

ASX Announcement

23 September 2021

NOTICE UNDER SECTION 708A(5)(e) OF THE CORPORATIONS ACT

On 26 July 2021, Burgundy Diamonds Mines Limited (**BDM** or **Company**) announced that it had entered into Convertible Note Deeds with professional and sophisticated investors (including Mr Michael O'Keeffe, one of the Company's Directors) (**Noteholders**) pursuant to section 708 of the Corporations Act to raise \$35 million by the issue of 35 million unquoted Convertible Notes (**Notes**) to the Noteholders with a face value of \$1 each (**Notes**).

On 14 September 2021, the Company obtained shareholder approval to issue the Notes, following which the Company has today issued the Notes to the Noteholders.

The Notes have been issued without disclosure to investors under Part 6D.2 of the *Corporations Act 2001 (Cth)* (**Act**) as the Noteholders are exempt investors pursuant to Part 6D.2.

BDM issues this Cleansing Notice under section 708A(12C)(e) of the Act, as notionally inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82 (ASIC Instrument)*. The purpose of this Cleansing Notice is to enable the Fully Paid Ordinary Shares (**Shares**) issued by the Company on the conversion of the Notes to be on-sold to retail investors without further disclosure.

1. Contents of this Cleansing Notice

This Cleansing Notice sets out the following information:

- (a) in relation to the Notes:
 - (i) the effect that the issue of the Notes and the issue of the Shares on the conversion of Notes have on BDM; and
 - (ii) a summary of the rights and liabilities attaching to the Notes and the Shares that will be issued on the conversion of the Notes;
- (b) any information that:
 - (i) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules (**Listing Rules**); and
 - (ii) investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of BDM; and
 - (B) the rights and liabilities attached to the Notes and the Shares,
- (c) other additional information including content relating to BDM's status as a disclosing entity which is required under the ASIC Instrument.

2. No Offer

No offer or invitation is made pursuant to this Cleansing Notice for any person to subscribe for or apply to acquire any Notes or Shares.



3. Effect of the issue of Notes on BDM

The principal effect of issue of the Notes will be:

- (a) An increase to the Company's cash held by \$35 million before fees and expenses of the issue;
- (b) An increase of 35 million in the number of Notes on issue;
- (c) An increase in the Company's indebtedness of \$35 million plus accrued interest (described below); and
- (d) if the Notes are converted, subject to any adjustment under the Note terms, at the Conversion Price (being \$0.264 per BDM share), a maximum increase in the number of Shares on issue from 336,568,236 to 469,143,994.

4. Effect on Capital Structure

The capital structure of BDM will be affected by any conversion of the Notes, as each conversion will result in additional Shares being issued. At that time, BDM's debt position will correspondingly decrease by the amount of the debt converted.

The number of Shares issued on any conversion of the Notes will be calculated by dividing the aggregate face value of the Notes being converted, (**Specified Principal Amount**) by the Conversion Price (\$0.264) per Share (which price is subject to adjustments indicated in the Schedule to this Notice). If the Notes are converted at the Conversion Price of \$0.264 per BDM Share, the share capital structure of the Company before and after the conversion would be as appears in the Table below.

The impact of the issue of the Notes on the capital structure of the Company is detailed below:

Securities	Immediately prior to the issue of Notes	On the date of this Cleansing Notice	Assuming conversion of the full Notes
Shares	336,568,236	336,568,236	469,143,994
Options ¹	23,000,000	23,000,000	23,000,000
Notes	0	35,000,000	0

Note 1 Includes 10 million options issued to Aitken Murray Capital Partners Pty Ltd and Euroz Hartleys Limited (or their nominee) and 3 million options to Peter Ravenscroft.

5. Pro Forma Consolidated Statement of Financial Position taking into account the issue of the Convertible Notes

Set out in Annexure A is a pro forma consolidated Statement of Financial Position for the Company and its controlled entities (consolidated entity) as at 30 June 2021 based on the unaudited accounts adjusted to reflect the proposed Notes issue and prepared on the basis of the accounting policies normally adopted by the Company.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.



6. Purpose of the Convertible Notes and their impact on the Company's future prospects

The purpose of the issue of the Convertible Notes is to raise funds to:

- (a) underpin the development of the Company's international portfolio of high potential diamond projects including exercising its option bringing the Ellendale Diamond Project into production in 2022; and
- (b) to progress the Company's plans to move rapidly downstream and produce cashflow from diamond cutting, polishing and sales of Fancy Colour diamonds.

The Company's indicative use of funds is set out below:

Use of Funds	A\$ million
Downstream expansion	13
Existing Projects	15
New business opportunities	6
Working capital and the costs of the offer	1
Total	35

7. Rights and Liabilities attaching to the Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholders.

Face Value	\$1 per Convertible Note
Condition Precedent	The issue of the Convertible Notes is subject to the receipt of shareholder approval.
Security Status	Unsecured
Interest Rate	6% per annum on the principal amount of outstanding Convertible Notes.
Interest Payment	Interest will be paid quarterly in arrears for the term of the Convertible Notes.
Maturity Date	36 months from the issue date
Redemption	Convertible Notes which have not previously been converted or redeemed will be redeemed on the Maturity Date.
Redemption Amount	The amount payable on redemption of a Convertible Note is the Face Value and any accrued but unpaid interest.



Early Redemption on an Event of Default	Any Convertible Notes which have not yet been converted or redeemed may be redeemed prior to the Maturity Date by the Noteholder if an Event of Default occurs and continues un-remedied for 5 Business Days.
Conversion	Convertible Notes which have not been redeemed may be converted into Shares in the Company by written notice at the election of the Noteholder at the relevant Conversion Price by dividing the Face Value of the Convertible Notes being converted by the relevant Conversion Price. The Shares issued on conversion will rank equally with the Shares currently on issue in the Company. To the extent that this calculation does not result in a round number of Shares, the number will be rounded up to the next whole number of Shares. The aggregate principal amount of the Convertible Notes which are to be converted must be a minimum of \$250,000 or any higher multiple of \$250,000, or if the principal amount of all outstanding Convertible Notes is less than \$250,000, that lesser amount).
Quotation	The Convertible Notes will not be listed on ASX. The Company will apply to ASX for official quotation of the Shares issued on conversion of the Notes.
Conversion Price	\$0.264 being a 10% premium to the Placement (as announced by the Company on 26 July 2021) issue price.
Adjustments for reorganisations etc	If the Company reorganises or reconstructs its capital (including consolidation, subdivision, reduction or return) at any time when there is a principal amount outstanding to a Noteholder, then the Conversion Price, number of Shares and/or Convertible Notes will be amended to the extent applicable and, subject to the Listing Rules, to place that Noteholder in substantially the same position as it would have been had no such event occurred.
Event of Default	<p>Events of Default include:</p> <ul style="list-style-type: none">• failure to issue Shares after receipt of a conversion notice;• failure to pay cash due under the Convertible Note Deed within 5 business days after its due date;• failure to perform a material obligation under the convertible note deed excluding a payment default and, in relation to any rectifiable failure, within 14 days following notice by the Investor requiring rectification;• a breach of warranty in any material respect;• failure to file an annual or quarterly reports required by law or listing rules;• failure to comply with the listing rules;• the Company consolidates with, merges or amalgamates into or transfers all or substantially all of its assets to any person;• an insolvency event occurs;• the Company incurs any financial indebtedness other than permitted financial indebtedness;



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- any indebtedness of the Company is not paid when due;
- a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its subsidiaries;
- a mortgagee, or other encumbrancer takes possession of, exercises rights under any security in relation to, or a receiver, receiver and manager, administrator, liquidator, provisional liquidator or officer of the Court is appointed in relation to, the whole or any substantial part of the property, assets or revenues of the Company or any of its subsidiaries (as the case maybe);
- any authorisation, approval or consent (including any governmental, regulatory or corporate approval or consent) required for the issue redemption or conversion of the Convertible Notes is not obtained or is withdrawn;
- an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its subsidiaries, or the Company or any of its subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations;
- it is or becomes unlawful for:
 - the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes or this Deed;
 - the Investor to convert any Convertible Notes or hold any Shares (except where this is due to a fault on the part of the Investor including because of a breach of warranty); or
 - the Company or any of its subsidiaries to carry on all or substantially all of its business or operations;
- the Company or any of its subsidiaries transfers or otherwise disposes of all or substantially all of its assets to any person;
- any Governmental agency seizes, compulsorily acquires or otherwise expropriates any material assets, the shares or business of the Company or any of its subsidiaries;
- assumes custody or control of all or any part of the material assets or business operation of any of the Company or any of its subsidiaries; or
- takes any action that would result in the dissolution or disestablishment of any of the Company, any of its subsidiaries;
- otherwise takes any other action which:
 - prevents the Company or any of its subsidiaries from conducting all or a substantial part of its business or operations;
 - deprives the Company or any of its subsidiaries of the use of any material asset;



	<ul style="list-style-type: none">• a material adverse change occurs in relation to or affects the Company;• a change of control of the Company occurs; and• the Company breaches any of its negative covenants.
Negative Covenants	<p>Until the conversion or redemption in full of the convertible notes the Company must not without the convertible noteholder's consent:</p> <ul style="list-style-type: none">• dispose of its assets unless in the ordinary course of business or the value is less than \$500,000;• change the nature of its business;• enter into contracts with third parties other than on arm's length terms;• incur any financial indebtedness other than permitted financial indebtedness or grant a security interest over its assets;• lend money or provide a guarantee except to its subsidiary or repay any intercompany loans;• authorise or permit the authorisation of a voluntary or involuntary administration, liquidation, dissolution or winding up on it or its respective business; and• amend its constitution in a way that has, or could have, a negative impact on the Investor.
Warranties and Termination Events	<p>The Convertible Note Deeds contain warranties and termination events that are standard for a transaction of this nature.</p>
Transferability	<p>Convertible Notes will not be listed and will not be able to be transferred without the prior written consent of the Company unless the transfer is to an affiliate of the noteholder.</p>

8. Rights and liabilities attaching to the Shares issued under the Notes

This section provides a summary of the rights attaching to the Shares and is not to be taken as to be exhaustive or to constitute a definitive statement of the rights and liabilities of BDM's Shareholders.

The full terms of the rights and liabilities attaching to the Shares is contained in the Company's Constitution (a copy of the Constitution is available on the Company's website www.burgundy-diamonds.com or from BDM on request). The rights and liabilities attaching to Shares can involve complex questions of law arising from an interaction of BDM's constitution with statutory and common law requirements.

For a BDM Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in specific circumstances, the BDM Shareholder should seek their own legal advice.



The Shares to be issued on conversion of the Notes will rank equally in all respects with existing Shares. In subscribing for the Notes the noteholder agreed that the Shares to be issued upon Conversion are bound by the terms of the Constitution.

General Meetings	<p>Each Shareholder is entitled to receive notice of all general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules. 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>Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.</p>
Voting Rights	<p>Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:</p> <ul style="list-style-type: none">• each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;• on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote has one vote; and• on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote shall, in respect of each fully paid Share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for every fully paid Share, but in respect of partly paid Shares shall have a fraction of a vote equal to the proportion that the amount paid bears to the issue price of the Shares.
Dividend Rights	<p>While there is no guarantee of any dividends or distributions by the Company, the Directors may from time to time declare dividends in compliance with the Corporations Act.</p> <p>Subject to the rights of persons entitled to shares with special rights as to dividends (at present there are none), all dividends are paid in the proportion that the amounts paid on those Shares bear to the issue price of the Shares.</p>
Winding Up	<p>If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.</p>
Transfer of Shares	<p>Shares in the Company are freely transferable, subject to formal requirements, and so long as the registration of the transfer does not result in a contravention of or failure to observe the provisions of a law of Australia and the transfer is not in breach of the Corporations Act or the Listing Rules.</p>



Variation Rights	of	The Company may, subject to the Corporations Act and with the sanction of a special resolution passed at a meeting of holders of Shares, or with the consent in writing of holders of at least 75% of the issued Shares, vary or abrogate the rights attaching to Shares.
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9. Continuous disclosure

BDM is a "disclosing entity" for the purposes of section 111AC of the Act. As such, it is subject to regular reporting and disclosure obligations.

As at the date of this Cleansing Notice, the Company has complied with:

- (a) the provisions of Chapter 2M of the Corporations Act, as they apply to the Company; and
- (b) section 674 of the Corporations Act, as it applies to the Company.

BDM is also required to disclose to ASX any information of which it is, or becomes, aware concerning it and which a reasonable person would expect to have a material effect on the price or value of securities of BDM.

Copies of any documents lodged with ASIC in relation to BDM may be obtained from or inspected at an ASIC office.

BDM will provide a copy of each of the following documents, free of charge, to any person who asks for it:

- (a) the annual financial report for the financial year ended 30 June 2020, being the annual financial report most recently lodged with ASIC by BDM (**2020 Financial Report**);
- (b) the Company's half year financial report for the period ended 31 December 2020, which was lodged after the 2020 Financial Report and before the lodgment of this Cleansing Notice; and
- (c) any continuous disclosure notices given by BDM after the lodgment of the 2020 Financial Report and before the lodgment of this Cleansing Notice with ASX.

A list of the continuous disclosure notices given by the Company to ASX after lodgment of the 2020 Financial Report on 30 September 2020 and before the lodgment of this Cleansing Notice with ASX is as follows:

14/09/2021	Results of Meeting
08/09/2021	Burgundy makes first purchase of third party rough diamonds
01/09/2021	Burgundy provides update on La Victoria Gold/Silver Project
23/08/2021	Burgundy announces completion of Naujaat bulk sample extract
06/08/2021	Letter to Shareholders – Upcoming General Meeting
06/08/2021	Notice of General Meeting/Proxy Form
02/08/2021	Cleansing Statement
02/08/2021	Application for quotation of securities - BDM
30/07/2021	Quarterly Activities Report & Cashflow - Revised
30/07/2021	Quarterly Activities Report and Cashflow
26/07/2021	Proposed issue of securities - BDM



26/07/2021	<u>Update - Proposed issue of securities - BDM</u>
26/07/2021	<u>Burgundy receives additional A\$0.5m in convertible notes</u>
26/07/2021	<u>Investor Presentation</u>
26/07/2021	<u>Proposed issue of securities - BDM</u>
26/07/2021	<u>Proposed issue of securities - BDM</u>
26/07/2021	<u>Burgundy raises A\$49.7m of new capital</u>
22/07/2021	<u>Trading Halt</u>
29/06/2021	<u>Burgundy builds downstream market capability</u>
22/06/2021	<u>Burgundy confirms start of Naujaat bulk sampling program</u>
09/06/2021	<u>SAIMM diamond conference presentation</u>
09/06/2021	<u>Burgundy presentation at SAIMM diamond conference</u>
11/05/2021	<u>Change of Director's Interest Notice</u>
30/04/2021	<u>Quarterly Activities Report and Appendix 5B</u>
26/04/2021	<u>Appendix 2A</u>
21/04/2021	<u>Appendix 3Y x 3</u>
20/04/2021	<u>Cleansing Statement</u>
20/04/2021	<u>Appendix 2A</u>
20/04/2021	<u>Further information on Botswana drilling results</u>
16/04/2021	<u>Exploration Update - Botswana</u>
01/04/2021	<u>Recorded Version of Investor Webinar</u>
30/03/2021	<u>Investor presentation for 30 March 2021 webinar</u>
25/03/2021	<u>Burgundy Investor Webinar</u>
24/03/2021	<u>Cleansing Statement</u>
24/03/2021	<u>Appendix 2A</u>
24/03/2021	<u>GIB: Sale of Option Over Ellendale Diamond Project</u>
24/03/2021	<u>Burgundy secures option to acquire Ellendale Diamond Project</u>
19/03/2021	<u>Appendix 2A - Release of escrowed securities</u>



12/03/2021	Half Yearly Report and Accounts
08/03/2021	Burgundy presentation at virtual PDAC conference
03/03/2021	Securities to be released from escrow
01/03/2021	Botswana Drilling Update
24/02/2021	Response to ASX Price Query
17/02/2021	Burgundy expands exploration portfolio in Botswana
29/01/2021	Quarterly Activities Report and Appendix 5B
13/01/2021	Letter to Shareholders
18/11/2020	Investor Presentation
18/11/2020	Results of Meeting
18/11/2020	Change of Company Name
16/11/2020	EHR Investor Webinar
27/10/2020	Quarterly Activities Report & Appendix 5B
16/10/2020	Notice of Annual General Meeting/Proxy Form
02/10/2020	Botswana Update

2. No further information to disclose

Aside from the information contained in this Cleansing Notice and documents previously lodged by BDM with the ASX pursuant to its continuous disclosure obligations, there is no additional information about the issue of the Notes that:

- (a) has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of BDM; and
 - (ii) the rights and liabilities attaching to the Notes or Shares.

2. No Responsibility

Neither ASX, ASIC nor any of their respective officers take responsibility for the contents of this Cleansing Notice.



Signed for and behalf of Burgundy Diamonds Mines Limited by

Sarah Smith
Company Secretary

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Annexure A Pro Forma Unaudited Consolidated Statement of Financial Position at
30 June 2021 taking into account the issue of the Convertible Notes

	30 June 2021 (Unaudited)	30 June 2021 (Pro Forma)
Assets		
Current Assets		
Cash and Cash Equivalents	1,694,046	36,094,046
Trade and Other Receivables	75,495	75,495
Total Current Assets	1,769,541	36,169,541
Non-Current Assets		
Plant and equipment	6,797	6,797
Total Non Current Assets	6,797	6,797
Total Assets	1,776,338	36,176,338
Liabilities		
Current Liabilities		
Trade and other payables	350,989	350,989
Total Current Liabilities	350,989	350,989
Total Liabilities	350,989	350,989
Net Assets	1,425,349	35,825,349
Equity		
Contributed Equity	25,881,068	60,281,068
Reserves	1,720,298	1,720,298
Accumulated Losses	(26,176,017)	(26,176,017)
Total Equity	1,425,349	35,825,349

Note: Excludes the effect of the Placement and any non-cash accounting adjustments arising from the issue of options.