No. [S-263255]
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF ARTIC CANADIAN DIAMOND COMPANY LTD. AND BURGUNDY DIAMONDS (CANADA) LIMITED

PETITIONERS

PRE-FILING REPORT OF THE PROPOSED MONITOR

May 1, 2026

FTI CONSULTING

PRE-FILING REPORT OF THE PROPOSED MONITOR

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INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI Consulting**" or the "**Proposed Monitor**") has been advised that Arctic Canadian Diamond Company Ltd. ("**ACDC**") and Burgundy Diamonds (Canada) Limited ("**BDC**", and together with ACDC, the "**Applicants**") intend to make an application for an initial order (the "**Initial Order**") to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") and establish an initial stay of proceedings (the "**Stay of Proceedings**") in favour of the Applicants.

2. The Initial Order extends the Stay of Proceedings to the Applicants' parent company, Burgundy Diamond Mines Ltd. ("**Burgundy**"), a publicly traded company listed on the Australian Stock Exchange, as a non-applicant stay party.

PURPOSE

3. The purpose of this report is to provide this Honourable Court and the Applicants' stakeholders with information with respect to the following:

    a. an overview of the Applicants business and the causes of insolvency;

    b. the qualifications of FTI Consulting to act as Monitor in the CCAA Proceedings;

    c. the amount and priority of the proposed Court-ordered charges;

    d. a cash flow statement (the "**Cash Flow Statement**") for the 10-week period ending July 10, 2026 (the "**Forecast Period**") as well as the key assumptions on which the Cash Flow Statement is based; and

    e. the Proposed Monitor's conclusions.

TERMS OF REFERENCE

4. In preparing this report, the Proposed Monitor has relied upon certain information (the "**Information**") including the Applicants' unaudited financial information, books and records and discussions with senior management ("**Management**").

5. Except as described in this report, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

6. The Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

7. Future oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

OVERVIEW AND CAUSES OF INSOLVENCY

9. ACDC and BDC form part of the "**Burgundy Group**", a group of entities owned and operated by Burgundy. The Burgundy Group's business operations are focused on the mining, production and sale of diamonds.

10. The Burgundy Group's primary operating entity is ACDC which has owned the Ekati Mine ("**Ekati Mine**") located in the Northwest Territories (the "**NWT**") since 2021. The Ekati Mine is Canada's first surface and underground diamond mine and has been operational since 1998.

11. Prior to layoffs arising from the Applicant's financial distress in 2024, ACDC employed approximately 1,000 individuals and was one of the largest employers in the NWT. In 2025, the Ekati Mine generated revenues of approximately US$183 million from rough diamond sales and US$4 million from polished diamond sales.

12. Challenging global market conditions including a steep decline in diamond prices since 2023 have contributed to ACDC's financial distress. Prices have fallen due to, among other factors, the increased prevalence of lab-grown diamonds, reduced demand from China and the impact of tariffs. The Burgundy Group's average price per carat declined from US$92 at the end of 2024 to as low as US$24 by December 2025.

13. In 2025, in an effort to address ongoing liquidity constraints, ACDC sought and obtained a loan facility of up to C$175 million from the Canada Enterprise Emergency Funding Corporation ("**CEEFC**") pursuant to Canada's Large Enterprise Tariff Loan program (the "**LETL Facility**"). The full C$175 million has been advanced, with respect to which CEEFC holds first-ranking security.

14. ACDC also owes approximately US$79 million to lenders under a facility with security that ranks subordinate to the LETL Facility.

15. In respect of its reclamation obligations, ACDC provides security that includes two reclamation bonds totalling approximately C$198 million, amounts paid into an environmental trust totalling C$84 million, approximately C$20 million in surety bond deposits and C$25 million of cash collateral in trust with the Government of the Northwest Territories.

16. Despite their restructuring efforts, the Applicants have continued to incur significant losses and remain in financial distress. The Applicants are currently unable to meet their obligations as they become due, including obligations related to its secured debt and substantial trade and supplier accounts payable.

17. Further detail regarding the business and affairs of the Applicants and the causes of their insolvency is set out in the Affidavit of Brent Mierau affirmed on April 30, 2026 (the "**Mierau Affidavit**").

PROPOSED MONITOR

18. FTI Consulting is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and with respect to the Applicants, is not subject to any of the restrictions on who may be appointed as Monitor as set out in section 11.7(2) of the CCAA. FTI Consulting has provided its consent to act as Monitor in the CCAA Proceedings, a copy of which is attached to the Mierau Affidavit.

19. FTI Consulting is familiar with the business and operations of the Applicants and the key stakeholders in the CCAA Proceedings. The senior FTI Consulting personnel with carriage of the matter are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees who have acted in restructuring and CCAA matters of this nature and scale and is in a position to immediately act as Monitor if appointed by this Court.

AMOUNT AND PRIORITY OF COURT-ORDERED CHARGES

20. The Initial Order provides for certain Court-ordered charges that rank in priority to all other charges and security interests against the Applicant. In the Initial Order, the proposed charges are:

    a. an administration charge (the "**Administration Charge**"); and

    b. a director and officers' charge (the "**D&O Charge**"),

    (together, the "**Charges**").

Administration Charge

21. The proposed Initial Order provides for an Administration Charge to secure the fees and disbursements incurred by counsel to the Applicants, the Proposed Monitor, and the Proposed Monitor's counsel in connection with services rendered to the Applicants before and after the commencement of the CCAA Proceedings related to the Applicants restructuring. The initial Administration Charge will not exceed $500,000 and is contemplated to cover the initial ten day stay period.

22. The Proposed Monitor believes it is appropriate for the beneficiaries to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

23. The Proposed Monitor has reviewed the underlying assumptions upon which the Applicants have based the quantum of the proposed initial Administration Charge, the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge during the first ten days of the CCAA Proceedings, and is of the view that the proposed quantum of the initial Administration Charge is reasonable and appropriate in the circumstances.

Director's Charge

24. The Initial Order provides for the D&O Charge over the property of the Applicants in favour of the directors and officers as security for the indemnity contained in the Initial Order in respect of specified obligations and liabilities that the directors and officers may incur after the commencement of the CCAA Proceedings. The initial D&O Charge approximates the salary and wages earned during the initial ten day stay period and will not exceed $2.75 million, and will rank subordinate to the Administration Charge.

25. As described in the Mierau Affidavit, the Applicants maintain certain insurance coverage for the directors and officers, but the deductibles and exclusions from the policies mean that the insurance may not fully cover the potential statutory or other liabilities of the beneficiaries of the D&O Charge. The Proposed Monitor notes that the directors and officers will only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any existing insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the proposed Initial Order.

26. It is the Proposed Monitor's view that the continued support and service of the directors and officers of the Applicants during the CCAA Proceedings will be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through completion of CCAA Proceedings. The Proposed Monitor has considered the existing insurance coverage and is of the view that the quantum and priority of the D&O Charge is reasonable and appropriate in the circumstances.

CASH FLOW STATEMENT

27. The Applicants have prepared the Cash Flow Statement to set out the liquidity requirements of the Applicants for the 10-week period ending July 10, 2026. A copy of the Cash Flow Statement is attached as Appendix "**A**".

28. The Cash Flow Statement is summarized in the following table:

Cash Flow Statement 10-Week Period Ending July 10, 2026 ($000s)	Initital Stay Period Weeks 1-2 Forecast	Weeks 3-10 Forecast	Weeks 1-10 Total
Operating Receipts			
Diamond Sales	$ -	$ 29,601	**$ 29,601**
GST Refunds	-	1,943	**1,943**
Total Operating Receipts	**-**	**31,544**	**31,544**
Operating Disbursements			
Payroll and Benefits	(2,732)	(9,769)	**(12,501)**
Procon (Labour & Equipment)	(1,197)	(4,787)	**(5,984)**
Flights	(140)	(560)	**(700)**
Freight and Transportation	(190)	(760)	**(950)**
Site Services and Consumables	(240)	(960)	**(1,200)**
Repair and Maintenance - Equipment	(1,400)	(5,600)	**(7,000)**
Labour (other than Procon)	(60)	(240)	**(300)**
Explosives	(114)	(456)	**(570)**
Fire Suppression	(70)	(70)	**(140)**
Repair and Maintenance - Vehicles	(85)	(170)	**(255)**
Insurance and Banking	(424)	(6)	**(430)**
Utilities	(100)	(400)	**(500)**
Software	(100)	(400)	**(500)**
Health & Safety	(100)	(400)	**(500)**
GNWT Mineral Leases	-	(903)	**(903)**
Selling and Distribution	-	(423)	**(423)**
Other Professional Fees	-	(100)	**(100)**
Other Operating Expenses	(600)	(2,525)	**(3,125)**
Contingency	(500)	(2,000)	**(2,500)**
Total Operating Disbursements	**(8,052)**	**(30,529)**	**(38,581)**
Net Change in Cash from Operations	**(8,052)**	**1,015**	**(7,037)**
Non-Operating Receipts and Disbursements			
Capex	(1,287)	(2,760)	**(4,047)**
Capex - Fox Underground	(155)	(180)	**(335)**
Restructuring Professional Fees	(500)	(500)	**(1,000)**
Others	(700)	(5,600)	**(6,300)**
Net Change in Cash from Non-Operating Activitie	**(2,642)**	**(9,040)**	**(11,682)**
Financing			
DIP Facility	-	7,261	**7,261**
Net Change in Cash from Financing	**-**	**7,261**	**7,261**
Net Change in Cash	(10,694)	(763)	**(11,457)**
Opening Cash	14,457	3,763	**14,457**
Ending Cash	**$ 3,763**	**$ 3,000**	**$ 3,000**

29. The Cash Flow Statement is based on the following key assumptions:

   a. operating receipts relate primarily to ongoing diamond sales resulting from production and are assumed to be collected under normal course trade settlement terms;

b. operating disbursements are summarized as follows:

    i. payroll and benefits for the Applicants relates primarily to corporate and mine site employees;

    ii. payments to Procon Mining & Tunnelling Ltd. relate to contracted miners and supply of certain equipment for underground mining;

    iii. flights relate to the transportation of staff to and from the mine site;

    iv. freight and transportation relates primarily to the shipment of supplies to the mine site;

    v. repair and maintenance costs relate to scheduled servicing of equipment and vehicles to keep the mining fleet operational along with a contingency for unforeseen urgent repairs; and

    vi. the remaining operating costs generally relate to ordinary course payments for consumables, insurance, selling and distribution activities and general operating costs;

c. capital expenditures relate primarily to the construction of a wash plant and the development costs associated with the underground mine. The majority of these planned expenditures have been deferred beyond the Forecast Period. Included in capital expenditures is repair costs associated with the commissioning of dual-powered road trains required to transport ore and waste rock;

d. restructuring professional fees are forecast to be approximately $1.0 million during the Forecast Period and include the fees and disbursements for the Applicants' legal counsel, the Monitor and the Monitor's legal counsel for the first two months of the CCAA Proceedings;

e. other disbursements relate primarily to surety bond and Impact Benefit Agreement payments scheduled to occur during the Forecast Period; and

f. the Applicants' are not forecasting to require interim financing during first 10 days of the CCAA Proceedings.

30. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:

a. the Cash Flow Statement has been prepared by Management for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out in notes 1 to 11 thereof;

b. the Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by Management and employees of the Applicants. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement;

c. based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:

i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;

ii. as at the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

iii. the Cash Flow Statement does not reflect the probable and hypothetical assumptions;

d. since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Proposed Monitor in preparing this Report; and

e. the Cash Flow Statement has been prepared solely for the purposed described in the notes to the Cash Flow Statement and readers are cautioned that it may not be appropriate for other purposes.

CONCLUSIONS

31. The Initial Order and Stay of Proceedings will provide the Applicants with stability while they preserve their assets and advance a restructuring strategy.

32. As described in the Mierau Affidavit, the Applicants plan to seek additional relief at a subsequent application, including:

a. an extension of the Stay of Proceedings;

b. an increase in the quantum of the Charges;

c. approval of an interim financing facility; and

d. the approval of a sale and investment solicitation process.

33. If appointed, the Proposed Monitor will provide its comments on this relief in a later report.

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All of which is respectfully submitted this 1st day of May 2026.

FTI Consulting Canada Inc.
In its capacity as Proposed Monitor of the Applicants

For: Deryck Helkaa
Senior Managing Director

Tom Powell
Senior Managing Director

Appendix A

Cash Flow Statement

Arctic Canadian Diamond Company Ltd. and Burgundy Diamonds (Canada) Limited
Cash Flow Statement
For the 10-week period ending July 10, 2026

Initial Stay Period > >

Week Ending (C$000s)		Week 1 8-May-26 Forecast	Week 2 15-May-26 Forecast	Week 3 22-May-26 Forecast	Week 4 29-May-26 Forecast	Week 5 5-Jun-26 Forecast	Week 6 12-Jun-26 Forecast	Week 7 19-Jun-26 Forecast	Week 8 26-Jun-26 Forecast	Week 9 3-Jul-26 Forecast	Week 10 10-Jul-26 Forecast	Weeks 1-10 10-Jul-26 Total
Operating Receipts												
Diamond Sales	[1]	$ -	$ -	$ 11,545	$ 7,696	$ -	$ 2,490	$ 5,386	$ 2,484	$ -	$ -	$ 29,601
GST Refunds		-	-	-	1,317	-	-	-	627	-	-	1,943
Total Operating Receipts		**-**	**-**	**11,545**	**9,013**	**-**	**2,490**	**5,386**	**3,111**	**-**	**-**	**31,544**
Operating Disbursements												
Payroll and Benefits	[2]	(1,400)	(1,332)	(1,400)	(1,332)	(1,400)	(1,332)	(1,400)	(1,332)	-	(1,573)	**(12,501)**
Procon (Labour & Equipment)	[3]	(598)	(598)	(598)	(598)	(598)	(598)	(598)	(598)	(598)	(598)	**(5,984)**
Flights		(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	**(700)**
Freight and Transportation	[4]	(95)	(95)	(95)	(95)	(95)	(95)	(95)	(95)	(95)	(95)	**(950)**
Site Services and Consumables	[5]	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	**(1,200)**
Repair and Maintenance - Equipment	[6]	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	**(7,000)**
Labour (other than Procon)		(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	**(300)**
Explosives		(57)	(57)	(57)	(57)	(57)	(57)	(57)	(57)	(57)	(57)	**(570)**
Fire Suppression		-	(70)	-	-	-	-	-	(70)	-	-	**(140)**
Repair and Maintenance - Vehicles		(85)	-	-	-	(85)	-	-	-	-	(85)	**(255)**
Insurance and Banking		-	(424)	-	-	-	(6)	-	-	-	-	**(430)**
Utilities		(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	**(500)**
Software		(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	**(500)**
Health & Safety		(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	**(500)**
GNWT Mineral Leases		-	-	(903)	-	-	-	-	-	-	-	**(903)**
Selling and Distribution		-	-	(222)	-	-	-	-	(201)	-	-	**(423)**
Other Professional Fees		-	-	-	-	-	-	-	-	-	(100)	**(100)**
Other Operating Expenses	[7]	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(425)	**(3,125)**
Contingency	[8]	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	**(2,500)**
Total Operating Disbursements		**(3,855)**	**(4,196)**	**(4,895)**	**(3,702)**	**(3,855)**	**(3,708)**	**(3,770)**	**(3,974)**	**(2,370)**	**(4,253)**	**(38,581)**
Net Change in Cash from Operations		**(3,855)**	**(4,196)**	**6,650**	**5,311**	**(3,855)**	**(1,218)**	**1,616**	**(863)**	**(2,370)**	**(4,253)**	**(7,037)**
Non-Operating Receipts and Disbursements												
Capex	[9]	(670)	(617)	(2,213)	(41)	(300)	(181)	-	-	(26)	-	**(4,047)**
Capex - Fox Underground	[10]	(125)	(30)	-	(25)	(30)	(100)	-	(25)	-	-	**(335)**
Restructuring Professional Fees	[11]	-	(500)	-	-	-	-	(500)	-	-	-	**(1,000)**
Others	[12]	-	(700)	(4,561)	(339)	-	-	(700)	-	-	-	**(6,300)**
Net Change in Cash from Non-Operating Activities		**(795)**	**(1,847)**	**(6,774)**	**(405)**	**(330)**	**(281)**	**(1,200)**	**(25)**	**(26)**	**-**	**(11,682)**
Financing												
DIP Facility	[13]	-	-	-	-	-	139	-	473	2,396	4,253	7,261
Net Change in Cash from Financing		**-**	**-**	**-**	**-**	**-**	**139**	**-**	**473**	**2,396**	**4,253**	**7,261**
Net Change in Cash		(4,650)	(6,044)	(124)	4,906	(4,185)	(1,360)	416	(416)	-	-	**(11,457)**
Opening Cash		14,457	9,807	3,763	3,639	8,545	4,360	3,000	3,416	3,000	3,000	**14,457**
Ending Cash		**$ 9,807**	**$ 3,763**	**$ 3,639**	**$ 8,545**	**$ 4,360**	**$ 3,000**	**$ 3,416**	**$ 3,000**	**$ 3,000**	**$ 3,000**	**$ 3,000**

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of Arctic Canadian Diamond Company Ltd. and Burgundy Diamonds (Canada) Limited during the CCAA Proceedings.
The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

Notes:

[1] Diamond sales reflect the proceeds resulting from ongoing production.
[2] Payroll includes payroll and source deductions for corporate employees and workers at the Ekati Mine.
[3] Procon provides contracted miners and supplies certain equipment for underground mining.
[4] Freight and Transportation primarily relates to the shipment of supplies to the mine site.
[5] Site services and consumables include general operational service costs as well as materials used in mining and processing.
[6] Repair and maintenance costs relate to scheduled servicing of equipment and vehicles to keep the mining fleet operational along with a contingency for unforeseen urgent repairs.
[7] Other operating expenses capture the remaining site level costs necessary to support mining operations.
[8] Contingency relates to unforeseen expenses and disbursements during the CCAA Proceedings.
[9] Capex relates primarily to the construction of the wash plant, with the majority of costs deferred beyond the Forecast Period. Capex also includes repair costs associated with the dual powered road trains used to haul ore and waste rock.
[10] Capex - Fox Underground relates to development costs of the underground mine.
[11] Restructuring professional fees represents fees of Company counsel, the Monitor, and the Monitor's counsel during the CCAA Proceedings.
[12] Others represents surety bond premium and IBA payments.
[13] The Applicants' are forecasting to require interim financing of approximately $7.3 million during the Forecast Period.