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 ARCTIC CANADIAN DIAMOND COMPANY LTD. AND BURGUNDY DIAMONDS (CANADA) LIMITED

PETITIONERS

SECOND REPORT OF THE MONITOR

July 13, 2026

SECOND REPORT OF THE MONITOR

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INTRODUCTION

1. On May 1, 2026, Arctic Canadian Diamond Company Ltd. ("**ACDC**") and Burgundy Diamonds (Canada) Limited ("**BDC**", and together with ACDC, the "**Applicants**") were granted an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the Supreme Court of British Columbia Action No. S-263255, Vancouver Registry (the "**CCAA Proceedings**").

2. The Initial Order provided, among other things:

   a. a stay of proceedings against the Applicants and their parent company, Burgundy Diamond Mines Ltd. (the "**Parent**"), as a non-applicant stay party, until May 11, 2026 (the "**Stay of Proceedings**");

   b. the appointment of FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the "**Monitor**"); and

   c. certain priority charges against the property of the Applicants (the "**Court-Ordered Charges**").

3. At the Comeback Hearing on May 11, 2026, the Court made the following orders:

   a. an amended and restated initial order (the "**ARIO**"), among other things:

      i. extending the Stay of Proceedings until July 26, 2026 (the "**Stay Extension**");

      ii. approving an interim financing facility (the "**Interim Financing**") to be advanced by Canada Enterprise Emergency Funding Corporation ("**CEEFC**" or the "**Interim Lender**") pursuant to a term sheet (the "**Interim Financing Term Sheet**") in an amount not to exceed $60 million and granting the Interim Lender a priority charge securing the Interim Financing (the "**Interim Lender's Charge**");

      iii. revising the amounts and priorities of the Court-Ordered Charges; and

   b. an order (the "**SISP Order**") approving a sale and investment solicitation process (the "**SISP**").

4. The Applicants, in conjunction with the Monitor, have been conducting the SISP pursuant to the SISP Order.

5. Phase 1 of the SISP required that Potential Bidders submit a bid by delivering a non-binding letter of intent ("**LOI**") to the Monitor by no later than 5:00 p.m. PT on July 10, 2026 (the "**LOI Deadline**").

6. No LOIs were received that satisfied the criteria to be considered Qualified LOIs as defined in the SISP.

7. The Interim Lender advanced the initial tranche of the Interim Financing in the aggregate amount of $10 million ($9,727,129.54 net of fees) to the Applicants to fund the CCAA Proceedings to date. The second tranche of the Interim Financing, in the aggregate amount of $50 million, is conditional upon the Interim Lender being satisfied with the bids received during Phase 1 of the SISP. Based on the results of Phase 1, the Applicants do not expect the Interim Lender to fund the second tranche.

8. In the absence of further funding, the Applicants will be unable to continue to meet their ongoing operating and administrative costs and an alternative path needs to be pursued.

9. The Monitor understands that the Government of the Northwest Territories (the "**GNWT**") is planning to file a receivership application returnable July 14, 2026 for an Order appointing PricewaterhouseCoopers Inc. as receiver of the assets of the Applicants.

PURPOSE

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

    a. the activities of the Monitor since the date of the First Report;

    b. an update on the SISP;

    c. the Applicants' actual cash receipts and disbursements for the 10-week period ended July 10, 2026 (the "**Reporting Period**") as compared to the cash flow forecast filed with the First Report of the Monitor dated May 8, 2026 (the "**Second Cash Flow Forecast**");

d. the status of the post-filing obligations of the Applicants; and

e. the Monitor's conclusions.

TERMS OF REFERENCE

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

12. Except as described in this report, the 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.

13. The 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.

14. 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.

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

MONITOR'S ACTIVITIES

16. The activities of the Monitor during the CCAA Proceedings have included, among other things, the following:

    a. retaining Fasken Martineau DuMoulin LLP to act as independent legal counsel to the Monitor;

    b. attending to the notice requirements under the CCAA and the Initial Order;

    c. communicating with key stakeholders, including the Interim Lender and the GNWT;

d. meeting with Management and the Applicants' legal counsel, Blake, Cassels & Graydon LLP, regarding the Applicants' business and financial affairs;

e. reviewing the Applicants' cash flow statements and actual cash flow results on a weekly basis;

f. reviewing the Applicants' post-filing obligations and available liquidity;

g. overseeing the SISP, with the assistance of the Applicants and in consultation with the Interim Lender;

h. preparing the SISP materials, in conjunction with the Applicants, including:

    i. a list of potential bidders;

    ii. a teaser letter, a copy of which is attached as **Appendix** "**A**";

    iii. a Confidential Information Memorandum (the "**CIM**");

    iv. an integrated financial model with projected balance sheets, income statements, and cash flow statements prepared on a monthly basis through to the end of 2039 based on the life-of-mine plan of Ekati (the "**Financial Model**"); and

    v. an electronic data room containing the CIM, the Financial Model, and other information pertinent to the due diligence of potential bidders;

i. meeting with potential bidders to facilitate their due diligence;

j. providing weekly updates on the cash flow and progress of the SISP to the Interim Lender;

k. attending weekly meetings with counsel and advisors to the GNWT to provide general update on the Applicants' operational and financial affairs, the cash flow, the SISP, and to address additional questions raised by the GNWT;

l. coordinating discussions between the Applicants and the key stakeholders including the GNWT and its legal and financial advisors regarding contingency planning in the event of an unfavourable outcome of the SISP;

m. responding to information requests by GNWT and facilitating GNWT's access to documents and records related to potential reclamation;

n. responding to enquiries from creditors and other stakeholders;

o. posting relevant materials to the Monitor's Website; and

p. preparing two Monitor's reports.

SISP UPDATE

17. The Applicants, in conjunction with the Monitor, undertook the SISP to solicit offers for the sale of, or an investment in, the Applicants' interest in the Ekati mine. A detailed description of the SISP procedures, applicable timelines and bid requirements is set out in the First Report of the Monitor dated May 8, 2026 and is not repeated herein.

18. Highlights of the SISP are as follows:

    a. the Monitor contacted 140 potentially interested parties, including 81 strategic investors and 59 financial investors, to solicit interest in the opportunity;

    b. three potential purchasers executed non-disclosure agreements and were provided with access to the electronic data room containing information regarding the Applicants and the Ekati mine;

    c. one potential purchaser advised that it was considering a transaction structure that was ultimately not viable, including that it would have required, among other things, a substantial amount of incremental financial support; and

    d. no non-binding LOIs were received as of the Phase I Bid Deadline.

19. As no LOIs were received by the Phase 1 Bid Deadline, the Applicants terminated the SISP with the agreement of the Monitor and the Interim Lender.

CASH FLOW VARIANCE ANALYSIS

20. The Applicants reported its actual cash flows in comparison to those contained in the Second Cash Flow Forecast to the Monitor and Interim Lender on a weekly basis and provided explanations for key variances.

21. ACDC's actual cash receipts and disbursements as compared to the Second Cash Flow Forecast for the 10-week period ended July 10, 2026, are summarized below:

Cash Flow Variance Analysis **10-Week Period Ended July 10, 2026** ***(CAD$000s)***	**Actual**	**Forecast**	**Variance ($)**	**Variance (%)**
Operating Receipts				
Diamond Sales	$ 27,435	$ 29,387	$ (1,952)	*(7)%*
GST Refunds	293	953	(660)	*(69)%*
Other Receipts	1,235	-	1,235	-
Total Operating Receipts	28,963	30,340	(1,377)	*(5)%*
Operating Disbursements				
Payroll and Benefits	(12,620)	(12,501)	119	*1%*
Procon (Labour & Equipment)	(5,911)	(5,984)	(73)	*(1)%*
Flights	(1,284)	(1,110)	174	*16%*
Freight and Transportation	(886)	(950)	(64)	*(7)%*
Equipment Rental	(1)	-	1	-
Site Services and Consumables	(1,737)	(1,200)	537	*45%*
Repair and Maintenance - Equipment	(5,148)	(7,000)	(1,852)	*(26)%*
Labour (other than Procon)	(496)	(300)	196	*65%*
Explosives	(521)	(570)	(49)	*(9)%*
Fire Suppression	(69)	(140)	(71)	*(51)%*
Repair and Maintenance - Vehicles	(354)	(255)	99	*39%*
Insurance and Banking	(430)	(430)	-	-
Utilities	(321)	(500)	(179)	*(36)%*
Software	(212)	(500)	(288)	*(58)%*
Health, Safety and Environmental Compliance	(1,395)	(500)	895	*179%*
GNWT Mineral Leases	-	(903)	(903)	*(100)%*
Road Trains	(1)	-	1	-
Selling and Distribution	(418)	(423)	(5)	*(1)%*
Other Professional Fees	(283)	(100)	183	*183%*
Other Operating Expenses	(2,564)	(3,125)	(561)	*(18)%*
Contingency	-	(2,700)	(2,700)	*(100)%*
Total Operating Disbursements	**(34,651)**	**(39,191)**	**(4,540)**	***(12)%***
Net Change in Cash from Operations	**(5,688)**	**(8,851)**	**(3,163)**	***(36)%***
Non-Operating Receipts and Disbursements				
Capex	(1,036)	(3,993)	**(2,957)**	*(74)%*
Capex - Fox Underground	-	(335)	**(335)**	*(100)%*
Restructuring Professional Fees	(1,674)	(1,950)	**(276)**	*(14)%*
Surety and IBA	(2,555)	(6,300)	**(3,745)**	*(59)%*
Net Change in Cash from Non-Operating Activities	**(5,265)**	**(12,578)**	**(7,313)**	***(58)%***
Financing				
DIP Facility	10,000	9,500	**500**	*5%*
Net Change in Cash from Financing	**10,000**	**9,500**	**500**	***5%***
Net Change in Cash	(953)	(11,929)	10,976	*(92)%*
Opening Cash	14,997	14,997	-	-
Ending Cash	**$ 14,044**	**$ 3,068**	**$ 10,976**	*358%*

22. Overall, ACDC realized a favourable net cash flow variance of approximately $11.0 million. The key components of the variance include:

    a. an unfavourable variance of approximately $1.4 million in total operating receipts which is primarily resulting from the rescheduling of the sale of the May 2026 production cycle, with the remaining proceeds of approximately $1.7 million expected to be received in full during the week ending July 17, 2026;

    b. a favourable variance of approximately $4.5 million in total operating disbursements primarily as a result of:

        i. deferred equipment repair and maintenance activities; and

        ii. unused contingency during the Reporting Period;

    c. a favourable variance of approximately $3.0 million in Capex due to delays in commencing capital projects relating to the wash plant and the commissioning of the road trains; and

    d. a favourable variance of approximately $3.7 million with respect to surety payments as the Applicants did not make annual surety payments and instead made certain premium payments in monthly installments, resulting in lower disbursements during the Reporting Period.

23. As at July 10, 2026, the Applicants held approximately $14.0 million of cash on hand. The Applicants have advised the Monitor that they are planning to use approximately $3.5 million of the cash on hand to pay accrued vacation pay owing to employees and approximately $2.1 million to pay accrued payroll and related payroll tax remittances up to and including July 14, 2026, the date scheduled for the hearing of GNWT's receivership application.

POST-FILING OBLIGATIONS

24. The Applicants, with the oversight of the Monitor, have managed their cash flow throughout the CCAA Proceedings to maintain sufficient liquidity to satisfy their post-filing obligations as they become due.

25. The majority of the Applicants' post-filing obligations incurred during the CCAA Proceedings have been paid using the proceeds of the Interim Financing. However, as is typical in the ordinary course of business, certain post-filing obligations remain accrued but unpaid due to invoicing cycles, payment terms or other administrative or operational factors.

26. As reflected in the Cash Flow Variance Analysis, the Applicants had a cash balance of approximately $14.0 million as of July 10, 2026. The Monitor understands that the cash on hand is sufficient to satisfy all of the Applicants' estimated outstanding accrued post-filing obligations incurred to date.

CONCLUSION

27. The Monitor is of the view that the Applicants have acted in good faith and with due diligence throughout the CCAA Proceedings.

28. The remaining funding available to the Applicants will not be sufficient to support the continuation of the Applicants' existing operations or an orderly windup of operations. At this time, no additional financing or other sources of liquidity are available from the Interim Lender or any other source for a debtor-in-possession proceeding.

29. In the absence of further funding, the Applicants will be unable to continue to meet their obligations.

30. The Monitor understands that, in connection with the proposed receivership application, GNWT has agreed to provide certain funding in connection with those proceedings.

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All of which is respectfully submitted this 13th day of July 2026.

FTI Consulting Canada Inc.
in its capacity as Monitor of the Applicants
and not in its personal capacity

Deryck Helkaa	Tom Powell
Senior Managing Director	Senior Managing Director

Appendix A

Teaser Letter

Arctic Canadian Diamond Company Ltd.

BURGUNDY
DIAMOND MINES

Arctic Canadian Diamond Company Ltd. ("**ACDC**", or the "**Company**") is one of the largest independent diamond producers in Canada. The Company operates the world-renowned Ekati Diamond Mine (the "**Ekati Mine**") in Canada's Northwest Territories. ACDC is a subsidiary of Burgundy Diamond Mines Limited (ASX:BDM).

FTI Consulting Canada Inc. ("**FTI**"), in its capacity as court-appointed Monitor (the "**Monitor**") of ACDC, is conducting a sale and investment solicitation process (the "**SISP**") seeking interest in all or substantially all the assets, undertakings and properties of ACDC (collectively, the "**Property**"), including without limitation the interests of ACDC in the Ekati Mine.

Opportunity Overview

- The Ekati Mine is Canada's first surface and underground diamond mine, known for producing premium gem quality diamonds that are world renowned.
- The current active operations primarily consist of Misery Underground with mine life extended to Q4 2028. However, the Ekati asset provides significant long-term potential to extend the mine life to 2039 and beyond through resource drilling at Misery, processing an existing stockpile at Fox, the underground development at Fox and Sable, and developing the Jay pipe.
- The Company's operations have been adversely impacted by US tariffs on the natural diamond industry and challenging demand conditions. On May 1, 2026, the Company obtained protection under the *Companies' Creditors Arrangement Act*.

Key Investment Highlights

Established Resource Base

- 131.5M cts of indicated resources and 45.1M cts of inferred resources as of Dec 31, 2025.

Operational Continuity

- DIP Financing ensures the continuation of 30+ years of operations with value preserving Capex and retention of key onsite skilled workers.

Fox Underground Start Readiness

- Updated prefeasibility study demonstrates robust and positive economics. Comprehensive Capex plan is ready to commence immediately post-transaction.

Upside in Diamond Price Recovery

- Opportunity to capture the recovery in diamond prices with the extended mine life.

Distressed Valuation Opportunity

- Asset available at substantial discount to replacement value.

SISP Process

- Parties interested in the opportunity will be asked to execute a non-disclosure agreement and invited to the Virtual Data Room.
- The SISP is being conducted in two phases. Phase 1 requires qualified interested parties to submit a non-binding letter of intent ("**LOI**") to the Monitor by no later than 5:00pm PT on July 10, 2026.
- Parties that are deemed Qualified Bidders will be invited to participate in Phase 2 of the SISP.

Milestone	Targeted Deadline
Access to Virtual Data Room	Commencing May 15, 2026
LOI Deadline	**July 10, 2026**
Final Bid Deadline	September 25, 2026
Final Agreement Deadline	October 9, 2026
Court Approval	October 23, 2026
Outside Closing Date	November 6, 2026

Contact FTI

- Further information about the proceedings including the SISP can be found at: cfcanada.fticonsulting.com/ACDC/
- Parties interested in the opportunity will be asked to execute a non-disclosure agreement. All inquiries regarding a potential transaction and any requests for additional information should be directed to one of the FTI contacts listed below:

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