



Burgundy Diamond Mines Limited
ACN 160 017 390

Cleansing Prospectus

This Prospectus is being issued for the offer of 100 Shares at an issue price of \$0.22 per Share. This Prospectus has been issued for the primary purpose of removing any trading restrictions on Shares issued prior to the Closing Date in accordance with section 708A(11) of the Corporations Act.

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT
SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL
ADVISER WITHOUT DELAY.**

IMPORTANT INFORMATION

This Prospectus is dated 23 August 2023 and was lodged with ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

Prospectus availability

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 25, 108 St George's Terrace, Perth, WA 6000, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 4.2). The Prospectus will also be made available in electronic form. The Offer is only available to those who are personally invited to apply for Shares under the Offer. Applications for Shares under the Offer can only be submitted on an original Application Form which accompanies this Prospectus.

No representations other than this Prospectus

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Electronic prospectus

If you have received an electronic Prospectus please ensure that you have received the entire Prospectus. If you have not, please phone the Company on +61 8 6313 3945 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus.

Interpretation

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to AEST unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

CORPORATE DIRECTORY

Directors

Mr Michael O'Keeffe

Mr Kim Truter

Executive Chairman

Chief Executive Officer

Managing Director

Mr Marc Dorion

Non-Executive Director

Chief Financial Officer and Company Secretary

Mr Brad Baylis

Auditor*

RSM Australia Partners

Level 32, Exchange Tower

2 The Esplanade

Perth WA 6000

Registered and Principal Office

Level 25, 108 St George's Terrace

Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange (ASX)

ASX Code: BDM (Shares)

Phone: +61 8 6313 3945

Email: info@burgundy-diamonds.com

Website: <https://www.burgundy-diamonds.com>

** These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.*

INDICATIVE TIMETABLE

Event	Date
Lodgement of Prospectus with ASIC and ASX	23 August 2023
Opening Date of Offer	24 August 2023
Closing Date of Offer (5:00pm AEST)	25 August 2023

These dates are indicative only and subject to change. Subject to the Corporations Act and the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

INVESTMENT OVERVIEW

This Section is intended to highlight key information for potential investors. It is an overview only and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in Shares.

Key Information		Further Information
Transaction specific prospectus This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.		Section 4.3
Risk factors Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are in Section 3, including (but not limited to) risks in respect of:		Section 3
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 ACDC's current levels of Ore Reserves. As described in the Re-compliance Prospectus, 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.	
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.	

Key Information		Further Information
	Furthermore, increases in the costs of consumables, spare parts, plant and equipment may impact the operating and financial performance of the Company.	
Exploration and development risks	<p>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.</p> <p>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.</p> <p>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.</p>	
Cash flow and liquidity	The Company's liquidity requirements will 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, 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.	
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	

Key Information		Further Information																				
	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.																					
Offer This Prospectus is for an offer of 100 Shares to selected investors at an issue price of \$0.22 per Share. The primary purpose of this Prospectus is to remove any trading restrictions on Shares issued prior to the Closing Date.		Section 1.1																				
Effect of the Offer The Offer will result in the issued capital of the Company increasing by 100 Shares. The Offer will not have any effect on the control of the Company. After paying the expenses of the Offer of approximately \$35,000, there will be no proceeds from the Offer. The expenses of the Offer will be met from the Company's existing cash reserves. The Offer will have a nominal effect on the Company's financial position of reducing the cash balance by the costs of the Offer.		Section 2																				
Directors' interests in Securities The relevant interest of each of the Directors in Securities as at the date of this Prospectus is set out in the table below:		Section 4.9(b)																				
<table><tr><th>Name</th><th>Shares</th><th>% Shares</th><th>Options</th><th>Convertible Notes</th></tr><tr><td>Michael O'Keeffe</td><td>67,903,535</td><td>4.7</td><td>-</td><td>5,000,000</td></tr><tr><td>Kim Truter</td><td>Nil</td><td>-</td><td>2,500,000</td><td>-</td></tr><tr><td>Marc Dorian</td><td>12,541,667</td><td>0.9</td><td>-</td><td>-</td></tr></table> Further details of the Directors' Security holdings are in Section 4.9(b).		Name	Shares	% Shares	Options	Convertible Notes	Michael O'Keeffe	67,903,535	4.7	-	5,000,000	Kim Truter	Nil	-	2,500,000	-	Marc Dorian	12,541,667	0.9	-	-	
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Michael O'Keeffe	67,903,535	4.7	-	5,000,000																		
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Marc Dorian	12,541,667	0.9	-	-																		

Key Information	Further Information
<p>Forward looking statements</p> <p>This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.</p> <p>These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are considered reasonable.</p> <p>Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.</p> <p>The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.</p> <p>The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.</p> <p>These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 3.</p>	<p>Section 3</p>

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1 Details of the Offer

1.1 Summary of the Offer

The Company is offering, pursuant to this Prospectus, 100 Shares at an issue price of \$0.22 per Share (**Offer**).

The Offer will only be extended to specific parties on invitation of the Directors. Application Forms will only be provided by the Company to these parties.

Shares issued under the Offer will be issued as fully paid ordinary shares and will rank equally in all respects with the existing Shares on issue. Refer to Section 4.1 for a summary of the rights and liabilities attaching to the Shares under the Offer.

1.2 Purpose of the Prospectus

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

Section 708A(5) of the Corporations Act provides an exception to section 707(3) where an entity issues a 'cleansing' notice under section 708A(5). The Company has been suspended from trading on the ASX for more than 5 days in the last 12 months and as a result, is precluded from issuing a 'cleansing notice' in accordance with section 708A(5) of the Corporations Act.

Section 708A(11) of the Corporations Act provides another exemption from the general requirement under section 707(3) where:

- (a) the relevant securities are in a class of securities of the company that are already quoted on ASX;
- (b) a prospectus is lodged with ASIC either:
 - (i) on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the Company that are in the same class of securities as the relevant securities.

The primary purpose of this Prospectus is to comply with section 708A(11) of the Corporations Act to remove any trading restrictions that may have attached to Shares issued or to be issued by the Company prior to the Closing Date, so that subscribers may, if they choose to, sell those Shares (as applicable) within 12 months from the date of their issue without the issue of a prospectus. These include 4,250,000 Shares issued upon exercise of certain options (**Option Shares**).

Accordingly, the purposes of this Prospectus are to:

- (a) make the Offer; and
- (b) ensure that any on-sale of Shares issued by the Company prior to the Closing Date does not breach section 707(3) of the Corporations Act.

Apart from the issue of Shares outlined in Section 1.1, no other Securities will be issued under the Offer. Accordingly, this Prospectus is being lodged to comply with 'Case 2' of section 708A(11) of the Corporations Act and cleanse the Shares which were issued without disclosure under Part 6D.2 of the Corporations Act.

Any Shares issued under the Offer will be issued under the Company's existing placement capacity under Listing Rule 7.1. The Company will raise \$22 under the Offer (before costs). The total estimated expenses of the Offer of \$35,000 will be paid by the Company from its cash reserves.

1.3 Closing Date

The Closing Date for the Offer is 25 August 2023. The Company reserves the right, subject to the Corporations Act and the Listing Rules to extend or shorten the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly.

1.4 Underwriting and minimum subscription

There is no minimum subscription for the Offer and the Offer is not underwritten.

1.5 Application Forms

The Offer of Shares is being extended to investors who are invited by the Company to subscribe for Shares and is not open to the general public.

Applications must be made using the Application Form attached to this Prospectus. To the maximum extent permitted by law, the Directors will have discretion over which Applications to accept.

Completed Application Forms must be received by the Company prior to the Closing Date. Application Forms should be delivered to the Company in accordance with the instructions on the Application Form.

If you are in doubt as to the course of action, you should consult your professional advisor.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of the Shares under the Offer.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form, is final.

1.6 Application Monies held on trust

All Application Monies received for the Shares will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Shares are issued. All Application Monies will be returned (without interest) if the Shares are not issued.

1.7 ASX quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for official quotation of the Shares under the Offer. If permission is not granted by ASX for the Official Quotation of the Shares offered by this Prospectus within 3 months after the date of this

Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.8 CHESS

The Company participates in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASX Settlement will send you a CHESS statement.

The CHESS statement will specify the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored sub-register, your statement will be despatched by the Share Registry and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

1.9 Residents outside Australia

This Prospectus and an accompanying Application Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.10 Risk factors

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in securities, there are certain specific risks associated with an investment in the Company which are detailed in Section 3.

1.11 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

1.12 Major activities and financial information

A summary of the major activities and financial information relating to the Company can be found in the Re-Compliance Prospectus lodged with ASX on 7 June 2023.

For completeness, Section 4.2 contains an outline of the continuous disclosure notices (i.e. ASX announcements) made by the Company since the lodgement of the Re-Compliance Prospectus lodged with ASX on 7 June 2023.

Copies of these documents are available free of charge from the Company. The Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.13 Privacy

Applicants will be providing personal information to the Company (directly or by the Share Registry) on the Application Form. The Company collects, holds and will use that information to assess the Application, service Shareholders' needs, facilitate distribution payments and corporate communications to Shareholders, and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for Shares in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

Shareholders can access, correct and update the personal information the Company holds about them by contacting the Company or the Share Registry at the relevant contact numbers set out in this Prospectus. Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

Applicants should note that if they do not provide the information required on the Application Form, the Company may not be able to accept or process their Application.

1.14 Enquiries concerning Prospectus

Enquiries should be directed to the Company Secretary by telephone on +61 8 6313 3945.

2 Effect of the Offer

2.1 Capital structure on completion of the Offer

The effect of the Offer on the Company's capital structure is set out below:

	Shares	Unquoted Options	Convertible Notes
Balance at the date of this Prospectus	1,421,205,230	14,806,599	34,950,000
Securities to be issued under the Offer	100	-	-
Total securities on issue upon completion of the Offer	1,421,205,330	14,806,599	34,950,000

Notes:

- As at the date of this Prospectus these options were comprised of:
 - 2,500,000 options at a price of \$0.12 expiring 30 September 2023;
 - 10,000,000 options at a price of \$0.36 expiring 23 September 2024;
 - 1,306,599 options expiring 30 August 2027; and
 - 1,000,000 options at an exercise price of \$0.26 expiring 5 August 2026.
- 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 the date of this Prospectus, 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 approximately 132,386,364 Shares.

2.2 Financial effect of the Offer

After paying the expenses of the Offer of approximately \$35,000, there will be no proceeds from the Offer. The expenses of the Offer will be met from the Company's existing cash reserves. The Offer will have a nominal effect on the Company's financial position of reducing the cash balance by the costs of the Offer.

As the issue of 100 Shares under this Prospectus will not have a material impact on the Company's financial position, a pro-forma statement of financial position of the Company showing the financial effect of the Offer has not been included in this Prospectus.

Please refer to Section 4.12 for further details on the estimated expenses of the Offer.

2.3 Effect of the Offer on control of the Company

The Company is of the view that the Offer will not affect the control (as defined by section 50AA of the Corporations Act) of the Company. No new investor or existing Shareholder will have a voting power greater than 20% as a result of the completion of the Offer.

3 Risk Factors

As with any securities investment, there are risks involved. This Section identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the potential risk factors to which the Company and its Shareholders are exposed. Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Risks specific to the Company

3.1 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 disclosed in the Re-compliance Prospectus, 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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 Ltd and Procon Mining & Tunnelling Ltd (**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.

TAs disclosed in the Re-compliance Prospectus, 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.

3.7 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.

3.8 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, 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.

3.9 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.

PAs disclosed in the Re-compliance Prospectus, 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.

3.10 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.

3.11 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.

There are certain risks inherent to the Company's activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject it 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.

3.12 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 the obligations under the Surety Bonds, certain insurers are parties to the Surety Bonds (the **Surety Parties**).

As disclosed in the Re-compliance Prospectus, 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 disclosed in the Re-compliance Prospectus, in February 2023, ACDC made a payment of C\$34.1 million (A\$37.4 million) to the GNWT 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 as part of ACDC's budgeting and rolling forecast process.

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. On 30 June 2023, the Company became a party to the general indemnity agreement, and the Arctic Shareholder was released from the general indemnity agreement. Among other things, ACDC and the Company 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 Company agree to comply with the collateralisation arrangements.

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 Company's cash reserves over above the amount allocated by ACDC 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.

3.13 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.

3.14 Integration risk

The long-term success of the Company will depend, amongst other things, on the success of management in integrating Ekati to achieve the objective of capturing margins along the diamond value chain. There is no guarantee that Ekati will be able to be integrated successfully within a reasonable period of time. There are risks that any integration of Ekati may take longer than expected and that anticipated margin capture and benefits of that may be less than estimated.

3.15 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.

3.16 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.

3.17 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.

3.18 Aboriginal Agreements

The Company is currently in compliance with its Aboriginal agreements with the exception of its socio-economic agreement with GNWT (as disclosed in the Re-compliance Prospectus), 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. As disclosed in the Re-compliance Prospectus, the Company's failure to comply with its commitments under Aboriginal agreements may result in loss of its social licence to operate.

3.19 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.

3.20 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.

3.21 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.

3.22 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:

- (a) 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;
- (b) 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
- (c) 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.

3.23 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.

General risks relating to an investment in the Company

3.24 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 Offer.

3.25 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.

3.26 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor and shareholder. All prospective investors in the

Company are urged to obtain independent financial advice about the consequences of acquiring Shares, including with respect to any taxation consequences.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of applying for new Shares.

4 Additional information

4.1 Rights and liabilities attaching to Shares

Table 4.1 below provides a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours and online at the ASX's website.

Table 4.1 – Rights and liabilities attaching to Shares

Item	Description
Ranking of Shares	At the date of this Prospectus, all Shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with existing Shares.
Voting rights	<p>Subject to any rights or restrictions, at general meetings:</p> <ul style="list-style-type: none">• every Shareholder present and entitled to vote may vote in person or by attorney, proxy or representative;• has one vote on a show of hands; and• has one vote for every Share held, upon a poll.
Dividend rights	<p>Subject to the rights of any preference Shares, the Directors may declare a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each member entitled to that dividend. The Directors may rescind or alter such declaration before the payment is made. No dividend carries interest against the Company.</p> <p>The Directors may also resolve a dividend be satisfied by a distribution of specific assets, provide Shareholders the right to participate in a dividend reinvestment plan or capitalise the reserves and profits of the Company.</p>
Variation of rights	The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.
Transfer of Shares	<p>Shares can be transferred upon delivery of a proper instrument of transfer to the Company or by a transfer in accordance with the ASX Settlement Operating Rules. Until the transferee has been registered, the transferor is deemed to remain the holder, even after signing the instrument of transfer.</p> <p>If permitted by the Listing Rules, the Company may refuse to register a transfer of Shares and must refuse to register a transfer, where the transfer would result in a breach of the Listing Rules or a Restriction Agreement.</p>
General meetings	<p>Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.</p> <p>The Directors may convene a general meeting at their discretion. General meetings shall also be convened on requisition as provided for by the Corporations Act.</p>

Unmarketable parcels	The Company's Constitution provides for the sale of unmarketable parcels subject to any applicable laws and provided a notice is given to the minority Shareholders stating that the Company intends to sell their relevant Shares unless an exemption notice is received by a specified date.
Rights on winding up	If the Company is wound up, the liquidator may with the sanction of special resolution, divide the assets of the Company amongst members as the liquidator sees fit. If the assets are insufficient to repay the whole of the paid-up capital of members, they will be distributed in such a way that the losses borne by members are in proportion to the capital paid up.
Restricted Securities	A holder of Restricted Securities (as defined in the Listing Rules) must comply with the requirements imposed by the Listing Rules in respect of Restricted Securities.

4.2 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware, of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with ASIC;
 - (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company lodged the Re-compliance Prospectus with ASIC on 7 June 2023. Since then and until the date of lodgement of this Prospectus with ASIC, a list of documents filed with ASX by or concerning the Company is set out in the table below:

Date lodged	Subject of Announcement
22/08/23	Update Wildfires in Canada's Northwest Territories
22/08/23	Application for quotation of securities - BDM
22/08/23	Notification of cessation of securities - BDM
22/08/23	Application for quotation of securities - BDM
22/08/23	Application for quotation of securities - BDM
22/08/23	Application for quotation of securities - BDM
18/08/23	Wildfires in Canada's Northwest Territories
03/08/23	Corporate Presentation
31/07/23	Quarterly Activities Report
13/07/23	Becoming a substantial holder
06/07/23	Reinstatement to Quotation
05/07/23	Ceasing to be a substantial holder
05/07/23	Ceasing to be a substantial holder
05/07/23	Pre-Reinstatement Confirmations
05/07/23	Top 20 Holders Report
05/07/23	Holdings Range Report
05/07/23	Employee Security Incentive Plan
05/07/23	Trading Policy
05/07/23	Arctic Companies Audited Accounts for FY21 and FY22
05/07/23	Constitution
05/07/23	Information Form and Checklist Annexure 1 (Mining Entities)
05/07/23	Information Form and Checklist
05/07/23	Appendix A1
05/07/23	ASX Market Release – Anticipated Reinstatement to Quotation
05/07/23	Change of Director's Interest Notice
04/07/23	Becoming a substantial holder
04/07/23	Becoming a substantial holder
04/07/23	Becoming a substantial holder
04/07/23	Becoming a substantial holder
30/06/23	Becoming a substantial holder
28/06/23	Placement
28/06/23	Security Purchase Plan
23/06/23	Notice of Extraordinary General Meeting/ Proxy Form

Date lodged	Subject of Announcement
21/06/23	Security Purchase Plan
14/06/23	Security Purchase Plan

The following documents are available for inspection, throughout the period of the Offer, during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents provided by the Directors to the issue of this Prospectus.

4.3 Legal framework of this Prospectus

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure (**ED**) securities and the securities are in a class of securities that were quoted ED securities at all times in the three months before the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms, a transaction specific prospectus is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the requirements of ASX as applicable to disclosing entities from time to time, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 3 months before the issue of this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

4.4 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

4.5 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

4.6 Market price of Shares

The highest and lowest market closing prices of the Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$0.30 (on 07/06/2023-06/07/2023)

Lowest: \$0.22 (on 18/08/2023)

The latest available market closing price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.225 per Share on 22 August 2023.

4.7 Dividend policy

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

Notwithstanding the foregoing, any dividends which are paid by the Company may be subject to withholding tax. Investors should consult with their own tax advisers regarding the particular tax consequences of acquiring, owning and disposing of shares in the Company.

4.8 Substantial Shareholders

Based on the substantial holder notices provided to the Company as at the date of this Prospectus, and information available from the Company's share registry, those persons which together with their associates have a voting power in 5% or more of the Shares on issue are set out below:

Name	Shares	% Shares
Arctic Canadian Diamond Holdings LLC	129,230,769	9.1
Lenders	149,598,457	10.5
Choron Group	120,000,000	8.4
Schroder Investment Management Australia Limited	92,000,000	6.5

4.9 Interests of Directors

(a) Information disclosed in this Prospectus

Except as disclosed in this Prospectus, no Director and no firm in which a Director is a partner:

- (i) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Shares offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Shares offered under this Prospectus; or

- (ii) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Shares offered under this Prospectus.

(b) Security holdings

The Directors have the following relevant interests in the Securities as at the date of this Prospectus:

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

(c) Remuneration

Under the Constitution, the Board determines the total amount paid to each Director as remuneration for their services as a Director of the Company. However, the Constitution also provides that, consistent with the Listing Rules, the aggregate amount or value of remuneration paid or provided to all Non-executive Directors in any year may not exceed the amount last approved by the Company at a general meeting. As at the date of this Prospectus, this amount has been fixed at \$350,000 per annum. Directors may also be paid or reimbursed for travel and other expenses properly incurred by the Director in attending and returning from any meeting of the Board, a Committee, a general meeting of the Company or otherwise in connection with the business of the Company and the Director's role (including any special responsibilities, from time to time). A Director may also be paid special or additional fees, as may be determined by the Board, to compensate the Director for special or additional exertions for the benefit of the Company.

The payment or reimbursement of expenses, and any special exertion fees, are not included in the aggregate limit on Director's fees referred to above. Details of the remuneration paid to the Directors by the Company are set out in the Re-compliance Prospectus.

4.10 Related party transactions

There are no related party transactions involved in the Offer.

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

4.11 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Shares offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Securities offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Securities offered under this Prospectus.

4.12 Expenses of Offer

The estimated expenses of the Offer are \$35,000, being legal and ASIC lodgement fees.

5 Directors' Statement and Consent

This Prospectus is authorised by each of the Directors.

This Prospectus is signed for and on behalf of the Company by:

A handwritten signature in black ink, appearing to read 'Kim Truter', with a stylized, flowing script.

Kim Truter

Director

Burgundy Diamond Mines Limited

6 Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ or A\$ means Australian dollars.

ACDC means Arctic Canadian Diamond Company Ltd.

ACDM means Arctic Canadian Diamond Marketing N.V.

AEST means Australian Eastern Standard Time, being the time in Sydney, New South Wales.

Applicant means a person who submits an Application Form.

Application means a valid application for Share made on an Application Form.

Application Form means the application form provided by the Company with a copy of this Prospectus.

Application Monies means the amount of money in dollars and cents payable for Shares pursuant to the Offer.

Arctic Companies means ACDC and ACDM.

Arctic Shareholder means Arctic Canadian Diamond Holding LLC.

ASIC means the Australian Securities and Investments Commission.

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

ASX Settlement means ASX Settlement Pty Limited (ACN 008 504 532).

ASX Settlement Operating Rules means ASX Settlement Operating Rules of ASX Settlement.

Board means the board of Directors.

Buffer Zone means the area adjacent to the Core Zone of Ekati.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Sub-registry System.

Choron Group means Choron Holdings Pte Ltd and its global subsidiaries.

Closing Date means the date specified in Section 1.3, as extended or shortened in accordance with that Section.

Company means Burgundy Diamond Mines Limited ACN 160 017 390.

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

Convertible Notes means the 35,000,000 convertible notes issued by the Company on 21 September 2021, subject to certain terms and conditions.

Core Zone means the area comprising the primary mining operations and other kimberlite pipes of Ekati.

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

Directors means the directors of the Company as at the date of this Prospectus.

Ekati means the Ekati diamond mine located in the Northwest Territories of Canada, comprising both the Core Zone and the Buffer Zone.

GNWT means the Government of the Northwest Territories.

Group means the Company and its subsidiaries.

Indicated Resource means an 'Indicated Mineral Resource' as that term is defined in the JORC Code.

Inferred Resource means an 'Inferred Mineral Resource' as that term is defined in the JORC Code.

Issuer Sponsored means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Lenders means Brigade Capital Management, LP and Polen Capital Management.

Listing Rules means the official listing rules of ASX and any other rules of ASX which are applicable while any Securities are admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express waiver by ASX.

Mineral Resource means a 'Mineral Resource' as that term is defined in the JORC Code.

Misery Underground means a continuation of Misery Open Pit which is fully depleted and located in the Lac de Gras region of the Northwest Territories of Canada.

Offer means an offer of 100 Shares at an issue price of \$0.22 per Share under this Prospectus.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Option means an option to acquire a Share, subject to certain terms and conditions.

Ore Reserve means an 'Ore Reserve' as that term is defined in the JORC Code.

Prospectus means this prospectus dated 23 August 2023.

Re-compliance Prospectus means the prospectus lodged by the Company on 7 June 2023 in respect of a capital raising to fund the acquisition of 100% of the common shares in Arctic Canadian Diamond Limited and 100% of the common shares in Arctic Canadian Diamond Market N.V.

Restriction Agreement means a restriction agreement in accordance with the Listing Rules to be entered into by a Security holder of the Company.

Section means a section of this Prospectus.

Securities means any Equity Securities of the Company (including Shares, Convertible Notes and/or Options)

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

Share Registry means Automatic Registry Services.

Shareholder means a holder of Shares.

Surety Parties means Zurich, Aviva and Argonaut.

Surety Bond Indemnitors means ACDC and the Company.

Surety Indemnity Agreement means the general indemnity agreement between the Surety Bond Indemnitors and the Surety Parties dated 3 February 2023, as amended from time to time.