial statements is included in the following notes:

a) Judgements

- Note 25 (b) (iii) – Liquidity and capital risk management: forecasting cash flows for current and subsequent fiscal years;
- Note 26 (c) (ii) – Commercial production: the start date of commercial production;
- Note 26 (c) – Impairment: assessment of impairment indications;
- Note 26 (m) – Commitments and contingencies: assumptions about likelihood and magnitude of an outflow of resources; and
- Note 26 (p) – Functional currency: determination of functional currency.

b) Assumptions and estimates

- Note 26 (b) – Business combination: fair value of consideration paid, the assets acquired and liabilities assumed;
- Note 26 (c) (iv) – Depreciation and amortization: ore reserve and mineral resource estimates and unit-of-production depreciation;
- Note 26 (d) – Impairment of non-financial assets: assumptions used to determine recoverable amounts;
- Note 26 (e) – Inventories: determination of net realizable value;
- Note 26 (i) – Pension benefits: key actuarial assumptions;
- Note 26 (j) – Mine rehabilitation and site restoration provision: expectation of future site closure and reclamation activities and the amount and timing of associated cash flows;
- Note 26 (k) – Recovery of deferred tax assets: assess the likelihood of taxable earnings; and
- Note 26 (o) – Assumptions used in determining the fair value of Consideration Payable.

Note 4: Acquisition of business

On February 3, 2021, ACDH together with its wholly owned subsidiary ACDC Ltd., completed the Acquisition. The purchase price was assumption of various liabilities owing to Dominion Diamond Mines ULC's creditors, employees, suppliers and surety bond holders, including assuming \$70.0 million of Dominion Diamond Mines ULC's outstanding indebtedness under its existing revolving credit agreement and the surety bond for reclamation obligations of the Ekati mine.

The Acquisition has been accounted for as a business combination in accordance with IFRS 3, Business Combinations ("IFRS 3"). These combined financial statements have been prepared from the date of acquisition. Underlying assets acquired and liabilities assumed were based on the fair values at the date of acquisition. These fair values were determined using discounted cash flows, market information, independent appraisals and management's estimates.

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(a) Identifiable assets acquired and liabilities assumed

The following table provides the final fair values of net assets acquired:

	February 3, 2021
Cash	\$ 43,823
Accounts receivable	7,704
Inventory and supplies	175,050
Other current assets	8,628
Property, plant and equipment	288,548
Other non-current assets	3,193
Trade and other payables	(32,606)
Inter-company payables & receivables	(8,313)
Employee benefit plans	(16,666)
Income tax payable	(12,613)
Reclamation provisions	(295,619)
Lease Obligation	(17,019)
Deferred tax liability	(53,734)
Long-term debt	(88,500)
Non-controlling interest	(10,267)
Net parent investment ⁽¹⁾	\$ (8,391)

⁽¹⁾ Net parent investment represents ACDH's net interest in the Company and eliminates to nil when consolidated with Dominion Diamond (India) Private Limited ("DDIPL"). DDIPL was also wholly acquired by ACDH on February 3, 2021, and is an entity under common control of ACDH, but is not included in these combined financial statements.

Transaction costs of \$0.5 million related to the Acquisition were incurred during the year ended December 31, 2021. These transaction costs were primarily related to professional fees, legal, consulting and advisory fees for services rendered in connection with the Acquisition. On acquisition date the reclamation asset was valued at nil, as a result the first quarter change in estimate in the reclamation provision of \$9.9 million was recorded in finance income in the combined statement of profit.

Note 5: Acquisition of NCI

On September 30, 2021, ACDC Ltd. reached an agreement with the minority partner to convert its participating interest in the Core Zone Joint Venture to a royalty based on gross revenue of diamonds produced from the JV. As a result of this transaction, the minority interest of 11.1% in Core Zone Joint Venture was derecognized and a consideration payable of \$45.8 million which represents the fair value of future royalty distributions was recorded on the combined statement of financial position (Note 12). The difference between the fair value of the consideration payable and the carrying value of non-controlling interest, net of associated deferred tax impact has been recorded as a reduction in net parent investment.

During fiscal 2021 and prior to conversion to the royalty arrangement, ACDC Ltd. distributed \$3.3 million to the minority interest partner in accordance with the term of the Core Zone JV agreement. \$0.7 million of this distribution was paid in cash and \$2.6 million was offset against the cash call receivable due from minority interest partner as of September 30, 2021.

After conversion to the royalty arrangement, ACDC Ltd. will apply the future royalty distributions against this receivable until fully collected, after which these distributions will be paid in cash. The receivable bears interest at LIBOR plus six percent. As of December 31, 2021, \$2.4 million of royalty distributions were drawn down against the cash call receivable (refer to note 12). As at December 31, 2022, cash call receivable was at nil.

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Note 6: Property, Plant and Equipment

	Mineral properties	Equipment and leaseholds	Furniture, equipment and other	Land and building	Assets under construction	Right-of-use assets	Total
COST							
Balance as at January 1, 2022	72,621	164,370	1,383	101,772	10,255	37,530	387,931
Additions ^{(2) (3)}	33,970	15,044	590	250	18,216	—	68,070
Impairment of assets	—	—	—	—	(2,437)	—	(2,437)
Disposals	—	(1,552)	—	—	(45)	—	(1,597)
Foreign exchange differences ⁽¹⁾	(14,834)	—	—	—	—	—	(14,834)
Balance as at December 31, 2022	91,757	177,862	1,973	102,022	25,989	37,530	437,133
ACCUMULATED DEPRECIATION/AMORTIZATION							
Balance as at January 1, 2022	5,289	43,062	823	12,222	—	5,600	66,996
Depreciation and amortization	14,234	33,669	306	14,190	—	6,427	68,826
Disposals	—	(1,552)	—	—	—	—	(1,552)
Balance as at December 31, 2022	19,523	75,179	1,129	26,412	—	12,027	134,270
NET BOOK VALUE							
As at December 31, 2022	72,234	102,683	844	75,610	25,989	25,503	302,863

	Mineral properties	Equipment and leaseholds	Furniture, equipment and other	Land and building	Assets under construction	Right-of-use assets	Total
COST							
Balance as at February 3, 2021	—	155,599	1,383	88,066	22,095	21,405	288,548
Additions ^{(2) (3)}	70,008	8,771	—	13,706	(11,840)	16,125	96,770
Foreign exchange differences ⁽¹⁾	2,613	—	—	—	—	—	2,613
Balance as at December 31, 2021	72,621	164,370	1,383	101,772	10,255	37,530	387,931
ACCUMULATED DEPRECIATION/AMORTIZATION							
Balance as at February 3, 2021	—	—	—	—	—	—	—
Depreciation and amortization	5,289	43,062	823	12,222	—	5,600	66,996
Balance as at December 31, 2021	5,289	43,062	823	12,222	—	5,600	66,996
NET BOOK VALUE							
As at December 31, 2021	67,332	121,308	560	89,550	10,255	31,930	320,935

⁽¹⁾ These foreign exchange differences relate to the revaluation of the reclamation provisions.

⁽²⁾ Additions include cash additions, right-of-use asset additions, property, plant and equipment ("PP&E") additions in payables, changes in estimate of reclamation provision and capitalized depreciation. During the year ended December 31, 2022, capitalized stripping and mine development costs included in mineral properties amounted to \$86.1 million (December 31, 2021 – \$70.1 million).

⁽³⁾ As at December 31, 2022, the estimate for reclamation provision was decreased by \$52.1 million which resulted in a corresponding decrease in the reclamation asset (December 31, 2021: \$10.0 million decrease in estimate of reclamation provision of which \$0.1 million was recorded as a change in reclamation asset and \$9.9 million was recorded in finance income (note 4)).

As at December 31, 2022 and 2021, there were no exploration and evaluation ("E&E") assets included in mineral properties.

(a) Impairment of assets

During the year, \$2.4 million of costs related to Fox Deep that were capitalized in Assets under construction ("AUC") were written off. The Company has determined that it is unlikely that the existing work performed on Fox Deep would be recoverable and likely a new project study would be required if the Company were to proceed further with Fox Deep. Management did not identify any indicators of impairment related to other Property, Plant and Equipment.

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Note 7: Other Non-Current Assets

	December 31, 2022	December 31, 2021
Sample diamonds	2,289	2,316
Restricted cash (a)	10,387	—
Reclamation deposits (b)	13,375	—
- Collateral posted for reclamation surety bonds	10,748	—
- Reclamation security deposits	2,627	—
Other	627	722
Total other non-current assets	26,678	3,038

The Company is required to post security with government agencies to ensure reclamation is completed on its mining properties as required by the legislation and regulations of Canada and the Northwest Territories. The security is in the form of cash, letters of credit ("LCs") or surety bond.

(a) Restricted cash

Restricted cash comprised of CDN\$14.2 million held by financial institutions as collateral for LCs. These LCs were held by government agencies as security for reclamation obligations.

(b) Reclamation deposits

Collateral posted for reclamation surety bonds

The Company has an agreement with surety providers whereby the Company provides cash collateral over time up to 100% of the face amount of the bond; and the bond value will be reduced by the payment. During fiscal 2022, CDN\$16.0 million were made to government agencies and surety bond value was reduced accordingly. The remaining surety bond commitment is CDN\$263.2 million (note 23).

Reclamation security deposits

During fiscal 2022, the Company made reclamation security payments to government agencies of CDN\$3.9 million.

Note 8: Inventory and Supplies

	December 31, 2022	December 31, 2021
Stockpile ore	3,298	3,902
Rough diamonds – work in progress	47,847	42,213
Rough diamonds – finished goods	21,813	37,994
Supplies inventory	130,299	125,848
Total inventory and supplies	203,257	209,957

For the year ended December 31, 2022, inventories recognized in cost of sales were \$325.2 million (year ended December 31, 2021 – \$222.9 million). There were no inventories written-down during year ended December 31, 2022 (December 31, 2021 – nil).

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Note 9: Trade and Other Receivables

	December 31, 2022	December 31, 2021
Sales tax credits	7,263	7,246
Cash call receivable (note 5)	—	2,319
Other	886	1,422
Total trade and other receivables	8,149	10,987

The Company's exposure to credit risk is disclosed in note 25. Total trade receivables are collectable within the next 12 months.

Note 10: Net parent investment

As both ACDH Ltd. and ACDM N.V. are wholly owned subsidiaries of ACDH, net parent investment represents ACDH's net interest in both these entities. Net parent investment eliminates to nil on consolidation with other companies that are under common control of ACDH. ACDH contributed \$4.6 million to ACDH Ltd. during the year ended December 31, 2021. During year ended December 31, 2022, ACDM N.V. distributed a dividend of \$34.0 million to ACDH and ACDH contributed \$27.3 million to ACDH Ltd.

Note 11: Loans and Borrowings

			December 31, 2022	December 31, 2021
	Maturity	Interest rate	Carrying amount	Carrying amount
1st Lien Credit Agreement ("1L Loan") (a, b)	2024	LIBOR rate + 5%	—	61,906
2nd Lien Credit Agreement ("2L Loan") (a)	2027	PIK 12.5% + 5%	120,490	106,536
3rd Lien Credit Agreement ("3L Loan") (a)	2030	PIK 14.0%	7,000	6,113
Total loans and borrowings			127,490	174,555
Less current portion			—	(41,355)
Non-current portion			127,490	133,200

(a) Loans and borrowings

(i) 1L Loan

The 1L Loan in principal amount of \$70.0 million has a maturity date of December 31, 2024. The 1L Loan bears an interest rate of LIBOR (minimum of 1%) plus 5% (1st year). Subsequent to December 31, 2021, 1L Loan bears interest rate in the range of 7% to 9% for the remaining term. Interests are payable quarterly on the last day of each quarter commencing on March 31, 2021.

The Company is required to make mandatory principal repayments of \$1.3 million on the last day of each quarter commencing on June 30, 2021.

In the event that the Company has Excess Cash Flow (as defined in the 1L agreement) for any fiscal quarter starting from the quarter ending December 31, 2021, the Company shall make a loan repayment in an amount equal to 25% of Excess Cash Flow for such quarter within 45 days after quarter end. Such repayment shall not result in the Company's cash balance being less than \$15.0 million.

During the year ended December 31, 2021, the Company made principal repayments of \$8.1 million. As at December 31, 2021 the Company has CDN\$5.6 million of LCs secured under the 1L Loan issued to the government agencies for reclamation obligations for the Ekati mine. During 2022, these LCs were reduced by CAD\$0.4 million and were fully cash collateralized by the Company. These cash collateral payments are reflected under other non-current assets as restricted cash (note 7).

Notes to Combined Financial Statements

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(tabular amounts in thousands of United States dollars, except as otherwise noted)

Furthermore, the Company fully repaid the 1L Loan by June 30, 2022. Upon full repayment of the 1L Loan the Company is no longer subject to 1L debt covenants. Refer to note 27 for further details regarding the new 1L Loan.

(ii) 2L Loan

The 2L Loan in principal amount of \$95.0 million has a maturity date of December 31, 2027. The loan bears an interest rate of 5% per annum payable in arrears on the last day of each quarter and 12.5% per annum Payment In Kind ("PIK") interest added to the outstanding principal amount payable on the maturity date. As at December 31, 2022, the 2L Loan outstanding balance was \$120.5 million which includes PIK of \$25.5 million.

(iii) 3L Loan

The 3L Loan in principal amount of \$8.5 million has a maturity date of December 31, 2030. The loan bears an interest rate of 14% per annum PIK interest added to the outstanding principal amount payable on the maturity date. On November 16, 2021, 3L Loan balance was reduced by \$3.5 million per Amendment to the Third Lien Credit Agreement. The gain on debt forgiveness was included in Other Income. As at December 31, 2022, the 3L Loan outstanding balance was \$7.0 million which includes \$0.9 million (December 31, 2021 - \$1.1 million) of PIK interest. The Company can make an optional repayment in whole or in part with certain break fees.

(b) Debt covenants

Starting with the quarter ending December 31, 2021, if the cash amount held in certain accounts is less than \$25.0 million, the Company shall not at any time permit the 1L Loan net leverage ratio to exceed 1.25:1.00 for periods ending December 31, 2021, up until September 30, 2022, and thereafter 0.75:1.00.

The net leverage ratio is calculated as total outstanding principal amount of third-party indebtedness, divided by net income (loss) before interest expense (income), income taxes, and depreciation and amortization adjusted for items permitted under the credit facility agreement.

During fiscal 2022, after full repayment of the 1L Loan, the debt covenants under the 1L Loan are not applicable. The remaining non-financial covenants under the 2L and 3L agreements that are applicable as at December 31, 2021, and December 31, 2022, mainly relate to submission of financial information by certain dues dates and require capital expenditures to be within certain thresholds.

As at December 31, 2021 and December 31, 2022, the Company was in compliance with the required financial and non-financial covenants.

Notes to Combined Financial Statements

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Note 12: Consideration payable

Consideration payable was recognized at fair value on October 1, 2021, and is calculated as the present value of future royalty distributions that are expected as diamonds are produced from Core Zone JV. These royalty distributions are calculated by multiplying a specific royalty percentage agreed upon with the minority partner; with the value of diamonds produced from Core Zone JV and are payable in cash within thirty days of end of each quarter.

The fair value of consideration payable is remeasured at each reporting period with any changes in fair value recognized in profit or loss. The fair value of consideration payable was measured using a discounted cash flow valuation model that considered the present value of future royalty distributions discounted using a discount rate of 10.0% (December 31, 2021 - 11.5%).

As at December 31, 2021, \$2.4 million of royalty distributions were draw down against the cash call receivable. During fiscal 2022, \$2.6 million of royalty distributions were offset against outstanding receivable from minority interest partner and \$5.0 million was paid in cash.

A reconciliation of the carrying amount of consideration payable is set out below:

Consideration payable	December 31, 2022	December 31, 2021
Balance at beginning of year ⁽¹⁾	44,719	45,840
Royalties offset against cash call receivable	(2,627)	(2,439)
Royalties paid	(5,006)	—
Changes in fair value	13,047	1,318
Balance at end of year	50,133	44,719
Less current portion	(14,881)	(10,866)
Non-current portion	35,252	33,853

⁽¹⁾ Consideration payable was recognized at fair value on October 1, 2021.

Note 13: Leases

Property, plant and equipment comprises both owned and leased assets. The Company leases many assets including land and buildings, vehicles and machinery. Leases for which the Company is a lessee are presented below.

	Mineral properties	Equipment and leaseholds	Land and buildings	Total
Right-of-use assets				
Balance as at January 1, 2022	886	19,843	11,201	31,930
Additions for the year	—	—	—	—
Depreciation charge for the year	(164)	(3,645)	(2,618)	(6,427)
As at December 31, 2022	722	16,198	8,583	25,503

	Mineral properties	Equipment and leaseholds	Land and buildings	Total
Right-of-use assets				
Balance as at February 3, 2021	1,036	18,292	2,077	21,405
Additions for the year	—	4,972	11,153	16,125
Depreciation charge for the year	(150)	(3,421)	(2,029)	(5,600)
As at December 31, 2021	886	19,843	11,201	31,930

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Lease liabilities	
Maturity analysis — contractual undiscounted cash flows	December 31, 2022
Less than one year	10,263
Two to five years	6,481
More than five years	173
Total undiscounted lease liability as at December 31, 2022	16,917
Finance expense	(1,141)
Lease liabilities included in the statement of financial position as at December 31, 2022	15,776
Current	9,671
Non-current	6,105

Lease liabilities	
Maturity analysis — contractual undiscounted cash flows	December 31, 2021
Less than one year	9,763
Two to five years	17,016
More than five years	220
Total undiscounted lease liability as at December 31, 2021	26,999
Finance expense	(2,378)
Lease liabilities included in the statement of financial position as at December 31, 2021	24,621
Current	8,236
Non-current	16,385

Amounts recognized in profit or loss	December 31, 2022	December 31, 2021
Depreciation of right-of-use assets	6,427	5,600
Interest on lease liabilities	1,128	1,341

Amounts recognized in in the statement of cashflows	December 31, 2022	December 31, 2021
Total cash outflows for leases	7,989	8,183

Note 14: Employee Benefit Plans

The employee benefit obligation reflected in the combined statement of financial position is as follows:

	December 31, 2022	December 31, 2021
Net defined benefit asset	(1,614)	—
Total employee benefit asset	(1,614)	—
Net defined benefit liability	374	2,150
Defined contribution plan and other post-retirement plan obligation	424	545
Total employee benefit liabilities	798	2,695
Less current portion	—	(271)
Non-current portion	798	2,424

(a) Defined benefit pension plans

The Company contributes to defined benefit plans in Canada. Pension benefits are based on the length of service and highest average covered earnings. The plans are governed by the Retirement Advisory Committee. The defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market investment risk.

Notes to Combined Financial Statements

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Defined Benefit Obligations	December 31, 2022	December 31, 2021
Defined benefit obligations at beginning of year	77,706	90,316
Service cost	2,814	2,774
Interest expense	2,263	2,184
Benefit payments	(4,879)	(6,779)
Remeasurements	(22,710)	(11,712)
Effect of changes in foreign exchange rates	(4,087)	923
Defined benefit obligations at end of year	51,107	77,706

	December 31, 2022	December 31, 2021
Net defined benefit (asset) liability – defined benefit plan	(1,614)	879
Net defined benefit liability – supplementary defined benefit plan	374	1,271
Balance at end of year	(1,240)	2,150

Plan Assets	December 31, 2022	December 31, 2021
Plan assets at beginning of year	75,556	74,209
Interest income	2,248	1,824
Total employer contributions	1,703	3,010
Benefit payments	(4,879)	(6,779)
Administrative expenses paid from plan assets	(36)	(35)
Return on plan assets, excluding imputed interest income	(18,164)	2,712
Effect of changes in foreign exchange rates	(4,081)	615
Plan assets at end of year	52,347	75,556

Funded Status	December 31, 2022	December 31, 2021
Accrued benefit obligation	51,107	77,706
Plan assets	52,347	75,556
Funded status - plan deficit (surplus)	(1,240)	2,150

As at the last valuation date, on December 31, 2022, the present value of the defined benefit obligation comprised approximately \$39.8 million relating to active employees, \$4.2 million relating to deferred members and \$7.1 million relating to retired members.

Funding Policy

The Company funds the plans in accordance with the requirements of the Canadian Pension Benefits Standards Act, 1985 and the Pension Benefits Standards Regulations and the actuarial professional standards with respect to funding such plans. Funding deficits are amortized as permitted under the Regulations. In the Company's view, this level of funding is adequate to meet current and future funding needs in light of projected economic and demographic conditions. The Company may in its absolute discretion fund in excess of the legislated minimum from time to time, but no more than the maximum contribution permitted under the Canada's Income Tax Act. The expected contribution to the plan for the next fiscal year is \$2.6 million.

The asset allocation of pension assets as at December 31, 2022 and December 31, 2021 was as follows:

Asset Category	December 31, 2022	December 31, 2021
Cash equivalents	—	1%
Equity securities	26%	24%
Fixed income securities	61%	64%
Real Estate	13%	11%
Total	100%	100%

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For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Actuarial assumptions	December 31, 2022	December 31, 2021
ACCRUED BENEFIT OBLIGATION		
Discount rate	5.20%	3.10%
Rate of salary increase	2.75%	2.00%
Rate of price inflation	2.00%	2.00%
Mortality table	CPM2014Priv with CPM-B Improvement	CPM2014Priv with CPM-B Improvement
BENEFIT COSTS FOR THE YEAR		
Discount rate	3.10%	2.65%
Expected rate of salary increase	2.00%	2.00%
Rate of compensation increase	2.00%	2.00%
		Total
Defined benefit schedule for disbursements within 1 year		4,219
Defined benefit schedule for disbursements within 2-5 years		16,329
Defined benefit schedule for disbursements after five or more years		32,999

Sensitivity Analysis - Defined Benefit Obligation	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	0.50%	53,249	49,145
Salary growth rate	0.25%	50,784	51,447
Mortality table	1 year	51,567	50,629

The above sensitivity analysis illustrates the present value of defined benefit obligation and is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(b) Defined contribution plan

During the year ended December 31, 2022, the Company recognized \$4.9 million expenses (December 31, 2021 - \$4.0 million) for the defined contribution plan. As at December 31, 2022 the defined contribution plan liability was \$0.4 million (December 31, 2021 - \$0.3 million).

Note 15: Reclamation Provisions

As at December 31, 2022, the estimated total undiscounted amount of the future cash flows required to settle the reclamation obligation is estimated to be CDN\$489.1 million (December 31, 2021 – CDN\$492.7 million). These obligations will be settled between 2023 to 2067. This amount has been discounted using risk-free rate of 3.28% (December 31, 2021 – 1.68%) and an inflation rate of 2.09% (December 31, 2021 – 1.82%) was applied.

Reclamation provisions are related to future environmental remediation and site restoration of mining site. The revision of previous estimates is based on revised expectations of reclamation activity costs, changes in estimated reclamation timelines and fluctuations in foreign exchange rates. A reconciliation of the carrying amount of asset retirement obligations as at December 31, 2021 is set out below:

Reclamation Provision	December 31, 2022	December 31, 2021
Balance at beginning of year	292,874	295,619
Revisions of previous estimates	(52,095)	(10,016)
Accretion of provision	6,267	4,658
Foreign exchange revaluation	(14,834)	2,613
Balance at end of year	232,212	292,874
Less current portion	(452)	(244)
Non-current portion	231,760	292,630

During 2022, the Company had restricted cash of \$10.4 million at banks and reclamation deposits of \$13.4 million with government agencies as cash collateral for reclamation obligations (see note 7).

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Note 16: Income Taxes

(a) The income tax provision consists of the following:

	December 31, 2022	December 31, 2021
Current income tax expense		
Current year	23,744	30,090
Assessments and adjustments	(5,384)	(515)
Total current income tax expense	18,360	29,575
Deferred income tax (recovery) expense		
Origination and reversal of temporary differences	16,350	(15,226)
Assessments and adjustments	4,987	1,103
Change in unrecognized deductible temporary differences	(18,607)	8,447
Total deferred income tax (recovery) expense	2,730	(5,676)
Total income tax expense	21,090	23,899

Composition of deferred income tax balances:

	December 31, 2022	December 31, 2021
Deferred income tax assets		
Future site restoration costs	79,974	98,581
Deferred private royalty	12,644	11,851
Finance lease	5,322	8,138
Other deferred income tax assets	7,700	12,779
Deferred tax assets not recognized	(79,974)	(98,581)
	25,666	32,768
Reclassification to deferred tax liabilities	(25,666)	(32,768)
Deferred income tax assets:	—	—
Deferred income tax liabilities		
Deferred mineral property costs	(10,006)	(2,715)
Property, plant and equipment	(61,752)	(65,760)
Other deferred tax liabilities	(4,668)	(10,809)
	(76,426)	(79,284)
Reclassification from deferred tax assets	25,666	32,768
Deferred income tax liabilities:	(50,760)	(46,516)
Net deferred income tax liabilities	(50,760)	(46,516)

Net deferred income tax liabilities:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year (<i>note 4</i>)	(46,516)	(53,734)
Recognized in income	(2,730)	5,676
Recognized in other comprehensive income	(1,514)	(4,741)
Recognized in equity on acquisition of NCI	—	6,283
Balance at the end of the year	(50,760)	(46,516)

(b) Unrecognized deductible temporary differences:

	December 31, 2022	December 31, 2021
Deductible temporary differences – Income tax	232,212	292,874
Deductible temporary differences – Royalty tax	232,212	292,874
	464,424	585,748

Notes to Combined Financial Statements

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(c) Reconciliation of effective tax rate

	December 31, 2022	December 31, 2021
Profit before taxes	95,987	42,963
Company's domestic tax rate (Canada statutory tax rate)	26.5%	26.5%
Expected income tax expense	25,437	11,385
Non-deductible (non-taxable) items	123	1,335
Northwest Territories mining royalty (net of income tax relief)	14,613	3,596
Earnings subject to tax different than statutory rate	(79)	1,041
Changes in unrecognized temporary differences	(18,607)	8,447
Assessments and adjustments	(397)	(735)
Tax effect on income (loss) allocated to non-controlling interest	—	(1,170)
Recorded income tax expense	21,090	23,899

Note 17: Trade and Other Payables

	December 31, 2022	December 31, 2021
Trade and other payables	15,745	7,071
Accrued expenses	29,863	20,294
Total trade and other payables	45,608	27,365

Note 18: Revenue

Disaggregated revenue information:

	December 31, 2022	December 31, 2021
Revenue streams:		
Rough diamond sales	493,840	291,022
Polished diamond sales	5	4,702
Total revenue	493,845	295,724

Note 19: Expenses by Nature

Expenses including cost of sales, selling and distribution expenses, general and administrative expenses and other expenses as reported in the combined statement of profit, have been grouped by nature of expenses as follows:

	December 31, 2022	December 31, 2021
Raw materials, consumables and spare parts	117,507	81,036
Salaries and employee benefits	73,311	54,741
Contractors and engineering services	74,217	55,113
Property tax and insurance costs	13,936	11,974
Depreciation and amortization	57,040	36,534
Exploration costs	3,634	2,118
Selling & distribution expenses	4,883	3,926
Impairment of assets	2,437	—
Other	8,184	4,107
Total expenses	355,149	249,549

Notes to Combined Financial Statements

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Note 20: Other Income

Other income for the year ended December 31, 2022, primarily consists of licensing fees received from customers using Canadamark trademark.

For the year ended December 31, 2021, other income primarily included government grants and loan forgiveness resulting from amendment to the 3L Loan.

(a) Government Grants

Government grants comprise amounts received by the Company from governments as reimbursement for costs incurred. Most of the government grants received directly by the Company related to compensation for labour costs incurred during the reporting year. Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them, if any, and that the grants will be received. Government grants related to reimbursement for labour costs are recognized in the Combined Statement of Profit under other income.

In the year ended December 31, 2021, the Company recognized \$12.0 million of temporary wage subsidy from Canada Emergency Wage Subsidy ("CEWS") program available to companies that have been negatively impacted by the COVID-19 pandemic.

The Company was entitled mainly to subsidies to compensate some of the labour costs under the condition that employee staff contracts should not be terminated as a result of declined profitability due to the COVID-19 pandemic.

There is no outstanding receivable or liability related to the government grants as at December 31, 2021.

(b) Loan forgiveness

The Company recognized \$3.5 million gain resulting from amendment to the 3L Loan in the year ended December 31, 2021. See Note 11.

Note 21: Finance Expenses

	December 31, 2022	December 31, 2021
Interest on loans	22,003	21,007
Accretion of reclamation provision (note 15)	6,267	4,658
Interest on lease liabilities (note 13)	1,128	1,341
Financing expense on reclamation deposits	1,274	—
Other interest	3,210	2,655
Total finance expenses	33,882	29,661

Note 22: Changes in Liabilities arising from Financing Activities

	January 1, 2022	Cashflow ⁽¹⁾	Non-cash changes				December 31, 2022
			Additions	Foreign exchange	Finance expenses	Other	
1L loan	61,906	(61,906)	—	—	—	—	—
2L loan	106,536	—	—	—	13,954	—	120,490
3L loan	6,113	—	—	—	887	—	7,000
Lease obligations	24,621	(9,113)	—	(790)	1,058	—	15,776
Total	199,176	(71,019)	—	(790)	15,899	—	143,266

⁽¹⁾ Lease cashflows include lease principal and lease interest payments.

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

	February 3, 2021	Cashflow ⁽¹⁾	Non-cash changes				December 31, 2021
			Additions	Foreign exchange	Finance expenses	Other ⁽²⁾	
1L loan	70,000	(8,094)	—	—	—	—	61,906
2L loan	10,000	85,000	—	—	11,536	—	106,536
3L loan	8,500	—	—	—	1,113	(3,500)	6,113
Lease obligations	17,019	(9,524)	15,904	(119)	1,341	—	24,621
Total	105,519	67,382	15,904	(119)	13,990	(3,500)	199,176

⁽¹⁾ Lease cashflows include lease principal and lease interest payments.

⁽²⁾ Amendment to the 3L Loan during the year.

Note 23: Commitments and Guarantees

As at December 31, 2022, the Company had commitments that require the following minimum future payments, which are not accrued in the combined statement of financial position:

Contractual Obligations	Total	Less than 1 year	Year 2–3	Year 4–5	After 5 years
Participation agreements commitments (a)	42,007	3,498	6,995	6,995	24,519
Environmental agreements commitments (b)	222,262	140,221	76,055	1,300	4,686
Surface and mineral licenses	10,262	1,025	2,050	1,498	5,689
Equipment leases	18,776	3,129	9,388	6,259	—
Purchase commitments	97,504	82,482	15,022	—	—
Total contractual obligations	390,811	230,355	109,510	16,052	34,894

(a) Participation agreements

Ekati Diamond Mine has signed participation agreements with various aboriginal communities. Contractual obligations under these agreements amount to \$42.0 million and are expected to contribute to the social, economic and cultural well-being of these communities.

(b) Environmental commitments

To meet the requirements under environmental and other agreements, the Company posted surety bonds and provided LCs for reclamation obligations for the Ekati Diamond Mine. These LCs are fully cash collateralized (refer to note 7).

In fiscal 2023, the Company is also required to make additional payments to cash collateralize the surety bonds. These payments will be made in six equal instalments of CDN\$43.8 million per quarter to the second quarter of 2024, subject to maintenance at all times of minimum cash on hand of at least US\$15.0 million.

	December 31, 2022	December 31, 2021
Surety bonds	CDN\$ 263,234	279,223
Letters of credit	CDN\$ —	5,636
Total – CDN\$	263,234	284,859
Total – USD\$ equivalent	194,355	224,688

(c) Contingent liabilities

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims that arise due to the size, complexity and nature of the Company's operations. The outcome of such claims against the Company is not determinable at this time; however, their ultimate resolution is not expected to have a material adverse effect on the Company.

Notes to Combined Financial Statements

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Note 24: Related Party Transactions

(a) Information about parent and subsidiaries

ACDH is the controlling owner of both ACDC Ltd. and ACDM N.V. Whereas, the controlling owners of ACDH are Polen Capital, Brigade and Western.

(b) Related party transactions

Year ended December 31, 2022				
	Loan repayments	PIK interest capitalized	Interest paid	Amount owed to related parties
Brigade ⁽¹⁾	4,000	5,141	2,196	44,385
Polen Capital ⁽¹⁾	2,000	5,141	2,137	44,385
Western ⁽¹⁾	4,000	2,203	1,009	19,022
Total	10,000	12,485	5,342	107,792

⁽¹⁾ These related party transactions are with various funds that are managed by the above three entities.

⁽²⁾ Refer to note 27 for related party transaction on February 13, 2023.

Year ended December 31, 2021				
	Loan repayments	PIK interest capitalized	Interest paid	Amount owed to related parties
Brigade ⁽¹⁾	2,000	4,244	2,002	43,244
DDJ Capital ⁽¹⁾	1,000	4,244	1,840	41,244
Western ⁽¹⁾	2,000	1,819	1,042	20,819
Total	5,000	10,307	4,884	105,307

⁽¹⁾ These related party transactions are with various funds that are managed by the above three entities.

(c) Compensation of key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	December 31, 2022	December 31, 2021
Short-term and post-employment benefits	2,511	2,976
Total	2,511	2,976

Compensation of key management personnel includes salaries and contributions to post-employment benefit plans.

Notes to Combined Financial Statements

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Note 25: Financial Instruments and Risk Management

(a) Financial Instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the combined statement of financial position are as follows:

	December 31, 2022		December 31, 2021	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets at amortized cost				
Cash and cash equivalents ⁽¹⁾	66,604	66,604	87,286	87,286
Trade and other receivables ^{(1), (2)}	886	886	3,741	3,741
Financial assets at fair value				
Restricted cash ⁽³⁾	10,387	10,387	—	—
Reclamation deposits ⁽³⁾	13,375	13,375	—	—
Total financial assets	91,252	91,252	91,027	91,027
Total current	67,490	67,490	91,027	91,027
Total non-current	23,762	23,762	—	—
Financial liabilities at amortized cost				
Trade and other payables ⁽¹⁾	45,608	45,608	27,365	27,365
Loans and borrowings – 1L Term loan	—	—	61,906	61,906
Loans and borrowings – 2L Term loan	125,403	120,490	106,536	106,536
Loans and borrowings – 3L Term loan	8,452	7,000	6,113	6,113
Financial liabilities at fair value				
Consideration payable	50,133	50,133	44,719	44,719
Total financial liabilities	229,596	223,231	246,639	246,639
Total current	60,489	60,489	79,586	79,586
Total non-current	169,107	162,742	167,053	167,053

⁽¹⁾ The fair value of these financial instruments approximates their carrying value due to the short term to maturity.

⁽²⁾ Excludes sales tax credits receivable (see note 9).

⁽³⁾ Restricted cash and reclamation deposits are classified as non-current assets (see note 7).

All financial assets and liabilities measured at amortized cost are classified as Level 2 measurements.

(i) Measurement of fair value

Loans and borrowing

The 1L, 2L and 3L Term loans are classified as Level 2 fair value measurement. These loans approximated their carrying value at December 31, 2021, due to the loans being originated within 2021 and there were no substantive changes in the Company's credit risk since the loans were originated through to December 31, 2021.

As at December 31, 2022, fair value of 2L and 3L Term loans was calculated with a net present value model using discount rates derived from quoted yields of debt with similar maturity and credit rating that is traded in active markets.

Consideration payable

Consideration payable is classified as Level 3 fair value measurement. The fair value of consideration payable was determined by using the discounted cash flow model in which the present value of future royalty distributions was calculated using a pre-tax discount rate.

Notes to Combined Financial Statements

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The future cashflows of consideration payable may be different from the amounts presented in the table above as discount rates, diamond pricing or other relevant conditions underlying the consideration change.

(ii) Sensitivity analysis

For the fair value of consideration payable, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	Profit or loss	
	Increase	Decrease
December 31, 2022		
Expected cash flows (10% movement)	(4,771)	4,771
Discount rate (1% movement)	1,000	(1,000)

During the years ended December 31, 2022, and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

(b) Risk Management Overview

The Company has exposure to the following risks arising from financial instruments:

- Market risk: currency and interest rate risk
- Financial risk: credit and liquidity risk

The Company's overall financial risk management program focuses on the preservation of capital and protecting current and future Company assets and cash flows by minimizing exposure to risks posed by the uncertainties and volatilities of financial markets. The Company's Board of Directors has responsibility to review and discuss significant financial risks or exposures and to assess the steps management has taken to monitor, control, report and mitigate such risks to the Company. Financial risk management is carried out by the finance department, which identifies and evaluates financial risks and establishes controls and procedures to ensure financial risks are mitigated.

(i) Currency risk management

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Company. The functional currency of the Company is the US dollar. Purchases are primarily denominated in Canadian dollars and sales and borrowings are primarily denominated in US dollars. The current risk management policy is to monitor the foreign exchange rate and purchase at spot rate before the settlement of liabilities.

Based on the Company's net exposure to Canadian dollar monetary assets and liabilities as at December 31, 2022, a one-cent change in the exchange rate would have impacted pre-tax profit for the year by \$0.1 million (December 31, 2021 - \$0.1 million).

Interest rate risk management

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company has borrowings that incur interest at fixed and floating rates. The Company's fixed rate borrowings comprise loans which incurs interest at fixed interest rates. The Company also has exposure to interest rate risk arising from its 1L loan, which bears variable interest based on LIBOR (see note 11 for further details). As at December 31, 2022 the Company has no exposure to floating interest rates, whereas as at December 31, 2021 the impact of 100 basis point change on the 1L Loan would impact pre-tax profit for the year by \$0.6 million.

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(ii) Credit risk management

Credit risk is the risk of a financial loss to the Company if a customer or counterparty in a transaction fails to meet its contractual obligation. The Company adopts a sales policy which requires receipt of cash prior to the delivery of rough diamonds to its customers and an investing policy to invest with major financial institutions. As a result, the Company's exposure to credit risk arising from diamond sales is minimal. As of December 31, 2022, the Company has significant sales tax receivables due from Canadian Revenue Agency and as such has minimal credit risk exposure.

The Company's cash is deemed low risk as it's invested in short-dated money market securities and bank accounts held at investment grade financial institutions. The financial institutions are medium credit quality or higher operating in low-geopolitical risk jurisdictions, including Canada, Belgium, and the United States.

As at December 31, 2022, the Company's maximum counterparty credit exposure consists of the carrying amount of cash and accounts receivable.

(iii) Liquidity and capital risk management

The Company's capital includes cash, current and non-current borrowings and net parent investment.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company manages its liquidity by ensuring that there is sufficient capital to meet short-term and long-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances. The Company's capital includes cash, current and non-current borrowings and net parent investment. The Company is required to be in compliance with the required debt covenants under its loan agreements (see note 11).

Management applies judgement when forecasting cash flows for its current and subsequent fiscal years to predict future financing requirements by managing sales, monitoring operating and capital expenditures, and obtaining alternative financing arrangement for short term cash needs. As at December 31, 2022, management's forecasted cash flows indicated that the Company required an alternative short-term financing arrangement to fund its operations for the year ended December 31, 2023. During February 2023, the Company received new 1L loan financing that will enable the Company to meet its commitments for the next twelve months. (refer to note 27). The need for additional funding arises primarily due to the cash collateralization for surety bonds (refer to note 23 (b)).

The following table summarizes the aggregate amount of expected remaining contractual cash flow requirements for the Company's financial liabilities based on repayment or maturity periods.

	<i>Total</i>	<i>Less than 1 year</i>	<i>Year 2-3</i>	<i>Year 4-5</i>	<i>After 5 years</i>
Trade and other payables	45,608	45,608	—	—	—
Lease liabilities	16,917	10,263	5,809	672	173
Consideration payable	62,186	9,911	32,339	12,776	7,160
2L loan - principal and PIK	224,378	—	—	224,378	—
2L loan - interest payments	42,424	6,515	15,733	20,176	—
3L loan - principal and PIK	21,317	—	—	—	21,317

The future cash flows of consideration payable may be different from the amounts in the table above as diamond production, pricing or other relevant conditions underlying the consideration payable change.

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Note 26: Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements and have been applied consistently by the Company.

(a) *Basis of combination and consolidation*

The combined financial statements comprise the financial statements of the ACDC Ltd. and ACDM N.V. They are prepared for the same reporting period using consistent accounting policies. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions of the combined entities are eliminated in full on consolidation and combination.

The net assets and net earnings attributable to minority shareholders are presented as non-controlling interests within the combined financial statements. NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions. The Company has a 78.4% controlling ownership interest in the Lac de Gras Joint Venture and minority shareholders are presented as non-controlling interest (21.6%) in the combined financial statements.

(b) *Business combination*

Acquisitions of businesses are accounted for using the acquisition method whereby all identifiable assets and liabilities are recorded at their fair value as at the date of acquisition with limited exceptions. Any excess purchase price over the aggregate fair value of identifiable net assets is recorded as goodwill. Acquisition related costs are expensed as incurred and are included in the combined statement of profit. Estimates of future cash flows, forecast prices, interest rates and discount rates are made in determining the fair value of assets acquired and liabilities assumed. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, intangible assets and goodwill in the purchase price equation.

(c) *Property, plant and equipment*

(i) EXPLORATION AND EVALUATION EXPENDITURES

Exploration and evaluation activities include: acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; and activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. Exploration and evaluation costs are expensed as incurred. They are only capitalized when the Company concludes that there is evidence to support probability of generating positive economic returns in the future. A mineral resource is considered to have economic potential when it is expected that the technical feasibility and commercial viability of extracting the mineral resource can be demonstrated and the future economic benefits are probable.

In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource, is considered. Capitalized exploration and evaluation expenditures are recorded as a component of property, plant and equipment. Recognized exploration and evaluation assets will be assessed for impairment when specific facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Once development is sanctioned, any capitalized exploration and evaluation costs are tested for impairment and reclassified to mineral property assets within property, plant and equipment. All subsequent development expenditure is capitalized, net of any proceeds from pre-production sales.

(ii) COMMENCEMENT OF COMMERCIAL PRODUCTION

Notes to Combined Financial Statements

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There are a number of quantitative and qualitative measures the Company considers when determining if conditions exist for the transition from pre-commercial production to commencement of commercial production of an operating mine, which include:

- all major capital expenditures have been completed to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management;
- mineral recoveries are at or near expected production levels; and
- the ability exists to sustain ongoing production of ore.

This list of measures is not exhaustive and management takes into account the surrounding circumstances before making any specific decision.

(iii) PP&E COST

Items of PP&E are measured at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and construction cost, any costs directly attributable to bringing the asset into operation including stripping costs incurred in open pit development before production commences, the initial estimate of the site restoration obligation and, borrowing costs for qualifying assets. Repair and maintenance costs are expensed as incurred. When parts of an item of PP&E have different useful lives, the parts are accounted for as separate items (major components) of property, plant and equipment.

(iv) DEPRECIATION AND AMORTIZATION

Assets under construction are not depreciated until these assets are ready for their intended use. The unit-of-production method is applied to a substantial portion of the Ekati Diamond Mine property, plant and equipment. Depending on the asset, it is based on either tonnes of material processed or carats of diamonds recovered during the period relative to the estimated proven and probable ore reserves of the ore deposit being mined, or to the total ore deposit. Other property, plant and equipment is depreciated using the straight-line method over the estimated useful lives of the related assets which are as follows:

Asset	<i>Estimated useful life (years)</i>
Buildings	Up to 15
Machinery and mobile equipment	2–15
Computer equipment and software	3–6
Furniture, fixtures and equipment	2–10
Leasehold and building improvements	Up to 15
Right-of-use assets	Lease term or life of the asset

The estimation of mineral reserves is a subjective process. The Company estimates its mineral reserves based on information compiled by an appropriately qualified person. Forecasts are based on engineering data, projected future rates of production and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of additional future drilling, testing or production levels and on diamond prices. Changes in reserve estimates may impact the carrying value of exploration and evaluation assets, mineral properties, property, plant and equipment, mine rehabilitation and site restoration provisions, recognition of deferred tax assets, and depreciation charges. Estimates and assumptions about future events and circumstances are also used to determine whether economically viable reserves exist that can lead to commercial development of an ore body.

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Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. The impact of changes to the estimated useful lives or residual values is accounted for prospectively.

(v) STRIPPING COSTS

Mining costs associated with stripping activities in an open pit mine are expensed unless the stripping activity can be shown to represent a betterment to the mineral property, in which case the stripping costs would be capitalized and included in deferred mineral property costs within mining assets.

When the benefit from the stripping activity is realized in the current period, the stripping costs are accounted for as the cost of inventory. When the benefit is the improved access to ore in future periods, the costs are recognized as a mineral property asset – if improved access to the ore body is probable, the component of the ore body can be accurately identified, and the cost associated with improving the access can be reliably measured. If these conditions are not met, the costs are expensed to the combined statement of operations as incurred. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of-production method) over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

(vi) MAJOR MAINTENANCE AND REPAIRS

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. When an asset, or part of an asset that was separately depreciated, is replaced and it is probable that future economic benefits associated with the new asset will flow to the Company through an extended life, the expenditure is capitalized. The unamortized value of the existing asset or part of the existing asset that is being replaced is expensed. Where part of the existing asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

(d) ***Impairment of non-financial assets***

The carrying amounts of the Company's non-financial assets other than inventory and deferred taxes are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

IMPAIRMENT INDICATOR

Determining whether there are any indications of impairment requires significant judgment of external factors, such as customer turnover, marketing supply and demand, change in discount and foreign exchange rates, a significant decline in an asset's market value and significant changes in the technological, market, economic or legal environment that would have an adverse impact on the Company's cash generating unit ("CGU"). For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, referred to as a CGU. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the asset is tested as part of a CGU.

RECOVERABLE AMOUNT

The recoverable amount of an asset is the greater of its fair value less cost of disposal ("FVLCD") and its value in use. In the absence of a binding sales agreement, fair value is estimated on the basis of values obtained from an active market or from recent transactions or on the basis of the best information available that reflects the amount that the Company could obtain from the disposal of the asset.

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FVLCD is estimated by using the discounted future after-tax cash flows expected to be derived from the CGU, less an estimated amount for cost to dispose. The determination of FVLCD for each CGU are considered to be Level 3 of the fair value measurements, as they are derived from valuation techniques that include inputs that are not based on observable market data. When discounting estimated future after-tax cash flows, the Company uses an after-tax discount rate which reflects the risks specific to the CGU. Estimated cash flows are based on expected future production, expected selling prices, expected operating costs and expected capital expenditures. Value in use is defined as the present value of future pre-tax cash flows expected to be derived from the use of an asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Expected rough diamond production levels, which comprise proven and probable reserves and an estimate of the recoverable amount of resources, are used to estimate expected future cash flows. Expected future rough diamond prices are estimated based on realized prices for rough diamonds sold during the Company's most recent sale, geological data regarding the quality of rough diamonds in reserves and resources and expected future levels of worldwide diamond production. Future operating and capital costs, including labour and fuel costs, are based on the most recently approved life of mine plan, which is reviewed and approved annually by senior management and the Board of Directors. The assessment also requires estimates and assumptions related to foreign exchange rates and discount rates, which are determined based on prevailing market conditions at the date of the assessment. Where applicable, assumptions are aligned with the Company's most recent economic analysis of mineral reserves and resources. Financial results as determined by actual events could differ from those estimated, and changes in these estimates that decrease the estimated recoverable amount of the CGU could affect the carrying amounts of assets and result in an impairment charge.

IMPAIRMENT LOSS

When the recoverable amount of a CGU is less than the carrying amount of that CGU, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to that CGU, and then to the other assets of that CGU pro rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss is recognized directly in the combined statement of profit in those expense categories consistent with the function of the impaired asset. Impairment losses for property, plant and equipment and intangible assets are reversed if there has been a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognized, and it has been determined that the asset is no longer impaired or that impairment has decreased. The reversal is recognized in earnings before income taxes in the period in which the reversal occurred and is limited to the carrying value less any subsequent depreciation that would have been determined had no impairment charge been recognized in prior years.

(e) *Inventory and supplies*

Inventory is recorded at the lower of cost and net realizable value. Cost of rough diamond inventory, supply inventory and stockpile ore inventory are determined on a weighted average cost basis. Cost of items that are not ordinarily interchangeable, and goods and services produced and segregated for specific projects, are assigned by using a specific identification of their individual costs.

Stockpiled ore represents coarse ore that has been extracted from the mine and is stored for future processing. Stockpiled ore value is based on the costs incurred (including depreciation and amortization) in bringing the ore to the stockpile.

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Net realizable value is the estimated selling price for the final product. The measurement of inventory, including the determination of its net realizable value, involves the use of estimates. The significant sources of estimation uncertainty include diamond prices, production grade and expenditure, and determining the remaining costs of completion to bring inventory into its saleable form. The Company uses historical data on prices achieved, grade and expenditure in forming its assessment.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term money market instruments (with a maturity on acquisition of less than 90 days) and excludes restricted cash.

(g) Restricted cash

Cash which is subject to legal or contractual restrictions on its use and is classified separately as restricted cash.

(h) Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (i) the contract involves the use of an identified asset that may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (ii) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (iii) the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The Company presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" in the statement of financial position.

(i) SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets being those assets with a fair value of less than US\$5,000 when new. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(i) **Employee pension plans**

The Company operates various pension plans. The plans are generally funded through payments to insurance companies or trustee-administered funds determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans.

DEFINED CONTRIBUTION PLAN

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

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DEFINED BENEFIT PLAN

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis including discount rate, life expectancy and expected return on plan assets. The assumptions are reviewed each year and are adjusted where necessary to reflect changes in fund experience and actuarial recommendations. Any changes in these assumptions will impact the carrying amount of the pension obligation.

(j) **Provisions**

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The expense relating to any provision is included in net profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in net profit or loss.

Significant judgments and estimates are involved in forming expectations of future site closure and reclamation activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements. The Ekati Diamond Mine rehabilitation and site restoration provision is prepared by management at the Ekati Diamond Mine.

(k) **Income taxes**

Income tax expense comprises current and deferred tax and is recognized in net profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income. Income tax expense includes mining royalty taxes that the owner or operator of a mine shall pay to the Government of the Northwest Territories royalties ("Royalty Tax") on the value of the mine's output during that fiscal year.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax expense is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax expense is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

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Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will not be realized. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Company classifies foreign exchange differences on deferred tax assets or liabilities in jurisdictions where the functional currency is different from the currency used for tax purposes as income tax expense. The unrealized foreign exchange gain or loss related to deferred income tax asset and liability is recorded as part of deferred tax expense or recovery for each year.

Judgment is required in determining whether deferred tax assets are recognized in the combined statement of financial position. Deferred tax assets, including those arising from unused tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differs significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the combined statement of financial position date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(l) Revenue

The Company is principally engaged in the business of producing diamonds and earns revenue predominantly through the sale of rough diamonds. Diamond sales to customers generally include one performance obligation. Revenue from contracts with customers is recognized at a point of time when control of the diamonds is transferred to the customer and selling prices are known, generally on delivery of the diamonds. Sales are measured at the fair value of the consideration received. The Company's sales policy requires receipt of cash prior to delivery of rough diamonds to customers. The Company has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer. There is no return policy, as all diamond sales are final.

(m) Commitments and contingencies

Provisions and liabilities for legal and other contingent matters are recognized in the period when the circumstance becomes probable that a future cash outflow resulting from past operations or events will occur and the amount of the cash outflow can be reasonably estimated. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change, and the carrying amounts of provisions and liabilities are reviewed regularly and adjusted accordingly. The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine if the loss can be reasonably estimated. When a loss is recognized, it is charged to net income. The Company continually monitors known and potential contingent matters and makes appropriate disclosure and provisions when warranted by the circumstances present. Contingent assets are not recognized in financial statements. However, when the realization of income is virtually certain, then the related asset is recognized.

(n) Financial instruments

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are not offset unless there is a current legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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The Company's financial instruments include cash and cash equivalents, restricted cash, trade and other receivables, reclamation deposits, trade and other payables, consideration payable and loans and borrowings.

CLASSIFICATION

Financial assets are classified in one of the following categories: amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Financial liabilities are classified as measured at amortized cost or FVTPL. Classification of financial instruments in the Company's financial statements depends on the purpose for which the financial instruments were acquired or incurred. The classification of financial instruments is determined at initial recognition. The Company does not have financial instruments classified as FVTOCI or FVTPL.

MEASUREMENT

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognized immediately in profit or loss.

Subsequently, financial instruments measured at amortized cost are measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

IMPAIRMENT

A loss allowance for expected credit losses is recognized on a financial asset that is measured at amortized cost and FVTOCI. The loss allowance for a financial asset measured at amortized cost and FVTOCI is recognized in profit or loss as an impairment gain or loss. At each reporting date, the loss allowance for a financial instrument should be measured at the amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance should be measured at the amount equal to 12-month expected credit losses. The loss allowance should always be measured at the amount equal to lifetime expected credit losses for trade receivables not containing a significant financing component.

DERECOGNITION

A financial asset is derecognized when:

- the contractual right to the cash flows from the financial asset expire; or
- the Company transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset.

A financial liability is derecognized when the liability is extinguished, discharged, cancelled or expires.

(o) **Fair value measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant

Notes to Combined Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(tabular amounts in thousands of United States dollars, except as otherwise noted)

that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described below. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: The fair value measurements are classified as Level 1 if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.
- Level 2: The fair value measurements are classified as Level 2 when inputs other than quoted prices in Level 1 which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: The fair value measurements are classified as Level 3 when inputs require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs.

(p) Foreign currency

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate and is normally the currency in which the entity primarily generates and expends cash. Determination of functional currency requires judgements. Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at exchange rates in effect at the statement of financial position date, and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in net profit or loss.

Note 27: Subsequent events

(a) Cash collateral payments for replacement LCs

On January 3, 2023, the Company paid additional security of CDN\$5.2 million to cash collateralize new LCs. These LCs were issued to replace cash collateralized LCs secured under the 1L Loan of CDN\$5.2 million. Upon replacement of the LCs issued under the 1L Loan, the Company was repaid CDN\$3.4 million of the CDN\$5.2 million that was cash collateralized for LCs issued under the 1L Loan.

(b) New 1L loan financing

During February 2023, the Company received new 1L loan financing of \$30.0 million from a syndicate of investment funds represented by Brigade and Polen Capital. The new 1L loan financing has a maturity date of December 31, 2023, with interest rate of 12%. The Company believes that the new loan financing and cash flows generated from operations are sufficient to enable the Company to meet its commitments for the next twelve months.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Arctic Canadian Diamond Holding, LLC

Opinion

We have audited the combined financial statements of Arctic Canadian Diamond Company Ltd. and Arctic Canadian Diamond Marketing N.V. (collectively, the "Company"), which comprise:

- the combined statements of financial position as at December 31, 2022 and December 31, 2021
- the combined statements of profit for the years then ended
- the combined statements of comprehensive income for the years then ended
- the combined statements of changes in equity for the years then ended
- the combined statements of cash flows for the years then ended
- and notes to the combined financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Company as at December 31, 2022 and December 31, 2021, and its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants
Calgary, Canada
February 17, 2023

Schedule 3 Unaudited Pro forma Statement of Financial Position – 31 December 2022

The table below details the historical statement of financial position of the Company and the Arctic Companies as at 31 December 2022, extracted from their respective financial statements, and the unaudited pro forma statement of financial position of the Company as at that date.

The historical statement of financial position of the Company detailed below has been extracted without adjustment from the reviewed interim financial statements of the Company for the six months ended 31 December 2022, which were reviewed by RSM Australia Partners in accordance with Australian Auditing Standards applicable to review engagements, and on which RSM Australia Partners issued an unmodified review conclusion. The review report issued by RSM Australia Partners on the interim financial statements of the Company for the six months ended 31 December 2022 includes an emphasis on matters related to a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The Directors are of the view that, following receipt of the proceeds of the Placement and completion of the Acquisition, the Company will have sufficient funds to pursue the operations of the merged group and continue as a going concern.

The historical combined statement of financial position of the Arctic Companies detailed below has been extracted without adjustment from the combined financial statements of the Arctic Companies for the year ended 31 December 2022 which were prepared in accordance with the recognition and measurement principles of IFRS, were subject to audit and translated into Australian dollars at the rate A\$1.00 : US\$0.6813, being the exchange rate as at 31 December 2022. The historical combined statement of financial position of the Arctic Companies was audited by KPMG LLP in accordance with Canadian generally accepted auditing standards and on which KPMG Canada issued an unmodified audit opinion.

The unaudited pro forma statement of financial position as at 31 December 2022 has been compiled by:

- (a) extracting the consolidated historical statement of financial position of the Company from its reviewed financial statements for the six months ended 31 December 2022;
- (b) extracting the combined historical statement of financial position of the Arctic Companies as at 31 December 2022 from its audited combined financial statements for the year ended 31 December 2022; and
- (c) reflecting pro forma adjustments to illustrate the impact of the following transactions which are proposed to occur in connection with the Transaction, Placement and SPP, as if those events and transactions had occurred on 31 December 2022.

Subsequent events and pro forma adjustments relating to transactions denominated in US dollars have been translated into Australian dollars at the rate of A\$1.00 : US\$0.6813. Amounts denominated in Canadian dollars have been translated into Australian dollars at the rate A\$1.00 : C\$0.9123.

The pro forma statement of financial position under the Placement only scenario (Minimum Subscription) includes the proceeds of the underwritten Placement and does not include any proceeds from the issue of shares under the Share Purchase Plan. The pro forma statement of financial position under the Placement and SPP scenario (Maximum Subscription) includes the proceeds of the underwritten Placement and assumes that the Share Purchase Plan offer is fully subscribed.

The following pro forma adjustments have been made in relation to events subsequent to 31 December 2022:

- (a) in February 2023, ACDC received a loan of US\$30 million (A\$44.0 million) (**new 1L Debt**) from a syndicate of investment funds represented by Brigade and Polen, bearing interest at 12% per annum and with a maturity date of 31 December 2023;

- (b) in February 2023, ACDC made a payment of C\$34.1 million (A\$37.4 million) to the Government of the Northwest Territories pursuant to its obligations to cash collateralise its surety bonds; and
- (c) accrued interest of US\$7.3 million (A\$10.8 million) on ACDC's existing loans for the period 1 January to 31 May 2023.

The following pro forma adjustments have been made in relation to events which are expected to occur immediately before or following completion of the Transaction:

- (a) completion of a private placement to raise gross proceeds of A\$193.4 million through the issue of 773,478,466 fully paid ordinary shares in the Company at an issue price of A\$0.25 per share (**Placement**);
- (b) the payment of transaction costs associated with the Transaction estimated to be A\$9.2 million;
- (c) the acquisition of the entire issued share capital of ACDC and ACDM for consideration comprising:
 - (i) the issue of 129,230,769 fully paid ordinary shares in the Company at an issue price of A\$0.25 per share, with an aggregate issue price of A\$32.3 million;
 - (ii) deferred cash consideration of US\$15.0 million (A\$22.0 million), payable on 31 December 2023; and
 - (iii) contingent cash consideration in the form of an earnout, comprising US\$7.5 million (A\$11.0 million) payable in the first quarter of 2024 and US\$7.5 million (A\$11.0 million) payable in the first quarter of 2025, subject to the Arctic Companies achieving EBITDA of US\$200 million in the years ending 31 December 2023 and 31 December 2024 respectively;
- (d) the repayment of US\$75.7 million (A\$111.1 million) of the existing debt of the Arctic Companies, including early repayment penalties of US\$5.6 million (A\$8.2 million);
- (e) the conversion of US\$24.3 million (A\$35.7 million) of the existing debt of the Arctic Companies into 149,598,457 fully paid ordinary shares of the Company at an issue price of A\$0.25 per share;
- (f) additional costs of US\$0.5 million (A\$0.7 million) related to the Transaction; and
- (g) proceeds of between nil (Minimum Subscription) and A\$10.0 million (Maximum Subscription) from the Share Purchase Plan.

The financial information is presented in an abbreviated form and does not include all the presentations and disclosures, statements or comparative information required by Australian Accounting Standards and other mandatory reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

	BDM	Arctic Companies	Subsequent events	Placement	Pro forma adjustments (Min)	Pro forma (Min)	Pro forma (Min)	Pro forma adjustments (Max)	Pro forma (Max)	Pro forma (Max)
	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22
	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000	US\$000	A\$000	A\$000	US\$000
Assets										
Current assets										
Cash and cash equivalents	5,557	97,760	6,678	184,201	(111,831)	182,365	124,246	(101,831)	192,365	131,059
Trade and other receivables	566	11,961	-	-	-	12,527	8,535	-	12,527	8,535
Inventories	16,653	298,337	-	-	-	314,990	214,603	-	314,990	214,603
Other current assets	-	7,653	-	-	-	7,653	5,214	-	7,653	5,214
Total current assets	22,776	415,711	6,678	184,201	(111,831)	517,535	352,597	(101,831)	527,535	359,410
Non current assets										
Property, plant and equipment	4,432	407,104	-	-	(31,042)	380,494	259,231	(31,042)	380,494	259,231
Right-of-use assets	740	37,433	-	-	-	38,173	26,007	-	38,173	26,007
Employee benefit plans	-	2,369	-	-	-	2,369	1,614	-	2,369	1,614
Other non-current assets	-	39,157	37,355	-	-	76,513	52,128	-	76,513	52,128
Total non current assets	5,172	486,063	37,355	-	(31,042)	497,548	338,980	(31,042)	497,548	338,980
Total assets	27,948	901,775	44,033	184,201	(142,873)	1,015,084	691,577	(132,873)	1,025,084	698,390
Liabilities										
Current liabilities										
Trade and other payables	1,181	66,943	-	-	-	68,124	46,413	-	68,124	46,413
Lease liabilities	145	-	-	-	-	145	99	-	145	99
Employee benefits	165	-	-	-	-	165	112	-	165	112
Loans and other borrowings	-	-	54,732	-	(54,732)	0	0	(54,732)	0	0
Consideration payable	-	21,842	-	-	22,017	43,859	29,881	22,017	43,859	29,881
Lease obligations	-	14,195	-	-	-	14,195	9,671	-	14,195	9,671
Reclamation provisions	-	663	-	-	-	663	452	-	663	452
Income taxes payable	-	27,067	-	-	-	27,067	18,441	-	27,067	18,441
Total current liabilities	1,491	130,710	54,732	-	(32,715)	154,218	105,069	(32,715)	154,218	105,069
Non current liabilities										
Loans and other borrowings	30,018	187,128	-	-	(83,876)	133,269	90,796	(83,876)	133,269	90,796
Lease liabilities	544	8,961	-	-	-	9,505	6,476	-	9,505	6,476
Provisions	95	-	-	-	-	95	65	-	95	65
Consideration payable	-	51,742	-	-	22,017	73,759	50,252	22,017	73,759	50,252
Employee benefit plans	-	1,171	-	-	-	1,171	798	-	1,171	798
Reclamation provisions	-	340,173	-	-	-	340,173	231,760	-	340,173	231,760
Deferred income tax liabilities	-	74,505	-	-	-	74,505	50,760	-	74,505	50,760
Total non current liabilities	30,657	663,680	-	-	(61,859)	632,477	430,907	(61,859)	632,477	430,907
Total liabilities	32,148	794,390	54,732	-	(94,574)	786,696	535,976	(94,574)	786,696	535,976
Net assets	(4,200)	107,384	(10,699)	184,201	(48,299)	228,388	155,601	(38,299)	238,388	162,414
Equity										
Share capital	41,121	90,590	-	184,201	(23,335)	292,578	199,333	(13,335)	302,578	206,146
Reserves	11,012	-	-	-	-	11,012	7,503	-	11,012	7,503
Retained profits/(Accumulated losses)	(56,334)	17,290	(10,698)	-	(25,460)	(75,202)	(51,235)	(25,460)	(75,202)	(51,235)
Non controlling interest	-	(496)	-	-	496	-	-	496	-	-
Total equity	(4,200)	107,384	(10,698)	184,201	(48,299)	228,388	155,601	(38,299)	238,388	162,414

Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **10:00am (Sydney time) on Wednesday, 21 June 2023**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



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