# APPENDIX 4E

## FOR THE PERIOD ENDED 31 DECEMBER 2023

BURGUNDY
DIAMOND MINES

**Burgundy Diamond Mines Limited**
ABN 33 160 017 390

# BURGUNDY DIAMOND MINES LIMITED
# APPENDIX 4E
# PRELIMINARY UNAUDITED FINANCIAL REPORT
# FOR THE PERIOD ENDED 31 DECEMBER 2023

| | |
|---|---|
| Name of Company | Burgundy Diamond Mines Limited |
| ABN | 33 160 017 390 |
| Current Reporting Period | 6 months ended 31 December 2023 |
| Previous Reporting Period | 12 months ended 30 June 2023 |

## Results for Announcement to the Market

These unaudited results are prepared in accordance with Australian Accounting Standards. Amounts presented are in US Dollars, except as otherwise noted.

| **Statistory Results** Unaudited | **31 December 2023** $'000 | **(Restated*) 30 June 2023** $'000 | **Up/(Down)** $'000 | **%** |
|---|---|---|---|---|
| Revenue from ordinary activities | 257,484 | 3,452 | 254,032 | 7,359% |
| Profit (loss) before income taxes | 11,082 | (17,802) | 28,884 | 162% |
| Net loss after income taxes | (676) | (17,802) | (17,126) | (96%) |
| Total comprehensive loss attributable to owners | (1,181) | (17,802) | (16,621) | (93%) |

* Refer to Note 35 in the accompanying unaudited financial report for details on restatement of comparatives.

There were no dividends paid or declared during the period ended 31 December 2023 (30 June 2023: $Nil). Basic loss per share and diluted loss per share are shown on page 3.

## Explanation of Results

On 1 July 2023, Burgundy Diamond Mines Limited (the "Company") completed acquisition of 100% of the common shares of Arctic Canadian Diamond Company Ltd. (“ACDC”) in Canada and Arctic Canadian Diamond Marketing N.V. (“ACDM”) in Belgium (the “Acquisition”). ACDC owns 100% of Ekati Diamond Mine, a producing diamond mine located in Canada’s Northwest Territories.

During the period ended 31 December 2023, the focus of the Company was the integration of the transformational purchase of 100% interest in Ekati Diamond mine into the Burgundy portfolio.

Revenue from ordinary activities of $257.5 million, consists primarily of rough diamond sales of $256.6 million and $0.9 million of polished diamond sales. The increase in revenue from prior year is due to sale of rough diamond recovered from Ekati Diamond Mine that was acquired on 1 July 2023, whereas in prior period revenue consisted of polished diamond sales only. Despite the current period containing results for six months compared to twelve months in prior period, there was significant improvement in profit before income taxes and net loss after income taxes in current period due to profit from sale of rough diamonds. Whereas in prior period the higher net loss arose from loss on sale of polished diamonds, polished diamond inventory write-down of $2.1 million, impairment of Ellendale Diamond Project $2.5 million and transaction costs of $2.3 million incurred in Acquisition.

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 for the Acquisition). 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 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 the Acquisition 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.

## Net tangible assets per ordinary share

| **Net tangible assets per ordinary share**<br>Unaudited | **31 December 2023**<br>$ | **(Restated*)**<br>**30 June 2023**<br>$ | **Up/(Down)**<br>$ |
|---|---|---|---|
| Net tangible assets per ordinary share | 0.11 | 0.10 | Up 0.01 Cents |

* Refer to Note 35 in the accompanying unaudited financial report for details on restatement of comparatives.

## Changes in Controlled Entities

On 1 July 2023, the Company completed acquisition of 100% of the common shares of ACDC and ACDM. 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. The Company together with its subsidiaries are referred to as the Group.

In addition, the Company filed cancellation certificate for Burgundy Diamonds LLC in the US.

## Details of Associates and Joint ventures

Refer to Note 28 of the attached 31 December 2023 preliminary financial report and accompanying notes for further details.

## Accounting standards used by foreign entities

All subsidiaries use International Financial Reporting Standards.

## Independent auditor's report

The financial report is in the process of being audited with an expectation of an unmodified audit report with no emphasis of matter paragraph.

## Attachments forming part of Appendix 4E

Preliminary unaudited financial report of Burgundy Diamond Mines Limited for the period ended 31 December 2023 is attached.

## Consolidated Statement of Loss and Other Comprehensive Loss (Unaudited)
### (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 (Unaudited)
### (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 | 6,803 | 7,324 |
| Accumulated losses | | (49,171) | (48,495) |
| **Total equity** | | **158,239** | **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 | 347 | — |
| Tax payable | 10 | 25,944 | — |
| **Total current liabilities** | | **123,100** | **3,741** |
| **Total liabilities** | | **508,746** | **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 (Unaudited)
## (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 | — | — | (16) | — | (16) |
| **At 31 December 2023** | | **200,607** | **4,384** | **2,419** | **(49,171)** | **158,239** |

* 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 (Unaudited)
### (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 | | (226) | (20) |
| 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 | — | 2,477 |
| 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 | | (465) | (15) |
| **Net cash from (used in) operating activities** | | **67,954** | **(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 | | (30,747) | 110,053 |
| Cash and cash equivalents, beginning of the period | | 125,355 | 14,317 |
| Foreign exchange effect on cash balances | | (182) | 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 (Unaudited)

### 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 Preliminary Financial Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited consolidated financial statements. 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.

#### (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 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) relate 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 $23.7 million (face value) maturing on 16 September 2024, which will require cash settlement if not converted into shares by the noteholders on maturity. The executive chairman subscribed to 5,000,000 convertible notes on issuance and as at 31 December 2023, holds $3.4 million of convertible notes.

In order to continue as a going concern, the Group must generate sufficient income and cash flows to repay obligations, finance operations and fund capital investments to sustain operations. The future of the Group is dependent on its ability to maintain profitable operations, meeting its surety cash collateralisation commitments and extinguishing current liabilities including convertible notes upon maturity. This will require the Group to generate sufficient funds from operations, continue receiving support from surety providers, lenders by extending maturity of the convertible notes or obtain new financing via debt or share issuance. There is no certainty that the Group will raise these necessary funds from operations or financings or receive the required support from surety providers or its lenders.

As a result of these factors, there is uncertainty which may impact the ability of the Group to meet its commitments and obligations as they come due and continue as a going concern.

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:

- Management is in advanced stages of discussion with surety providers, to extend the surety cash collateralisation timeline and to reduce the cash collateral requirements;
- In February 2024, an agreement was reached with surety providers to issue a new surety bond for CDN$13.6 million for Point Lake security requirements. Under terms of this agreement, the Group will cash collateralise the letters of credit that will be issued to surety providers over a period of four year ending in 2028 (see Note 37). This agreement will further reduce the Groups' cash collateralisation requirements for Point Lake in 2024;
- 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 through postponing or pausing projects; deferring or cancelling discretionary spending; and
- The Group has a strong track record of successfully raising capital and expects to be able to raise additional capital through equity placements to existing and new investors.

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 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.

As a change in presentation currency is accounted for retrospectively 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:

<u>Deferred tax assets and liabilities arising from a single transaction</u>

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.

<u>Material accounting policy information</u>

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

<u>Non-current liabilities with covenants (Amendments to IAS 1)</u>

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.

## 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.

The purchase price was allocated to underlying assets acquired and liabilities assumed based on the fair values at the date of acquisition. 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.

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 | 257,037 | 917 | 257,954 | — | 257,954 |
| Elimination of inter-segment | (470) | — | (470) | — | (470) |
| **Segment revenue** | 256,567 | 917 | 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** | **26,650** | **(312)** | **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) | 25,340 | (585) | 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 | 25,670 | (1,566) | 24,104 | (13,022) | 11,082 |
| Tax expense | (11,758) | — | (11,758) | — | (11,758) |
| **Segment profit (loss) after taxes** | **13,912** | **(1,566)** | **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** | **948** | **355,380** | **153,366** | **508,746** |
| 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 |

### (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 asset | — | 2,477 |
| Impairment of inventory | 146 | 2,131 |
| Other | 5,665 | 959 |
| **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.

## 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** | **—** |

### (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.

## 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** |

| (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.

### (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 |

### (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 - fully paid** | **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 | 2,977 | 2,993 |
| Revaluation Reserve | (505) | — |
| Foreign currency translation reserve | (53) | (53) |
| **Total reserves** | **6,803** | **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) | (16) | 462 |
| **Balance at the end of the period** | **2,977** | **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)** |

### 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.

| | 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 |

## 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 |

| **Lease liabilities** | **(Restated)** |
|---|---|
| **Maturity analysis — contractual undiscounted cash flows** | **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)] | 192 |
| **Total employee benefit plan obligation** | **4,175** |
| Less current portion | 347 |
| 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** |

| **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.

### (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 using the straight-line method over the vesting period and is subsequently revalued at each reporting period.

On 1 December 2023, the Group issued option awards under this arrangement for which an expense and liability of $44,476 was recognised. See Note 29 (b) for further details.

## 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 | 19,455 | 2,396 |
| Accrued expenses | 34,513 | 1,248 |
| Interest payable on loans | 49 | — |
| **Total trade and other payables** | **54,017** | **3,644** |

## 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*

Reclamation deposits

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.

Loans and borrowing

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.

Convertible notes

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.

<u>Contingent consideration</u>

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.

<u>Consideration payable</u>

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.

### 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.

| | | 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 December 1, 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 | 73 | 41 |
| Share-based payments | 228 | — |
| **Total KMP Compensation** | **1,185** | **528** |

### 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 31 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.*

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.

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. 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.

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** |

## 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:

| | **31 December 2023** | | **30 June 2023** | |
|---|---|---|---|---|
| **Range of exercise prices** | **Options** | **Weighted average exercise price AUD** | **Options** | **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:

| | **Options outstanding** | | | **Options exercisable** | |
|---|---|---|---|---|---|
| **Range of exercise prices AUD** | **Number outstanding** | **Weighted average remaining contractual life in years** | **Weighted average exercise price AUD** | **Number 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 | 3.67 | 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.*

## 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.

## NOTE 32 AUDITOR'S REMUNERATION

| **(rounded to the nearest US dollar)** | **31 December 2023** | | | | **(Restated) 30 June 2023** |
|---|---|---|---|---|---|
| **Amounts received or due and receivable:** | **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 | 22,891 | 3,706 |
| Non-current liabilities | 344 | 21,255 |
| **Total liabilities** | **23,235** | **24,961** |
| | | |
| **Equity** | | |
| Contributed equity | 200,607 | 153,512 |
| Reserves | 7,322 | 7,377 |
| Accumulated losses | (53,592) | (48,548) |
| **Total equity** | **154,337** | **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 Company'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, 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.

## NOTE 35 RESTATEMENT OF COMPARATIVES

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

All comparative figures in the consolidated financial statements were restated due to change in 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 | (5,415) | 830 | (4,585) |
| Others | (13,217) | — | (13,217) |
| **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 include, 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 is 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 it 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 legal 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 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.

As at 27 February 2024, the surety bond is still pending issuance due to finalisation of administrative sign-offs and approvals between the surety providers.