



BURGUNDY
DIAMOND MINES

BURGUNDY DIAMOND MINES LIMITED

ABN 33 160 017 390

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2022

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Corporate Directory

Board of Directors

| | |
|------------------|------------------------------------------------|
| Michael O’Keeffe | Executive Chairman |
| Kim Truter | Chief Executive Officer and Executive Director |
| Marc Dorion | Non-Executive Director |

Secretary

David Edwards

Registered Office

Level 25
South32 Tower
108 St Georges Terrace
Perth WA 6000

Telephone: 08 6313 3945

Website: www.burgundy-diamonds.com

Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: BDM)

Auditors

RSM Australia Partners
Level 32, 2 The Esplanade
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
123 St Georges Terrace
Perth WA 6000

Share Registry

Automic Share Registry
Level 5, 191 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

Directors' Report

The Directors of Burgundy Diamond Mines Limited ("BDM" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of Burgundy Diamond Mines Limited and its controlled entities (the "Group") for the half year ended 31 December 2022 ("the Period").

It is recommended that the Directors' Report be read in conjunction with the annual financial statements for the year ended 30 June 2022 and considered together with any public announcement made by the Company during the Period and up to the date of this report.

Directors

The following persons were directors of Burgundy Diamond Mines Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

| | |
|-------------------|-------------------------------------------------------------------------------------------------------------|
| Michael O'Keeffe | Executive Chairman (appointed Executive Chairman 17 November 2022) |
| Kim Truter | Chief Executive Officer and Executive Director (appointed Interim Chief Executive Officer 17 November 2022) |
| Marc Dorion | Non-Executive Director |
| Peter Ravenscroft | Managing Director and Chief Executive Officer (Resigned 17 November 2022) |

Principal Activities

The Company's principal activities are diamond exploration and development and downstream sales and marketing in the high-value Fancy Colour Diamonds sector.

Review of Operations

The operating loss for the half-year ended 31 December 2022 was \$10,227,716 (31 December 2021: loss of \$11,044,997).

Sales and Marketing

During the period, the Company's cutting and polishing facilities in Perth continued to operate at full capacity, refining third-party rough diamonds purchased in 2021 and 2022. In August 2022, Burgundy entered into a collaborative sales and profit-sharing agreement with a Perth based jeweller with the first sales being made in October 2022. The Company continues to refine its sales channel strategy and anticipates further sales collaborations in 2023.

Operations and Exploration

Construction and commissioning of the bulk sampling plant at Blina was completed during the period and Diamond recovery started with a 1.51 carat octahedral Fancy Yellow stone in September.

At Naujaat, diamond recovery was completed for the 2,000-tonne bulk sample completed at site in 2021, and confirmed the presence of high value, Fancy Orange and Yellow diamonds. Further analysis is underway to fully understand the implications of these sampling results, including assessment of the value of the diamonds by independent parties. On completion of the bulk sampling program, Burgundy will assume 40% ownership of the Naujaat Project under the terms of an earn-in option agreement with North Arrow Minerals.

Corporate

On 17 November 2022, the Company announced that Mr Peter Ravenscroft resigned as Chief Executive Officer and Managing Director effective immediately. The Board resolved that Mr Kim Truter, appointed as a Non-Executive Director in September 2020, and Non-Executive Chairman in December 2021, would be appointed as Chief Executive Officer and that Mr Michael O'Keeffe, Non-Executive Director, appointed in June 2017, would be appointed as Executive Chairman.

On 19 December 2022, the Company's securities were suspended from quotation at the request of the Company, pending the release of an announcement regarding a proposed material acquisition. The Company's securities will remain suspended until the Company has either complied with Chapters 1 and 2 of

the Listing Rules under Listing Rule 11.1.3, or provided ASX Limited with sufficient information to satisfy ASX that it should not exercise its discretion under Listing Rule 11.1.2 to require the transaction to be conditional on approval by the Company's ordinary security holders, and under Listing Rule 11.1.3 to require the Company to re-comply with Chapters 1 and 2 of the Listing Rules.

Significant changes in the state of affairs

Refer to Principal Activities and Review of Operations on page 4.

Auditor's Independence Declaration

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is included within this financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

For and on behalf of the Board.



Kim Truter
Executive Director
Perth, Western Australia
6 February 2023

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Burgundy Diamond Mines Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



AIK KONG TING
Partner

Perth, WA
Dated: 6 February 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2022

| | Note | 31 December 2022 \$ | 31 December 2021 \$ |
|----------------------------------------------------------------------|------|---------------------------|---------------------------|
| Revenue from continuing operations | | | |
| Revenue | | 324,820 | - |
| Other income | | 34,365 | 1,231 |
| Expenses | | | |
| Changes in inventories | | (70,178) | - |
| Raw materials and consumables used | | (68,511) | - |
| Corporate and administrative expenses | | (723,331) | (336,374) |
| Employee benefit expenses | | (1,538,465) | (951,050) |
| Exploration expenditure expense | | (3,047,078) | (6,904,603) |
| Sales and marketing expenses | | (1,631,516) | (559,594) |
| Share-based payment expense | 6 | (694,361) | (810,000) |
| Depreciation expense | | (492,264) | (36,713) |
| Foreign currency losses | | (51,102) | (394,471) |
| Finance costs | | (2,270,095) | (1,053,423) |
| Loss from continuing operations before income tax | | (10,227,716) | (11,044,997) |
| Income tax expense | | - | - |
| Loss from continuing operations after income tax | | (10,227,716) | (11,044,997) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | 10,570 | (2,176) |
| Other comprehensive income for the year, net of tax | | 10,570 | (2,176) |
| Total comprehensive loss attributable to the members | | (10,217,146) | (11,047,173) |
| Loss per share for the year attributable to the members | | | |
| Basic loss per share (cents) | | (2.99) | (3.40) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

| | Note | December 2022 \$ | June 2022 \$ |
|--------------------------------------|------|------------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | | 5,556,693 | 21,506,861 |
| Trade and other receivables | | 565,676 | 488,218 |
| Inventories | | 16,653,472 | 10,731,980 |
| Total current assets | | 22,775,841 | 32,727,059 |
| Non-current assets | | | |
| Plant and equipment | | 4,432,349 | 3,299,258 |
| Right of use assets | | 740,435 | 824,429 |
| Total non-current assets | | 5,172,784 | 4,123,687 |
| Total assets | | 27,948,625 | 36,850,746 |
| Current liabilities | | | |
| Trade and other payables | | 1,180,836 | 1,684,849 |
| Lease liabilities | | 145,666 | 145,666 |
| Employee benefits | | 164,771 | 164,771 |
| Total current liabilities | | 1,491,273 | 1,995,286 |
| Non-current liabilities | | | |
| Borrowings | 3 | 30,018,142 | 28,823,558 |
| Lease liabilities | | 544,469 | 615,060 |
| Make good provisions | | 94,811 | 94,127 |
| Total non-current liabilities | | 30,657,422 | 29,532,745 |
| Total liabilities | | 32,148,695 | 31,528,031 |
| Net liabilities | | (4,200,070) | 5,322,715 |
| Equity | | | |
| Contributed equity | 4 | 41,121,371 | 41,121,371 |
| Reserves | 5 | 11,012,319 | 10,307,388 |
| Accumulated losses | | (56,333,760) | (46,106,044) |
| Total (liability) equity | | (4,200,070) | 5,322,715 |

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2022

| | Issued Capital | Convertible Notes Reserve | Other Reserves | Accumulated Losses | Total |
|--------------------------------------------------------------|-------------------|---------------------------------|-------------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| At 1 July 2022 | 41,121,371 | 6,585,538 | 3,721,850 | (46,106,044) | 5,322,715 |
| Loss for the year | - | - | - | (10,227,716) | (10,227,716) |
| Other comprehensive income | - | - | 10,570 | - | 10,570 |
| Total comprehensive loss for the year after tax | - | - | 10,570 | (10,227,716) | (10,217,146) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share-based payments | - | - | 694,361 | - | 694,361 |
| At 31 December 2022 | 41,121,371 | 6,585,538 | 4,426,781 | (56,333,760) | (4,200,070) |
| At 1 July 2021 | 26,101,068 | - | 1,720,298 | (26,396,017) | 1,425,349 |
| Loss for the year | - | - | - | (11,044,997) | (11,044,997) |
| Other comprehensive income | - | - | (2,176) | - | (2,176) |
| Total comprehensive loss for the year after tax | - | - | (2,176) | (11,044,997) | (11,047,173) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Issue of share capital | 15,195,275 | - | - | - | 15,195,275 |
| Share issue costs | (1,116,782) | - | 588,500 | - | (528,282) |
| Share-based payments | - | - | 1,398,500 | - | 1,398,500 |
| Value of conversion rights on convertible notes | - | 6,585,538 | - | - | 6,585,538 |
| At 31 December 2021 | 40,179,561 | 6,585,538 | 3,705,122 | (37,441,014) | 13,029,207 |

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2022

| | December 2022 \$ | December 2021 \$ |
|-------------------------------------------------------------------------|------------------------|------------------------|
| Cash flows from operating activities | | |
| Receipts from customers | 185,654 | - |
| Payments to suppliers and employees | (9,217,783) | (12,486,726) |
| Payments for exploration and evaluation expenditure | (4,189,262) | (7,184,772) |
| Interest paid | (1,052,877) | (523,562) |
| Interest received | 34,365 | 1,232 |
| Net cash used in operating activities | (14,239,903) | (20,193,828) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (1,639,305) | (239,756) |
| Net cash used in investing activities | (1,639,305) | (239,756) |
| Cash flows from financing activities | | |
| Proceeds from issues of shares | - | 15,195,275 |
| Proceeds from borrowings | - | 35,000,000 |
| Transaction costs | - | (1,278,432) |
| Principal elements of lease payments | (92,541) | - |
| Net cash (used in) from financing activities | (92,541) | 48,916,843 |
| Net (decrease) increase in cash and cash equivalents | (15,971,749) | 28,483,259 |
| Cash and cash equivalents at the beginning of the financial year | 21,506,861 | 1,694,046 |
| Effect of exchange rate fluctuations | 21,581 | (22,291) |
| Cash and cash equivalents at the end of the financial year | 5,556,693 | 30,155,014 |

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are presented in Australian dollars, which is Burgundy Diamond Mines Limited's functional and presentation currency.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

(b) Going Concern

This half year report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the six months ended 31 December 2022 the Group incurred a net loss of \$10,227,716 and at 31 December 2022 had net liability of \$4,200,070. The Group also recorded a net cash outflow in operating and investing activities for the six months to 31 December 2022 of \$14,239,903 and \$1,639,305, respectively.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Group's cash flow forecasts for the period to 31 January 2024 which reflect the current cost and operational structure of the Group based on the current levels of activity and increasing revenue from the sale of cut and polished diamonds;
- In the event that the cash flows become constrained, the high proportion of discretionary expenditures and can be quickly reduced to enable the Group to operate within its available funding;
- The Group has a strong track record of successfully raising capital and expects to be able to raise additional capital through equity placements to existing and new investors; and
- The Group holds inventories at 31 December 2022 of \$16,653,472, a proportion of which could be sold at auction should anticipated revenue forecasts noted above not materialise.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

(c) Significant accounting judgements and key estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2022.

Notes to the Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (cont.)

(d) Revenue Recognition

The consolidated entity recognizes revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(e) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the Consolidated Financial Statements

Note 2 Segment Information

The Group requires operating segments to be identified on the basis of internal reports above components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segments and to assess their performance. On this basis, the Group's reportable segments under AASB Operating Segments are the Group's activities in Australia, Canada, Peru and Botswana. Information regarding the Group's reportable segments is presented below.

| | Peru | Canada | Botswana | Australia | Other | Total |
|-------------------------------------------|-----------------|--------------------|------------------|--------------------|--------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2022 | | | | | | |
| Revenue | - | 81,627 | - | 219,090 | 24,103 | 324,820 |
| Other income | - | - | - | - | 34,365 | 34,365 |
| Changes in inventories | - | - | - | (70,178) | - | (70,178) |
| Raw materials and consumables used | - | - | - | (68,511) | - | (68,511) |
| Exploration expenditure | (8,948) | (19,897) | (119,222) | (2,899,011) | - | (3,047,078) |
| Sales and marketing expense | - | - | - | (1,631,516) | - | (1,631,516) |
| Administration and other expense | (6,696) | - | - | - | (2,798,466) | (2,805,162) |
| Share Based payment expense | - | - | - | - | (694,361) | (694,361) |
| Finance costs | - | - | - | - | (2,270,095) | (2,270,095) |
| Loss before income tax | (15,644) | (61,730) | (119,222) | (4,450,126) | (5,704,454) | (10,227,716) |
| Income tax expense | - | - | - | - | - | - |
| Loss after income tax for the year | (15,644) | (61,730) | (119,222) | (4,450,126) | (5,704,454) | (10,227,716) |
| Total assets | 2,326 | 49,831 | - | 21,085,821 | 6,810,647 | 27,948,625 |
| Total liabilities | - | - | - | - | 32,148,695 | 32,148,695 |
| | | | | | | |
| | Peru | Canada | Botswana | Australia | Other | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2021 | | | | | | |
| Other income | - | - | - | - | 1,231 | 1,231 |
| Exploration expenditure | (74,851) | (3,082,853) | (385,195) | (3,361,704) | - | (6,904,603) |
| Sales and marketing expense | - | - | - | (559,594) | - | (559,594) |
| Administration and other expense | (6,274) | - | - | - | (1,712,334) | (1,718,608) |
| Share based payments expense | - | - | - | - | (810,000) | (810,000) |
| Finance costs | - | - | - | - | (1,053,423) | (1,053,423) |
| Loss before income tax | (81,125) | (3,082,853) | (385,195) | (3,921,298) | (3,574,526) | (11,044,997) |
| Income tax expense | - | - | - | - | - | - |
| Loss after income tax for the | (81,125) | (3,082,853) | (385,195) | (3,921,298) | (3,574,526) | (11,044,997) |
| Total assets | 1,595 | 57,014 | - | 9,421,792 | 32,542,678 | 42,023,079 |
| Total liabilities | - | - | - | - | 28,993,872 | 28,993,872 |

Notes to the Consolidated Financial Statements

Note 3 Borrowings

The Company issued 35,000,000 6% convertible notes for \$35,000,000 on 16 September 2021. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 16 September 2024. If a note holder elects to convert all or part of its convertible notes, the minimum number of notes that may be converted is 250,000. The number of shares that will be issued on conversion is equivalent to the principal amount of notes converted divided by the fixed conversion price of \$0.264 per share.

The convertible notes are presented in the balance sheet as follows:

| | 31 December 2022 | 30 June 2022 |
|---------------------------------------------------------------|-----------------------------|-------------------------|
| | \$ | \$ |
| Face value of notes issued | 35,000,000 | 35,000,000 |
| Other equity securities - value of conversion rights (Note 5) | (6,585,538) | (6,585,538) |
| Costs associated with the issue of convertible notes | (1,229,759) | (1,229,759) |
| | 27,184,703 | 27,184,703 |
| Interest expense | 5,457,000 | 3,209,540 |
| Interest paid | (2,623,561) | (1,570,685) |
| Non-current liability | 30,018,142 | 28,823,558 |

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Notes to the Consolidated Financial Statements

Note 4 Equity

(a) Ordinary Shares

| | 31 December 2022 | | 30 June 2022 | |
|-----------------|--------------------|-------------------|--------------|------------|
| | No. | \$ | No. | \$ |
| Ordinary shares | 346,344,195 | 41,121,371 | 341,568,236 | 41,121,371 |

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

(b) Movements in Ordinary Shares Issued

| 31 December 2022 | | Number | \$ |
|------------------------------------|---------------------|--------------------|-------------------|
| At 1 July 2022 | | 341,568,236 | 41,121,371 |
| 21 Sept 2022 | Exercise of options | 1,050,030 | - |
| 23 October 2022 | Exercise of options | 725,929 | - |
| 18 Nov 2022 | Exercise of options | 3,000,000 | - |
| Balance at 31 December 2022 | | 346,344,195 | 41,121,371 |

| 2022 | | Number | \$ |
|--------------------------------|---------------------------------------|--------------------|-------------------|
| At 1 July 2021 | | 273,254,589 | 26,101,068 |
| 2 August 2021 | Placement (i) | 63,313,647 | 15,195,275 |
| 24 Mar 2022 | Issue of shares to Gibb River Limited | 5,000,000 | 950,000 |
| | Transaction costs | - | (1,124,972) |
| Balance at 30 June 2022 | | 341,568,236 | 41,121,371 |

i) Shares were issued to provide working capital to the Company.

Notes to the Consolidated Financial Statements

Note 5 Convertible Note Reserve and Other Reserves

| | 31 December 2022 | 30 June 2022 |
|--------------------------------------|---------------------|-------------------|
| | \$ | \$ |
| Convertible note reserve | 6,585,538 | 6,585,538 |
| Share based payments reserve | 4,495,972 | 3,801,611 |
| Foreign currency translation reserve | (69,191) | (79,761) |
| Other reserves | 4,426,781 | 3,721,850 |
| Total reserves | 11,012,319 | 10,307,388 |

Convertible note reserve

The amount shown for other equity securities is the value of the conversion rights relating to the 6% convertible notes, details of which are shown in note 3.

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Note 6 Share-based Payments

| | 31 December 2022 | 31 December 2021 |
|-----------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Options issued to employees | 609,361 | - |
| Options issued to consultants | 85,000 | - |
| Options issued to Directors (i) | - | 810,000 |
| Total share-based payments | 694,361 | 810,000 |

On 30 August 2022, the Company issued 3,808,507 zero priced unlisted options to employees of the Company of the employees' achievement of short term incentive milestones. The options were issued in accordance with the Company's Option Plan and have been valued based on the closing share price on the grant date being 16 cents. The total value of \$609,361 has been recognized as share-based payments expense in the statement of profit or loss.

On 30 August 2022, the Company issued 1,000,000 unlisted options to a brand consultant to provide ongoing advice to the Company and to incentive the consultant to promote the Company's brand and products.

Notes to the Consolidated Financial Statements

Note 6 Share-based Payments (continued)

The options issued to employees and the consultant during the period have been valued using the Hoadley ES02 valuation Model. The model and assumptions are shown in the table below:

| | Employee Options | Consultant Options |
|----------------------------|-----------------------------|-------------------------------|
| Number of unlisted options | 3,808,507 | 1,000,000 |
| Grant date | 2 Aug 2022 | 2 Aug 2022 |
| Expiry date | 30 Aug 2027 | 5 Aug 2026 |
| Exercise price | \$0.00 | \$0.26 |
| Share price at grant date | \$0.16 | \$0.16 |
| Expected volatility | 85.09% | 85.09% |
| Risk-free interest rate | 2.90% | 2.90% |
| Valuation | \$609,361 | \$85,000 |

Note 7 Contingent Liabilities

There are no contingent liabilities at 31 December 2022 (30 June 2022: Nil).

Note 8 Dividends

There have been no dividends paid or declared by the Company as at 31 December 2022 (30 June 2022: Nil).

Note 9 Events After the Reporting Date

There were no events after the reporting date.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company and group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Kim Truter
Executive Director
Perth, Western Australia
6 February 2023

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
BURGUNDY DIAMOND MINES LIMITED**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Burgundy Diamond Mines Limited, which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Burgundy Diamond Mines Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Burgundy Diamond Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the consolidated entity incurred a net loss of \$10,227,716 and had net cash outflows from operating and investing activities of \$14,239,903 and \$1,639,305 respectively for the half-year ended 31 December 2022. As at that date, the consolidated entity had net liabilities of \$4,200,070. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility of the Half-Year Financial Report

The directors of the Burgundy Diamond Mines Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



RSM AUSTRALIA PARTNERS



AIK KONG TING
Partner

Perth, WA
Dated: 6 February 2023