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ASX Announcement

Transformational acquisition of the Ekati Diamond Mine, Canada

14 March 2023

HIGHLIGHTS

- Burgundy to acquire the world-class Ekati Diamond Mine (***Ekati***) in Canada's Northwest Territories for total consideration of US$136 million (~A$209 million)[1]
- The Proposed Acquisition is transformational for Burgundy – post completion, the Company will become the largest ASX-listed diamond company and one of the largest listed diamond companies globally
- In 2022, Ekati sold 4.2 million carats (***Mcts***) and delivered revenue of US$494 million and adjusted EBITDA[2] of US$200 million[3]
- The Proposed Acquisition completes Burgundy's strategy of becoming truly vertically integrated across the diamond value chain
- To fund the Proposed Acquisiton, Burgundy will conduct an equity raising via a conditional placement to raise up to US$150 million (~A$231 million)

Burgundy Diamond Mines Ltd (ASX: BDM) (***Burgundy*** or ***the Company***) is pleased to announce that it has entered into a binding share purchase agreement (***SPA***)[4] with Arctic Canadian Holdings LLC (***Arctic Shareholder*** or ***the Vendor***) to acquire 100% of the common shares of Arctic Canadian Diamond Company Limited (***ACDC***) and 100% of the common shares of Arctic Canadian Diamond Marketing N.V. (***ACDM***) (together with ACDC, the ***Arctic Companies***) (the ***Proposed Acquisition***).

ACDC is the 100% owner of all businesses, assets and other interests comprising Ekati, a producing diamond mine located in Canada's Northwest Territories. ACDM is a marketing business responsible for management of the supply chain, sorting, preparation, marketing and sales of rough diamonds from Ekati.

Total consideration at closing for the Proposed Acquisition is US$136 million (~A$209 million), comprised of:

- US$21 million (~A$32 million) in Burgundy ordinary shares, issued to the Vendor at the same issue price[5] in the Placement (***Scrip Consideration***)[6];
- a deferred payment of US$15 million (~A$23 million) in cash in December 2023 to the Vendor (***Deferred Payment***); and
- Burgundy will repay the majority of outstanding debt of ACDC of ~US$100 million (~A$154 million) (or such greater amount approved by Burgundy) (***Debt Repayment***)[7]

[1] All AUD references assume AUD-USD FX of 0.65.
[2] 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.
[3] The revenue and adjusted EBITDA relates to the Arctic Companies.
[4] To facilitate the Proposed Acquisition, a newly incorporated wholly owned subsidiary of Burgundy, will be a party to the SPA.
[5] The issue price under the Placement will be determined prior to the lodgement of the prospectus with ASIC.
[6] The shares issued under the Scrip Consideration will be subject to a 12 month voluntary escrow period.
[7] The Debt Repayment amount has been calculcated based on an outstanding debt balance as at 30 April 2023. If the Proposed Acquisition completes after 30 April 2023, the Debt Repayment will be adjusted to reflect accrued outstanding debt at the time of completion. Existing debt is in three tiers – 1L, 2L and 3L. The Debt Repayment will close out the 1L and 3L existing debt and be used to repay a portion of the 2L existing debt, with the remainder of the 2L comprised of the 2L Amendment Amount (defined below).

Certain lenders to ACDC (who are existing shareholders of the Arctic Shareholder), have agreed with Burgundy 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$69 million (~A$106 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, Burgundy has agreed to a potential earn-out payment to the Vendor of US$7.5 million in cash in the first quarter of 2024 if 2023 EBITDA[8] 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 EBITDA[8] of the Arctic Companies equals or exceeds US$200 million.

No changes to Burgundy's Board of Directors are proposed following completion of the Proposed Acquisition.

The Proposed Acquisition constitutes a significant change to the scale of the Company's activities and requires the Company to obtain prior shareholder approval and re-comply with Chapters 1 and 2 of the ASX Listing Rules (further details provided under the heading "Shareholder approval under Listing Rule 11.1.2 and re-compliance listing" below).

Proposed Placement and Share Purchase Plan

To fund the Proposed Acquisition, Burgundy will conduct an equity raising via a conditional placement to raise up to US$150 million (~A$231 million) (excluding the Scrip Consideration) (***Placement***). The issue price of the Placement is yet to be determined.

It is proposed that the Placement will be underwritten by Aitken Mount Capital Partners Limited and Bell Potter Securities Limited, the Joint Lead Managers.

The Placement is subject to a shareholder vote to be held at a General Meeting, currently expected to take place in late April 2023 (see further details below). As the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules, the Placement is to be undertaken via a full form prospectus (***Prospectus***).

Burgundy is also proposing to offer existing shareholders the opportunity to participate in a non-underwritten share purchase plan (***Share Purchase Plan***). The offer size and issue price for the Share Purchase Plan will be determined prior to the lodgement of the Prospectus with Australian Securities & Investment Commission (***ASIC***) and ASX.

Further details of the proposed changes to the capital structure of the Company will be known at the time of despatch of the Company's Notice of Meeting seeking approval for the Proposed Acquisition and Placement.

Transaction highlights

- ✓ The Proposed Acquisition is transformational for Burgundy – Ekati is a globally significant asset (top 10 diamond mine globally[9]) in a Tier-1 jurisdiction with production and earnings

[8] 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.

[9] Based on data provided by Paul Zimnisky Research on 2021 production volumes, however production volumes for Ekati are based on 2022 production volume as this represents the first full year of production since the recommencement of operations in February 2021.

- ✓ In 2022, 4.2Mcts were sold from Ekati at an average price of ~US$117/ct
- ✓ The Arctic Companies delivered revenue of US$494 million and adjusted EBITDA[10] of US$200 million in 2022
- ✓ Ekati's current life-of-mine plan is six years, underpinned by the current Sable Open Pit and Misery Underground operations and the Point Lake open pit project
- ✓ Global demand and supply trends support a favourable long-term pricing outlook for rough diamonds
- ✓ Burgundy has an experienced board and management team with deep mining expertise to optimise current operations at Ekati

Commenting on the transaction, Burgundy Chief Executive Officer, Kim Truter said the acquisition will complete Burgundy's vertical integration and rapidly grow the end-to-end diamond business with providence throughout the diamond chain.

> "This is an exciting and transformational acquisition for Burgundy with potential to generate significant and growing returns for our shareholders," Mr Truter said.
>
> "The acquisition of Ekati is complementary to Burgundy; we've been purchasing rough fancy-coloured diamonds from Ekati in recent years, then cutting and polishing them in our facilities in Perth to go into high-end jewellery designs, as part of our vertically integrated business model."
>
> "We view this acquisition as a wonderful marriage between Burgundy and the Arctic Companies, delivering immediate and meaningful production to our portfolio, with potential synergies to leverage and efficiencies to capitalise on in the short term."
>
> "As a result, Burgundy will become the largest ASX-listed diamond company and be well positioned for sustainable growth."

Burgundy Executive Chairman, Michael O'Keefe said the transaction is a genuine game-changer for both Burgundy and the Arctic Companies.

> "Having been involved with Burgundy since 2017, this exciting acquisition completes Burgundy's vertically integrated business model; bringing some of the world's most beautiful diamonds to market from discovery through to design," he said.
>
> "We are confident that both Burgundy and Ekati have a very bright future and we expect this transaction will create significant value for all stakeholders."

Key acquisition terms

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

- Burgundy obtaining all necessary shareholder and noteholder approvals in connection with the Proposed Acquisition and Placement;
- completion of the Placement;
- concurrent completion of the Debt Repayment (and customary undertakings to release all liens related to relevant debts) and the 2L Amendment ; and
- 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 and approvals, replacement of surety bonds (or an indemnity from Burgundy in favour of the Vendor in respect of its obligations under the surety bonds) and delivery of share certificates and other documents and instruments.

[10] See footnote 2.

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 Burgundy 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.

Further details and terms and conditions of the Proposed Acquisition, including its financial impact on the Company, will be set out in a Notice of Meeting to be sent to shareholders, who in turn will be given the opportunity to vote on the Proposed Acquisition at the General Meeting.

About Arctic Canadian Diamond Company

Arctic Canadian Diamond Company Limited (***ACDC***) is a Canadian mining company and a significant producer and supplier 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. In addition to its mining and exploration operations, ACDC's sister company, ACDM, owns a marketing business with a sales office in Antwerp, Belgium which sells rough diamonds to manufacturers for cutting and polishing.

The single shareholder of the Arctic Companies is the 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. 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.

About 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

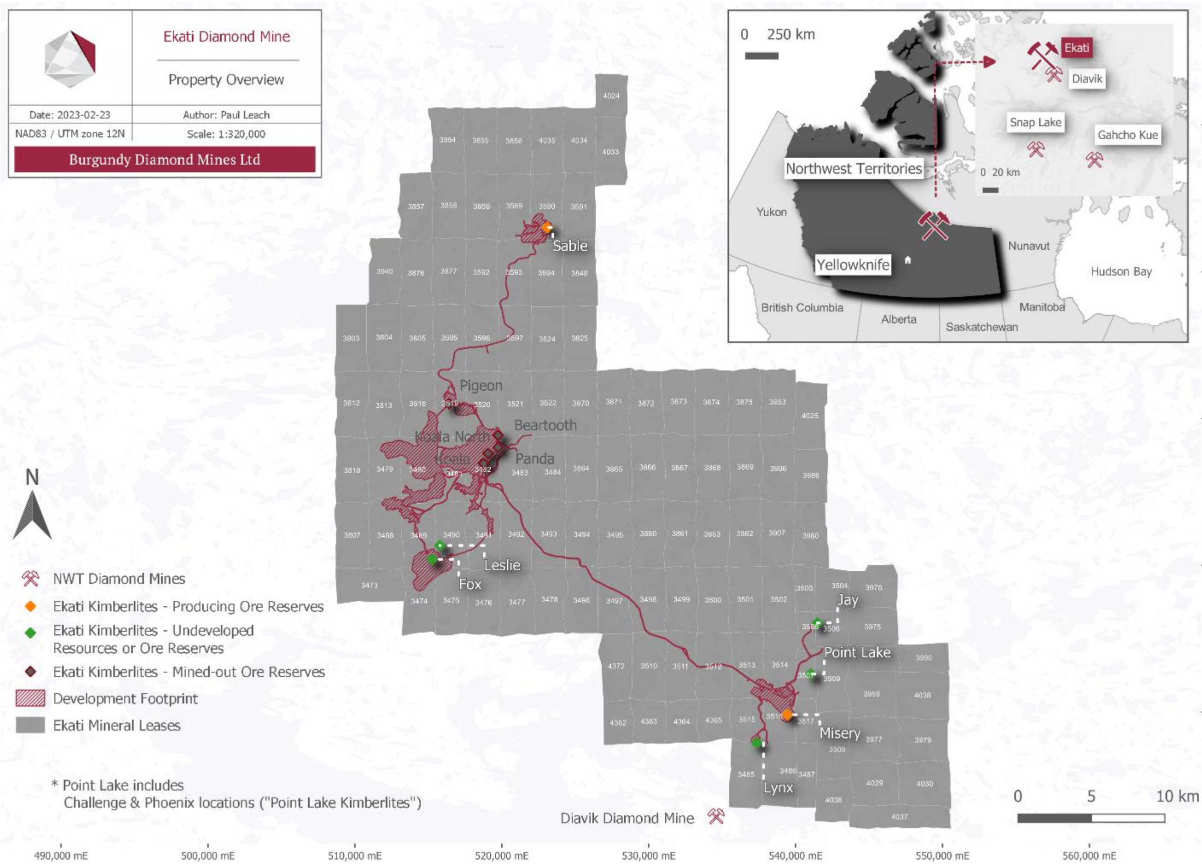


Figure 2 – Aerial view of Ekati

Figure 3 – Ekati mine camp site

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 proposed acquisition of the Arctic Companies

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 reminder of the year to reflect reduced productivity of the equipment fleet.

Accessibility

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.

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 five Electra and one ATR 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.

Royalty

Ekati 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.

Impact and Benefit Agreements

Impact and Benefit Agreements (***IBAs***) were concluded with four Aboriginal communities – Tlicho, Akaitcho Treaty 8, North Slave Mètis 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.

Ore Reserves and Mineral Resources

A summary of the Ekati Ore Reserves and Mineral Resources is set out below. For further information (including a completed JORC Table 1), see the separate ASX announcement "Ekati Ore Reserves and Mineral Resources" also lodged with ASX today.

Ore Reserves

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

All Mineral Resources converted to Ore Reserves have undergone pre-feasibility and/or 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	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:

1. *Ore Reserves have an effective date of 31 December 2022 and were prepared by certified professional geologists and mining engineers employed by ACDC.*
2. *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.*
3. *Ore Reserves are reported on a 100% basis.*
4. *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).*
5. *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.*
6. *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.*
7. *Stockpiles are minor run-of-mine stockpiles (sourced from open pit and underground operations) that are available to maintain blending to the process plant.*
8. *Tables may not sum as totals have been rounded.*

Mineral Resources

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	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:

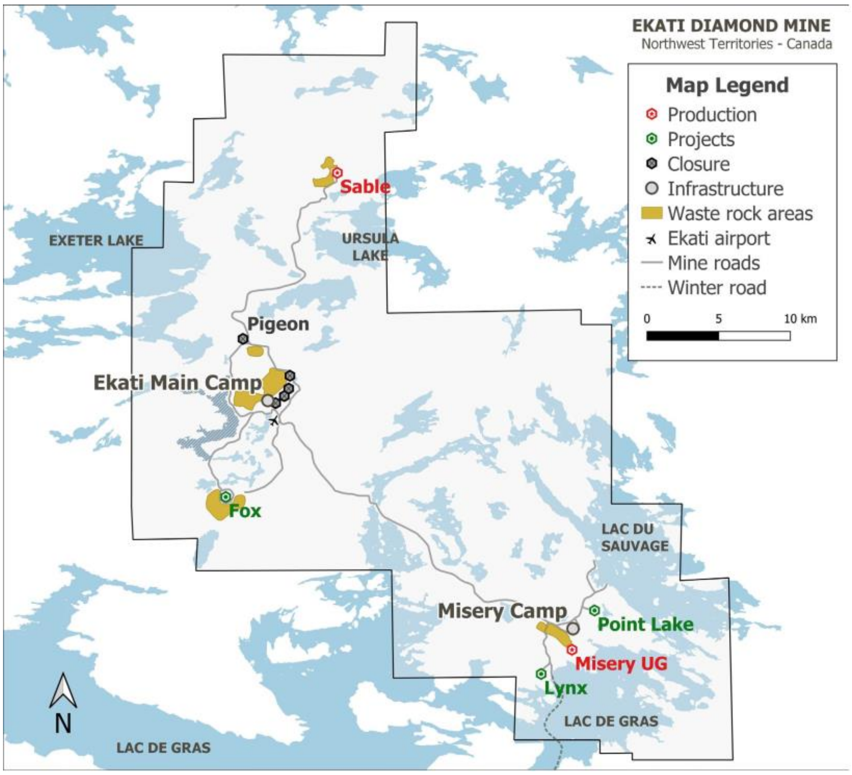
1. *Mineral Resources have an effective date of 31 December 2022 and were prepared by certified professional geologists and mining engineers employed by ACDC.*
2. *Ekati Mineral Resources are classified as Indicated and Inferred (no Measured category). Tonnes are expressed as dry metric tonnes. Grade 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.*

Current operations and life of mine plan

Current operations

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 4 – Ekati property overview



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.

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.

2021 Mine Restart

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

- mined 36.4Mwmt[11] waste and 6.6Mwmt ore;
- recovered 7.1Mcts; and
- sold 6.4Mcts.

Life of mine plan

Ekati's current mine plan is underpinned by Ore Reserves of 15.8 Mcts (Sable Open Pit, Misery Underground and Point Lake), 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

[11] Million wet metric tonnes

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.

Mine life extension opportunities

Post completion the Company will continue to explore three innovative options to extend Ekati's mine life including:

- underwater remote mining;
- development of Jay deposit and / or Fox Underground; and
- systematic exploration using newly applied machine learning (artificial intelligence) technology.

2022 operating and financial performance

In 2022, the Arctic Companies delivered revenue of US$494 million and adjusted EBITDA[12] of US$200 million (implied adjusted EBITDA[12] 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.

Combined business and strategy

Vertical integration

The Proposed Acquisition 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 Burgundy's commercial facilities in Perth and sold to end-customers, allowing Burgundy to capture margins along the diamond value chain.

1. Production

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

2. Cutting and polishing

Burgundy currently has cutting and polishing capacity of 2,500 – 3,000 rough carats per year utilising the facilities and people acquired from the Argyle Pink diamond operation based in Perth. 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 Burgundy will produce will be sold to third parties who will cut, polish and on-sell themselves. Burgundy will only utilise their facilities in Perth for select diamonds, where it can see significant value uplift.

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[12] 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.

3. Diamond sales

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

Strategy of the Company

Following the Proposed Acquisition, Burgundy's strategy will be focused on:

- optimising Ekati's current mine performance and extending mine life through, among other things, underwater remote mining, assessment of the Jay deposit and Fox Underground opportunities, and systematic exploration using newly applied machine learning (artificial intelligence) technology;
- capturing incremental margins along the diamond value chain by cutting and polishing coloured Ekati diamonds at Burgundy's commercial facilities in Perth and leveraging collaborative sales agreements with international jewellers; and
- actively assessing M&A opportunities to build out a balanced portfolio of diamond projects in Tier-1 jurisdictions.

Shareholder approval under Listing Rule 11.1.2 and re-compliance listing

Listing Rule 11.1.2 applies to the Proposed Acquisition, and will acquire the approval of shareholders at the General Meeting. If such Shareholder approval is not received, the Proposed Acquisition will not proceed.

ASX has confirmed that the Proposed Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the ASX official list.

The Company has sought and obtained customary ASX in-principle approvals (including in relation to suitability for re-admission) and waivers of certain ASX Listing Rules in order to implement the transaction on its contemplated terms. ASX has an absolute discretion in deciding whether or not to re-admit the Company to the ASX official list and quote its shares. Receipt of such a decision from ASX is only provided following lodgement by the Company with ASX of a prospectus and completed application for listing. There is therefore a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its shares on the ASX. In the event any of ASX's conditions with respect to re-admission cannot be met, the Company's shares will likely remain in suspension and not be able to be traded on the ASX until such time as those requirements can be met, if at all.

If shareholder approval under Listing Rule 11.1.2 is not granted at the General Meeting, or if the Company is otherwise unable to proceed with the Proposed Acquisition, the Company will request ASX to end the voluntary suspension.

Indicative transaction timetable

Despatch Notice of Meeting	Late March 2023
Lodge Prospectus with ASIC	Late March 2023 / Early April 2023
Offer period commences	Early April 2023
Offer period closes	Mid April 2023
General meeting of shareholders to approve the Proposed Acquisition, Placement and Scrip Consideration	Late April 2023
Issue of shares under the Placement and Share Purchase Plan	Late April / Early May 2023
Expected completion under the SPA	Late April / Early May 2023
Re-commencement of normal settlement and trading of Burgundy shares	Early May 2023

All dates and times are indicative and Burgundy reserves the rights to amend any or all of these events, dates and times.

Allens and Davies Ward Phillips & Vineberg LLP have been appointed as legal advisers to Burgundy.

-ENDS-

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

Further Information:

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About Burgundy Diamond Mines Limited

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

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

Competent person statement

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.

Caution regarding Forward Looking Information and other Important Information

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

The Prospectus for the Placement and SPP will be made available when the Shares are offered, and will be available online via the Company's website. Persons should consider the Prospectus in deciding whether to acquire Shares, and will need to complete an application form that will be in or accompany the Prospectus.