2023

ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023

Burgundy Diamond Mines Limited
ABN 33 160 017 390

BURGUNDY
DIAMOND MINES

Annual Report
For the period ended 31 December 2023

Contents

Corporate Directory

Board of Directors

Michael O'Keeffe	Executive Chair
Kim Truter	Chief Executive Officer and Managing Director
Marc Dorion	Non-Executive Director
Stephen Dennis	Non-Executive Director (Appointed 30 January 2024)
Trey Jackson	Non-Executive Director (Appointed 30 January 2024)

Company Secretary

Brad Baylis

Registered Office

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South32 Tower

108 St Georges Terrace
Perth WA 6000

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Website:	www.burgundydiamonds.com
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Stock Exchange Listing

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

Auditors

KPMG Australia
235 St Georges Terrace
Perth WA 6000

Share Registry

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

Telephone: 1300 288 664

Managing Directors' Report

On behalf of the Board of Directors, I am pleased to present the Company's Annual Report for the financial period ended 31 December 2023 ("FY2023").

The year was a landmark for the company as we pivoted from a modest-sized exploration company into a globally significant diamond producer. Burgundy is now the world's leading publicly listed end-to-end diamond company, and the biggest diamond producer in Canada and the Group of 7 nations ("G7") worldwide.

In the early half of the year, as the transaction to acquire the Arctic Canadian Diamond Company Ltd. ("ACDC") and Arctic Canadian Diamond Marketing N.V. ("ACDM NV") was underway, we took the time to thoroughly review our portfolio of projects across globe. As a result of this review, we ceased diamond exploration in Botswana, Namibia, and curtailed activities in Chile. We carry 40% stake in the Naujaat project in Nunavut, Canada. We also made the difficult decision to withdraw from the Ellendale alluvial project in Western Australia. The primary reason for these decisions was to focus on the transformational acquisition of Ekati Diamond Mine ("Ekati") in the Northwest Territories of Canada a tier one jurisdiction. Ekati is the seventh largest diamond producer globally and has the third largest diamond endowment. Apart from these characteristics the asset has excellent infrastructure, people, and a plethora of high-quality development options at very low capital cost. This is unique in the industry and speaks to the quality of this asset which has a long history (25 years) of production and has many more years to offer. This asset now forms the benchmark for our growth aspirations.

We successfully completed the Ekati acquisition on 1 July 2023, and we successfully integrated the Burgundy teams throughout Canada, Belgium and Australia. We have continued to enhance our operations and improve the performance across all business units, centred primarily on our Ekati Diamond Mine in Canada's Northwest Territories and our selling activities in Antwerp, Belgium. Our manufacturing facilities in Perth, Australia also produced some of the finest polished fancy diamonds from our very own supply in Canada, ensuring provenance throughout.

I have been pleased to see the entire Burgundy team integrate and engage as one unified organisation under one global brand. Our people have been unwavering in their commitment and professionalism throughout what has been an immense period of change and growth. I would like to thank our people for their endurance, expertise and commitment.

We have worked hard during the year to meet with stakeholders, including investors, customers, contractors, senior government officials and community leaders. We strongly believe that a key to our success will be to treat all stakeholders with respect, as equals and as a valued part of our business. We also hosted some key investors, customers, and stakeholders on a site visit to Ekati mine in November last year, giving them first-hand experience and insight into our world class operations. The feedback from those who attended was extremely positive, in line with the effort and energy of our teams on site.

Importantly, during the year we worked hard to improve and evolve our operations, while maintaining safety as our top priority amid seeking extension of the life of mine at Ekati as well as looking at other growth opportunities. A landmark milestone of 25 years of production and 95 million carats produced was achieved at Ekati in October 2023. This is a terrific achievement and a testament to the quality of this asset, which still contains one of the largest undeveloped diamond resources in the world. We improved and stabilised mining production and consistently achieved mine planning targets each month in the back half of 2023, helping us to achieve the highest tonnage processed in the plant since 2013.

A key focus has been on identifying options to extend the mine life at Ekati. This work started early in the year and were able to develop an exciting new conceptual life of mine plan for Ekati, that will potentially extend operations towards 2040. This will be achieved through the extension of Misery underground, moving underground at Sable, developing an underground mine at Fox, processing a remnant stockpile at Fox, optimising the Point Lake project, and implementing the underwater remote mining project if trials are successful.

We also spent a lot of time reviewing the diamond sales process and diamond inventory pipeline. Whilst there is always room to improve, a key feature of our rough diamond sales process is the proprietary and company owned and managed auction platform. Our team in Antwerp, Belgium manage this process which is high valued and respected in the industry. The system allows full transparency, is competitive and fair to all customers. Most importantly it ensures we receive the most competitive market prices for our diamonds. As a result, we achieved excellent sales results despite a softer market in the second half of the year. This performance clearly demonstrates the strength of the Ekati asset performance, the value of Canadian provenance and how well our proprietary company auction process is managed in Belgium. Furthermore, we sold all available rough diamond inventory by the end of the year.

We are pleased that the global diamond market is also showing resilience and greater opportunities over the short to medium terms thanks, in part, to the responsible actions taken by the industry to manage the supply chain and the support we have received from our existing and new customers. As such, we are very confident in the strength of the natural diamond industry fundamentals where long-term demand is expected to outstrip supply.

In 2024 we will build on our success as we strengthen the long-term production plan at Ekati, further enhance our sales efforts and continue to advance value accretive growth opportunities to cement our position as the leading end to end listed diamond company.

Thank you again for all your support of Burgundy as we continue to grow the business and assert our position as the largest list pure play diamond company in the world.

Kim Truter
Chief Executive Officer and Managing Director

BURGUNDY
DIAMOND MINES

2023
DIRECTORS' REPORT

Directors' Report

The Directors of Burgundy Diamond Mines Limited ("BDM" or "the Company") present their report, together with the financial statements of the consolidated entity consisting of Burgundy Diamond Mines Limited and its controlled entities for the financial period ended 31 December 2023 ("FY2023").

Directors

The names and particulars of the Company's directors in office during the financial period and at the date of this report are as follows. Directors held office for this entire period unless otherwise stated.

Michael O'Keeffe (Executive Chair, appointed 15 June 2017)

Mr. O'Keeffe was the Managing Director of Glencore Australia Limited from 1995-2004 and was Executive Chair of Riversdale Mining Limited prior to that company being acquired by Rio Tinto PLC in 2011. Mr. O'Keeffe is currently the Executive Chair and former Chief Executive Officer of Champion Iron Limited which operates an iron ore project in Canada. Mr. O'Keeffe is a significant shareholder holding 4.78% of the ordinary share capital of the Company.

Current and former directorships of listed entities in the last three years:

Executive Chair of Champion Iron Limited (current)
Non-Executive Director of Mont Royal Resources Limited (current)

Special responsibilities:

Chair of the Board.

Interest in securities:

67,903,535 ordinary shares
5,000,000 convertible notes

Kim Truter (Chief Executive Officer & Managing Director, appointed 17 November 2022 and previously non-executive director, appointed 22 September 2020)

Mr. Truter was most recently the Chief Executive Officer of De Beers Canada from 2015 to 2019. During his tenure he led the successful completion and ramp-up to full production of the $1.0 billion Gahcho Kué diamond project in Canada, as well as the value-adding acquisition of the former Peregrine Diamonds assets. He was also a member of the De Beers Group executive team, driving global business performance across operations, sales, and marketing.

Previously, Mr. Truter served as Chief Operating Officer of Rio Tinto Diamonds, managing their global portfolio in Australia, Canada and Zimbabwe. He also served as Managing Director of Argyle Diamond Mines Pty Limited in Australia and as the President and Chief Operating Officer of Diavik Diamond Mines Inc in Canada.

Mr. Truter brings over 30 years of mining experience in both surface and underground operations and large-scale project development across multiple geographies. He has substantial diamond experience, providing executive global leadership in Canada, Australia and Africa; often in complex, remote and challenging operating environments. He has worked extensively with communities and governments to ensure that local benefits are sustainably established. His proven leadership capabilities include a very strong dedication to safety, productivity and financial performance improvement.

Current and former directorships of listed entities in the last three years:

None.

Special responsibilities:

None.

Interest in securities:

527,000 ordinary shares
15,048,526 unlisted options

Marc Dorion (Non-Executive Director, appointed 5 July 2020)

Mr. Dorion is a partner in the Business Law Group of prominent Canadian law firm McCarthy Tétrault, based in Montreal, where he supervises the natural resources group in Québec. He received his LLL from the Université de Sherbrooke, Quebec, Canada then did post graduate studies in corporate taxation at Osgoode Hall Law School, York University. His practice focuses on development, financing, construction and operation of major projects in the natural resources, energy, infrastructure and industrial sectors. He received the titles of Advocate Emeritus from the Quebec Bar and also of Queen's Counsel.

Current and former directorships of listed entities in the last three years:

None.

Special responsibilities:

Chair of the Human Resources and Compensation Committee and member of the Audit and Risk Committee

Interest in securities:

12,541,667 ordinary shares

Stephen Dennis (Non-Executive Director, appointed 30 January 2024)

Mr. Dennis has experience in the resource industry spanning over 35 years during which he held various joint venture roles and senior management positions in Australia and internationally. He has been involved in all aspects of the mining and resources business throughout his career, including the financing and development of major mine projects with strong track record of achieving positive results. He has held senior operational and commercial positions in MIM Holdings Limited, where he spent four years based at Mount Isa Mines operations, CBH Resources Limited, Brambles Australia Limited and Minara Resources Limited.

Current and former directorships of listed entities in the last three years:

Non-Executive Chair of Rox Resources Limited (current)

Non-Executive Chair of Marvel Gold Limited (current)

Non-Executive Director of Evolution Energy Minerals Limited (current)

Special responsibilities:

Chair of the Audit and Risk Committee and member of the Human Resources and Compensation Committee.

Interest in securities:

2,100,000 ordinary shares

Trey Jackson (Non-Executive Director, appointed 30 January 2024)

Mr. Jackson has more than 25 years of experience in the metals & mining and energy sectors as a private equity investor and executive in the US, Canada, Europe, and Australia, including numerous board appointments to private and public companies.

Mr. Jackson was an executive with The Cline Group from 2011 to 2019 as part of the team that built Foresight Energy from a greenfield development into a public company. While at The Cline Group, Mr. Jackson was the Chief Commercial Officer during the period the company developed the Coalspur and Donkin mines in Canada. He also led the acquisition, expansion, and divestment of Cline's subsidiary Convent Marine Terminals and served as company president during his tenure there.

Currently, Mr. Jackson serves as a co-founder of PBE Mining, a mining technology company with global patents and operations in Australia, and Tetra Resources, an Australian mining operator. With his experience serving on boards, including a prior Director role for a NYSE listed company, he brings a depth of experience and knowledge.

Current and former directorships of listed entities in the last three years:

None.

Special responsibilities:

Member of the Audit and Risk committee and member of Human Resources and Compensation Committee.

Interest in securities:

None.

Chief Financial Officer & Company Secretary

Brad Baylis (appointed on 26 April 2023)

Mr. Baylis has more than 25 years of experience in the energy and mining sectors in leadership roles spanning commercial, corporate, and operational finance. Mr. Baylis was most recently the Chief Financial Officer for Air Tindi, a regional airline based in Yellowknife in the Northwest Territories of Canada. Previous roles include the Chief Financial Officer of De Beers Canada and the Chief Financial Officer of Riverdale Resources.

Interest in securities:

None.

Principal Activities

The principal activities during the financial year were the operation of the 100% owned world class Ekati diamond mine located in Canada's Northwest Territories, sale of rough diamonds through auctions held in Antwerp Belgium and sale of polished diamonds manufactured in Burgundy's cutting and polishing facility in Perth Australia.

Review of Operations

During the period ended 31 December 2023, the focus of the Company was the integration of the transformational purchase of 100% interest in Ekati mine into the Burgundy portfolio. Specific activities focused on optimising Ekati's current mine performance and extending mine life through underwater remote mining, assessment of the Jay deposit and Fox and Sable Underground opportunities, and systematic exploration using newly applied machine learning (artificial intelligence) technology.

For the purpose of providing comparable information for the period 1 July 2022 to 31 December 2022, the Group has presented tonnes mined, ore processed, carats recovered, carat inventory on hand and carats sold by ACDC and ACDM NV for the period prior to acquisition by Burgundy.

During the period, a total of 9.2 million tonnes were mined, down 28% over the same period in 2022 (July to December 2022: 12.8 million tonnes) due to lower waste movement requirements in 2023. Whereas a total of 2.3 million tonnes of ore were mined, up 77% over the same period in 2022 (July to December 2022: 1.3 million tonnes).

A total of 2.1 million tonnes of ore was processed through the process plant during the period up 8% from the same period in 2022 (July to December 2022: 2.0 million tonnes). The plant performed extremely well in 2023 with the ore processed through the plant for the year was the most since 2014.

During the period, 2.6 million carats were recovered, up 27% versus the same period in 2022 (July to December 2022: 2.0 million carats). Carats recovered were higher than previous period due to better plant performance and improved grade. The Group ended the year with 1.3 million carats in ending inventory up 43% versus ending inventory in 2022 (0.9 million carats). The ending inventory represents the normal work in progress and finished goods inventory based on the current sales cycle.

Capturing incremental margins along the diamond value chain by cutting and polishing coloured Ekati diamonds at Burgundy's commercial facilities in Perth and leveraging collaborative sales agreements with international jewellers remains a key focus.

Further, the Group continues actively assessing merger and acquisition ("M&A") opportunities to build out a balanced portfolio of diamond projects in Tier 1 jurisdictions.

Sales and Marketing

During the period, the Group held seven rough diamonds auctions in our Antwerp office. Out of the seven auctions, five were for regular stones and the remaining two auctions were for special stones (stones over 10.8 carats).

During the period, 2.6 million carats were sold, up 18% over the same period in 2022 (July to December 2022: 2.2 million carats) for total proceeds of $257.5 million up 28% over the same period in 2022 (July to December 2022: $201.5 million). Despite the extremely challenging rough diamond market the Group was able to sell all available product as Ekati Canadian natural diamonds provide customers with sustainably produced high-value diamonds with low fluorescence, optimal assortment, and unique fancy colours.

During the period, the Group's cutting and polishing facilities in Perth continued to operate at full capacity, refining third-party rough diamonds purchased in 2022 and 2023. The Group is developing its channel strategy and anticipates further sales collaborations in 2024.

Corporate

Board and Executive Appointments

On 30 January 2024, the company announced that Mr. Stephen Dennis and Mr. Trey Jackson were joining the board of Burgundy Diamond Mines.

Mr. Dennis, who previously served as Burgundy Chair, re-joined the board as a non-executive independent director and will now also be the Chair of the Audit and Risk Committee. Mr. Dennis is based in Australia and is a highly experienced director who serves on various resource company boards. Prior to his board appointments, Mr. Dennis had a long and illustrious career in the resource industry spanning over 35 years during which he held various senior management positions both in Australia and internationally.

Mr. Jackson, previously served on the board of directors for Arctic Canadian Diamond Company Ltd (subsidiary acquired by Burgundy), joined the board as a non-executive independent director. Mr. Jackson has more than 25 years of experience in the metals & mining and energy sectors as a private equity investor and executive in the US, Canada, Europe, and Australia, including numerous board appointments to private and public companies.

Change of Financial Year-End and Reporting Currency

On 30 November 2023, the Company changed the financial year-end from 30 June to 31 December to align with the operations in Canada. In addition, the Company changed its reporting currency from Australian dollars to US dollars.

Capital Raising

As part of the consideration transferred for the acquisition of Arctic Companies, on 1 July 2023, the Company issued 278,829,226 fully paid ordinary shares escrowed to 1 July 2024, to Arctic Canadian Diamond Holding LLC and 2L Loan Lenders.

Issue of Unlisted Options

On 21 November 2023, the Company issued 10,000,000 unlisted options to the Chief Executive Officer with exercise price of AUD0.30.

On 1 December 2023, the Company issued 12,065,136 options to senior executives including the Chief Executive Officer and Chief Financial Officer with exercise price of AUD0.1764.

Results of Operations

The net loss of the Group for the period ended 31 December 2023 was $0.7 million (30 June 2023: net loss of $17.8 million). The significant decrease in net loss reflects the income generated primarily from sale of rough diamonds recovered from Ekati Diamond Mine during the period, whereas prior year net loss arose from loss on sale of polished diamonds and polished diamond inventory write-down, impairment of Ellendale Diamond Project and transaction costs incurred in acquisition of Arctic Companies.

Financial performance for the previous five years is as follows:

(US$ '000)	31 December 2023	30 June 2023	30 June 2022	30 June 2021	30 June 2020
Net (Loss) after tax	(676)	(17,802)	(13,601)	(9,088)	(2,204)
(Loss) per share (cents per share)	(0.05)	(5.09)	(4.09)	(3.61)	(1.66)
Share price at end of the period (AUD)	0.195	0.30[i]	0.14	0.29	0.096

[i] As at 30 June 2023, the Company's shares were voluntarily suspended from quotation on the ASX, the share price represented the share price as at 19 December 2022, the Company as subsequently reinstated on 5 July 2023.

[ii] Prior year comparatives have been translated from Australian Dollar to US Dollar at the closing spot rate as at end of the respective year-end.

Financial Position

The statement of cash flows shows a decrease in cash and cash equivalents for the period ended 31 December 2023 of $30.9 million (30 June 2023: net increase of $111.0 million). During the period, the Group generated $68.0 million from operating activities primarily from sales of rough diamonds and working capital related timing adjustments. Cash used in financing activities of $30.7 million related to $26.6 million in repayment of debt assumed with the Ekati acquisition and $4.1 million of principal lease repayments. Cash used in investing activities of $68.0 million mainly comprised of $28.0 of consideration transferred for acquisition of Arctic Canadian Diamond Company ("ACDC") net of cash acquired, $12.6 million on purchase of property, plant and equipment and $27.8 million related to cash collateral for reclamation security and surety deposits. As at 31 December 2023, the Group had funds of $94.4 million (30 June 2023: $125.4 million of which $123.4 million were held in escrow pending acquisition of 100% of the common shares of ACDC on 1 July 2023, with a balance of $1.9 million available for future operational use).

Material risks and uncertainties

The Board is responsible for overseeing the processes used by management to assess and manage risk, including the identification by management of the principal risks of the business and the implementation of appropriate systems to address such risks.

The Group is subject to a number of risks and uncertainties as a result of our operations, each of which could have a material adverse effect on our business prospects or financial condition. These factors include, among other things:

Operational risks

- the uncertain nature of mining activities, including risks associated with underground construction and mining operations.
- risks associated with the estimates related to the capital expenditures required to sustain and grow mining operations.
- due to the remoteness of our mining operations, we are forced to rely heavily on a seasonal winter road or air transport for the supply of goods and services. Both forms of transport are very susceptible to disruptions due to adverse weather conditions, resulting in unavoidable delays in planned programs and/or cost overruns.
- variations in mineral resource and mineral reserve estimates or expected recovery rates.
- failure of plant, equipment or processes to operate as anticipated.
- mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mining operations. To the extent that the Group's operations are subject to uninsured environmental liabilities, the payment of such liabilities could have a material adverse effect on the Group.

- risks associated with potential environmental liabilities, our estimates related to reclamation plans and costs, and any increase to the amount or change in the form of security required to be posted in connection with such plans and costs.
- modifications to mine plans and capital development schedule as planned projects are optimized.
- the risk of increased demand for synthetic diamonds or the presence of undisclosed synthetic diamonds in jewellery, negatively impacting demand for diamond jewellery.
- disruption, damage or failure of information technology systems from a variety of sources, including, but not limited to, cable cuts; damage to physical plants; natural disasters; terrorism; fire; power loss; hacking, cyber-attacks and other information security breaches; non-compliance by third party service providers; computer viruses; vandalism and theft.

Financial risks

- the risk that future diamond price assumptions may prove to be incorrect.
- risks resulting from macro-economic uncertainty in financial markets and other world economic conditions.
- the risk of fluctuations in diamond prices and changes to consumer demand in the principal markets of the US, China and India.
- cash flow and liquidity risks including our ability to generate sufficient cash to service our debt obligations, working capital requirements and financial commitments.
- the risk of fluctuations in the Australian, Canadian and US dollar exchange rate.
- risks related to our ability to meet our employee benefit obligations.

Laws and regulations

- modifications to existing practices so as to comply with any future permit conditions that may be imposed by regulators.
- risks associated with regulatory requirements and the ability to obtain all necessary regulatory approvals and permits.
- delays in obtaining approvals and lease renewals.
- labour disputes and disruptions related to the collective bargaining agreement at the Ekati Diamond Mine.

As part of the Group's risk oversight practices, we have:

- An Audit and Risk Committee (from January 2024) comprised of members of the Board of Directors of the Company, which, pursuant to its charter, has a mandate to assist the board in fulfilling its financial reporting and risk oversight responsibilities. During the period ended 31 December 2023, the Board of Directors was responsible for performing this function.
- Key executives of the Group who are tasked with overseeing the day-to-day management of the primary business of the Company, including the implementation of appropriate systems to monitor, control, report on and mitigate principal risks.
- A Burgundy Diamond Mines' Code of Conduct which is applicable to its subsidiaries and sets out the standards which guide the conduct of our business and behaviour of all employees, suppliers, contractors, agents, advisors and other representatives when dealing or acting on behalf of the Company and its subsidiaries. The Code of Conduct is a risk management tool that exemplifies our commitment to maintaining high standards of conduct.
- Whistleblower Policy, which together ensures a formal, simple and anonymous channel to report concerns regarding fraud or significant ethical issues related to the Group.

Dividends

No dividends have been paid or declared by the Company since the end of the previous financial period. No dividend is recommended in respect of the current financial period.

Significant Changes in the State of Affairs

There were no other significant changes in the state of affairs of the Group other than those described within the operating and corporate activities review.

Matters Subsequent to The Reporting Period

(i) Surety bond agreement for Point Lake

In February 2024, the Group entered into an agreement with surety providers to issue a new surety bond for CDN$13.6 million that was issued on 1 March 2024, pursuant to the security requirements for Phase Two development for Point Lake Water Licence.

The associated surety bond agreement requires the Group to collateralise the surety bond on an aggregate basis of 30% in 2024, 50% in 2025, 70% in 2026 and 100% in 2028. The initial 30% collateral payment was secured by way of a fully cash collateralised irrevocable letter of credit issued to the surety provider. After the issuance of the letter of credit of CDN$4.0 million the remaining Letter of Credit facility available to the Group is CDN$2.7 million.

(ii) Agreement-in-principle negotiated for surety bond payment commitments

On 14 March 2024, the Group announced that an agreement-in-principle with surety providers had been reached to extend the cash collateralisation schedule of the remaining surety commitments (excluding Point Lake) over four years, instead of full payment by end of June 2024. As per the revised cash collateralisation schedule the Group would make quarterly instalments of CDN$14.5 million, concluding with a final payment of approximately CDN$9.7 million in the third quarter of 2027. The revised payment schedule is consistent with the existing Ekati life of mine and is subject to entry of long form documentation with surety providers.

Likely Developments and Expected Results

The strategic objectives of the Group are to create shareholder value through the operation of an end-to-end diamond company, with activities including exploration, project development, mining, cutting, and polishing and retail jewellery sales. Expected results have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Directors' Meetings

The number of Directors' meetings held during the financial period and to the date of this report and the number of meetings attended by each Director during the time the Director held office are:

	Board		Audit and Risk Committee		Human Resources and Compensation Committee	
	Held(i)	**Attended**(ii)	**Held**(i)	**Attended**(ii)	**Held**(i)	**Attended**(ii)
Kim Truter	2	2	—	—	—	—
Michael O'Keeffe	2	2	—	—	—	—
Marc Dorion	2	2	—	—	—	—

(i) Number of meetings held during the time the director held office or was a member of the committee during the period.

(ii) Number of meetings attended.

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Directors' appointment

Mr. Stephen Dennis and Mr. Trey Jackson were appointed as directors of the Board of Burgundy Diamond Mines. From 1 January 2024 onward, Michael O'Keeffe became non-executive chair of the Board.

Rounding

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 and, in accordance with that Class Instrument, amounts in the directors' report and financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Remuneration Report (Audited)

This remuneration report for the period ended 31 December 2023 outlines the remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* ("the Act") and its regulations. All amounts are in United States Dollars unless otherwise noted. This information has been audited as required by section 308(3C) of the Corporations Act 2001.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The KMP of the Company for the period ended 31 December 2023 are as follows:

	Role	Appointment	Resigned
Michael O'Keeffe	Executive Chair	15 June 2017	N/a
Kim Truter	Chief Executive Officer and Managing Director	17 November 2022	N/a
Marc Dorion	Non-Executive Director	5 July 2020	N/a
Brad Baylis	Chief Financial Officer and Company Secretary	26 April 2023	N/a

Voting and comments made at the Company's 2022 Annual General Meeting ("AGM")

At the 21 November 2023 AGM, 80.51% of the votes received supported the adoption of the remuneration report for the period ended 30 June 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Remuneration Philosophy

Members of key management have authority and responsibility for planning, directing and controlling the activities of the Company. During the financial period, KMP of the Company comprises the Board of Directors, Chief Executive Officer and Chief Financial Officer.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining, and motivating people of the highest quality.

Lane Caputo were engaged as remuneration consultants during the financial period to review the amounts and elements of KMP remuneration and provide recommendations in relation thereto. Based on their advice the Company implemented the following:

(i) introduced the deferred and restricted share unit plans as part of the long-term incentive for directors and executives;

(ii) aligned the salary and board fees of directors and executives to the comparable range as noted in the Lane Caputo report; and

(iii) implemented Director and Officer Share ownership standard.

The Board undertook its own inquiries and review of the processes and procedures followed by Lane Caputo during the course of its assignment and is satisfied that the remuneration recommendations were made free from undue influence.

These inquiries included arrangements under which Lane Caputo was required to provide the Board with a summary of the way in which it carried out its work, details of its interaction with KMP in relation to the assignment and other services, and respond to questioning by members of the Board after the completion of the assignment.

Lane Caputo were paid $35,061 as fees for their services.

Remuneration Governance, Structure and Approvals

The remuneration of Directors is currently set by the Board, however, in the first quarter of 2024, the Human Resources and Compensation Committee was established to carry on the remuneration governance and approval function. The nature and amount of remuneration is collectively considered by the Board with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high-performing Directors.

The Board and the subsequent Human Resources and Compensation Committee established in the first quarter of 2024 is primarily responsible for:

- The over-arching executive remuneration framework;
- Operation of the incentive plans which apply to executive directors and senior executives, including key performance indicators and performance hurdles;
- Remuneration levels of executives; and
- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fairly competitive and aligned with the long-term interests of the Company.

Non-Executive Remuneration Structure

The remuneration of Non-Executive Directors consists of Directors' fees (plus statutory superannuation), payable in arrears. The current maximum total aggregate fixed sum per annum that may be paid to Non-Executive Directors in accordance with the Company's Constitution is $238,193 (AUD350,000) which may be varied by ordinary resolution of the Shareholders in a General Meeting. The Company will be seeking to increase the maximum total aggregate fixed sum per annum at the next General Meeting.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors. In accordance with the Company's Constitution, the Directors may at any time, subject to the Listing Rules, adopt any scheme or plan which they consider to be in the interests of the Company, and they may from time to time vary this scheme or plan.

Remuneration may also include an invitation to receive retainer compensation in the form of Deferred Share Units per the terms of the program.

Executive Remuneration Structure

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of high-performance individuals.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Company, the performance of the Executives and the general pay environment.

Relationship between Remuneration and Company Performance

The remuneration framework for KMP comprises fixed remuneration and at-risk components comprising short-term and long-term variable incentives that are determined by individual and Company performance.

Fixed Remuneration

Fixed remuneration consists of fixed contractual salary or fees, employer contributions to pension funds and other employee benefits.

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and the knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary and regulatory and non-regulatory pension. It is structured as a total employment cost package.

KMP are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Lane Caputo were engaged as remuneration consultants during the period. Base salary is reviewed annually to ensure the executives' pay is competitive with the market. The remuneration of KMP is also reviewed on promotion. There is no guaranteed pay increase included in any KMP's contract.

Short-Term Incentives ("STI")

Short term incentives such as cash incentives may be awarded and are determined based on performance targets established by the Human Resources and Compensation Committee and take into consideration performance metrics such as the Company's performance against safety and environmental, social and governance ("ESG") goals, production metrics such as tonnes mined, tonnes processed and carats recovered and the individual employee's contribution to the Company's performance. The Human Resources and Compensation Committee has not exercised their discretion to reduce any performance-based elements of remuneration in the current period.

		Weight	Weighted Score
SAFETY		**20.0%**	
TRIF - Total Recordable Injury Frequency Rate	Rate	5.0%	6.8%
SIFP - Significant Injury Frequency Potential	Number/200,000 hours	10.0%	0.0%
FPE Reports	# of FPE Reports	5.0%	7.5%
ESG		**5.0%**	
Unsuccessful Landfill Inspections	Misdirected Waste %	2.5%	3.8%
Reportable Human Error Spills	Number/200,000 hours	2.5%	2.2%
MINING		**20.0%**	
Mining to Plan	% of m2 Scheduled	2.5%	3.7%
Total Tonnes Mined	WMT	10.0%	13.3%
CAT 793 Utilisation	WMT/gross Operating Hour	7.5%	0.0%
PROCESS PLANT		**20.0%**	
Total Tonnes processed	DMT	10.0%	9.9%
MUG Processed	MUG tonnes processed	5.0%	5.9%
Carats Recovered	Cts	5.0%	4.5%
MAINTENANCE		**15.0%**	
OEE - Overall Plant Equipment Effectiveness	%	7.5%	8.0%
Hauling Mechanical Availability	%	7.5%	7.2%
INDIVIDUAL CONTRIBUTION	%	**20.0%**	20.0%
TOTAL		**100.0%**	**92.8%**

Long-Term Incentives ("LTI")

Options may be issued at the Board's discretion. The Board is of the opinion that the expiry date and exercise price of the options currently on issue to the Directors and Executives is a sufficient, long-term incentive to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth.

During the period the Board also approved the Company's Restricted Share Units ("RSU") and Deferred Share Units ("DSU") plan in terms of which Executives were issued RSU and DSU awards as a long-term incentive to incentivise executives to enhance shareholder results. Both the RSU and DSU vest over a three-year vesting period, and on redemption are cash settled at the market value on date of redemption. Market value is determined as the 5 day volume weighted average trading share price of the Company's common shares on the ASX. RSU are exercisable upon vesting, whereas vested DSU are exercisable after the executive's departure (e.g. retirement, resignation, death) from the Company.

Financial Performance

Financial performance for the previous five years is as follows:

(US$ '000)	31 December 2023	30 June 2023	30 June 2022	30 June 2021	30 June 2020
Net (Loss) after tax	(676)	(17,802)	(13,601)	(9,088)	(2,204)
(Loss) per share (cents per share)	(0.05)	(5.09)	(4.09)	(3.61)	(1.66)
Share price at end of the period (AUD)	0.195	0.30[i]	0.14	0.29	0.096

(i) As at 30 June 2023, the Company's shares were voluntarily suspended from quotation on the ASX, the share price represented the share price as at 19 December 2022, the Company as subsequently reinstated on 5 July 2023.

(ii) Prior year comparatives have been translated from Australian Dollar to US Dollar at the closing spot rate as at end of the respective year-end.

Director and Officer Share Ownership Standard

Effective as of 1 December 2023, the Board of Directors of the Company has adopted a Share Ownership Standard to set out share ownership guidelines which will enhance alignment of the interests of non-executive directors and senior executive officers of the Company with its shareholders.

The share ownership requirements are as follows:

i. Senior Executive Officers

Senior executive officers of the Company are required to beneficially own, control or direct, directly or indirectly, common shares or share units (including Restricted Share Units and Deferred Share Units) of the Company (the "Shares") having minimum values as follows:

- Chief Executive Officer: Value equal to three (3) times the gross amount of his/her annual base salary.
- Chief Financial Officer: Value equal to two (2) times the gross amount of his/her annual base salary.
- Other named executive officers: Value equal to the gross amount of his/her annual base salary.

Individuals in office as at the effective date of this Policy (the "Effective Date") are required to achieve the applicable level of share ownership within five (5) years following the Effective Date. Senior executive officers hired subsequent to the Effective Date must achieve their minimum share ownership level within five (5) years from the date they are appointed a senior executive officer of the Company.

ii. Non-Executive Directors

Non-executive directors of the Company are required to beneficially own, control or direct, directly or indirectly, Shares of the Company having a value equal to three (3) times the gross amount of his/her annual director retainer. Individuals who are non-executive directors as at the Effective Date are required to achieve this level of share ownership within five (5) years following the Effective Date. Non-executive directors appointed subsequent to the

Effective Date must achieve this share ownership within five (5) years from the date they are elected or appointed a director of the Company.

Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Company for the period ended 31 December 2023 and 30 June 2023 are as follows:

31 December 2023	Short Term Benefits			Post-Employment Benefits		Share Based Payments			Total
	Base Salary and Fees	Short Term Cash Incentive paid	Short-Term Cash Incentive accrued (i)	Super-annuation	Other benefits (ii)	Equity-settled options	Equity-or cash settled options	Cash-settled restricted and deferred share units	
	$	$	$	$	$	$	$	$	$
Michael O'Keeffe	18,002	—	—	1,929	—	—	—	—	19,931
Kim Truter	318,552	81,478	246,601	4,774	78,637	102,010	18,610	119,417	970,079
Marc Dorion	19,892	—	—	—	—	—	—	—	19,892
Brad Baylis	121,759	20,112	57,335	—	36,374	—	9,305	59,709	304,594
Total	**478,205**	**101,590**	**303,936**	**6,703**	**115,011**	**102,010**	**27,915**	**179,126**	**1,314,496**

(i) Short-term cash incentive accrued as at 31 December 2023 payable in 2024.

(ii) Other benefits include annual vacation entitlement, defined pension contributions for Canadian residents, and taxable benefits for life insurance and Accidental Death and Dismemberment.

30 June 2023	Short Term Benefits		Post-Employment Benefits	Share Based Payments		Total
	Base Salary and Fees	Short Term Cash Incentive	Superannuation	Equity-settled options	Equity-settled shares	
	$	$	$	$	$	$
Michael O'Keeffe	36,614	—	3,844	—	—	40,458
Kim Truter	183,902	—	19,310	—	—	203,212
Marc Dorion	40,459	—	—	—	—	40,459
Peter Ravenscroft (i)	226,443	—	17,824	—	—	244,267
Total	**487,418**	—	**40,978**	—	—	**528,396**

(i) Resigned 22 November 2022.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Name	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
	31 December 2023	30 June 2023	31 December 2023	30 June 2023	31 December 2023	30 June 2023
Michael O'Keeffe	100%	100%	—	—	—	—
Kim Truter	50%	100%	25%	—	25%	—
Marc Dorion	100%	100%	—	—	—	—
Peter Ravenscroft (i)	—	100%	—	—	—	—
Brad Baylis	58%	—	19%	—	23%	—

(i) Resigned 22 November 2022.

The Proportion of the bonus payable or forfeited is as follows:

Name	Cash bonus payable		Cash bonus forfeited	
	31 December 2023	30 June 2023	31 December 2023	30 June 2023
Michael O'Keeffe	—	—	—	—
Kim Truter	100%	—	—	—
Marc Dorion	—	—	—	—
Peter Ravenscroft (i)	—	—	—	—
Brad Baylis	47%	—	—	—

(i) Resigned 22 November 2022.

Shareholdings of KMP (direct and indirect holdings)

The number of ordinary shares in the Company held by each KMP of the Company during the period ended 31 December 2023 is as follows:

	Balance at 1 July 2023	Issued as Remuneration	Acquired / Converted	Held at date of appointment/ (resignation)	Acquired	Balance at 31 December 2023
Michael O'Keeffe	67,903,535	–	–	–	–	67,903,535
Kim Truter	–	–	527,000	–	–	527,000
Marc Dorion	12,541,667	–	–	–	–	12,541,667
Brad Baylis	–	–	–	–	–	–
Total	**80,445,202**	–	**527,000**	–	–	**80,972,202**

Unlisted Option holdings of KMP (direct and indirect holdings)

The number of unlisted options in the Company held by each KMP of the Company during the period ended 31 December 2023 is as follows:

	Balance at 1 July 2023	Issued as Remuneration	Exercised	Held at Resignation	Balance at 31 December 2023
Michael O'Keeffe	–	–	–	–	–
Kim Truter	2,500,000	15,048,526	(2,500,000)	–	15,048,526
Marc Dorion	–	–	–	–	–
Brad Baylis	–	2,524,263	–	–	2,524,263
Total	**2,500,000**	**17,572,789**	**(2,500,000)**	–	**17,572,789**

KMP Contractual Arrangements

Kim Truter - Chief Executive Officer and Managing Director

Upon his new contract, which was issued on 1 July 2023, Mr. Truter's new annual remuneration package is to include the following key items:

- Fixed remuneration of CDN$800,000.
- Short-term cash incentive eligibility based on performance, equivalent to a target of 100% of Mr. Truter's base salary.
- Long term incentive eligibility comprising of three parts:
  - a RSU award valued at CDN$400,000 (50% of base salary) effective 1st December 2023. The RSU's will be valued at parity with the share price determined based on the volume weighted average price (VWAP) per share traded of the Company on the ASX over the five (5) trading days immediately preceding the identified issue date of 1 December 2023, unless otherwise specified. One third of the RSU award will vest annually on the anniversary of the original grant date over a three-year period per the terms of the plan. These RSU awards are cash-settled.
  - options award valued at CDN$400,000 (50% of base salary) effective 1 December 2023. The options quantum will be valued at 50% of face value share price determined based on the volume weighted average price (VWAP) per share traded of the Company on the ASX over the five (5) trading days immediately preceding the identified issue date of 1 December 2023, unless otherwise specified. A valuation factor of 0.5 is applied when determining the total award value. One third of the options award will vest annually on the anniversary of the original grant date over a three-year period per the terms of the plan. The options will expire 5 years from the date of the original grant. The option holder has the right to have these awards settled via issuance of Company shares, cashless exercise or payment in cash.
  - a one-off DSU award valued at CDN$2,400,000 (300% of base salary) effective 1 December 2023. The DSU's will be valued at parity with the share price determined based on the volume weighted average

price ("VWAP") per share traded of the Company on the ASX over the five (5) trading days immediately preceding the identified issue date of 1 December 2023, unless otherwise specified. One third of the DSU award will vest annually on the anniversary of the original grant date over a three-year period per the terms of the plan. Vested DSU's are exercisable only after departure from the Company. These DSU awards are cash-settled.

- Initial Share-Based Incentive comprising of three parts:
  - an option to purchase 5,000,000 Shares at a strike price of AUD0.30 per Share, which options shall vest on the date that is one year after the close of the acquisition of Arctic Companies, which option may be exercised within two years of the date on which they vest and, if not exercised by such date, shall expire.
  - an option to purchase 3,000,000 Shares at a strike price of AUD0.30 per Share which options shall vest on the date on which the Group's carat production in fiscal 2026 exceeds 3,000,000 carats, and which option may be exercised within two years of the date on which they vest and, if not exercised by such date, shall expire.
  - an option to purchase 2,000,000 Shares at a strike price of AUD0.30, which options shall vest on the date on which the Group's carat production in fiscal 2027 exceeds 3,000,000 carats, and which option may be exercised within two years of the date on which they vest and, if not exercised by such date, shall expire.

Brad Baylis - Chief Financial Officer

Upon his new contract, which was issued on 23 November 2023, Mr. Baylis' new annual remuneration package is to include the following key items:

- Fixed remuneration of CDN$400,000.
- Short-term cash incentive eligibility based on performance, equivalent to a target of 75% of Mr. Baylis' base salary.
- Long term incentive comprising of three parts:
  - a RSU award valued at CDN$200,000 (50% of base salary) effective 1 December 2023. The RSU's will be valued at parity with the share price determined based on the volume weighted average price (VWAP) per share traded of the Company on the ASX over the five (5) trading days immediately preceding the identified issue date of 1 December 2023, unless otherwise specified. One third of the RSU award will vest annually on the anniversary of the original grant date over a three-year period per the terms of the plan. These RSU awards are cash-settled.
  - options award valued at CDN$200,000 (50% of base salary) effective 1 December 2023. The options quantum will be valued at 50% of face value share price determined based on the volume weighted average price (VWAP) per share traded of the Company on the ASX over the five (5) trading days immediately preceding the identified issue date of 1 December 2023, unless otherwise specified. A valuation factor of 0.5 is applied when determining the total award value. One third of the options award will vest annually on the anniversary of the original grant date over a three-year period per the terms of the plan. The options will expire 5 years from the date of the original grant. The option holder has the right to have these awards settled via issuance of Company shares, cashless exercise or payment in cash.
  - a one-off DSU award valued at CDN$1,200,000 (300% of base salary) effective 1 December 2023. The DSU's will be valued at parity with the share price determined based on the volume weighted average price ("VWAP") per share traded of the Company on the ASX over the five (5) trading days immediately preceding the identified issue date of 1 December 2023, unless otherwise specified. One third of the DSU award will vest annually on the anniversary of the original grant date over a three-year period per the terms of the plan. Vested DSU's are exercisable only after departure from the Company. These DSU awards are cash-settled.

Non-Executive Director Arrangements

Non-executive directors receive a board fee and fees for chairing or participating on board committees**.** The term of each Non-Executive Director is open to the extent that they hold office subject to retirement by rotation, as per the Company's Constitution, at each AGM and are eligible for re-election as a director at the meeting. Appointment shall cease automatically if the Director gives written notice to the Board, or the Director is not re-elected as a Director by the shareholders of the Company. There are no entitlements following retirement or termination of an appointment.

The Non-executive Chair is paid a fee of $47,639 (AUD70,000 plus statutory superannuation) and Non-Executive Directors are paid fees of $37,430 (AUD55,000 plus statutory superannuation) per annum. The fee for chairing board committees is $5,104 (AUD7,500 plus statutory superannuation) and the fee for participating on board committees is $3,403 (AUD5,000 plus statutory superannuation) per annum.

Effective 1 January 2024, the Non-executive Chair is paid a fee of $166,339 (CDN$220,000) and Non-Executive Directors are paid fees of $90,730 (CDN$120,000) per annum. The fee for chairing board committees is $15,122 (CDN$20,000) per annum. Statutory superannuation is paid for directors that are resident of Australia.

The Company will be seeking to increase the maximum total aggregate fixed sum per annum at the next General Meeting.

Share-based Compensation

The Company may reward management for their performance and align their remuneration with the creation of shareholder wealth by issuing share options. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits. Details of shares and options issued to directors and other KMP as part of compensation during the period ended 31 December 2023 are noted below.

Options

The Company issued 17,572,789 options as part of compensation to KMP during the period.

Ordinary Shares

The Company issued no ordinary shares as part of compensation to KMP during the period.

Equity Instruments Issued on Exercise of Options

There were 2,500,000 options exercised during the period.

RSU and DSU awards

The Company issued 3,786,395 in RSU awards and 22,718,367 in DSU awards to KMP during the period.

Loans with KMP

There were no other loans made to any KMP during the period ended 31 December 2023 (30 June 2023: $nil). There were no loans from any KMP during the period ended 31 December 2023 (30 June 2023: $nil).

During the period ended 30 June 2022, Mr. Michael O'Keeffe subscribed for 5,000,000 unsecured convertible notes with a face value of AUD1. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 16 September 2024. 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 AUD0.264 per share. The interest rate is 6% per annum and during the period, interest of $98,186 was paid to Mr. O'Keeffe (30 June 2023, interest paid Mr. O'Keeffe was $201,960). At 31 December 2023, accrued interest payable due to Mr. O'Keeffe was $8,915 (30 June 2023, accrued interest payable due to Mr. O'Keeffe was approximately $7,113).

Other Transactions with KMP

At 31 December 2023, the Company had $19,684 of directors fees payable and $303,936 of bonuses payable to KMP. There were no other transactions with KMP during the period ended 31 December 2023.

This concludes the remuneration report, which has been audited.

Indemnification and Insurance of Officers and Auditors

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Environmental Regulations

Burgundy's subsidiary Arctic Canadian Diamond Company Ltd is subject to meeting Canadian Northwest Territories ("NWT") environmental regulations and Canadian Federal Environmental guidelines. We are currently evaluating the ESG reporting requirements. There have not been any known significant breaches of any environmental regulations during the period under review and up until the date of this report.

People

During period ended 31 December 2023, 31% of our Ekati employees were northern residents, and of this figure, over 70% were northern Indigenous. Our total number of employees and contractors in 2023 at the Ekati Diamond Mine was 1,217 including 724 employees and 493 contractors; in Belgium was 7 employees and in Australia was 12 employees.

Safety

We continue our commitment to mine in a safe and responsible way by providing our people with the data and information needed to perform their work safely. Two lost time injuries were experienced during the period ended across the Ekati Diamond Mine.

Environment

The Group invests in the communities in which it operates and is committed to protecting and reclaiming the environment. During the period ended 31 December 2023, there were no significant environmental incidents at the Ekati Diamond Mine.

Greenhouse Gas Emissions during the period ended 31 December 2023 were 79,420 tonnes of Carbon Dioxide equivalent.

As at 31 December 2023 the total site reclamation costs recorded as a liability on the statement of financial position was $236.2 million for the Ekati Diamond Mine. Further information regarding future site restoration costs is included in Note 25 of the consolidated financial statements.

The Group is in the process of assessing the reporting requirements under sustainability and ESG reporting.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of these proceedings.

Auditor

RSM Australia Partners resigned as auditor of the Company effective 21 November 2023, and KPMG Australia were appointed as auditor on 21 November 2023 in accordance with section 327 of the *Corporations Act* 2001.

Officers of the Company Who Are Former Partners of KPMG Australia

There are no officers of the Company who are former partners of KPMG Australia.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 for the period ended 31 December 2023 has been received and included within these financial statements.

Shares Under Option

At the date of this report there were the following unissued ordinary shares for which options are outstanding:

10,000,000 options expiring 23 September 2024, exercisable AUD0.36

1,000,000 options expiring 5 August 2026, exercisable AUD0.26

1,306,599 options expiring 30 August 2027, issued to employees in recognition of achieving performance milestones. There is no consideration payable for the options.

10,000,000 options expiring 20 November 2025, exercisable AUD0.36

12,065,136 options expiring 30 November 2028, exercisable AUD0.18

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in Note 32 to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

This report is signed in accordance with a resolution of the Board of Directors.

Michael O'Keeffe
Executive Chair

27 March 2024

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Burgundy Diamond Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Burgundy Diamond Mines Limited for the financial period ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

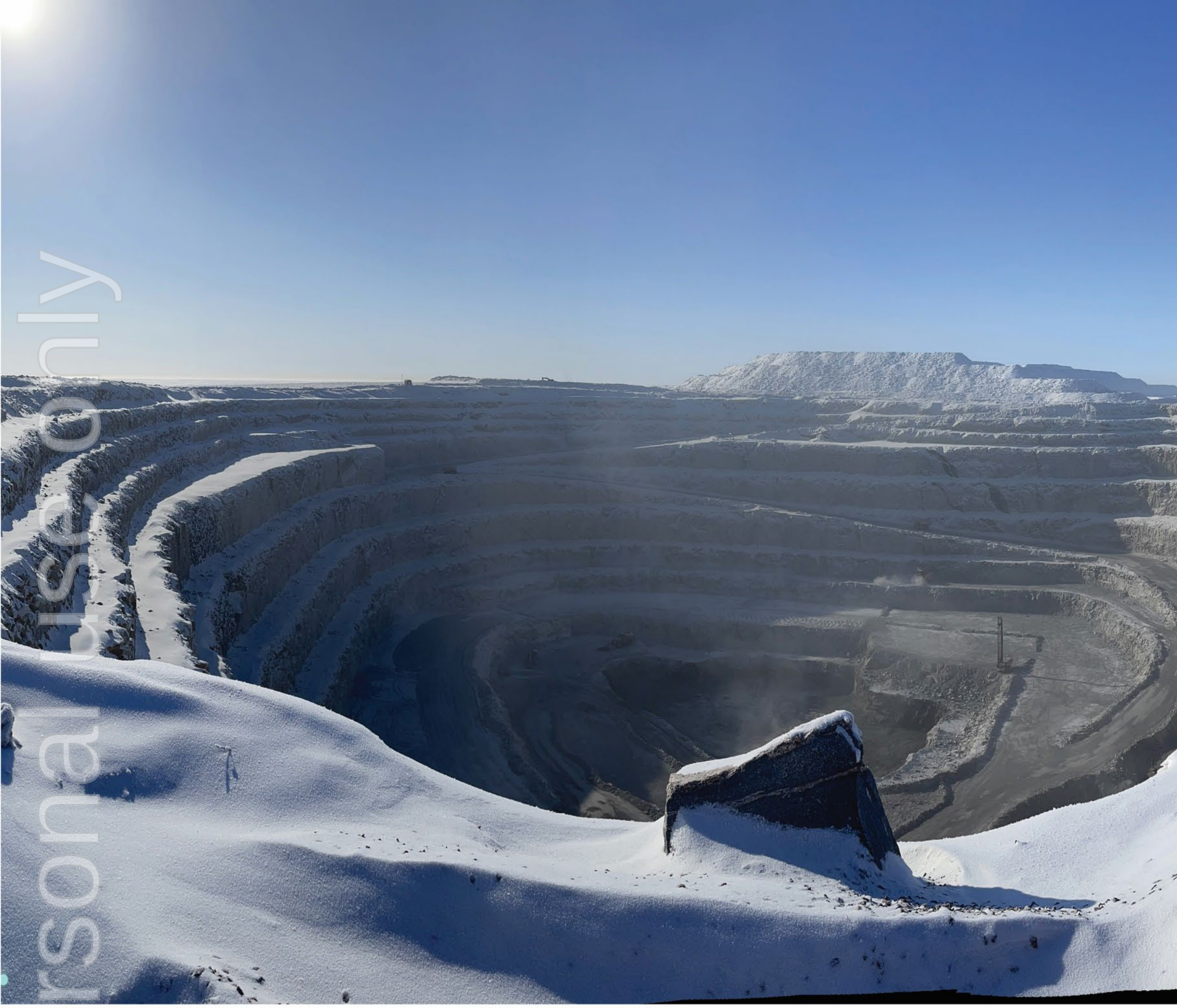
KPMG

Matthew Hingeley

Partner

Perth

27 March 2024



BURGUNDY
DIAMOND MINES

2023

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2023

Consolidated Statement of Loss and Other Comprehensive Loss
(expressed in thousands of United States dollars)

	Note	Six month period ended 31 December 2023	(Restated*) Twelve month period ended 30 June 2023
Revenue	6	257,484	3,452
Cost of sales	7	(231,146)	(6,203)
Gross margin		26,338	(2,751)
Other income	8	7,532	—
Selling and distribution expenses	7	(3,709)	(1,511)
General and administrative expenses	7	(10,460)	(3,749)
Other expenses	7	(2,049)	(7,694)
Operating profit (loss)		17,652	(15,705)
Finance expenses	9	(14,155)	(3,084)
Finance income		2,685	44
Net finance costs		(11,470)	(3,040)
Fair value adjustment on consideration payable	22	5,764	—
Foreign exchange (loss) gain		(864)	943
Profit (loss) before income taxes		11,082	(17,802)
Current tax expense	10	(14,951)	—
Deferred tax recovery	10	3,193	—
Tax expense		(11,758)	—
Net loss		(676)	(17,802)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		—	(0)
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit obligation (net of tax recovery of $0.3 million for period ended 31 December 2023)		(505)	—
Other comprehensive loss for the period, net of tax		(505)	(0)
Total comprehensive loss attributable to the owners		(1,181)	(17,802)
Loss per share for the period attributable to the owners:			
Basic loss per share (cents)	11	(0.05)	(5.09)
Diluted loss per share (cents)	11	(0.05)	(5.09)

* See Note 35 for further details on restatement of comparatives.

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

Consolidated Statement of Financial Position
(expressed in thousands of United States dollars)

	Note	31 December 2023	(Restated*) 30 June 2023
ASSETS			
Non-current assets			
Property, plant and equipment	12	238,518	718
Other non-current assets	13	74,941	—
Total non-current assets		**313,459**	**718**
Current assets			
Inventory and supplies	14	244,931	5,272
Other current assets		4,262	376
Plant and equipment classified as held for sale	12	—	22
Trade and other receivables	15	9,907	5,559
Cash and cash equivalents	16	94,426	125,355
Total current assets		**353,526**	**136,584**
Total assets		**666,985**	**137,302**
EQUITY			
Contributed equity	17	200,607	153,511
Reserves	18	6,796	7,324
Accumulated losses		(49,171)	(48,495)
Total equity		**158,232**	**112,340**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	19	73,834	20,845
Provision for make good	20	64	64
Contingent consideration	21	7,111	—
Consideration payable	22	25,935	—
Lease obligations	23	16,468	312
Employee benefit plans	24	3,828	—
Reclamation provisions	25	236,204	—
Deferred tax liabilities	10	22,202	—
Total non-current liabilities		**385,646**	**21,221**
Current liabilities			
Trade and other payables	26	54,017	3,644
Current portion of loans and borrowings	19	22,304	—
Current portion of consideration payable	22	10,844	—
Current portion of lease obligations	23	9,644	97
Current portion of employee benefit plans	24	354	—
Tax payable	10	25,944	—
Total current liabilities		**123,107**	**3,741**
Total liabilities		**508,753**	**24,962**
Total equity and liabilities		**666,985**	**137,302**

* See Note 35 for further details on restatement of comparatives.

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

Consolidated Statement of Changes in Equity
(expressed in thousands of United States dollars)
For the Period Ended 31 December 2023

(Restated*)	Note	Issued Capital	Convertible Notes Reserve	Other Reserves	Accumulated Losses	Total
At 1 July 2022		27,375	4,384	2,478	(30,693)	3,544
Net loss for the period		—	—	—	(17,802)	(17,802)
Effect of translating foreign operations to Company presentation currency		—	—	(0)	—	(0)
Total comprehensive loss for the period		**—**	**—**	**(0)**	**(17,802)**	**(17,802)**
Transactions with owners of the Group:						
Issue of share capital	17	131,304	—	—	—	131,304
Share issue costs	17	(5,168)	—	—	—	(5,168)
Share-based payments	29	—	—	462	—	462
At 30 June 2023		**153,511**	**4,384**	**2,940**	**(48,495)**	**112,340**
Net loss for the period		—	—	—	(676)	(676)
Re-measurement of defined benefit obligation		—	—	(505)	—	(505)
Total comprehensive loss for the period		**—**	**—**	**(505)**	**(676)**	**(1,181)**
Transactions with owners of the Group:						
Issue of share capital	17	47,096	—	—	—	47,096
Share-based payments	29	—	—	(23)	—	(23)
At 31 December 2023		**200,607**	**4,384**	**2,412**	**(49,171)**	**158,232**

* See Note 35 for further details on restatement of comparatives.

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

Consolidated Statement of Cash Flows
(expressed in thousands of United States dollars)

	Note	Six month period ended 31 December 2023	(Restated*) Twelve month period ended 30 June 2023
OPERATING			
Net loss		(676)	(17,802)
Adjustments for			
Depreciation and amortisation	7	43,897	554
Deferred tax expense	10	(3,193)	—
Current tax expense	10	14,951	—
Finance expenses	9	14,155	3,084
Share-based compensation		298	462
Other non-cash items		(234)	(31)
Derecognition of contingent consideration	21	(7,401)	—
Fair value adjustment on consideration payable	22	(5,764)	—
Private royalties paid	22	(4,739)	—
Unrealised foreign exchange loss (gain)		457	(986)
Defined benefit plan contributions	24	(906)	—
Impairment losses on inventory	7	146	2,131
Impairment of assets	7	—	2,488
Interest paid		(5,538)	—
Reclamation expenditures		53	—
Income taxes paid		(1,366)	—
Settlement of share-based compensation	29	(62)	—
Change in non-cash operating working capital			
Accounts receivable		4,629	(2,606)
Inventory and supplies		8,569	(258)
Other current assets		3,127	—
Trade and other payables		8,008	548
Employee benefit plans		(458)	(15)
Net cash from (used in) operating activities		**67,953**	**(12,431)**
FINANCING			
Net proceeds from issuance of shares		—	123,670
Repayment of borrowings	30	(26,626)	—
Lease payments	23	(4,116)	(95)
Net cash (used in) from financing activities		**(30,742)**	**123,575**
INVESTING			
Consideration for acquisition (net of cash acquired)		(27,994)	—
Proceeds from exercise of stock options		338	
Purchase of property, plant and equipment		(12,614)	(1,091)
Decrease in restricted cash	13	153	—
Increase in collateral for reclamation surety bonds	13	(11,943)	—
Increase in collateral for reclamation security deposits	13	(15,899)	—
Net cash used in investing activities		**(67,959)**	**(1,091)**
Net (decrease) increase in cash and cash equivalents		(30,748)	110,053
Cash and cash equivalents, beginning of the period		125,355	14,317
Foreign exchange effect on cash balances		(181)	985
Cash and cash equivalents, end of the period		**94,426**	**125,355**

* See Note 35 for further details on restatement of comparatives.

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

Notes to the Consolidated Financial Statements

NOTE 1 REPORTING ENTITY

Reporting Entity

Burgundy Diamond Mines Limited ("Burgundy" or "the Company") is a company limited by shares and domiciled in Australia. Burgundy's registered office is located at Level 25, South32 Tower, 108 St Georges Terrace, Perth WA 6000, Australia. The consolidated financial statements of the Company as at and for the period ended 31 December 2023 comprise the Company and its subsidiaries ("the Group") - see Note 2(e).

On 1 July 2023, the Group completed the acquisition of Arctic Canadian Diamond Company Ltd. ("ACDC") in Canada and Arctic Canadian Diamond Marketing N.V. ("ACDM") in Belgium (collectively referred to as "Arctic Companies").

The Company's Perth location focuses on cutting, polishing and sales of polished diamonds. ACDC owns 100% of Ekati Diamond Mine, a producing diamond mine located in Canada's Northwest Territories. Ekati Diamond Mine consists of the Core Zone, which includes the primary mining operations and other kimberlite pipes, as well as the Buffer Zone, an adjacent area hosting kimberlite pipes having both development and exploration potential. ACDM is a marketing business responsible for management of the supply chain, sorting, preparation, marketing and sales of rough diamonds from Ekati Diamond Mine. Refer to Note 4 for details of assets acquired and liabilities assumed.

NOTE 2 BASIS OF PRESENTATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). Burgundy Diamond Mines Limited is a for-profit entity for the purpose of preparing the financial statements.

The Group is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the consolidated financial statements are rounded off to the nearest thousand dollars ($'000), unless otherwise indicated.

The annual report was authorised for issue by the Board of Directors on 27 March 2024.

(b) Going concern

The consolidated financial statements have been prepared on the going concern basis that contemplates the continuity of business activities in the foreseeable future and the realisation of assets and extinguishment of liabilities in the normal course of operations. During the period ended 31 December 2023, the Group incurred a net loss of $0.7 million, generated cash flows of $68.0 million from operating activities and has net current assets of $230.4 million. The Group also has $231.4 million of contractual commitments of which $161.0 million (see Note 31) relates to surety cash collateralisation due in the second quarter of 2024 and $123.1 million of current liabilities due in the next 12 months. Included in current liabilities is the current portion of convertible notes of $23.8 million (face value) maturing on 16 September 2024, which will require cash settlement if not converted into shares by the noteholders on maturity.

Management has prepared a cash flow forecast for a period of 12 months ("forecast period") from the date of signing this report which indicates that the Group will generate sufficient cash flows from operations to repay obligations as they fall due. Operating cash flow assumptions are consistent with the historical mine performance. The cash flow forecast also assumes the following critical investing and financing assumptions:

- The agreement-in-principle reached with surety providers to issue a modified surety bond to extend the cash collateralisation schedule of the remaining surety commitments (excluding Point Lake) over four years, being CDN$14.5 million quarterly, instead of full payment of $161.0 million by the end of June 2024.

- Convertible notes of $23.8 million which mature on 16 September 2024 are either paid out, converted into equity or have terms renegotiated.
- Capital expenditure of $198.9 million of which $59.4 million relates to sustaining current operations and $139.5 million for development capital expenditures including $131.3 million that is strategic for the development of Point Lake.

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 consolidated financial statements after consideration of the following:

- On 14 March 2024, the Group announced that an agreement-in-principle with surety providers had been reached to extend the cash collateralisation schedule of the remaining surety commitments (excluding Point Lake) over four years, instead of full payment by end of June 2024 (see Note 37).
- Closer to maturity of the convertible notes the Group will proactively approach the convertible noteholders to extend the term of the notes. In the event a cash repayment is required ACDC and ACDM generate sufficient income and have sufficient cash reserves to advance an intercompany loan to the Company. Approval of surety providers is required prior to advancing funds from ACDC or ACDM to the Company.
- In the event that the cash flows become constrained, the Group can reduce development capital and exploration expenditures, including $139.5 million of development capital expenditure within the cash flow forecast, through postponing or pausing projects; deferring or cancelling discretionary spending.

Management is highly confident that the agreement-in-principle with the surety providers will be executed. However, as the revised agreement is not executed and should there be any unexpected variations to the agreement reached, as at the date of this report there is material uncertainty as to whether the Group can meet its commitments and obligations as they come due and continue as a going concern.

The consolidated financial statements do not reflect adjustments that might be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, adjustments to the carrying value of assets and liabilities would be necessary, the reported revenues and expenses and the statement of financial position classification used.

(c) Basis of measurement

The consolidated financial statements have been prepared in accordance with the historical cost convention unless otherwise stated.

(d) Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(e) Change in fiscal year end and comparatives

Effective 30 November 2023, the Company changed its fiscal year end from 30 June 2023 to 31 December 2023 to better align the Company’s financial disclosures with its peers in the mining sector and for operational and administrative efficiencies. The operating results represent the 6 month period from 1 July 2023 to 31 December 2023 ("Transitional Financial Year") with comparative figures being for the period from 1 July 2022 to 30 June 2023. Certain comparative figures have been reclassified to conform to the presentation adopted in the current period (see Note 34). Due to the longer comparative period, the comparative amounts presented are not entirely comparable.

(f) Change in functional and presentation currency

Effective 1 July 2023, the Company changed its functional and presentation currency from Australian Dollars (“AUD”) to US Dollars (“US$”). The change in functional and presentation currency of the Company is due to the increased exposure to the US dollar as a result of the growth in international operations through acquisition of the Arctic Companies, diamonds are traded in US$ predominantly globally and diamond prices are often quoted in US$ in diamond price indexes. Furthermore, the Company purchases diamond inventory in US$, all rough diamond sales are denominated in US$ and a significant portion of polished diamond sales are in US$. The Company and all subsidiaries now have a functional currency of US Dollars.

A change in presentation currency is accounted for retrospectively and a change in functional currency is accounted for prospectively from the date of change. On 1 July 2023, the financial position of Company was translated from Australian Dollar to US Dollar using the exchange rate of 0.66571 at that date. All comparative information as at 30 June 2023 including the consolidated statement of loss and other comprehensive loss, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and all comparative note disclosures were translated from Australian Dollar to US Dollar at the exchange rate as at 1 July 2023.

(g) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33.

(h) New, revised or amended standards and interpretations adopted by the Group

The Group adopted the following accounting standards and interpretations adopted during the period:

Deferred tax assets and liabilities arising from a single transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12) from 1 July 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

Adoption of the amendment to IAS 12 did not result in any material impact to the Group's consolidated financial statement figures or disclosures.

Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 36 Material accounting policies (30 June 2022: Significant accounting policies) in certain instances in line with the amendments.

(i) New accounting standards issued but not yet effective

Non-current liabilities with covenants (Amendments to IAS 1)

The International Accounting Standards Board ("IASB") has published 'Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. These amendments modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted. The Group is on track for implementation of this standard by the effective date and does not expect any material impact on the consolidated financial statements.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Judgements

- Note 27 (b) – Liquidity and capital risk management: forecasting cash flows for current and subsequent fiscal years;
- Note 36 (c) (ii) – Commercial production: the start date of commercial production;
- Note 36 (e) – Impairment: assessment of impairment indications;
- Note 36 (n) – Commitments and contingencies: assumptions about likelihood and magnitude of an outflow of resources; and
- Note 36 (r) – Functional currency: determination of functional currency.

b) Assumptions and estimates

- Note 36 (b) – Business combination: fair value of consideration paid, the assets acquired and liabilities assumed;
- Note 36 (c) (iv) – Depreciation and amortisation: ore reserve and mineral resource estimates and unit-of-production depreciation;
- Note 36 (e) – Impairment of non-financial assets: assumptions used to determine recoverable amounts;
- Note 36 (f) – Inventories: determination of net realisable value;
- Note 36 (j) – Pension benefits: key actuarial assumptions;
- Note 36 (k) – Mine rehabilitation and site restoration provision: expectation of future site closure and reclamation activities and the amount and timing of associated cash flows;
- Note 36 (l) – Recovery of deferred tax assets: assess the likelihood of taxable earnings;
- Note 36 (o) – Assumptions used in determining the fair value of Consideration Payable and Contingent Consideration; and
- Note 36 (u) – Share based payments: assumptions used in determining the fair value of the equity instruments at the date at which they are granted.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 4 ACQUISITION OF ARCTIC COMPANIES

On 14 March 2023, Burgundy announced that it had executed a binding share purchase agreement (“SPA”) with Arctic Canadian Diamond Holding, LLC (“Arctic Shareholder”) to acquire 100% of the issued capital of the Arctic Companies. The acquisition completion date was 1 July 2023 (the "Acquisition").

The Arctic Companies were acquired for total consideration of $117.5 million (“Consideration”) which comprised of total up front consideration of $103.2 million as follows:

- $21.7 million in ordinary shares of the Company issued to the Arctic Shareholder, through the issuance of approximately 129.2 million shares at an issuance price of AUD0.25 (“Consideration Shares”);
- A deferred payment of $8.4 million payable by December 2023 (“Deferred Payment”) to the Arctic Shareholder;
- Repayment of the $73.2 million outstanding debt balance owed by ACDC to the First and the Second Lien Term loan providers (the "Lenders"), who through the Arctic Shareholder entity were also the primary equity holders of Arctic Companies prior to the acquisition. Repayment to the lenders comprised of a $48.1 million cash payment and the issuance of US$25.1 million in Company shares to the lenders, based on the issue price of AUD0.25. This repayment serves as full settlement of the First Lien Term Loan and as partial settlement of the Second Lien Term loan of ACDC; and
- $100 promissory note issued to the Arctic Shareholder relating to the acquisition of ACDM.

In addition, the Company has agreed to the following earn-out payments to the Arctic Shareholder ("Contingent Consideration"):

- an earn-out cash payment of $7.5 million to the Arctic Shareholder in the first quarter of 2024, subject to the reported earnings before income tax, depreciation and amortisation ("EBITDA") of the Arctic Companies for the 2023 calendar year being equal to or exceeding $200.0 million ("Earn-out Payment 1"); and
- an earn-out cash payment of $7.5 million to the Arctic Shareholder in the first quarter of 2025, subject to the reported EBITDA of the Arctic Companies for the 2024 calendar year being equal to or exceeding $200.0 million ("Earn-out Payment 2").

Contingent consideration comprising of the two earnout notes totalling to $15.0 million was recorded at its fair value of $14.3 million. The fair value was measured using a discounted risk-free rate of 4.0% adopted based on the 5-year treasury bill as at 1 July 2023.

The breakdown of total consideration is noted in the table below and presented in USD '000:

	1 July 2023
Consideration shares	21,656
Deferred Payment	8,366
Debt Repayment	48,140
Debt Repayment Shares	25,069
Earn-out Payment 1	7,304
Earn-out Payment 2	6,970
Total consideration (i)	**117,505**

(i) *Total consideration also includes $100 for acquisition of ACDM*

The Acquisition has been accounted for as a business combination in accordance with IFRS 3, Business Combinations (“IFRS 3”). The results of Arctic Companies have been consolidated with those of the Company commencing on the Acquisition Date. The acquisition of Arctic Companies is to complete Burgundy’s strategy of becoming vertically integrated across the diamond value chain. Ekati Diamond Mine delivers rough diamond production that can be cut and polished in the polishing facilities in Perth and sold to end-customers.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

The purchase price was allocated to underlying assets acquired and liabilities assumed based on the fair values at the date of acquisition. With the involvement of external specialists, these fair values were determined as follows:

(i) Property, Plant and equipment: The valuation techniques applied consider market prices for similar items when these are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical and economic obsolescence. These values are further adjusted after comparison to the overall assessed fair value of the Ekati Diamond Mine.

(ii) Diamond inventory: Fair value is determined based on selling price in the ordinary course of business and a reasonable profit margin based on effort required to complete and sell these inventories.

Identifiable assets acquired and liabilities assumed

The following table provides the final fair values of net assets acquired:

	1 July 2023
Inventory and supplies	260,794
Other current assets	7,013
Trade and other receivables	8,942
Cash and cash equivalents	20,147
Property, plant and equipment	249,035
Other non-current assets	49,469
Trade and other payables	(33,251)
Consideration payable	(47,282)
Lease liabilities	(29,434)
Employee benefit plans	(3,121)
Reclamation provision	(226,302)
Income taxes payable	(12,385)
Loans and borrowings	(100,460)
Deferred tax liabilities	(25,660)
Total net assets acquired	**117,505**
Total consideration	**117,505**

Transaction costs of $7.5 million were incurred of which $5.2 million were capitalised to contributed equity as these relate to the share issuance as part of the Acquisition and $2.3 million were expensed in other expenses in consolidated statement of loss. These transaction costs were primarily related to professional fees, legal, consulting and advisory fees for services rendered in connection with the Acquisition. On acquisition date, the reclamation asset was valued at nil.

As the acquisition was completed on 1 July 2023 which is also the commencement of the fiscal year, revenue and income of Arctic Companies is included in the consolidated statement of loss from 1 July 2023, $257.0 million of revenue and $4.3 million of net profit of Arctic Companies were included in the consolidated statement of loss.

NOTE 5 SEGMENT INFORMATION

(a) Business segments

The identification of operating segments by management is based on product areas in internal reports regularly examined by the Board of Directors. This process facilitates resource allocation and performance evaluation for each segment based on differences in products or services. The Group's reportable segments comprise Rough Diamond and Polished Diamond. The Rough Diamond segment encompasses mining, sales and marketing of rough diamonds. The Polished Diamond segment encompasses manufacturing, sales and marketing of polished diamonds.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 1. Information regarding the Group's reportable segments is presented below.

For the six month period ended 31 December 2023	Rough Diamond	Polished Diamond	Total Reportable Segments	Unallocated Amounts	Total
Revenue	257,036	918	257,954	—	257,954
Elimination of inter-segment	(470)	—	(470)	—	(470)
Segment revenue	256,566	918	257,484	—	257,484
Cost of sales					
Production cost of inventories	(176,728)	(1,229)	(177,957)	—	(177,957)
Depreciation and amortisation	(53,189)	—	(53,189)	—	(53,189)
Total cost of sales	(229,917)	(1,229)	(231,146)	—	(231,146)
Gross margin	**26,649**	**(311)**	**26,338**	—	**26,338**
Other income	35	18	53	7,479	7,532
Selling and distribution expenses	(1,345)	(291)	(1,636)	(2,073)	(3,709)
General and administration expenses (i)	—	—	—	(10,460)	(10,460)
Other expenses	—	—	—	(2,049)	(2,049)
Operating profit (loss)	25,339	(584)	24,755	(7,103)	17,652
Finance expenses	(8,369)	—	(8,369)	(5,786)	(14,155)
Finance income	2,589	14	2,603	82	2,685
Fair value adjustment on consideration payable	5,764	—	5,764	—	5,764
Foreign exchange (gain) loss	346	(995)	(649)	(215)	(864)
Segment profit (loss) before taxes	25,669	(1,565)	24,104	(13,022)	11,082
Tax expense	(11,758)	—	(11,758)	—	(11,758)
Segment profit (loss) after taxes	**13,911**	**(1,565)**	**12,346**	**(13,022)**	**(676)**
Segmented assets as at 31 December 2023	**653,769**	**7,653**	**661,422**	**5,563**	**666,985**
Segmented liabilities as at 31 December 2023	**354,432**	**955**	**355,387**	**153,366**	**508,753**
Capital expenditures (ii)	11,880	—	11,880	1,629	13,509

(i) $0.6 million in depreciation and amortisation is included in selling and distribution expenses and in general and administrative expenses.
(ii) Capital expenditures includes PP&E additions and right-of-use assets.

(Restated) *For the twelve month period ended 30 June 2023*	Rough Diamond	Polished Diamond	Total Reportable Segments	Unallocated Amounts	Total
Revenue	—	3,452	3,452	—	3,452
Cost of sales					
Production cost of inventories	—	(4,072)	(4,072)	—	(4,072)
Inventory impairment	—	(2,131)	(2,131)	—	(2,131)
Total cost of sales	—	(6,203)	(6,203)	—	(6,203)
Gross margin	—	**(2,751)**	**(2,751)**	—	**(2,751)**
Selling and distribution expenses	—	(1,511)	(1,511)	—	(1,511)
General and administration expenses	—	—	—	(3,749)	(3,749)
Other expenses	—	—	—	(7,694)	(7,694)
Operating loss	—	(4,262)	(4,262)	(11,443)	(15,705)
Finance expenses	—	—	—	(3,084)	(3,084)
Finance income	—	—	—	44	44
Foreign exchange gain (loss)	—	48	48	895	943
Segment loss before taxes	—	(4,214)	(4,214)	(13,588)	(17,802)
Tax recovery (expense)	—	—	—	—	—
Segment loss after taxes	**—**	**(4,214)**	**(4,214)**	**(13,588)**	**(17,802)**
Segmented assets as at 30 June 2023	—	**5,658**	**5,658**	**131,644**	**137,302**
Segmented liabilities as at 30 June 2023	—	—	—	**24,962**	**24,962**
Capital expenditures	—	1,026	1,026	—	1,026

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(b) Geographical information:

The geographical information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. Revenues from external customers have been identified on the basis of the customer's geographical location and non-current assets are allocated based on their physical location.

	Revenue		Non-Current assets	
	31 December 2023	(Restated) 30 June 2023	31 December 2023	(Restated) 30 June 2023
Belgium	127,198	2,456	3,459	—
United Arab Emirates	93,399	—	—	—
India	19,635	—	—	—
Canada	733	—	237,293	—
Australia	193	759	575	718
Other	16,326	237	—	—
Consolidated	**257,484**	**3,452**	**241,327**	**718**

Non-current assets exclude financial instruments such as reclamation deposits and restricted cash.

During the period ended 31 December 2023, $37.2 million or 14% of the Group's revenues depended on a single customer in the Rough Diamond segment.

NOTE 6 REVENUE

	Period ended 31 December 2023	(Restated) Period ended 30 June 2023
Revenue streams:		
Rough diamond sales	256,566	—
Polished diamond sales	918	3,452
Total revenue	**257,484**	**3,452**

All revenue from rough and polished diamonds sales is recognised at a point in time when control transfers to the customer. See Note 36 (m) for further details.

NOTE 7 EXPENSE BY NATURE

Expenses including cost of sales, selling and distribution expenses, general and administrative expenses and other expenses as reported in the consolidated statement of loss, have been grouped by nature of expenses as follows:

	Period ended 31 December 2023	(Restated) Period ended 30 June 2023
Raw materials, consumables and spare parts	94,430	4,025
Salaries and employee benefits	44,649	1,908
Contractors and engineering services	45,365	328
Transaction costs	6	2,279
Property tax and insurance costs	7,833	58
Depreciation and amortisation	43,897	554
Exploration costs	1,884	2,927
Selling and distribution expenses	3,489	1,511
Impairment of assets	—	2,488
Impairment of inventory	146	2,131
Other	5,665	948
Total expenses	**247,364**	**19,157**

Total expenses as disclosed above are comprised of cost of sales, selling and distribution, general and administrative, and other expenses presented in the consolidated statement of loss.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 8 OTHER INCOME

Other income for the period ended 31 December 2023 consists primarily of the derecognition of the contingent consideration as the EBITDA threshold was not met.

	Period ended 31 December 2023	(Restated) Period ended 30 June 2023
Derecognition of contingent consideration (note 21)	7,401	—
Other	131	—
Total other income	**7,532**	**—**

NOTE 9 FINANCE EXPENSES

	Period ended 31 December 2023	(Restated) Period ended 30 June 2023
Interest on loans	3,733	—
Interest on convertible debt	739	1,398
Accretion of reclamation provision (note 25)	3,433	—
Accretion of convertible debt (note 30)	996	1,657
Accretion of contingent consideration (note 21)	238	—
Interest on lease liabilities (note 23)	989	29
Finance expense on reclamation deposits (note 13)	2,553	—
Other interest	1,474	—
Total finance expenses	**14,155**	**3,084**

NOTE 10 INCOME TAX

(a) The components of tax expense comprise:	Period ended 31 December 2023	(Restated) Period ended 30 June 2023
Current tax expense		
Current reporting period	14,951	—
Assessments and adjustments	—	—
Total current tax expense	**14,951**	**—**
Deferred tax recovery		
Origination and reversal of temporary differences	(3,193)	—
Assessments and adjustments	—	—
Change in unrecognised deductible temporary differences	—	—
Total deferred tax recovery	**(3,193)**	**—**
Total tax expense	**11,758**	**—**

Reconciliation of income tax expense to prima facie tax payable:		
Profit (loss) for the period	11,082	(17,802)
Income tax expense (benefit) using the domestic Corporate tax rate of 30% (30 June 2023: 25%)	3,325	(4,451)
Increase in income tax expense due to:		
Non-deductible expenses	690	1,634
Mining Royalty Tax in Canada, net of tax benefit	4,692	—
Timing differences not recognised	2,643	220
Current period tax losses	937	2,804
Effect of different statutory rates in foreign countries	(620)	—
Other	91	(207)
Tax expense	**11,758**	**—**

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(b) Net deferred tax assets not recognised

	Period ended 31 December 2023	(Restated) Period ended 30 June 2023
Net deferred tax assets not recognised		
Tax losses	8,684	7,747
Reclamation Provision	81,349	—
Timing differences	2,546	2,540
Total unrecognised net deferred tax assets	**92,579**	**10,287**

(c) Composition of deferred tax balances:

	(Restated) 30 June 2023	Recognised on Acquisition of Arctic Companies	Recognised in Statement of Profit or Loss	Recognised in Other Comprehensive Loss	31 December 2023
Deferred tax assets					
Inventory	—	7,578	7,401	—	14,979
Lease obligations	—	10,037	(1,342)	—	8,695
Employee Benefit Plans	—	1,079	28	265	1,372
Consideration Payable	—	12,530	(2,784)	—	9,746
Other deferred tax assets	—	5,657	373	—	6,030
	—	36,881	3,676	265	40,822
Reclassification to deferred tax liabilities	—	(36,881)	(3,676)	(265)	(40,822)
Deferred tax assets:	—	—	—	—	—
Deferred tax liabilities					
Property, plant and equipment	—	(62,087)	1,195		(60,892)
Other deferred tax liabilities	—	(454)	(1,678)	—	(2,132)
	—	(62,541)	(483)	—	(63,024)
Reclassification from deferred tax assets	—	36,881	3,676	265	40,822
Deferred tax liabilities:	—	(25,660)	3,193	265	(22,202)

As at 31 December 2023 the Group had the following tax losses carried forward available to offset against future profits:

Year of expiry	**Canada**	**Australia**
Indefinitely	—	28,948
	—	**28,948**

Each period the Group assesses the future taxable income in each jurisdiction which it operates and determines the nature and amount sufficient to enable the benefit of such deductions to be obtained in the future. As at 31 December 2023, the Group has not recognised the benefit of deductible temporary differences and tax losses amounting to $273.6 million.

Deferred tax liabilities with respect to investments in foreign subsidiaries are not recognise where the Group is able to control the timing of the reversal and any temporary differences are not expected to reverse in the foreseeable future. The Group has not recognised a deferred tax liability with respect of $7.7 million of temporary differences associated with investments in foreign subsidiaries as the Group is able to control the timing of the reversal and any temporary differences are not expected to reverse in the foreseeable future.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 11 EARNINGS PER SHARE

The following table reflects the net loss and share data used in the basic and diluted earnings per share calculations:

	Six month period ended 31 December 2023	(Restated) Twelve month period ended 30 June 2023
NUMERATOR:		
Net loss attributable to ordinary shareholders ($)	(676)	(17,802)
DENOMINATOR:		
Number of ordinary shares outstanding at end of the period	1,421,205,230	1,137,210,661
Vested share options exercisable for no consideration	1,306,599	—
Effect of share options exercised	(443,332)	(3,407,217)
Effect of ordinary shares issued on conversion of convertible note	(32,083)	—
Effect of shares issued related to share placement	—	(784,042,722)
Weighted average number of ordinary shares outstanding during the period used to calculate basic and diluted loss per share	1,422,036,414	349,760,722
Basic and diluted loss per share attributable to shareholders (cents)	**(0.05)**	**(5.09)**

(i) For the period ended 31 December 2023 and 30 June 2023, given the Group was in a net loss position the impact of share options on issue and convertible notes is not considered dilutive.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these financial statements.

NOTE 12 PLANT AND EQUIPMENT

	Mineral properties	Equipment and leaseholds	Polishing Equipment	Furniture, equipment and other	Land and building	Assets under construction	Right-of-use assets	Total
COST								
Balance at 1 July 2023	—	51	253	109	—	—	621	1,034
Acquisition of Arctic Companies [note 4]	—	126,313	—	615	67,347	22,464	32,296	249,035
Additions [ii] [iii]	6,533	—	—	—	—	12,909	936	20,378
Disposals	—	(22)	—	—	—	—	—	(22)
Transfers from assets under construction	1,268	13,155	—	513	505	(15,487)	46	—
Foreign exchange differences [i]	(109)	—	—	—	—	—	—	(109)
Balance at 31 December 2023	**7,692**	**139,497**	**253**	**1,237**	**67,852**	**19,886**	**33,899**	**270,316**
ACCUMULATED DEPRECIATION/AMORTISATION								
Balance at 1 July 2023	—	13	61	58	—	—	184	316
Depreciation and amortisation	42	22,324	35	210	5,606	—	3,276	31,493
Disposals	—	(11)	—	—	—	—	—	(11)
Balance at 31 December 2023	**42**	**22,326**	**96**	**268**	**5,606**	**—**	**3,460**	**31,798**
NET BOOK VALUE								
At 31 December 2023	**7,650**	**117,171**	**157**	**969**	**62,246**	**19,886**	**30,439**	**238,518**

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(Restated)	**Equipment and leaseholds**	**Polishing Equipment**	**Furniture, equipment and other**	**Land and building**	**Bulk Sample Plant**	**Assets under construction**	**Right-of-use assets**	**Total**
COST								
Balance at 1 July 2022	22	253	103	—	—	1,867	621	2,866
Additions [i] [ii]	29	—	6	—	—	990	—	1,025
Transfers from assets under construction	—	—	—	—	2,857	(2,857)	—	—
Balance at 30 June 2023	**51**	**253**	**109**	**—**	**2,857**	**—**	**621**	**3,891**
ACCUMULATED DEPRECIATION/AMORTISATION								
Balance at 1 July 2022	3	24	23	—	—	—	72	122
Depreciation and amortisation	10	37	35	—	358	—	112	552
Impairment of assets	—	—	—	—	2,477	—	—	2,477
Transfer to assets held for sale	—	—	—	—	22	—	—	22
Balance at 30 June 2023	**13**	**61**	**58**	**—**	**2,857**	**—**	**184**	**3,173**
NET BOOK VALUE								
At 30 June 2023	**38**	**192**	**51**	**—**	**—**	**—**	**437**	**718**

[i] *These foreign exchange differences relate to the revaluation of the reclamation provisions.*
[ii] *Additions include cash additions, right-of-use asset additions, property, plant and equipment ("PP&E") additions in payables, changes in estimate of reclamation provision and capitalised depreciation.*
[iii] *As at 31 December 2023, the estimate for the reclamation provision was increased by $6.5 million, resulting in a corresponding increase in the reclamation asset of the same amount.*

NOTE 13 OTHER NON-CURRENT ASSETS

The Group is required to post security with government agencies to ensure reclamation is completed on its mining properties as required by the legislation and regulations of Canada and the Northwest Territories. The security is in the form of cash, letters of credit ("LCs") or surety bond.

	31 December 2023
Sample diamonds	2,378
Restricted cash [a]	10,564
Reclamation deposits [b]	61,568
- Collateral posted for reclamation surety bonds	*44,575*
- Reclamation security deposits	*16,993*
Other	431
Total other non-current assets	**74,941**

	Restricted Cash	**Reclamation Deposits**		**Total**
		Cash Collateral for Surety	**Reclamation Security**	
Balance at 1 July 2023	—	—	—	—
Acquisition of Arctic companies (Note 4)	10,644	33,189	2,689	46,522
Reclamation deposits made	—	11,943	15,899	27,842
Refund received	(153)	—	—	(153)
Interest income on restricted cash	61	—	—	61
Finance expense	—	(803)	(1,750)	(2,553)
Foreign exchange revaluation	12	246	155	413
Balance as at 31 December 2023	**10,564**	**44,575**	**16,993**	**72,132**

(a) Restricted cash

Restricted cash comprised of CDN$14.0 million held by financial institutions as collateral for LCs. These LCs were held by government agencies as security for reclamation obligations.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(b) Reclamation deposits

Collateral posted for reclamation surety bonds

The Group has an agreement with surety providers whereby the Group provides cash collateral over time up to 100% of the face amount of the bond; and the bond value will be reduced by the payment. During 1 July to 31 December 2023, CDN$16.2 million were made to government agencies and surety bond value was reduced accordingly.

NOTE 14 INVENTORY AND SUPPLIES

	31 December 2023	(Restated) 30 June 2023
Stockpile ore	1,811	—
Rough diamonds – work in progress	61,058	
Rough diamonds – finished goods	40,718	—
Polished diamonds – finished goods	4,942	5,272
Supplies inventory	136,402	—
Total inventory and supplies	**244,931**	**5,272**

For the period ended 31 December 2023, inventories recognised in cost of sales were $231.1 million (30 June 2023: $6.2 million). This includes a $9.9 million increase in fair value recorded on the acquisition date which was later recognised in the cost of sales when the goods were sold. During the period ended 31 December 2023, there were no inventories written down in the Rough Diamond segment, whereas $0.1 million of diamond inventories were written down in the Polished Diamond segment (30 June 2023: $2.1 million).

NOTE 15 TRADE AND OTHER RECEIVABLES

	31 December 2023	(Restated) 30 June 2023
Trade receivables	130	683
Sales & income tax credits	8,545	257
Share purchase plan receivables	—	2,467
Legal cost receivable *(note 35)*	—	1,919
Other deposits and receivables	1,232	233
Total trade and other receivables	**9,907**	**5,559**

The Group has recognised a loss of $nil (30 June 2023: $nil) in profit or loss in respect of the expected credit losses for the period ended 31 December 2023. The Group's exposure to credit risk is disclosed in note 27. Total trade receivables are collectable within the next 12 months.

NOTE 16 CASH AND CASH EQUIVALENTS

	31 December 2023	(Restated) 30 June 2023
Cash at bank and in hand	94,426	1,640
Restricted - Cash held in escrow pending acquisition	—	123,715
Total trade and other receivables	**94,426**	**125,355**

NOTE 17 CONTRIBUTED EQUITY

(a) Ordinary Shares

Ordinary share capital is classified as equity. The issued shares do not have a par value and there is no limit on the authorised share capital of the Company.

	31 December 2023		30 June 2023	
	No.	$	No.	$
Ordinary shares	1,421,205,230	200,607	1,137,210,661	153,511

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(b) Movements in Ordinary Shares Issued

Period ended 31 December 2023	**Number**	**$**
At 1 July 2023	1,137,210,661	153,511
Issue of Shares - Consideration [(i)]	278,829,226	46,725
Exercise of options	725,949	—
Exercise of options	4,250,000	338
Exercise of convertible note	189,394	33
Balance at 31 December 2023 - fully paid	**1,421,205,230**	**200,607**

[(i)] These shares were issued to Arctic Shareholder and 2L Loan holders as consideration in the acquisition of ACDC. See Note 4.

		(Restated)
Period ended 30 June 2023	**Number**	**$**
At 1 July 2022	341,568,236	27,375
Exercise of options	4,775,959	—
Exercise of options	2,500,000	116
Placement [(i)]	773,478,466	128,710
Share Purchase plan [(i)]	14,888,000	2,478
Transaction costs	—	(5,168)
Balance at 30 June 2023	**1,137,210,661**	**153,511**

[(i)] Shares were issued to acquire 100% of the common shares of Arctic Canadian Diamond Company Ltd. and 100% of the shares of Arctic Canadian Diamond Marketing N.V. and to provide working capital to the Company. The proceeds of the share purchase plan, net of fees, were received in July 2023.

NOTE 18 RESERVES

	31 December 2023	**(Restated) 30 June 2023**
Convertible note reserve	4,384	4,384
Share-based payments reserve	2,970	2,993
Revaluation Reserve	(505)	—
Foreign currency translation reserve	(53)	(53)
Total reserves	**6,796**	**7,324**

<u>Movement reconciliation</u>

Convertible Note Reserve		
Balance at the beginning of the period	4,384	4,384
Balance at the end of the period	**4,384**	**4,384**
Share Based Payment Reserve		
Balance at the beginning of the period	2,993	2,531
Equity settled share-based payment transactions (Note 29)	(23)	462
Balance at the end of the period	**2,970**	**2,993**
Revaluation Reserve		
Balance at the beginning of the period	—	—
Re-measurement of defined benefit obligation	(505)	—
Balance at the end of the period	**(505)**	—
Foreign Currency Translation Reserve		
Balance at the beginning of the period	(53)	(53)
Effect of translating foreign operations to Company presentation currency	—	0
Balance at the end of the period	**(53)**	**(53)**

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Convertible notes 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 19.

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.

Revaluation reserve

The revaluation reserve is used to record the re-measurement of defined benefit obligation net of tax expenses.

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 19 LOANS AND BORROWINGS

				31 December 2023		30 June 2023	
	Currency	**Year of Maturity**	**Nominal Interest rate**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
2nd Lien Credit Agreement ("2L Loan") [(a)]	US$	2026	10%	73,834	73,834	—	—
Convertible Notes ("Notes") [(b)]	AUD	2024	6%	23,785	22,304	23,300	20,845
Promissory note payable to Arctic Shareholder [(c)]	US$			0	0	—	—
Total loans and borrowings				**97,619**	**96,138**	**23,300**	**20,845**
Less current portion					22,304		—
Non-current portion					73,834		20,845

(a) 2L Loan

The 2L Loan in principal amount of $73.8 million has a maturity date of 30 June 2026. The loan bears an interest rate of 10% per annum payable in arrears on the last day of each quarter. During the period interest of $3.7 million was paid on the 2L Loan.

There are no financial covenants under the 2L Loan agreement. The remaining non-financial covenants under the 2L agreements that are applicable as at 31 December 2023, mainly relate to submission of financial information by certain dues dates. All assets of Arctic Companies are pledged under the 2L Loan. Under the 2L agreement, intercompany loans between the Arctic Companies and the parent entity must be unsecured loan, subordinated to the 2L loan with maturity date after 30 June 2026. On 1 July 2023, 2L Loan holders were granted 149.6 million shares of Burgundy at AUD0.25 amounting to $25.1 million (AUD37.4 million) and as such also own an equity stake in the Company.

As at 31 December 2023, the Group was in compliance with the required non-financial covenants.

(b) Convertible Notes

The Company issued 35,000,000 6% convertible notes for AUD35,000,000 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 AUD0.264 per share. The conversion option of the convertible notes was classified in other reserves in equity as the fixed for fixed criteria under IAS 32 was met on the date the notes were issued. Upon change in functional currency of the Company on 1 July 2023 from AUD to US$, the Company did not reclassify the equity portion of notes. See Note 36(p) for further details.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

	31 December 2023	(Restated) 30 June 2023
Face value of notes issued	23,300	23,300
Other equity securities - value of conversion rights	(4,384)	(4,384)
Costs associated with the issue of convertible notes	(819)	(819)
	18,097	**18,097**
Unwinding of interest per effective interest rate method	3,745	2,748
Exercise of convertible note	(33)	—
Foreign exchange revaluation	495	—
Non-current liability	**22,304**	**20,845**

Interest paid to note holders during the period was $0.7 million (30 June 2023: $1.4 million).

(c) Promissory note payable to Arctic Shareholder

On 1 July 2023 the Company has a payable of $100 to Arctic Shareholder as consideration to acquire ACDM.

NOTE 20 PROVISIONS

	31 December 2023	(Restated) 30 June 2023
Lease make good	64	64
Total provisions	**64**	**64**

The provision represents the estimated costs to make good the premises leased by the Group at the end of the respective lease term. A provision has been recognised for the present value of the estimated expenditure required to make good any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

NOTE 21 CONTINGENT CONSIDERATION

Contingent consideration was recognised at fair value on 1 July 2023, and is calculated as the present value of two earn-out payments of total $15.0 million to the Arctic Shareholder in the first quarter of 2024 ($7.5 million) and 2025 ($7.5 million), subject to the reported EBITDA of the Arctic Companies for the respective 2023 and 2024 calendar years being equal to or exceeding $200.0 million in each year. If the conditions are met, the earn-out payments are payable in cash within thirty days of end of first quarter following end of 2023 and 2024 calendar year.

The fair value of contingent consideration is remeasured at each reporting period with changes in fair value recognised in profit or loss. The fair value of contingent consideration was measured using a discounted risk-free rate of 4.0% adopted based on the 5-year treasury bill as at 1 July 2023.

As at 31 December 2023, present value of $7.4 million for 2023 earn-out cash payment was derecognised as other income (note 8) as the reported 2023 EBITDA of Arctic Companies was below $200.0 million. During period ended 31 December 2023, $0.3 million of present value adjustment was recorded as finance expense.

A reconciliation of the carrying amount of contingent consideration is set out below:

	Earn-out Payment 1	Earn-out Payment 2	Total
Balance at 1 July 2023	7,304	6,970	14,274
Accretion	97	141	238
Derecognition of Earn-out Payment 1	(7,401)	—	(7,401)
Balance at 31 December 2023	**—**	**7,111**	**7,111**
Non-current portion	—	7,111	7,111

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 22 CONSIDERATION PAYABLE

	31 December 2023
Balance at 1 July 2023	—
Acquisition of Arctic Companies *(Note 4)*	47,282
Royalties paid	(4,739)
Changes in fair value	(5,764)
Balance at 31 December 2023	**36,779**
Less current portion	10,844
Non-current portion	25,935

Consideration payable relates to a royalty agreement entered into on the acquisition of the non-controlling interest in Core Zone which has been recognised as consideration. Consideration payable is calculated as the present value of future royalty distributions that are expected as diamonds are produced from Core Zone. These royalty distributions are calculated by multiplying a specific royalty percentage agreed upon with the minority partner; with the value of diamonds produced from Core Zone and are payable in cash within thirty days of end of each quarter.

The fair value of consideration payable is remeasured at each reporting period with any changes in fair value recognised in profit or loss. The fair value of consideration payable was measured using a discounted cash flow valuation model that considered the present value of future royalty distributions discounted using a discount rate of 12%. During the period ended 31 December 2023, $4.7 million was paid in cash.

NOTE 23 LEASE LIABILITIES

Property, plant and equipment comprises both owned and leased assets. The Group leases many assets including land and buildings, vehicles and machinery. Leases for which the Group is a lessee are presented below.

Right-of-use assets	**Mineral properties**	**Equipment and leaseholds**	**Land and buildings**	**Total**
Balance at 1 July 2023	—	—	437	437
Acquisition of Arctic Companies *(note 4)*	641	24,555	7,100	32,296
Additions/modifications for the period	—	(100)	1,036	936
Transfers from assets under construction	—	—	46	46
Depreciation charge for the period	(82)	(1,757)	(1,437)	(3,276)
Balance at 31 December 2023	**559**	**22,698**	**7,182**	**30,439**

				(Restated)
Right-of-use assets	**Mineral properties**	**Equipment and leaseholds**	**Land and buildings**	**Total**
Balance at 1 July 2022	—	—	549	549
Additions for the period	—	—	—	—
Depreciation charge for the period	—	—	(112)	(112)
Balance at 30 June 2023	**—**	**—**	**437**	**437**

Lease liabilities

Maturity analysis — contractual undiscounted cash flows	**31 December 2023**
Less than one year	11,245
Two to five years	17,845
More than five years	144
Total undiscounted lease liability as at 31 December 2023	29,234
Finance expense	(3,122)
Lease liabilities included in the statement of financial position at 31 December 2023	**26,112**
Current	9,644
Non-current	16,468

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Lease liabilities **Maturity analysis — contractual undiscounted cash flows**	**(Restated)** **30 June 2023**
Less than one year	—
Two to five years	455
More than five years	—
Total undiscounted lease liability as at 30 June 2023	455
Finance expense	(46)
Lease liabilities included in the statement of financial position at 30 June 2023	**409**
Current	97
Non-current	312

Amounts recognised in profit or loss	**31 December 2023**	**(Restated)** **30 June 2023**
Depreciation of right-of-use assets	3,276	112
Interest on lease liabilities	989	29
Amounts recognised in the statement of cashflows		
Total cash outflows for leases	4,116	95

NOTE 24 EMPLOYEE BENEFITS

	31 December 2023
Defined benefit plan obligation [(a)]	3,627
Defined contribution plan and other post-retirement plan obligation [(b)]	356
RSU, and DSU, and Options Plans [(c) (d)]	199
Total employee benefit plan obligation	**4,182**
Less current portion	354
Non-current portion	3,828

(a) Defined benefit pension plan

The Group contributes to defined benefit plans in Canada. Pension benefits are based on the length of service and highest average covered earnings. The plans are governed by the Retirement Advisory Committee. The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market investment risk.

Defined Benefit Obligations	**31 December 2023**
Defined benefit obligation at 1 July 2023	59,176
Service cost	915
Interest expense	1,385
Benefit payments	(1,926)
Remeasurements	1,110
Effect of changes in foreign exchange rates	103
Defined benefit obligations at 31 December 2023	**60,763**

Plan Assets	**31 December 2023**
Plan assets at 1 July 2023	56,329
Interest income	1,409
Total employer contributions	906
Benefit payments	(1,926)
Administrative expenses paid from plan assets	(17)
Return on plan assets, excluding imputed interest income	361
Effect of changes in foreign exchange rates	74
Plan assets at 31 December 2023	**57,136**

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Funded Status	**31 December 2023**
Accrued benefit obligation	60,763
Plan assets	57,136
Funded status - plan deficit	**3,627**

As at the last valuation date, on 31 December 2023, the present value of the defined benefit obligation comprised approximately $47.7 million relating to active employees, $5.5 million relating to deferred members and $7.5 million relating to retired members.

Funding Policy

The Group funds the plans in accordance with the requirements of the Canadian Pension Benefits Standards Act, 1985 and the Pension Benefits Standards Regulations and the actuarial professional standards with respect to funding such plans. Funding deficits are amortised as permitted under the Regulations. In the Group's view, this level of funding is adequate to meet current and future funding needs in light of projected economic and demographic conditions. The Group may in its absolute discretion fund in excess of the legislated minimum from time to time, but no more than the maximum contribution permitted under the Canada's Income Tax Act. The expected contribution to the plan for the next fiscal year is $2.6 million.

Asset Category	**31 December 2023**
	%
Cash equivalents	1%
Equity securities	23%
Fixed income securities	65%
Real Estate	11%
Total	**100%**

Actuarial assumptions	**Period ended 31 December 2023**
	%
ACCRUED BENEFIT OBLIGATION	
Discount rate	5.00%
Rate of salary increase	2.75%
Rate of price inflation	2.00%
Mortality table	CPM2014Priv with CPM-B Improvement
BENEFIT COSTS FOR THE PERIOD	
Discount rate	5.20%
Expected rate of salary increase	2.75%
Rate of compensation increase	2.75%

	Total
Defined benefit schedule for disbursements within 1 year	3,909
Defined benefit schedule for disbursements within 2-5 years	18,944
Defined benefit schedule for disbursements after five or more years	33,733

Sensitivity Analysis - Defined Benefit Obligation	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	0.50%	63,278	58,463
Salary growth rate	0.25%	60,377	61,156
Mortality table	1 year	61,350	60,159

(b) Defined contribution plan

During the period ended 31 December 2023, the Group recognised $4.6 million expenses. As at 31 December 2023 the defined contribution plan liability was $0.2 million.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

(c) Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") Plans - cash settled

Grants under the RSU plans are on a discretionary basis to employees of the Group subject to Board of Directors' approval. Grants of RSU under the RSU Plan vest annually on the anniversary of the original grant date over the specified vesting period. The Group shall pay out cash on the respective vesting dates of RSUs equivalent to the number of RSUs vested at the fair market value of the RSUs. Fair market value is determined as the volume weighted average trading price ("VWAP") of the Common Shares on the Australian Stock Exchange for the five trading days immediately preceding the redemption date.

Grants under the DSU plans are on a discretionary basis to employees of the Group and its subsidiaries subject to Board of Directors' approval. Grants of DSU under the DSU Plan vest annually on the anniversary of the original grant date over the specified vesting period. Vested DSU grants are only exercisable on departure of the employee (e.g. retirement, resignation, death). The Group shall pay out cash on the respective vesting dates of DSUs equivalent to the number of DSUs vested at the fair market value of the DSUs. Fair market value is determined as the VWAP of the Common Shares on the Australian Stock Exchange for the five trading days immediately preceding the redemption date.

The expenses related to RSUs and DSUs are accrued based on fair value, determined as at the date of grant. This expense is recognised as compensation expense over the vesting period. Until the liability is settled, the fair value of the RSUs and DSUs is remeasured at the end of each reporting period and at the date of settlement, with changes in fair value recognised as share-based compensation expense or recovery over the vesting period.

RSU and DSU Plans

RSU	**Number of units**
Balance at 1 July 2023	—
Awards and payouts during the year	
RSU awards	6,032,568
RSU payouts	—
Balance at 31 December 2023	**6,032,568**

DSU	**Number of units**
Balance at 1 July 2023	—
Awards and payouts during the year	
DSU awards	36,195,408
DSU payouts	—
Balance at 31 December 2023	**36,195,408**

The Group recognised an expense of $0.1 million for the period ended 31 December 2023 (30 June 2023: $nil) in respect of the RSU and DSU plans. The total carrying amount of liabilities for RSU and DSU arrangements as at 31 December 2023 is $0.1 million (30 June 2023: $nil).

(d) Option grants with cash settlement option

The Group also issues options grants to employees where the option holder has the right to have these awards settled via issuance of Company shares, cashless exercise or payment in cash (requires Board approval). In instances, where the option holder has the unconditional right to choose cash settlement such awards are classified as liability. The initial fair value of the liability which is calculated as of the grant date is recognised within compensation expense over the vesting period and is subsequently revalued at each reporting period.

On 1 December 2023, the Company issued 12,065,136 unlisted options with an exercise price of AUD0.1764 and expiry date of 30 November 2028, to employees of the Group in accordance with the Company's Option Plan. A valuation factor of 0.5 is applied when determining the total award value. These options can be redeemed at the option of the holder via issuance of Company shares, cashless exercise or cash payout. As at 31 December 2023 an expense and liability of $44,476 was recognised for these options. During the period ended 31 December 2023, there were no option exercises under this option award.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 25 RECLAMATION PROVISIONS

As at 31 December 2023, the estimated total undiscounted amount of the future cash flows required to settle the reclamation obligation is estimated to be CDN$376.9 million (30 June 2023: $nil). These obligations will be settled between 2025 to 2042. This amount has been discounted using risk-free rate of 3.02% and an inflation rate of 1.62% was applied.

Reclamation provisions are related to future environmental remediation and site restoration of mining site. The revision of previous estimates is based on revised expectations of reclamation activity costs, changes in estimated reclamation timelines and fluctuations in foreign exchange rates. A reconciliation of the carrying amount of asset retirement obligations as at 31 December 2023 is set out below:

	31 December 2023
Balance at 1 July 2023	—
Acquisition of Arctic Companies *(Note 4)*	226,302
Revisions of previous estimates	6,578
Accretion of provision	3,433
Foreign exchange revaluation	(109)
Balance at 31 December 2023	**236,204**
Non-current portion	236,204

As at 31 December 2023, the Group had restricted cash of $10.6 million at banks and reclamation deposits of $61.6 million with government agencies as cash collateral for reclamation obligations (see note 13).

NOTE 26 TRADE AND OTHER PAYABLES

	31 December 2023	(Restated) 30 June, 2023
Trade and other payables	19,120	2,396
Accrued expenses	34,848	1,248
Interest payable on loans	49	—
Total trade and other payables	**54,017**	**3,644**

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 27 FINANCIAL RISK MANAGEMENT

a) Financial Instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position are as follows:

	31 December 2023		(Restated) 30 June 2023	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Financial assets at amortised cost				
Cash and cash equivalents (i)	94,426	94,426	125,355	125,355
Trade and other receivables (i), (ii)	1,362	1,362	5,302	5,302
Restricted cash (i)	10,564	10,564	—	—
Financial assets at fair value				
Reclamation deposits	61,568	61,568	—	—
Total financial assets	**167,920**	**167,920**	**130,657**	**130,657**
Total current	95,788	95,788	130,657	130,657
Total non-current	72,132	72,132	—	—
Financial liabilities at amortised cost				
Trade and other payables (i)	54,017	54,017	3,644	3,644
Convertible notes	23,785	22,304	23,300	20,845
Loans and borrowings – 2L loan	73,834	73,834	—	—
Financial liabilities at fair value				
Contingent consideration	7,111	7,111	—	—
Consideration payable	36,779	36,779	—	—
Total financial liabilities	**195,526**	**194,045**	**26,944**	**24,489**
Total current	77,802	87,165	3,644	3,644
Total non-current	117,724	106,880	23,300	20,845

(i) The fair value of these financial instruments approximates their carrying value due to the short term to maturity.
(ii) Excludes sales tax credits receivable (see note 15).

All financial assets and liabilities measured at amortised cost are classified as Level 2 measurements.

(i) Measurement of fair value

<u>Reclamation deposits</u>

Reclamation deposits is classified as Level 2 fair value measurement. The fair value of reclamation deposits was discounted by applying respective Government of Canada Benchmark Bond yields rate to respective deposits dependent on its year of maturity when the deposits are released for reclamation recovery.

<u>Loans and borrowing</u>

The 2L Loan is classified as Level 2 fair value measurement. The loan approximated its carrying value at the acquisition date on 1 July 2023 and there were no substantive changes in the Group's credit risk since the acquisition to 31 December 2023.

As at 31 December 2023, fair value of 2L Term loan was calculated with a net present value model using discount rates from the valuation report.

<u>Convertible notes</u>

The convertible notes are classified as Level 2 fair value measurement. The convertible notes fair value was calculated as its value on maturity date on 16 September 2024 in AUD converted to US$ using the exchange rate on 31 December 2023.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

Contingent consideration

Contingent consideration is classified as Level 3 fair value measurement. The fair value of contingent consideration was determined by using the payment distribution defined in SPA and was calculated using a pre-tax discount rate of 4%.

The future cashflows of contingent consideration may be different from the amounts presented in the table above as discount rate or subjected conditions underlying the consideration change.

Consideration payable

Consideration payable is classified as Level 3 fair value measurement. The fair value of consideration payable was determined by using the discounted cash flow model in which the present value of future royalty distributions was calculated using a pre-tax discount rate of 12%.

The future cashflows of consideration payable may be different from the amounts presented in the table above as discount rates, diamond pricing or other relevant conditions underlying the consideration change.

(ii) Sensitivity analysis

For the fair value of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	Profit or loss	
Contingent Consideration	**Increase**	**Decrease**
31 December 2023	**$**	**$**
Discount rate (1% movement)	95	(95)

For the fair value of consideration payable, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	Profit or loss	
Consideration Payable	**Increase**	**Decrease**
	$	**$**
31 December 2023		
Expected cash flows (10% movement)	(2,934)	2,934
Discount rate (1% movement)	643	(643)

During the period ended 31 December 2023 and 30 June 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

For a reconciliation of the fair value measurements within Level 3, refer to the fair value movements in Notes 21 and 22 in these financial statements.

b) Risk Management Overview

The Group has exposure to the following risks arising from financial instruments:

- Market risk: foreign currency
- Financial risk: credit and liquidity risk

Risk Management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by third-party consultant. The consultant undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

(i) Currency risk management

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group. The functional currency of the Group is the US dollar. Purchases are primarily denominated in Canadian dollars, sales and loans are primarily denominated in US dollars and convertible notes are denominated in Australian dollars.

Based on the Group's net exposure to Canadian and Australian dollar monetary assets and liabilities as at 31 December 2023, a one-cent change in the exchange rate would have impacted pre-tax loss for the year by $0.1 million (30 June 2023 - $nil) for Canadian Dollar denominated monetary assets and liabilities, and respectively by $0.2 million (30 June 2023 - $0.7 million) for Australian dollar denominated monetary assets and liabilities.

The current risk management policy is to monitor the foreign exchange rate and purchase at spot rate before the settlement of liabilities. The Group limits its foreign currency risk by limiting funds held in overseas bank accounts and paying its creditors promptly.

(ii) Credit risk management

Credit risk is the risk of a financial loss to the Group if a customer or counterparty in a transaction fails to meet its contractual obligation. The Group adopts a sales policy which requires receipt of cash prior to the delivery of rough diamonds to its customers and an investing policy to invest with major financial institutions. In contrast, the Group employs credit policies to its customers on polished diamond sales by monitoring exposure to credit risk on an ongoing basis. As a result, the Group's exposure to credit risk arising from diamond sales is minimal. As at 31 December 2023, the Group has significant sales tax receivables due from Canadian Revenue Agency and as such has minimal credit risk exposure.

The Group's cash, restricted cash and reclamation deposits are deemed low risk as it's invested in short-dated money market securities and bank accounts held at investment grade financial institutions. The financial institutions are medium credit quality or higher operating in low-geopolitical risk jurisdictions, including Canada, Belgium and Australia. As at 31 December 2023, the Group's maximum counterparty credit exposure consists of the carrying amount of cash, restricted cash, accounts receivable and reclamation deposits.

(iii) Liquidity and capital risk management

The Group's capital includes cash, current and non-current borrowings and contributed equity. Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Group manages its liquidity by ensuring that there is sufficient capital to meet short-term and long-term business requirements, after taking into account cash flows from operations, the Group's holdings of cash and cash equivalents, debt and equity offering and equipment financing or leasing arrangement. The Group also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances. The Group's capital includes cash, current and non-current borrowings and contributed equity.

Management applies judgement when forecasting cash flows for its current and subsequent fiscal years to predict future financing requirements by managing sales, monitoring operating and capital expenditures, and obtaining alternative financing arrangement for short term cash needs. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions. See Note 2 (b) for further details on the going concern assumption.

The following table summarises the aggregate amount of expected remaining gross contractual undiscounted cash flow requirements for the Group's financial liabilities based on repayment or maturity periods.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

		Contractual cash flows			
	Carrying amount	***Less than 1 year***	***Year 2-3***	***Year 4-5***	***After 5 years***
Trade and other payables	54,017	(54,017)	—	—	—
Lease liabilities	29,234	(11,245)	(15,550)	(2,295)	(144)
Contingent Consideration	7,500		(7,500)		
Consideration payable	46,326	(10,844)	(20,656)	(12,800)	(2,026)
Convertible Notes [(i)]	24,798	(24,798)	—	—	—
2L loan [(i)]	92,580	(7,548)	(85,032)	—	—

(i) The contractual cashflow of convertible notes and 2L loan includes coupon interest.

The future cash flows of consideration payable may be different from the amounts in the table above as diamond production, pricing or other relevant conditions underlying the consideration payable change.

Capital risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the stage of the Group's development, there are no formal targets set for return on capital. There were no changes to the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements. The net equity of the Group is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange ("ASX").

NOTE 28 RELATED PARTY DISCLOSURE

a) Investment in controlled entities

Name	**Country of Incorporation**	**Percentage Owned** **31 December 2023**	**30 June 2023**
Arctic Canadian Diamond Company Ltd.	Canada	100%	—
Arctic Canadian Diamond Marketing N.V.	Belgium	100%	—
BDM Del Peru S.A.C.	Peru	100%	100%
Burgundy Diamonds (Canada) Limited	Canada	100%	100%
Burgundy Diamonds SARL [(i)]	France	100%	100%
Burgundy Diamonds LLC [(ii)]	United States	100%	100%
Naujaat Project	Canada	40%	40%

(i) Under dissolution.
(ii) Filed certification of cancellation on 1 December 2023.

b) Key management personnel compensation

The aggregate compensation made to directors and other key management personnel ("KMP") of the Group is set out below:

	Period ended 31 December 2023	**(Restated) Period ended 30 June 2023**
Short-term benefits	884	487
Post-employment benefits	121	41
Share-based payments	309	—
Total KMP Compensation	**1,314**	**528**

(tabular amounts in thousands of United States dollars, except as otherwise noted)

c) Transactions with related parties

During the period ended 31 December 2023, there were intercompany sales of $0.5 million from ACDM to the Company.

As at 31 December 2023, the Group had $19,684 of directors fees payable and $303,936 in bonuses payable to KMP.

There were no other transactions with KMP during the year ended 31 December 2023.

NOTE 29 SHARE-BASED PAYMENTS

a) Recognised share-based payment transactions

(rounded to the nearest US dollar)	Period ended 31 December 2023	(Restated) Period ended 30 June 2023
Options issued to employees (i)	84,104	405,658
Shares issued to consultants	—	56,585
Options issued to Directors	—	—
Total share-based payments expense	**84,104**	**462,243**

(i) $39,628 is recorded in other reserves and $44,476 is recorded as a liability.

Share-based payments expense for the period ended 31 December 2023 is $84,104 (30 June 2023: $462,243).

b) Summary of options

31 December 2023

Options	Grant Date	Date of Expiry	Exercise Price (AUD)	Balance at the start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at the end of the period
Consultant	14-08-20	31-07-23	$0.12	2,500,000	—	(1,750,000)	(750,000)	—
Consultant	08-09-20	31-08-23	$0.12	2,500,000	—	(2,500,000)	—	—
Director (i)	18-11-20	30-09-23	$0.12	2,500,000	—	(2,500,000)	—	—
Lead Managers	23-09-21	22-09-24	$0.36	10,000,000	—	—	—	10,000,000
Employees	02-08-22	30-08-27	$nil	2,032,548	—	(725,949)	—	1,306,599
Consultant	02-08-22	05-08-26	$0.26	1,000,000	—	—	—	1,000,000
Employee - CEO	21-11-23	20-11-25	$0.30	—	10,000,000	—	—	10,000,000
Employees - CEO & other employees	01-12-23	30-11-28	$0.18	—	12,065,136	—	—	12,065,136
				20,532,548	**22,065,136**	**(7,475,949)**	**(750,000)**	**34,371,735**

(i) Cashless exercise of 2.5 million options in which the after-tax value of the award was used to purchase common shares on the open market for $62,381.

On 21 November 2023, the Company issued 10,000,000 unlisted options to the Chief Executive Officer in accordance with the Company's Option Plan for which an expense of $39,628 was recorded. As per the terms of this option award, each option carries the right in favour of the option holder to subscribe to one fully paid ordinary share of the Company.

On 1 December 2023, the Company issued 12,065,136 unlisted options with an exercise price of AUD0.1764 to employees of the Group in accordance with the Company’s Option Plan. A valuation factor of 0.5 is applied when determining the total award value. These options can be redeemed at the option of the holder via issuance of Company shares, cashless exercise or cash payout. As at 31 December 2023 an expense and liability of $44,476 was recognised for these options.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

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

	CEO Options
Number of options	10,000,000
Grant date	21 November 2023
Expiry date	20 November 2025
Exercise price - AUD	$0.30
Share price at grant date - AUD	$0.19
Expected volatility	85%
Risk-free interest rate	4.16%
Fair Value - AUD	**$0.07**

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, over the historical period commensurate with the term of the option.

30 June 2023

Options	Grant Date	Date of Expiry	Exercise Price (AUD)	Balance at the start of the period	Granted during the period	Exercised during the period	Balance at the end of the period
Director	03-09-20	19-03-23	$0.07	2,500,000	—	(2,500,000)	—
Consultant	14-08-20	31-07-23	$0.12	2,500,000	—	—	2,500,000
Consultant	08-09-20	31-08-23	$0.12	2,500,000	—	—	2,500,000
Director	18-11-20	30-09-23	$0.12	2,500,000	—	—	2,500,000
Director	22-09-21	21-09-24	$nil	3,000,000	—	(3,000,000)	—
Lead Managers	23-09-21	22-09-24	$0.36	10,000,000	—	—	10,000,000
Employees	02-08-22	30-08-27	$nil	—	3,808,507	(1,775,959)	2,032,548
Consultant	02-08-22	05-08-26	$0.26	—	1,000,000	—	1,000,000
				23,000,000	**4,808,507**	**(7,275,959)**	**20,532,548**

On 30 August 2022, the Company issued 3,808,507 zero priced unlisted options to employees of the Group of the employees' achievement short-term 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 recognised as share-based payments expense in the statement of 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. The total value of $85,000 has been recognised as share-based payments expense in the statement of loss.

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 - AUD	$0.00	$0.26
Share price at grant date - AUD	$0.16	$0.16
Expected volatility	85.09%	85.09%
Risk-free interest rate	2.90%	2.90%
Fair Value - AUD	**$609,361**	**$85,000**

(tabular amounts in thousands of United States dollars, except as otherwise noted)

c) Reconciliation of outstanding share options

The Company's shares are primarily traded in Australian Dollar on the Australian Stock Exchange and, accordingly, share option information is presented in Australian dollars. The number and weighted average prices of share options are as follows:

Range of exercise prices	31 December 2023 Options	31 December 2023 Weighted average exercise price AUD	30 June 2023 Options	30 June 2023 Weighted average exercise AUD
Outstanding, at the beginning of the period	20,532,548	0.23	23,000,000	0.20
Granted	22,065,136	0.23	4,808,507	0.05
Forfeited	—	—	—	—
Exercised	(7,475,949)	0.11	(7,275,959)	0.02
Expired	(750,000)	0.12	—	—
Outstanding, at the end of the period	**34,371,735**	**0.26**	**20,532,548**	**0.23**

The weighted average share price at date of exercise for share options exercised during the period 31 December 2023 was AUD0.22 (30 June 2023: AUD0.25).

The following table summarises information about share options outstanding as at 31 December 2023:

Range of exercise prices AUD	Options outstanding: Number outstanding	Options outstanding: Weighted average remaining contractual life in years	Options outstanding: Weighted average exercise price AUD	Options exercisable: Number exercisable	Options exercisable: Weighted average exercise AUD
Nil	1,306,599	3.67	—	1,306,599	—
0.18	12,065,136	4.92	0.18	—	—
0.26–0.36	21,000,000	1.37	0.33	11,000,000	0.35
	34,371,735	**—**	**0.26**	**12,306,599**	**0.31**

NOTE 30 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	(Restated) 1 July 2023	Acquisition of Arctic Companies	Cashflow [i]	Non-cash changes: Additions or modifications	Non-cash changes: Foreign exchange	Non-cash changes: Finance expenses	Non-cash changes: Other	31 December 2023
Convertible notes [ii]	20,845	—	—	—	496	996	(33)	22,304
2L and 3L Loans [iii]	—	100,460	(26,626)	—	—	—	—	73,834
Lease obligations	409	29,434	(5,477)	733	23	989	—	26,111
Total	**21,254**	**129,894**	**(32,103)**	**733**	**519**	**1,985**	**(33)**	**122,249**

[i] Lease cashflows include lease principal and lease interest payments.
[ii] Non-cash changes on convertible notes in 'Other' include $33 thousand in exercise of convertible note (note 19).
[iii] 3L Term Loan was an assumed liability by the Group with the acquisition of Arctic Companies that was repaid on acquisition date.

	(Restated) 1 July 2022	Cashflow [i]	Non-cash changes: Additions	Non-cash changes: Foreign exchange	Non-cash changes: Finance expenses	(Restated) 30 June 2023
Convertible notes	19,890	(1,414)	—	(721)	3,090	20,845
Lease obligations	525	(126)	—	(19)	29	409
Total	**20,415**	**(1,540)**	**—**	**(740)**	**3,119**	**21,254**

[i] Lease cashflows include lease principal and lease interest payments.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 31 COMMITMENTS

As at 31 December 2023, the Group had commitments that require the following minimum future payments, which were not accrued in the consolidated statement of financial position:

Contractual Obligations	Total	Less than 1 year	Year 2–3	Year 4–5	After 5 years
Participation agreements commitments [(a)]	40,705	3,698	7,394	7,394	22,219
Environmental agreements commitments [(b)]	189,561	172,018	11,636	1,441	4,466
Surface and mineral licenses	9,012	988	1,934	932	5,158
Purchase commitments	54,660	54,660	—	—	—
Total contractual obligations	**293,938**	**231,364**	**20,964**	**9,767**	**31,843**

(a) Participation agreements

Ekati Diamond Mine has signed participation agreements with various aboriginal communities. Contractual obligations under these agreements amount to $40.7 million and are expected to contribute to the social, economic and cultural well-being of these communities.

(b) Environmental commitments

To meet the requirements under environmental and other agreements, the Group posted surety bonds and provided LCs for reclamation obligations for the Ekati Diamond Mine. These LCs were issued against the Letter of Credit Facility with cash collateral equals to 103% of the value of the LC. The Letter of Credit Facility has a capacity of CDN$20.0 million with CDN$13.3 million utilised as at 31 December 2023. See Note 37.

In fiscal 2024, the Group is required to make payments to fully cash collateralise the surety bonds. These payments are due by May 2024, subject to maintenance at all times of minimum cash on hand of at least US$15.0 million. Under the surety agreement, no cash advance from Arctic Companies to the parent is permitted without the prior written consent of the surety providers.

		31 December 2023
Surety bonds	CDN$	212,969
	US$ equivalent	161,023

(c) Contingent liabilities

In the ordinary course of business activities, the Group may be contingently liable for litigation and claims that arise due to the size, complexity and nature of the Group’s operations. The outcome of such claims against the Group is not determinable at this time; however, their ultimate resolution is not expected to have a material adverse effect on the Group.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 32 AUDITOR'S REMUNERATION

(rounded to the nearest US dollar)	31 December 2023				(Restated) 30 June 2023
Amounts received or due and receivable by auditors:	**KPMG Australia**	**KPMG Canada**	**KPMG Belgium**	**Total**	
Audit and review of the annual and half-year financial report [(i)]	130,431	601,427	92,988	824,846	43,117
Taxation services [(i)]	—	—	—	—	2,996
Preparation of Investigating Accountant's Report [(i)]	—	—	—	—	46,256
Total audit and audit related	**130,431**	**601,427**	**92,988**	**824,846**	**92,369**
Other services					
RSM Canada - Tax compliance services	—	—	—	—	937
RSM France - Company compliance	—	—	—	—	13,242
KPMG Belgium - Contribution audit and Kimberley Certification audit	—	—	78,512	78,512	—
KPMG Calgary - Accounting matters, prospectus and ASX filings review	—	60,350	—	60,350	—
Total other services	—	**60,350**	**78,512**	**138,862**	**14,179**
Total audit and other services	**130,431**	**661,777**	**171,500**	**963,708**	**106,548**

(i) As at 30 June 2023, these amounts were received or due and receivable by RSM Australia Partners.

NOTE 33 PARENT ENTITY

	31 December 2023	(Restated) 30 June 2023
Assets		
Current assets	7,024	136,489
Non-current assets	170,548	813
Total assets	**177,572**	**137,302**
Liabilities		
Current liabilities	22,898	3,706
Non-current liabilities	344	21,255
Total liabilities	**23,242**	**24,961**
Equity		
Contributed equity	200,607	153,512
Reserves	7,315	7,377
Accumulated losses	(53,592)	(48,548)
Total equity	**154,330**	**112,341**
Net loss for the year	(5,034)	(17,859)
Total comprehensive loss	**(5,034)**	**(17,859)**

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2023 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 30 June 2023.

Exploration commitments

The parent entity has no significant exploration commitments.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed through the report, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 34 RECLASSIFICAITON OF COMPARATIVES

During the period the Group has reclassified the following comparative information relating to 30 June 2023 to align with current year presentation. Amounts presented below are rounded to the nearest US$:

(i) Consolidated statement of loss and other comprehensive loss:

- As at 31 December 2023, the consolidated statement of loss and other comprehensive loss is presented using the expense by function classification to better align the Group's disclosures with its peers in the mining sector, instead of expense by nature classification that was used as at 30 June 2023. As such, the 30 June 2023 comparatives have been reclassified from expense by nature into expense by function categories;
- Transaction costs associated with acquisition of Arctic Companies of $2,278,636 included in General and Administrative expenses have been reclassified to other expenses; and
- Other income of $44,000 included in other income has been reclassified to finance income.

(ii) Consolidated statement of financial position:

- Prepaid expenses of $375,660 included in trade and other receivables have been reclassified to other current assets;
- Right-of-use assets of $437,000 that were presented separately on the consolidated statement of financial position as at 30 June 2023, have been included with Property, Plant and Equipment;
- Employee benefits of $94,557 comprising of leave pay at 30 June 2023 have been included in Trade and Other Payables;

(iii) Consolidated statement of cash flows:

- For the period ended 31 December 2023, the Group has presented the consolidated statement of cash flows using the indirect method of presentation to better align the Group's disclosures with its peers in the mining sector, instead of the direct method presentation that was used as at 30 June 2023. As such, the 30 June 2023 comparatives have been reclassified from direct to the indirect method of cash flow presentation.

Other than the correction of error as disclosed in Note 35, these reclassifications had no effect on the reported consolidated statement of loss and other comprehensive loss, consolidated statement of financial position and consolidated statement of cash flow.

(tabular amounts in thousands of United States dollars, except as otherwise noted)

NOTE 35 RESTATEMENT OF COMPARATIVES

(a) Restatement of all comparatives due to change in functional and presentation currency

All comparative figures in the consolidated financial statements were restated due to change in functional and presentation currency from Australian Dollar to United States Dollar as disclosed in Note 2 (f).

(b) Correction of error

Legal expenses directly related to due diligence on acquisition of Arctic Companies were overstated and recorded in consolidated statement of loss and other comprehensive loss rather than being correctly allocated to the cost of capital raising in the consolidated statement of financial position. Furthermore, these expenses were reimbursed from the proceeds of the June 2023 capital raise during July 2023 for which a receivable should have been recorded as at 30 June 2023.

The following tables summarise the impacts on the Group's consolidated financial statements:

(i) Consolidated statement of financial position

30 June 2023	**Impact of correction of error**		
	As previously reported	**Adjustments**	**As restated**
Trade and other receivables	3,640	1,919	5,559
Others	131,743	—	131,743
Total assets	**135,383**	**1,919**	**137,302**
Total liabilities	**(24,962)**	—	**(24,962)**
Contributed equity	(152,422)	(1,089)	(153,511)
Accumulated losses	49,325	(830)	48,495
Others	(7,324)	—	(7,324)
Total equity	**(110,421)**	**(1,919)**	**(112,340)**

(ii) Consolidated statement of loss and other comprehensive loss

30 June 2023	**Impact of correction of error**		
	As previously reported	**Adjustments**	**As restated**
Other expenses	(8,524)	830	(7,694)
Others	(10,108)	—	(10,108)
Net loss	**(18,632)**	**830**	**(17,802)**
Total comprehensive loss	**(18,632)**	**830**	**(17,802)**

(iii) Consolidated statement of cash flows

30 June 2023	**Impact of correction of error**		
	As previously reported	**Adjustments**	**As restated**
Net loss	(18,632)	830	(17,802)
Others	7,702	—	7,702
Changes in non-cash operating working capital:			
Accounts receivable	(687)	(1,919)	(2,606)
Other changes in non-cash operating working capital	275	—	275
Net cash used in operating activities	**(11,342)**	**(1,089)**	**(12,431)**
Net proceeds from issuance of shares	122,581	1,089	123,670
Others	(95)	—	(95)
Net cash from financing activities	**122,486**	**1,089**	**123,575**
Net cash used in investing activities	**(1,091)**	—	**(1,091)**

There is no material impact on the Group's basic or diluted loss per share for the year-ended 30 June 2023.

NOTE 36 MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

In addition, the Group adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 July 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 36 in certain instances (see Note 1 for further information).

(a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Burgundy Diamond Mines Limited as at 31 December 2023 and 30 June 2023. The results of subsidiaries are presented for the period from 1 July 2023 to 31 December 2023 and 1 July 2022 to 30 June 2023.

(i) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries are consolidated from the date on which control is transferred to the Group until the date on which control ceases.

All intra-group balances, income and expenses, and unrealised gains and losses resulting from intra-group transactions of the consolidated entities are eliminated in full on consolidation.

(ii) JOINT ARRANGEMENTS

Joint arrangements represent activities where the Company has joint control established by a contractual agreement. Joint control requires unanimous consent for financial and operational decisions. A joint arrangement is either a joint operation, whereby the parties have rights to the assets and obligations for the liabilities, or a joint venture, whereby the parties have rights to the net assets. Classification of a joint arrangement as either joint operation or joint venture requires judgement. Management's consideration includes, but are not limited to, determining if the arrangement is structured through as separate vehicle and whether the legal from and contractual arrangements give the entity direct rights to the assets and obligations for the liabilities within the normal course of business. Other facts and circumstances are also assessed by management, including the entity's rights to the economic benefits of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

(b) Business combination

Acquisitions of businesses are accounted for using the acquisition method whereby all identifiable assets and liabilities are recorded at their fair value as at the date of acquisition with limited exceptions. Any excess purchase price over the aggregate fair value of identifiable net assets is recorded as goodwill. Acquisition related costs are expensed as incurred and are included in the consolidated statement of profit or loss. Estimates of future cash flows, forecast prices, interest rates and discount rates are made in determining the fair value of assets acquired and liabilities assumed. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, intangible assets and goodwill in the purchase price equation.

(c) Property, plant and equipment ("PPE")

(i) EXPLORATION AND EVALUATION EXPENDITURES

Exploration and evaluation activities include: acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; and activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. Exploration and evaluation costs are expensed as incurred. They are only capitalised when the Group concludes that there is evidence to support probability of generating positive economic returns in the future. A mineral resource is considered to have economic potential when it is expected that the technical feasibility and commercial viability of extracting the mineral resource can be demonstrated and the future economic benefits are probable.

In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource, is considered. Capitalised exploration and evaluation expenditures are recorded as a component of property, plant and equipment. Capitalised exploration and evaluation assets will be assessed for impairment when specific facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Once development is sanctioned, any capitalised exploration and evaluation costs are tested for impairment and reclassified to mineral property assets within property, plant and equipment. All subsequent development expenditure is capitalised.

Capitalised exploration and evaluation costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

(ii) COMMENCEMENT OF COMMERCIAL PRODUCTION

There are a number of quantitative and qualitative measures the Group considers when determining if conditions exist for the transition from pre-commercial production to commencement of commercial production of an operating mine, which include:

- all major capital expenditures have been completed to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management;
- mineral recoveries are at or near expected production levels; and
- the ability exists to sustain ongoing production of ore.

(iii) PP&E COST

Items of PP&E are measured at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and construction cost, any costs directly attributable to bringing the asset into operation including stripping costs incurred in open pit development before production commences, the initial estimate of the site restoration obligation and, borrowing costs for qualifying assets. Repair and maintenance costs are expensed as incurred. When parts of an item of PP&E have different useful lives, the parts are accounted for as separate items (major components) of property, plant and equipment.

(iv) DEPRECIATION AND AMORTISATION

Assets under construction are not depreciated until these assets are ready for their intended use. The unit-of-production method is applied to a substantial portion of the Ekati Diamond Mine property, plant and equipment. Depending on the asset, it is based on either tonnes of material processed or carats of diamonds recovered during the period relative to the estimated proven and probable ore reserves of the ore deposit being mined, or to the total ore deposit. Other property, plant and equipment is depreciated using the straight- line method over the estimated useful lives of the related assets which are as follows:

Asset	***Estimated useful life (years)***
Buildings	Up to 15
Machinery and mobile equipment	2–15
Computer equipment and software	3–6
Furniture, fixtures and equipment	2–10
Polishing equipment	4–10
Leasehold and building improvements	Up to 15
Right-of-use assets	Lease term or life of the asset

The estimation of mineral reserves is a subjective process. The Group estimates its mineral reserves based on information compiled by an appropriately qualified person. Forecasts are based on engineering data, projected future rates of production and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Group expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of additional future drilling, testing or production levels and on diamond prices. Changes in reserve estimates may impact the carrying value of exploration and evaluation assets, mineral properties, property, plant and equipment, mine rehabilitation and site restoration provisions, recognition of deferred tax assets, and depreciation charges. Estimates and assumptions about future events and circumstances are also used to determine whether economically viable reserves exist that can lead to commercial development of an ore body.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. The impact of changes to the estimated useful lives or residual values is accounted for prospectively.

(v) STRIPPING COSTS

Mining costs associated with stripping activities in an open pit mine are expensed unless the stripping activity can be shown to represent a betterment to the mineral property, in which case the stripping costs would be capitalised and included in deferred mineral property costs within mining assets.

When the benefit from the stripping activity is realised in the current period, the stripping costs are accounted for as the cost of inventory. When the benefit is the improved access to ore in future periods, the costs are recognised as a mineral property asset – if improved access to the ore body is probable, the component of the ore body can be accurately identified, and the cost associated with improving the access can be reliably measured. If these conditions are not met, the costs are expensed to the consolidated statement of profit or loss as incurred. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of- production method) over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

(vi) MAJOR MAINTENANCE AND REPAIRS

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. When an asset, or part of an asset that was separately depreciated, is replaced and it is probable that future economic benefits associated with the new asset will flow to the Group through an extended life, the expenditure is capitalised. The unamortised value of the existing asset or part of the existing asset that is being replaced is expensed. Where part of the existing asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

(d) Assets held for sale

Non-current assets are classified for held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment loss on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, property, plant and equipment is no longer amortised or depreciated.

(e) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than inventory and deferred taxes are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

IMPAIRMENT INDICATOR

Determining whether there are any indications of impairment requires significant judgement of external factors, such as customer turnover, marketing supply and demand, change in discount and foreign exchange rates, a significant decline in an asset's market value and significant changes in the technological, market, economic or legal environment that would have an adverse impact on the Group's cash generating unit ("CGU"). For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, referred to as a CGU. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the asset is tested as part of a CGU.

RECOVERABLE AMOUNT

The recoverable amount of an asset is the greater of its fair value less cost of disposal ("FVLCD") and its value in use. In the absence of a binding sales agreement, fair value is estimated on the basis of values obtained from an active market or from recent transactions or on the basis of the best information available that reflects the amount that the Group could obtain from the disposal of the asset.

FVLCD is estimated by using the discounted future after-tax cash flows expected to be derived from the CGU, less an estimated amount for cost to dispose. The determination of FVLCD for each CGU are considered to be Level 3 of the fair value measurements, as they are derived from valuation techniques that include inputs that are not based on observable market data. When discounting estimated future after-tax cash flows, the Group uses an after-tax discount rate which reflects the risks specific to the CGU. Estimated cash flows are based on expected future production, expected selling prices, expected operating costs and expected capital expenditures. Value in use is defined as the present value of future pre-tax cash flows expected to be derived from the use of an asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Expected rough diamond production levels, which comprise proven and probable reserves and an estimate of the recoverable amount of resources, are used to estimate expected future cash flows. Expected future rough diamond prices are estimated based on realised prices for rough diamonds sold during the Group's most recent sale, geological data regarding the quality of rough diamonds in reserves and resources and expected future levels of worldwide diamond production. Future operating and capital costs, including labour and fuel costs, are based on the most recently approved life of mine plan, which is reviewed and approved annually by senior management and the Board of Directors. The assessment also requires estimates and assumptions related to foreign exchange rates and discount rates, which are determined based on prevailing market conditions at the date of the assessment. Where applicable, assumptions are aligned with the Group's most recent economic analysis of mineral reserves and resources. Financial results as determined by actual events could differ from those estimated, and changes in these estimates that decrease the estimated recoverable amount of the CGU could affect the carrying amounts of assets and result in an impairment charge.

IMPAIRMENT LOSS

When the recoverable amount of a CGU is less than the carrying amount of that CGU, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to that CGU, and then to the other assets of that CGU pro rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss is recognised directly in the consolidated statement of profit in those expense categories consistent with the function of the impaired asset. Impairment losses for property, plant and equipment and intangible assets are reversed if there has been a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognised, and it has been determined that the asset is no longer impaired or that impairment has decreased. The reversal is recognised in earnings before income taxes in the period in which the reversal occurred and is limited to the carrying value less any subsequent depreciation that would have been determined had no impairment charge been recognised in prior years.

(f) Inventory and supplies

Inventory includes stockpile ore inventory, rough diamond inventory (work-in-progress and finished goods) recovered from Ekati Mine and supplies inventory that are all related to the rough diamond mining segment. Inventory in the polished diamond segment includes purchased rough diamonds, polished diamonds and jewellery. All inventories are recorded at the lower of cost and net realisable value.

Stockpiled ore represents coarse ore that has been extracted from the mine and is stored for future processing. Stockpiled ore value is based on the costs incurred (including depreciation and amortisation) in bringing the ore to the stockpile. Stockpile ore inventory is determined on a weighted average cost basis. Mining rough diamonds inventory costs are determined on a weighted average cost basis and include cash production costs, depreciation and amortisation. Supplies inventory includes consumables and spares maintained at the Ekati Mine site and is measured on a weighted average cost basis.

In the polished diamond segment, costs of purchased rough diamonds, polished diamond inventory and jewellery are determined either using a weighted average basis or specific unit identification basis depending on the nature of the item.

Net realisable value is the estimated selling price for the final product. The measurement of inventory, including the determination of its net realisable value, involves the use of estimates. The significant sources of estimation uncertainty include diamond prices, production grade and expenditure, and determining the remaining costs of completion to bring inventory into its saleable form. The Group uses historical data on prices achieved, grade and expenditure in forming its assessment.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term money market instruments (with a maturity on acquisition of less than 90 days) and excludes restricted cash.

(h) Restricted cash

Cash which is subject to legal or contractual restrictions on its use and is classified separately as restricted cash.

(i) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(i) the contract involves the use of an identified asset that may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(ii) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(iii) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

(i) fixed payments, including in-substance fixed payments;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable under a residual value guarantee; and

(iv) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" in the consolidated statement of financial position.

(i)SHORT-TERM LEASES AND LEASESOF LOW-VALUE ASSETS

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets being those assets with a fair value of less than US$5,000 when new. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) Employee pension plans

The Group operates various pension plans. The plans are generally funded through payments to insurance companies or trustee-administered funds determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

DEFINED CONTRIBUTION PLAN

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

DEFINED BENEFIT PLAN

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis including discount rate, life expectancy and expected return on plan assets. The assumptions are reviewed each year and are adjusted where necessary to reflect changes in fund experience and actuarial recommendations. Any changes in these assumptions will impact the carrying amount of the pension obligation.

(k) Provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The expense relating to any provision is included in net profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in net profit or loss.

Significant judgements and estimates are involved in forming expectations of future site closure and reclamation activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements. The Ekati Diamond Mine rehabilitation and site restoration provision is prepared by management at the Ekati Diamond Mine.

(l) Income taxes

Income tax expense comprises current and deferred tax and is recognised in net profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income. Income tax expense includes mining royalty taxes that the owner or operator of a mine shall pay to the Government of the Northwest Territories royalties ("Royalty Tax") on the value of the mine's output during that fiscal year.

The Group has determined that the global minimum top-up tax – which is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax expense is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

(i) Temporary differences arising on the initial recognition of assets and liabilities in a transaction that:

- is not a business combination; and
- at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

(ii) Temporary differences related to investment in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii)Taxable temporary differences arising on initial recognition of goodwill.

Deferred tax expense is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will not be realised. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group classifies foreign exchange differences on deferred tax assets or liabilities in jurisdictions where the functional currency is different from the currency used for tax purposes as income tax expense. The unrealised foreign exchange gain or loss related to deferred income tax asset and liability is recorded as part of deferred tax expense or recovery for each year.

Judgement is required in determining whether deferred tax assets are recognised in the consolidated statement of financial position. Deferred tax assets, including those arising from unused tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differs significantly from estimates, the ability of the Group to realise the deferred tax assets recorded at the consolidated statement of financial position date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(m) Revenue

The Group is principally engaged in the business of producing diamonds and earns revenue predominantly through the sale of rough diamonds in the Rough Diamond Segment. The Polished Diamond segment earns revenue through cutting, polishing and sale of polished diamonds and fine jewellery.

All diamond sales to customers generally include one performance obligation. Revenue from contracts with customers is recognised at a point of time when control of the diamonds is transferred to the customer and selling prices are known, generally on delivery of the diamonds. Sales are measured at the fair value of the consideration received. The Group's sales policy requires receipt of cash prior to delivery of rough diamonds to customers. There is no return policy, as all diamond sales are final.

Revenue from cutting and polishing collaborative sale agreements:

- is considered to be variable consideration and is recognised to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been resolved. This is generally the case when cutting and polishing work has substantially been completed and relative certainty exists over the quality of the final product or when the polished diamonds have been sold; and
- is recognised once a high level of certainty exists regarding factors that influence the sale prices including the size, quality and colour of the final polished diamonds. These factors are considered per individual stone. If the Group satisfies a performance obligation before it receives the consideration, either a contract asset or a receivable.

(n) Commitments and contingencies

Provisions and liabilities for legal and other contingent matters are recognised in the period when the circumstance becomes probable that a future cash outflow resulting from past operations or events will occur and the amount of the cash outflow can be reasonably estimated. The timing of recognition and measurement of the provision requires the application of judgement to existing facts and circumstances, which can be subject to change, and the carrying amounts of provisions and liabilities are reviewed regularly and adjusted accordingly. The Group is required to both determine whether a loss is probable based on judgement and interpretation of laws and regulations and determine if the loss can be reasonably estimated. When a loss is recognised, it is charged to net profit. The Group continually monitors known and potential contingent matters and makes appropriate disclosure and provisions when warranted by the circumstances present. Contingent assets are not recognised in financial statements. However, when the realisation of income is virtually certain, then the related asset is recognised.

(o) Financial instruments

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are not offset unless there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Group's financial instruments include cash and cash equivalents, restricted cash, trade and other receivables, reclamation deposits, trade and other payables, consideration payable, contingent consideration and loans and borrowings.

CLASSIFICATION

Financial assets are classified in one of the following categories: amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Financial liabilities are classified as measured at amortised cost or FVTPL. Classification of financial instruments in the Group's financial statements depends on the purpose for which the financial instruments were acquired or incurred. The classification of financial instruments is determined at initial recognition.

MEASUREMENT

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognised immediately in profit or loss.

Subsequently, financial instruments measured at amortised cost are measured using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

IMPAIRMENT

A loss allowance for expected credit losses is recognised on a financial asset that is measured at amortised cost and FVTOCI. The loss allowance for a financial asset measured at amortised cost and FVTOCI is recognised in profit or loss as an impairment gain or loss. At each reporting date, the loss allowance for a financial instrument should be measured at the amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance should be measured at the amount equal to 12-month expected credit losses. The loss allowance should always be measured at the amount equal to lifetime expected credit losses for trade receivables not containing a significant financing component.

DERECOGNITION

A financial asset is derecognised when:

- the contractual right to the cash flows from the financial asset expire; or
- the Group transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset.

A financial liability is derecognised when the liability is extinguished, discharged, cancelled or expires.

(p) Compound financial instruments

Compound financial instruments in issuance comprise convertible notes denominated in Australian Dollars that can be converted to ordinary shares at the option of the holder, where the number of shares to be issued is fixed and does not vary with changes in fair value.

Upon issuance 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 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 using the effective interest rate method. 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. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

The Group has applied an accounting policy choice to not reclassify financial instruments due to a change in functional currency when there are no changes in contractual terms of such instruments, which, had this change in functional currency occurred before initial recognition of the instrument, would have changed its classification.

(q) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: The fair value measurements are classified as Level 1 if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.
- Level 2: The fair value measurements are classified as Level 2 when inputs other than quoted prices in Level 1 which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: The fair value measurements are classified as Level 3 when inputs require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs.

(r) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). Determination of functional currency requires judgements. The consolidated financial statements are presented in US Dollar, which is the Group's functional and presentation currency effective 1 July 2023. Refer to Note 2 for further information on change in functional currency during the year.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at exchange rates in effect at the statement of financial position date, and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in net profit or loss.

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position account presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); an
- All resulting exchange differences are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position.

When a foreign operation is sold, the cumulative exchange differences in the translation reserve related to that foreign operation are reclassified to profit or loss as part of the gain or loss on sale.

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(t) Basic and diluted earnings per share

Basic earnings per share are calculated by dividing net profit or loss by the weighted average number of shares outstanding during the period. Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the net impact of any dilutive potential ordinary shares arising out of option or convertible notes exercises. Diluted earnings per share are determined using the treasury stock method to calculate the dilutive effect of options. The treasury stock method assumes that the exercise of any "in-the-money" options with the option proceeds would be used to purchase common shares at the average market value for the period. Options with an exercise price higher than the average market value for the period are not included in the calculation of diluted earnings per share as such options are not dilutive.

(u) Share-based compensation

Cash-settled RSU and DSU awards are provided to certain employees, officers and directors of the Group. The Group also offers equity settled awards such as options over shares to certain employees, officers, consultants and directors of the Group that are settled via issuance of shares, cash-less exercise or via cash payout (requires approval from Board of Directors).

Restricted Share Units

Under the RSU plan certain employees are granted RSUs that generally vest within three years and are paid out in cash. A liability for RSUs is measured at the fair value on grant date is subsequently adjusted for changes in fair value. The liability is recognised on a straight-line basis over the vesting period, with a corresponding charge to share-based compensation expense, as a component of general and administrative expenses.

Deferred Share Units

DSUs vest over a period of three years and are paid out in cash. Vested DSU grants are only exercisable on departure of the employee (e.g. retirement, resignation, death). The initial fair value of the DSU liability is measured on grant date and is subsequently adjusted for changes in fair value. The liability is recognised on a straight-line basis over the vesting period with a corresponding charge to share-based compensation expense.

Equity settled awards

Grants under the Group's share-based compensation plan are accounted for in accordance with the fair value method of accounting. For share option plans that will settle through the issuance of equity, the fair value of options is determined on their grant date using an appropriate valuation model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share price, the expected dividend yield and the risk-free rate for the term of the option.

The cost of equity settled awards is recorded as compensation expense measured using the grant date fair value of the award over the period that the award vests, with the corresponding credit to share-based payments reserve in Other Reserves. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Depending on terms of the option grant, these awards can be settled via issuance of Company shares, cashless exercise or payment in cash Board approval).

If equity-settled awards are modified, an additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTE 37 MATTERS SUBSEQUENT TO THE REPORTING PERIOD

(i) Surety bond agreement for Point Lake

In February 2024, the Group entered into an agreement with surety providers to issue a new surety bond for CDN$13.6 million that was issued on 1 March 2024, pursuant to the security requirements for Phase Two development for Point Lake Water Licence.

The associated surety bond agreement requires the Group to collateralise the surety bond on an aggregate basis of 30% in 2024, 50% in 2025, 70% in 2026 and 100% in 2028. The initial 30% collateral payment was secured by way of a fully cash collateralised irrevocable letter of credit issued to the surety provider. After the issuance of the letter of credit of CDN$4.0 million the remaining Letter of Credit facility available to the Group is CDN$2.7 million.

(ii) Agreement-in-principle negotiated for surety bond payment commitments

On 14 March 2024, the Group announced that an agreement-in-principle with surety providers had been reached to extend the cash collateralisation schedule of the remaining surety commitments (excluding Point Lake) over four years, instead of full payment by end of June 2024. As per the revised cash collateralisation schedule the Group would make quarterly instalments of CDN$14.5 million, concluding with a final payment of approximately CDN$9.7 million in the third quarter of 2027. The revised payment schedule is consistent with the existing Ekati life of mine and is subject to entry of long form documentation with surety providers.

Directors' Declaration

In the opinion of the directors of Burgundy Diamond Mines Limited (the "Company"):

1. a) the consolidated financial statements and notes that are set out on pages 24 to 72 and the Remuneration report on page 13 to 20 in the Directors' report, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial period ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial period ended 31 December 2023.

3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated on 27th of March 2024

Michael O'Keeffe
Executive Chair

Independent Auditor's Report

To the shareholders of Burgundy Diamond Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Burgundy Diamond Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its financial performance for the Transitional Financial Year, being the period from 1 July 2023 to 31 December 2023; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 31 December 2023
- Consolidated Statement of Loss and Other Comprehensive Loss, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the Transitional Financial Year, being the period from 1 July 2023 to 31 December 2023
- Notes, including material accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at 31 December 2023 or from time to time during the Transitional Financial Year, being the period from 1 July 2023 to 31 December 2023.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 2(b), "Going concern" in the Financial Report. The conditions disclosed in Note 2(b), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern, we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Group's plans to renegotiate its surety cash collateralisation timeline and to settle convertible notes at maturity. We did this by reading correspondence with the surety providers and convertible note holders to understand and assess the financial options available to the Group and to assess the level of associated uncertainty;
- Assessing the Group's cash flow forecasts from operations and plans to address going concern, in particular in light of the surety cash collateralisation commitments and potential settlement of maturing convertible notes;
- Determining the completeness of the Group's going concern disclosures for the principle matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit Matters

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the ***Key Audit Matters***:

- Acquisition of Arctic Companies and restatement of comparative balances
- Reclamation provisions

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Arctic Companies (USD$117.5m) and restatement of comparative balances

Refer to Note 4, Note 35(b) and Note 36(b) to the Financial Report

The key audit matter

Acquisition of Arctic Companies

On 1 July 2023, the Group acquired 100% of the issued capital of Arctic Canadian Diamond Ltd. and Arctic Canadian Diamond Marketing N.V. (together the "Arctic Companies") for consideration of USD$117.5m, resulting in the recognition of property, plant and equipment, diamond inventory, reclamation provision and other assets and liabilities.

These transactions are considered to be a key audit matter due to the:

- Size of the acquisition having a significant impact on the Group's financial statements and the nature of its operations;
- Group's judgement and complexity relating to the determination of the fair values of assets acquired and liabilities assumed ("net assets acquired") in the transaction, requiring us to use significant audit effort. The Group engaged an external valuation expert to assess the fair value of certain assets including property, plant and equipment, and diamond inventory. We focused on certain key assumptions used by the external valuation expert in performing these valuations, and their sensitivity given the values are sensitive to changes in certain assumptions including depreciated replacement cost and diamond sales prices.

We involved our valuation specialists to supplement our senior audit team members in assessing this key audit matter.

Restatement of comparative balances

As disclosed in Note 35(b) to the Financial Report, legal expenses related to due diligence and associated capital raise on acquisition of the Arctic Companies were overstated and recorded incorrectly in the Company's Financial Report for the year ended 30 June 2023, and therefore restated

How the matter was addressed in our audit

Our procedures included:

- We evaluated the acquisition accounting by the Group against the requirements of the accounting standards;
- We read the underlying transaction agreement to understand the terms of the acquisition and the nature of net assets acquired;
- We assessed the accuracy and measurement of the consideration paid to acquire the Arctic Companies to underlying documentation, including the transaction agreement and the Group's bank statements;
- Working with our valuation specialists, we assessed the Group's external expert's report and;
    - Considered the objectivity, competence and scope of the Group's external valuation expert;
    - Evaluated the valuation methodology used to determine the fair value of the net assets acquired, including property plant and equipment and diamond inventory, considering accounting standard requirements and observed industry practices;
    - Assessed the key assumptions in the Group's external valuation expert report prepared in relation to the fair value of the property, plant and equipment and diamond inventory including:
        - independently assessing the depreciated replacement cost for a sample of property, plant and equipment by checking key inputs to publicly available market data; and
        - checking the fair value of diamond inventory determined

in the comparative balances to the current period Financial Report. We considered the significant impact on revising the presentation of these transactions in the Financial Report, including the restatement of prior year amounts using *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors,* which were fundamental to the users' understanding of the Financial Report.	by the Group's external valuation expert against selling prices subsequent to acquisition. • We performed procedures on the reclamation provision assumed by the Group in connection with the acquisition of the Arctic Companies. Further refer to the procedures included in the "Reclamation provisions" Key Audit Matter below. • We checked the accuracy of the restated legal expenses by inspecting underlying documentation; and • We assessed the adequacy of associated disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards, including *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* for the restatement of prior year amounts.

Reclamation provisions (USD$236.2m)	
Refer to Note 25 and Note 36(k) to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Reclamation provisions is a key audit matter due to the additional audit effort arising from the: • significant acquisition of reclamation provisions by the Group during the Transitional Financial Year in connection with the acquisition of the "Arctic Companies", noted in the Key Audit Matter above. • inherent complexity in the Group estimating future environmental remediation and site restoration costs, and • significant judgement applied by the Group, and effort for us, in gathering persuasive audit evidence on the expected costs,	Our procedures included: • Comparing the basis for recognition and measurement of the reclamation provisions for consistency with environmental and regulatory requirements and criteria in the accounting standards; • Evaluating the methodology applied by the Group in determining the nature and extent of reclamation activities by comparison to industry practice; • Obtaining and critically evaluating the Group's reclamation provisions estimation by: ○ Comparing the nature, timing and quantum of a sample of costs contained in the Group's reclamation provisions to the Group's

particularly for those costs to be incurred several years in the future. The estimate of the Group's reclamation provisions is influenced by: • The complexity in current environmental and regulatory requirements, and the impact to completeness of the reclamation provisions; • The expected environmental management strategy of the Group and the nature of the costs incorporated into the reclamation provisions; and • The expected timing of expenditure which is planned to occur several years into the future, and the associated inflation and discounting of costs in the present value calculation of the reclamation provisions.	Government approved reclamation plan and internal and external underlying documentation. o Assessing the planned timing of reclamation activities through comparison to the Group's strategy and plans for commencement and completion of reclamation activities and against the Group's Government approved reclamation plan; o Assessing the competence of the Group's staff involved in determining the reclamation provisions estimate; o Comparing inflation rate and discount rate assumptions in the Group's reclamation provisions determination to external market data such as the Canadian bond rates and Canadian inflation targets; • Evaluating the completeness of the reclamation provisions against the Group's analysis of where disturbance requires reclamation. We compared to our understanding of the Group's operations and to the Government approved reclamation plan. • Assessing the disclosures in the financial report using our understanding obtained from our testing against the requirements of the accounting standard. This included evaluating the current and non-current reclamation provisions disclosure for consistency to the planned timing of the reclamation expenditure.

Other matter

The Financial Report of Burgundy Diamond Mines Limited for the year ended 30 June 2023 was audited by another auditor who issued an unmodified opinion on that Financial Report on 27 September 2023.

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Other Information

Other Information is financial and non-financial information in Burgundy Diamond Mines Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf
This description forms part of our Auditor's Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Burgundy Diamond Mines Limited for the Transitional Financial Year, being the period from 1 July 2023 to 31 December 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 13 to 20 of the Directors' report for the Transitional Financial Year, being the period from 1 July 2023 to 31 December 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Matthew Hingeley

Partner

Perth

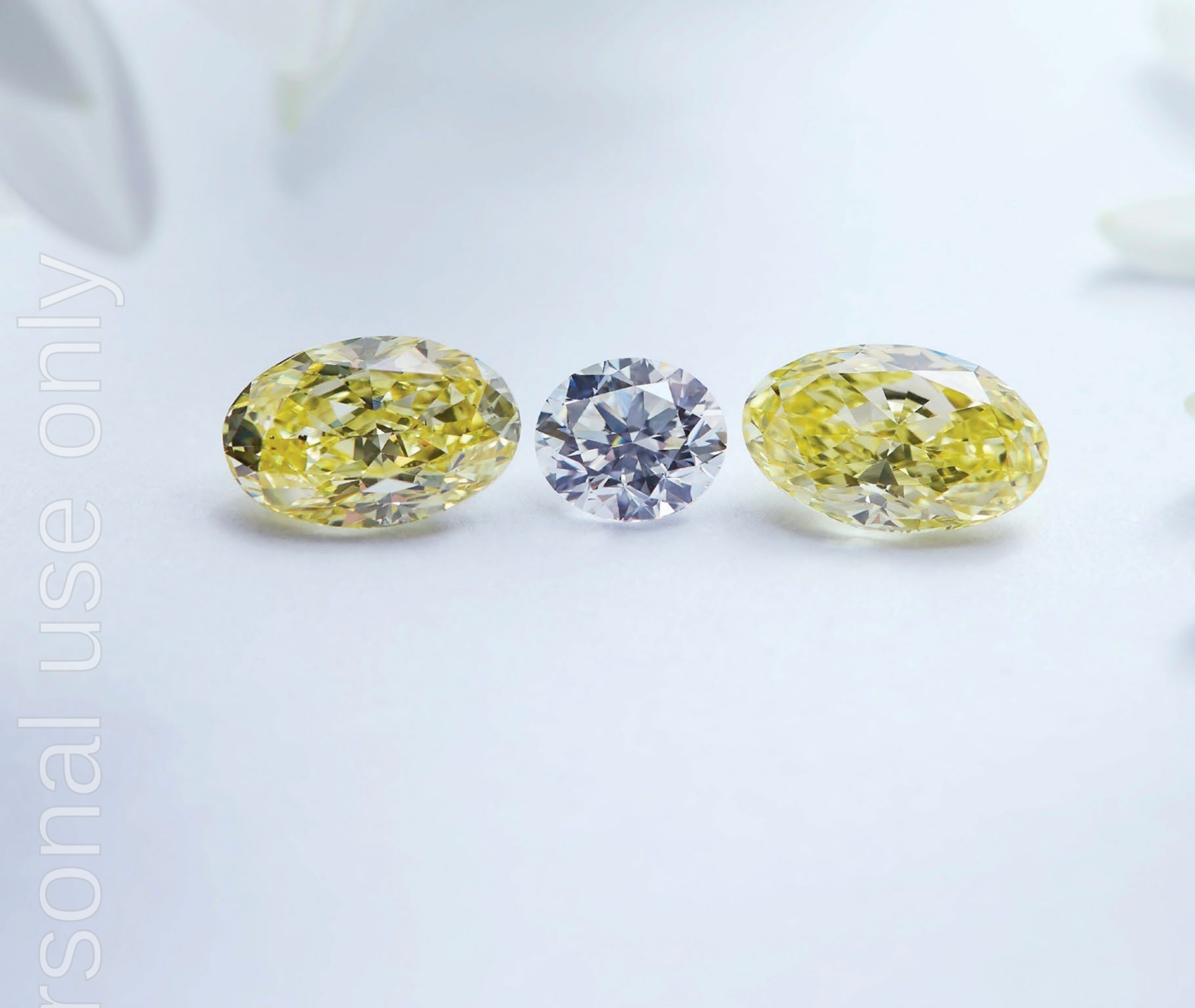
27 March 2024

Corporate Governance Statement

The Board of Directors of Burgundy Diamond Mines Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition ("the ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, are in place.

The Company's Corporate Governance Statement and policies can be found on its website at www.burgundydiamonds.com.



BURGUNDY
DIAMOND MINES

2023
ADDITIONAL ASX INFORMATION

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 14 March 2024.

1. Fully paid ordinary shares

- There is a total of 1,421,205,230 fully paid ordinary shares on issue which are listed on the ASX.
- The number of holders of fully paid ordinary shares is 2,215.
- There is a total of 278,829,226 fully paid ordinary shares escrowed to 01/07/2024.
- The number of holders of fully paid ordinary shares escrowed to 01/07/2024 is 54.
- Holders of fully paid ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company.
- There are no preference shares on issue.

2. Distribution of fully paid ordinary shareholders is as follows:

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	62	3,961	0.00%
above 1,000 up to and including 5,000	364	1,167,154	0.08%
above 5,000 up to and including 10,000	244	2,031,809	0.14%
above 10,000 up to and including 100,000	903	37,283,513	2.62%
above 100,000	642	1,380,718,793	97.15%
Totals	**2,215**	**1,421,205,230**	**100.00%**

3. Holders of non-marketable parcels

Holders of non-marketable parcels are deemed to be those whose shareholding is valued at less than AUD500.

There are 173 shareholders who hold less than a marketable parcel of shares, amount to 0.01% of issued capital.

4. Substantial shareholders of ordinary fully paid shares

The following holders have notified that they are substantial holders of the company at 31 December 2023:

	Holding Balance	% of Issued Capital
ARCTIC CANADIAN DIAMOND HOLDING LLC	129,230,769	9.09%
KAMA CAPITAL PTE LTD	120,000,000	8.44%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	107,113,401	7.54%
BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	103,200,320	7.26%
CITICORP NOMINEES PTY LIMITED	73,022,065	5.14%

5. Restricted Securities

None

6. Share buy-backs

There is currently no on-market buyback program for any of BDM listed securities.

7. Voting rights of Shareholders

All fully paid ordinary shareholders are entitled to vote at any meeting of the members of the Company and their voting rights are on:

- Show of hands – one vote per shareholder; and
- Poll – one vote per fully paid ordinary share.

8. Major Shareholders

The Top 20 largest fully paid ordinary shareholders together held 59.85% of the securities in this class and are listed below:

Position	Holder Name	Holding	% IC
1	ARCTIC CANADIAN DIAMOND HOLDING LLC	129,230,769	9.09%
2	KAMA CAPITAL PTE LTD	120,000,000	8.44%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	106,192,975	7.47%
4	BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	104,220,320	7.33%
5	CITICORP NOMINEES PTY LIMITED	75,131,863	5.29%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	60,619,450	4.27%
7	PROSPECT AG TRADING PTY LTD <O'KEEFFE FAMILY A/C>	54,353,535	3.82%
8	UBS NOMINEES PTY LTD	32,705,979	2.30%
9	BASS FAMILY FOUNDATION PTY LTD <BASS FAMILY FOUNDATION A/C>	20,300,000	1.43%
10	METECH SUPER PTY LTD <METECH NO 2 SUPER FUND A/C>	19,000,000	1.34%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	18,550,000	1.31%
12	WYNNCHURCH STRATEGIC OPPORTUNITY LP (A DELAWARE LP)	14,583,334	1.03%
13	ZERO NOMINEES PTY LTD	14,362,500	1.01%
14	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	13,907,461	0.98%
15	BRIGADE CREDIT FUND II LTD	12,609,013	0.89%
16	PRINCIPAL FUNDS INC - DIVERSIFIED INCOME FUND	11,967,877	0.84%
17	EASTBOURNE DP PTY LTD <O'KEEFFE SUPER FUND A/C>	11,050,000	0.78%
18	9064-6316 QUEBEC INC	11,041,667	0.78%
19	SANDY DOG PTY LTD <THE SANDY DOG UNIT A/C>	10,760,000	0.76%
20	PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	10,000,000	0.70%
	Totals	**850,586,743**	**59.85%**
	Total Issued Capital	**1,421,205,230**	**100.00%**

9. Unlisted Options

- 10,000,000 options expiring 23 September 2024, exercisable AUD0.36
- 1,000,000 options expiring 5 August 2026, exercisable AUD0.26
- 1,306,599 options expiring 30 August 2027, there is no consideration payable for the options.
- 10,000,000 options expiring 20 November 2025, exercisable AUD0.36
- 12,065,136 options expiring 30 November 2028, exercisable AUD0.18

10. Tax Status

The Company is treated as a public company for taxation purposes.

11. Franking Credits

The Company has no franking credits.

12. Business Objectives

Burgundy Diamond Mines Limited has used cash and cash equivalents held in a way consistent with its stated business objectives.

13. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited under Security Code BDM.

14. Registered Office

Level 25, Suite 32

108 St Georges Terrace
Perth WA 6000

Telephone: 08 6559 1792
Website: www.burgundydiamonds.com

15. Company Secretary

Brad Baylis

16. Share Registry

Automic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

17. Company Assets

Project	Location	Area	Nature of Interest	Holder	Interest at beginning of period	Interest at end of the period
La Victoria Project	Peru	~80km^2	Farm-in Agreement	Eloro Resources Limited	18%	18%
Naujaat Project	Nunavut, Canada	~127km^2	Earn-in Agreement and 40% interest	North Arrow Minerals Inc.	40%	40%

BURGUNDY
DIAMOND MINES

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