



ASX: CMM  
8 September 2023

## FY23 FINANCIAL RESULTS

- Gold production at the Karlawinda Gold Project (KGP) for FY23 was 120,014 ounces at an all-in-sustaining-cost (AISC) of \$1,208 per ounce (FY22: 118,432 oz at \$1,112/oz).
- Cashflow from operating activities of \$152.6m, up 13% from FY22 reflects the strong operational and financial performance of the KGP.
- Net cash position increased by \$59.8m to \$55.9m (FY22: net debt \$3.9m) after payment of \$36.8m to partially close-out hedge book (and buy gold put options) and \$35.6m in exploration expenditure.
- Record revenue of \$320.8m and record EBITDA of \$161.9m.
- Profit after tax before gold hedge closure cost and hedge accounting adjustments of \$85.8m was in line with FY22 result of \$89.5m.
- Profit after tax, gold hedge closure cost and hedge accounting adjustments was \$4.4m (FY22: \$89.5m):
  - In June 2023 Capricorn paid \$33.1m to close 51,000 ounces of gold hedging due for delivery from September 2023 – June 2024. The hedging was closed at a spot price of \$2,860/oz, compared to the current spot price in excess of \$3,000/oz.
  - The after-tax cost of the closure of \$23.2m has been treated as a financing expense in the FY23 statement of profit & loss.
  - The partial closure of the gold hedge book required a change in accounting treatment for the remainder of the hedge book at the date of closure. The \$58.2m after tax mark to market of the remaining hedge book has also been treated as a (non cash) financing expense in the FY23 statement of profit & loss.
  - For FY24 and beyond the remainder of the hedge book will qualify for hedge accounting treatment and any unrealised mark to market gains or losses will be booked to a hedge accounting reserve rather than through the statement of profit and loss.
- A summary of the key financial results for FY23 is shown below:

|   | FY23<br>\$'000 | FY22<br>\$'000 | Change   |
|---|----------------|----------------|----------|
| Gold sales  | 320,747        | 286,948        | 33,799   |
| EBITDA  | 161,925        | 153,934        | 7,991    |
| Profit after tax - before hedge restructure               | 85,796         | 89,483         | (3,687)  |
| Hedge closure cost (after tax)                            | (23,173)       | -              | (23,173) |
| MTM adjustment on hedge book post restructure (after tax) | (58,224)       | -              | (58,224) |
| Net profit after tax                                      | 4,399          | 89,483         | (85,084) |
| Earnings per share (cents)                                | 1.18           | 24.27          | 23.09    |
| EBITDA margin   | 50.5%          | 53.6%          | (3.1%)   |
| Cashflow from operating activities                        | 152,560        | 134,657        | 17,903   |

The operating results at the KGP for the year to 30 June 2023 were as follows:

|                               |                   | FY23    | FY22    |
|-------------------------------|-------------------|---------|---------|
| Ore mined                     | tonnes<br>(000's) | 5,807   | 5,940   |
| Ore milled                    | tonnes<br>(000's) | 4,219   | 4,450   |
| Head grade                    | g/t               | 0.96    | 0.89    |
| Recovery                      | %                 | 93      | 94      |
| Gold production               | ounces            | 120,014 | 118,432 |
| All-in-sustaining-cost (AISC) | \$/oz             | 1,208   | 1,112   |

- Despite significant impact of rainfall on operations in the March 2023 quarter and other operational challenges, Capricorn delivered very strong gold production of 120,014 ounces for the year.
- The AISC of gold production for FY23 at Karlawinda of \$1,208/oz continued to be amongst the lowest in the Australian gold industry.
- Capricorn expects to continue strong cashflow generation in FY24 with production guidance of 115,000 – 125,000 ounces at an AISC of \$1,270 - \$1,370/oz.

**Capricorn Executive Chairman Mark Clark commented:**

“FY23 was another very strong year of operations at Karlawinda, with the project generating outstanding cashflow. This saw Capricorn’s balance sheet strengthen from a net debt position of \$3.9 million to a net cash position of \$55.9 million over the course of the year. This allowed Capricorn to invest \$35.6 million in exploration, primarily focused on an extensive drilling campaign at Mt Gibson. This drilling underpinned a maiden ore reserve of 1.45 million ounces and a PFS that strongly supports development of the project. Capricorn also spent \$36.8 million to partially close out its gold hedge book, providing full exposure to the A\$ gold price in FY24. With the spot price of gold currently in excess of \$3,000/oz, some \$140/oz higher than at the time of closure, the opportunity presented by this strategy is clear. We look forward to another strong year of operations at Karlawinda and advancing the development of Mt Gibson in FY24.”

This announcement has been authorised for release by the Capricorn Metals board.

**For further information, please contact:**

Mr Kim Massey

Chief Executive Officer

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## Forward Looking Statements

This announcement may contain certain “forward-looking statements” which may not have been based solely on historical facts, but rather may be based on the Company’s current expectations about future events and results. Where the Company expresses or implies an expectation of belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. The detailed reasons for that conclusion are outlined throughout this announcement and all material assumptions are disclosed.

However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Such risks include, but are not limited to resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as governmental regulation and judicial outcomes.

For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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CAPRICORN METALS LTD

ABN 84 121 700 105

FINANCIAL REPORT FOR THE YEAR ENDED

30 JUNE 2023

**ABN**

84 121 700 105

**Directors**

Mark Clark – Executive Chairman

Mark Okeby – Non-Executive Director

Myles Ertzen – Non-Executive Director

Bernard De Araugo – Non-Executive Director

**Company Secretary**

Kim Massey

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**Share Registry**

Automic Pty Ltd

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PERTH WA 6000

Telephone: +61 2 9698 5414 or 1300 288 664

**Auditors**

KPMG Perth

235 St Georges Terrace

PERTH WA 6000

**Securities Exchange Listing**

Capricorn Metals Ltd shares are listed on the Australian Securities Exchange (ASX).

**Code**

CMM

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## Directors' report

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The Directors submit the financial report of the Consolidated Group ("the Group" or "Capricorn"), consisting of Capricorn Metals Ltd (referred to in these financial statements as "Parent" or "Company") and its wholly owned subsidiaries for the year ended 30 June 2023 and the audit report thereon, made in accordance with a resolution of the Board.

### Directors

The Directors of the Company who held office since 1 July 2022 and up to the date of this report are set out below. Directors were in office for the entire year unless stated otherwise.

**Mr Mark Clark**

*B.Bus, CA*

**Executive Chairman**

Appointed 8 July 2019

Mr Clark has over 30 years' experience in corporate advisory and public company management.

He was a director of successful Australian gold miner Equigold NL ("Equigold") from April 2003 and was Managing Director from December 2005 until Equigold's \$1.2 billion merger with Lihir Gold Ltd in June 2008. Equigold successfully developed and operated gold mines in both Australia and Ivory Coast.

Mr Clark also served as Managing Director of Regis Resources Limited ("Regis") from May 2009 until November 2016 when he was appointed Executive Chairman. He retired as a director of Regis in October 2018. Mr Clark oversaw the development of Regis' three operating gold mines at the Duketon Gold Project, which culminated in the project producing well over 300,000 ounces of gold per annum.

Mr Clark joined Capricorn Metals in July 2019 and has overseen the successful development and commissioning of the Karlawinda Gold Project and the acquisition of the Mt Gibson Gold Project.

Mr Clark is a member of the Chartered Accountants Australia and New Zealand.

Mr Clark is not an independent director.

During the past three years Mr Clark has not held any other listed company directorships.

**Mr Mark Okeby** *LLM*

**Non-Executive Director**

Appointed 8 July 2019

Mr Okeby began his career in the resources industry in the 1980's as a corporate lawyer advising companies on resource project acquisitions, financing, and development. He has a Masters of Law (LLM) and over 30 years' experience as a director of ASX listed mining and exploration companies.

Mr Okeby is currently a director of Red Hill Iron Limited (appointed in 2015) and is also Non-executive Chairman of Peel Mining Limited (appointed in 2022). Previously Mr Okeby has been a director of Hill 50 Ltd, Abelle Limited, Metals X Limited, Westgold Resources Limited, Lynas Corporation Ltd and Regis Resources Limited.

Mr Okeby is an independent director.

During the past three years Mr Okeby has held the following other listed company directorships:

- Chairman of Peel Mining Limited (appointed 3 March 2022)
- Non-Executive Director of Red Hill Iron Limited (August 2015 to present)

**Mr Myles Ertzen**

*B.Sc Grad Dip App Fin*

**Non-Executive Director**

Appointed 13 September 2019

Mr Ertzen was from 2009 until December 2018 a senior executive at Regis Resources Limited having held project and business development roles, culminating in the role of Executive General Manager – Growth, from which he resigned in December 2018.

Prior to Regis, Myles held a number of senior operations roles for gold mining and development companies and has significant experience in the permitting, development and operations of gold projects in Western Australia. Myles has various regulatory and technical qualifications in mining, management and finance.

Mr Ertzen is an independent director.

During the past three years Mr Ertzen has not held any other listed company directorships.

**Mr Bernard De Araugo**

*B.App.Sc (Metallurgy)*

**Non-Executive Director**

Appointed 26 May 2021

Mr De Araugo is a qualified metallurgist with over 30 years' experience in mining and processing including senior management and technical roles at several gold mining operations in Australia and overseas. He has held senior leadership roles across a range of business disciplines including operations, commercial management and technical functions at Orica Mining Services and leading processing consumables supplier Donhad Pty Ltd where he was an Executive Director for over 12 years.

Mr De Araugo is an independent director.

During the past three years Mr De Araugo has not held any other listed company directorships.

**Company Secretary**

The Company Secretary of the Company during the year and up to the date of this report is set out below.

**Mr Kim Massey**

*B.Com, CA*

**Company Secretary**

Appointed 4 March 2021

Mr Kim Massey was appointed as Company Secretary on 4 March 2021.

Mr Massey is a Chartered Accountant with significant experience in financial management and corporate advisory services, particularly in the resources sector, as a corporate advisor and company secretary for a number of ASX and AIM listed companies.

**Committee membership**

At the date of this report, the Company had an Audit and Risk Management Committee, and a Remuneration, Nomination and Diversity Committee. Mr Okeby is the chairman of both Committees. The directors acting on the Committee's during the year were:

| Director    | Audit and Risk Management<br>Committee | Remuneration, Nomination and<br>Diversity Committee |
|-------------|--|---|
| M Okeby     | ✓                                      | ✓   |
| M Ertzen    | ✓                                      | ✓   |
| B De Araugo | ✓                                      | ✓   |

**Directors' meetings**

The number of Board and Committee meetings held and attended by directors during the year were as follows:

| Director    | Board    |              | Audit & Risk management |              | Remuneration, Nomination and Diversity |              |
|-------------|----------|--------------|-------------------------|--------------|--|--------------|
|             | No. held | No. attended | No. held                | No. attended | No. held                               | No. attended |
| M Clark     | 9        | 9            | -                       | -            | -                                      | -            |
| M Okeby     | 9        | 9            | 5                       | 5            | 3                                      | 3            |
| M Ertzen    | 9        | 9            | 5                       | 5            | 3                                      | 3            |
| B De Araugo | 9        | 9            | 5                       | 5            | 3                                      | 3            |

**Principal Activities**

The principal activities of Capricorn during the financial year were:

- exploration, evaluation, development and production at the Karlawinda Gold Project ("KGP"); and
- exploration and evaluation of the Mt Gibson Gold Project ("MGGP").

**Strategy/Objectives**

The Group's strategy is to be a profitable mid-tier gold company that delivers superior returns to shareholders over the long term.

The focus of the Company during the year was the operation of the Karlawinda Gold Project. In addition, the Company actively pursued its strategy of developing into a multi operational gold company undertaking an extensive resource drilling programme at the MGGP culminating in a maiden ore reserve estimate and prefeasibility study released in April 2023.

The Company's objectives are to:

- Continue operations at KGP by mining and processing ore safely and responsibly;
- Organically increase the reserves and resources of the Company through systematic exploration activity across the KGP tenement package;
- Continue the technical, environmental and other studies required to advance the permitting and development of the MGGP in due course; and
- Actively pursue inorganic growth opportunities.

## Operating and Financial Review

### Overview

Capricorn Metals Ltd is an Australian based gold producer and exploration company with two distinct project areas located in Western Australia.

The KGP is located 65 kilometres south-east of Newman in the Pilbara region of Western Australia. The KGP commenced operations in June 2021 and has a 10-year mine life on current reserves. The KGP completed its second full year of operations producing 120,014 ounces of gold at all-in-sustaining-costs ("AISC") of \$1,208 per ounce.

The Company's second project is the MGGP, located in the Mid-West region of Western Australia, 280 kilometres north-east of Perth. Capricorn acquired the MGGP in July 2021 at an acquisition cost of \$39.6 million and a 1% net smelter royalty on all minerals produced from the project including gold production in excess of 90,000 ounces. The Company continued an extensive resource drilling programme at MGGP during the year and announced a maiden ore reserve estimate of 1.45 million ounces in April 2023 together with the results of a prefeasibility study.

### Financial summary

| <i>Key financial data</i>                    | 2023<br>\$'000 | 2022<br>\$'000 | Change<br>\$'000 | Change<br>% |
|--|----------------|----------------|------------------|-------------|
| Sales revenue                                | 320,840        | 287,043        | 33,797           | 12          |
| Cost of sales (excluding D&A) <sup>(1)</sup> | (146,429)      | (118,975)      | (27,454)         | 23          |
| Other income                                 | 34             | 229            | (195)            | (85)        |
| Corporate, admin and other costs             | (12,520)       | (14,363)       | 1,843            | (13)        |
| EBITDA <sup>(1)</sup>                        | <b>161,925</b> | <b>153,934</b> | <b>7,991</b>     | <b>5</b>    |
| Depreciation & amortisation (D&A)            | (27,510)       | (31,665)       | 4,155            | (13)        |
| Net finance costs                            | (125,249)      | (11,363)       | (113,886)        | 1,002       |
| Profit before tax                            | <b>9,166</b>   | <b>110,906</b> | <b>(101,740)</b> | <b>(92)</b> |
| Income tax expense                           | (4,767)        | (21,423)       | 16,656           | (78)        |
| Profit/(loss) after tax                      | <b>4,399</b>   | <b>89,483</b>  | <b>(85,084)</b>  | <b>(95)</b> |
| Cashflow from operating activities           | 152,560        | 134,657        | 17,903           | 13          |
| Cash and cash equivalents                    | 106,471        | 61,502         | 44,969           | 73          |
| Borrowings                                   | (50,613)       | (65,386)       | 14,773           | (23)        |
| Net cash/(debt)                              | 55,858         | (3,884)        | 59,742           | (1,538)     |
| Net assets                                   | 256,537        | 247,535        | 9,002            | 4           |
| Basic earnings per share (cents per share)   | 1.18           | 24.27          | (23.09)          | (95)        |

1 EBITDA is an adjusted measure of earnings before interest (finance income/(expenses)), taxes, depreciation and amortisation. Cost of sales (excluding D&A) and EBITDA are non-IFRS financial information and are not subject to audit. These measures are included to assist investors to better understand the performance of the business.

Capricorn achieved a net profit after tax of \$4.4 million for the full year to 30 June 2023, down from \$89.5 million in the previous year, primarily due to one-off finance costs associated with the restructuring of gold forward contracts (see "Net finance costs" below).

EBITDA increased 5% to \$161.9 million for the full year to 30 June 2023 as higher gold sales revenue offset increases in operating and overhead costs.

## Performance summary

### Sales

Gold revenue for the financial year was \$320.8 million from the sale of 120,320 ounces of gold at an average realised price of \$2,665 per ounce (2022: \$287.0 million from 116,122 ounces at \$2,471 per ounce).

During the year Capricorn delivered 16,947 ounces of gold into forward contracts at an average delivery price of \$2,277 per ounce (2022: 35,053 at \$2,247) and sold 103,373 ounces of gold at spot prices averaging \$2,728 per ounce (2022: 81,069 ounces at \$2,568).

As at 30 June 2023, Capricorn's gold forwards hedging programme totalled 107,000 ounces of flat forward contracts at an average delivery price of \$2,327 per ounce.

The Company has no gold hedging delivery obligations until 30 September 2024.

### Cost of sales

Cost of sales, excluding depreciation and amortisation, for the year increased 23% to \$146.4 million from the previous year mainly due to increased mining volumes at the KGP and the effect of industry wide cost pressures.

### Net finance costs

Net finance costs have increased by \$113.9 million to \$125.2 million from the previous year due to the effect of restructuring the Group's gold forward contracts.

In June 2023, the Company announced that it had reduced its gold forward contracts by 51,000 ounces to provide further exposure to any increase in the A\$ gold price. The closure of the gold forwards means the Company does not have any hedging delivery obligations until September 2024.

The cost of reducing the hedge book was \$33.1 million in cash and an \$83.2 million in non-cash expense relating to the recognition of the fair value of the remaining gold forward contracts through the profit and loss, as the Company is no longer able to apply the "Own use" exemption to account for the remaining flat forward contracts.

The restructure of the gold forwards has led to a change in the accounting for the remaining gold forwards and are now valued through the profit and loss. These contracts previously qualified as future inventory sales contracts with the sales value recognised as revenue at the time of sale, also known as the "own use" exemption.

### Cashflow

Statutory operating cash flow for the year was \$152.6 million which delivered a \$45 million increase (to \$106.5 million) in cash and cash equivalents for the year. Key cash flow movements for the year included:

- Net cash inflow from operations (excluding interest paid) of \$158.8 million
- Payments for the partial closure of the gold forwards hedge book and purchase of gold put options of \$36.8 million
- \$35.6 million on exploration activities at KGP and MGGP
- \$15.0 million repayment of debt to Macquarie Bank Ltd

### Net cash/(debt)

The Company had net cash of \$56m at the end of the financial year (2022: Net debt of \$3.9m) an increase of \$59.7m from the prior year.

The Company had outstanding debt at the end of the financial year of \$50 million (2022: \$65 million) after repaying \$15 million during the year. In July 2022, Macquarie Bank agreed to convert the \$50 million outstanding debt to a general-purpose corporate loan facility with a single bullet repayment in June 2025.

**Project summary****Karlawinda Gold Project****Operations**

Operating results for the 2023 financial year were as follows:

|                                       | Unit          | 30 June 2023 | 30 June 2022 |
|---------------------------------------|---------------|--------------|--------------|
| Ore mined                             | BCM ('000)    | 2,443        | 2,790        |
| Waste mined                           | BCM ('000)    | 10,129       | 8,954        |
| Stripping ratio                       | w:o           | 4.15         | 3.21         |
| Ore mined                             | Tonnes ('000) | 5,807        | 5,940        |
| Ore milled                            | Tonnes ('000) | 4,219        | 4,450        |
| Head grade                            | g/t           | 0.96         | 0.89         |
| Recovery                              | %             | 93           | 94           |
| Gold production                       | Ounces        | 120,014      | 118,432      |
| Cash cost <sup>(2)</sup>              | A\$/oz        | \$1,038      | \$952        |
| Cash cost inc. royalties              | A\$/oz        | \$1,186      | \$1,073      |
| All-in-sustaining-cost <sup>(2)</sup> | A\$/oz        | \$1,208      | \$1,112      |

- 2 Cash cost and all-in sustaining costs ("AISC") are non-IFRS financial information and not subject to audit. These are comparable measures commonly used in the mining industry and in particular the gold mining industry. The Company calculates cash costs and AISC on a per ounce production basis.

KGP produced 120,014 ounces from its second year of operation achieving above the mid-point of the annual production guidance range of 115,000 – 125,000 ounces. All-in-sustaining-costs ("AISC") for the financial year was \$1,208 per ounce which was at the lower end of the AISC guidance range for the year of \$1,160 - \$1,260 per ounce.

It was with great sadness that a significant incident occurred in October 2022 at the KGP that tragically claimed the life of an employee of mining contractor MACA. The safety and wellbeing of all employees and contractors of the Company remain our highest priority and our thoughts and condolences remain with the MACA employee's family, friends and colleagues.

A total of 12.6 million BCM of material was mined from the Bibra open pit during the year at a waste-to-ore strip ratio of 4.1. Mining focussed on delivering ore to the ROM primarily from Stage 3 of the open pit and mining waste to open up ore zones in stage 2 and 3 of the open pit.

The processing plant performed well during the year with steady production and ongoing optimisation. Mill feed during the year was initially a blend of laterite and oxide ore with a small proportion of transitional ore, leading into a combination of fresh and transitional ore over the second half of the financial year.

Capricorn expects to continue its strong operational performance in FY24 with gold production guidance of 115,000 – 125,000 ounces at an AISC range of \$1,270 - \$1,370 per ounce and growth capital of \$10-20 million.

**Exploration**

Capricorn wholly owns a 2,052 square kilometre tenement package at KGP which includes the greenstone belt hosting the Bibra gold deposit and other significant greenstone areas.

The Pilbara region of Western Australia has not had a significant historical exploration focus on gold and as a result very little modern and meaningful gold exploration has been completed outside of the immediate Bibra deposit, the focus of current mining operations.

During the year a total of 1,020 holes for 73,335 metres were drilled across the KGP tenement package.

Multiple near mine and regional exploration projects were advanced during the year focussing on areas situated proximal to either the Nanjilgardy Fault or the Sylvania Inlier and Pilbara Craton margin (refer Figure 1 below). First pass drilling programmes were completed at near mine targets including Muirfield, Carnoustie, Vedas and Berwick with encouraging results received.

Follow up near mine drilling programmes will continue in FY24.

First pass regional drilling programmes are expected to commence in FY24 as areas were cleared for heritage in FY23. Drilling is planned at Carrot Hill, Domomore, Jamie Well and Mumbakine Well in FY24.

**Reserves & Resources**

In June 2023 the company announced an annual resource and reserve update for KGP.

The updated KGP Ore Reserve Estimate ("ORE") of 1,247,000 ounces (2022: 1.34 million ounces) is an increase of 5,000 ounces after accounting for mining depletion in the nine months to 31 March 2023.

The updated Mineral Resource Estimate ("MRE") is 2,228,000 ounces (2022: 2.29 million ounces) is an increase of 40,000 ounces after accounting for mining depletion in the nine months to 31 March 2023.

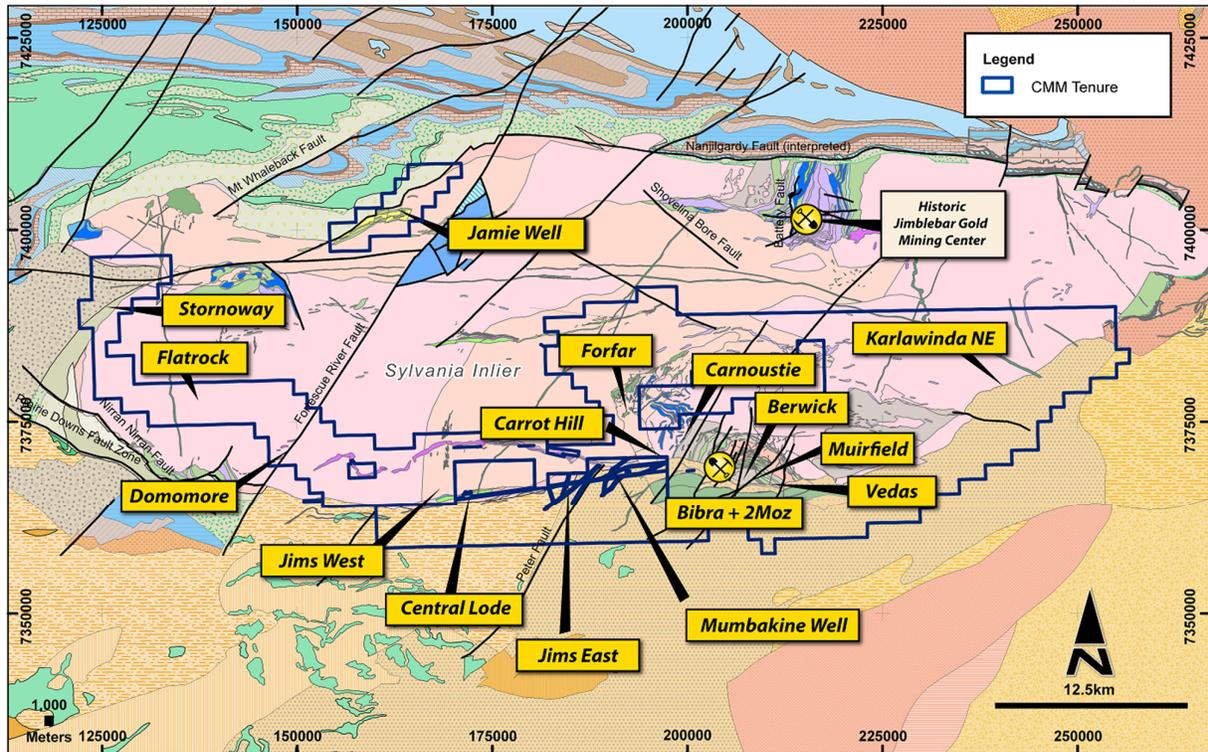


Figure 1: Karlawinda Gold Project exploration targets

**Mt Gibson Gold Project**

In July 2021 Capricorn announced the acquisition of the MGGP located approximately 280 kilometres northeast of Perth in the Mid-West region of WA. At the time of acquisition the project had a JORC 2012 compliant Inferred MRE of 2,083,000 ounces of gold.

In April 2023 the Company announced a maiden ORE and the results of a prefeasibility study for the MGGP. The maiden MGGP JORC 2012 compliant ORE is 48.7 million tonnes @ 0.9g/t Au for 1.45 million ounces. This ORE is based on a MRE of 104.9 million tonnes @ 0.8g/t Au for 2.76 million ounces. The ORE was estimated using a A\$1,900 per ounce gold price with the reserve pits having a shallow average depth of 140 metres, down to a maximum depth of 240 metres and an operating strip ratio of 4.2.

The maiden ORE was the culmination of an extensional and infill resource drilling programme that commenced in January 2022 and continued during the 2023 financial year. A total of 163,944 metres (1,078 holes) of RC drilling has been completed at the project to date with results received indicating mineralisation remains open down dip and along strike to the north and south.

Continued resource extension and near mine exploration drilling will continue in FY24 in parallel with permitting and development work with a view to increasing reserves given the shallow depth of the reserve pits and significant untested strike north of the current resources.

The results of the prefeasibility study completed indicate the MGGP as a robust, large scale open pit gold mine with gold production averaging 152,000 ounces per annum over the project's first 7.5 years. Production is expected to be 1.34 million ounces over a 10-year mine life with average annual production of 138,000 ounces per annum at AISC's of \$1,529 per ounce.

The project represents a strong economic proposition for the Company and is expected to generate over \$1.5 billion in operating cashflow over a 10 year mine life with revenues in excess of \$3.6 billion at a forecast gold price of \$2,750 per ounce.

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On the basis of the strong Pre-feasibility results the Board has given approval to:

- Complete project optimisation to feasibility study level;
- Complete remaining work streams to level required to support submission of relevant applications; and
- Commence long lead purchasing where advantageous to do so.

#### Material business risks

The material business risks of the Company include:

- *Gold price and foreign exchange currency:* The Company is exposed to fluctuations in the Australian dollar gold price which can impact on revenue streams from operations. To mitigate downside in the gold price, the Board has implemented a hedging program to assist in offsetting variations in the Australian dollar gold price. This involves forward contracts as well as call and put options.
- *Reserves and Resources:* The Mineral Resource Estimates and Ore Reserve Estimates for the Company's assets are estimates only and no assurance can be given that they will be realised. The estimates are determined in accordance with JORC and compiled or reviewed by a qualified competent person.
- *Government regulation:* The Company's mining, processing, development and exploration activities are subject to various laws and statutory regulations governing prospecting, development, production, taxes, royalty payments, labour standards and occupational health, mine safety, toxic substances, land use, water use, communications, land claims of local people and other matters.

No assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner which could have an adverse effect on the group's financial position and results of operations. Any such amendments to current laws, regulations and permits governing operations and activities of mining and exploration, or more stringent implementation thereof, could have a material adverse impact on the Company.

- *Operating risk:* The Company's gold mining operations are subject to operating risks that could result in decreased production, increased costs & reduced revenues. To manage this risk the Company seeks to attract and retain high calibre employees and implement suitable systems and processes to ensure production targets are achieved.
- *Exploration and development risk:* An ability to sustain or increase the current level of production in the longer term is in part dependent on the success of the group's exploration activities and development projects, and the expansion of existing mining operations. The exploration for, and development of, mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored subsequently have economic deposits of gold identified, and even fewer are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to establish rights to mine the ground, to receive all necessary operating permits, to develop metallurgical processes and to construct mining and processing facilities at a particular site.
- *Climate Change:* Capricorn acknowledges that climate change effects have the potential to impact our business. The highest priority climate related risks include reduced water availability, extreme weather events, changes to legislation and regulation, reputational risk, and technological and market changes. The group is committed to understanding and proactively managing the impact of climate related risks to our business. This includes integrating climate related risks, as well as energy considerations, into our strategic planning and decision making.
- *Environmental:* The Company has environmental liabilities associated with its tenements which arise as a consequence of mining operations, including waste management, tailings management, chemical management, water management and energy efficiency. The Company monitors its ongoing environmental obligations and risks, and implements rehabilitation and corrective actions as appropriate, through compliance with its environmental management system.
- *People risks:* The Company seeks to ensure that it provides a safe workplace to minimise risk of harm to its employees and contractors. It achieves this through an appropriate safety culture, safety systems, training and emergency preparedness.

#### Significant changes in state of affairs

Other than as set out below and elsewhere in the report, there were no significant changes in the state of affairs.

#### Dividends paid or recommended

No dividends were paid or recommended to be paid during the financial year (2022: Nil).

### Subsequent events

There were no material events arising subsequent to 30 June 2023, to the date of this report which may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in the future.

### Likely developments

There are no likely developments of which the Directors are aware which could be expected to significantly affect the results of the Group's operations in subsequent financial years not otherwise disclosed in the Principal Activities and Operating and Financial Review or the Subsequent events sections of the Directors' Report.

### Environmental issues

Mining and exploration operations in Australia are subject to environmental regulation under the laws of the Commonwealth and the State of Western Australia. The Group holds various environmental licences issued under these laws, to regulate its mining and exploration activities. The Group's current activities generally involve disturbance associated with mining activities and exploration drilling programmes in Australia.

All environmental performance obligations are subjected from time to time to Government agency audits and site inspections. The Company is not aware of any material breaches of the Group's licenses and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

### Directors' interests

As at the date of this report, the interests of the Directors in shares and options of the Company are set out in the table below:

| Director    | Number of shares | Number of unquoted rights |
|-------------|------------------|---------------------------|
| M Clark     | 22,172,000       | 120,000                   |
| M Okeby     | 6,615,385        | -                         |
| M Ertzen    | 3,611,539        | -                         |
| B De Araugo | 74,550           | -                         |

### Share options

#### Unissued shares

At the date of this report, the Company had no unissued shares under listed and unlisted options.

#### Shares issued on exercise of options

The Company had no shares issued under options for the year.

### Performance rights

#### Unissued shares

At the date of this report, the Company had the following unissued shares under unvested performance rights.

| Vesting date      | Number outstanding |
|-------------------|--------------------|
| 30 September 2023 | 112,500            |
| 18 January 2024   | 100,000            |
| 29 March 2024     | 100,000            |
| 4 October 2023    | 259,909            |
| 10 December 2023  | 525,000            |
| 10 December 2024  | 645,707            |
| 4 October 2024    | 139,909            |
| 10 December 2025  | 80,707             |

Performance rights holders do not have any right, by virtue of the performance rights to participate in any share issue of the Company or any related body corporate.

Details of performance rights granted to directors and other key management personnel during the year are set out in the remuneration report.

**Indemnification and insurance of directors and officers**

The Company has established an insurance policy insuring Directors and officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers will not be disclosed. This is permitted under s300(9) of the Corporation Act 2001.

No indemnity has been obtained for the auditor of the Group.

**Auditor independence and non-audit services**

No fees were paid or payable to KPMG Australia for non-audit services during the year ended 30 June 2023 (2022: Nil).

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 for the year ended 30 June 2023 is attached to the Directors' Report.

**Proceedings on behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

**Rounding off**

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and Director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## Remuneration report (Audited)

This remuneration report for the year ended 30 June 2023 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The report details the nature and amount of remuneration for each Key Management Personnel (“KMP”) of Capricorn Metals Ltd who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

For the purpose of this report, the term “executive” includes the Executive Chairman, senior executives and company secretaries of the Parent and the Group.

### Remuneration principles

The Remuneration, Nomination and Diversity Committee (“RNDC”) was appointed in June 2021 following the rapid growth of the Group. The RNDC is responsible for formulating the Group’s remuneration policy, setting each Director’s remuneration and reviewing the Executive Chairman’s remuneration recommendations for KMPs to ensure compliance with the remuneration Policy and consistency across the Group. Recommendations of the RNDC are put to the Board for approval.

In determining KMP remuneration the Board aims to ensure remuneration levels are set that attract, retain and incentivise executives and directors that are appropriately qualified and of a high calibre. Executives are rewarded with a level and mix of remuneration appropriate to their position, responsibilities and performance in a way that aligns with the Group’s business strategy. For the 2023 financial year the Company has implemented an Executive Remuneration Incentive Plan for Executives which sets out the performance hurdles for both Short Term Incentives (“STI”) and Long Term Incentives (“LTI”).

The objectives and principles of the Company’s remuneration policy include:

- To align the objectives of the KMP’s with the Company’s strategic and business objectives and the creation of shareholder value;
- To provide competitive and reasonable remuneration to attract and retain high calibre talent;
- To provide remuneration that is transparent, easily understood and acceptable to shareholders; and
- To provide remuneration that is structured to have a suitable mix of fixed remuneration and at-risk performance based elements using appropriate STI and LTI components.

Executive remuneration levels are reviewed annually by the RNDC to ensure alignment to the market and the Company’s objectives.

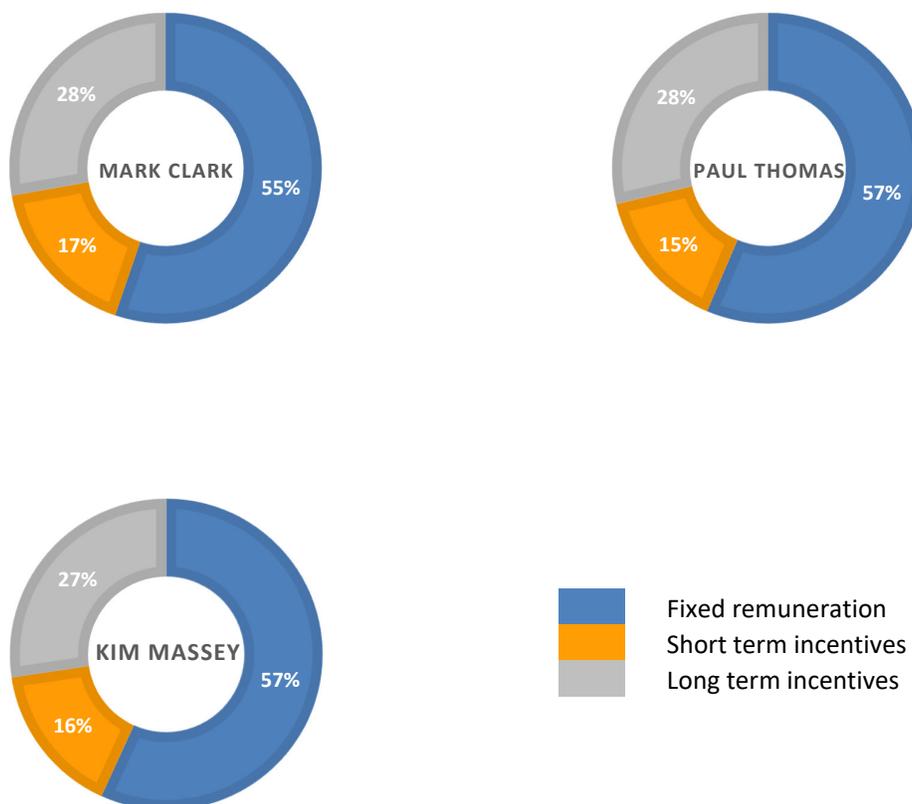
The Company’s remuneration policy provides for a combination of fixed and variable pay with the following components:

- Fixed remuneration in the form of base salary, superannuation and benefits; and
- Variable remuneration in the form of STI’s and LTI’s.

The table below provides a summary of the structure of executive remuneration:

|                                  |   |   |
|----------------------------------|---|---|
| <i>Fixed<br/>Remuneration</i>    | { | - Base salary<br>- Superannuation<br>- Other benefits |
| <i>Variable<br/>Remuneration</i> | { | - STI (cash bonuses)<br>- LTI (performance rights)    |

The relative proportion of target FY23 total remuneration packages split between the fixed and variable remuneration for the executives is shown below:



### Elements of Remuneration

#### Fixed remuneration

Fixed remuneration consists of base remuneration (including fringe benefits tax charges related to employee benefits), as well as employer contributions to superannuation funds and salary sacrifice superannuation contributions.

Remuneration levels are reviewed annually by the RNDC through a process that considers market conditions, individual performance and the overall performance of the Group. Industry remuneration surveys and data are utilised to assist in this process as well as benchmarking against ASX listed companies within the gold mining sector.

At the end of the 2023 financial year, executive annual base salaries were:

- Mark Clark \$900,000
- Paul Thomas \$700,000
- Kim Massey \$600,000

#### Short term incentives

Under the STI plan, all executives have the opportunity to earn an annual incentive which is delivered in cash if certain financial and non-financial key performance indicators ('KPI's') are met. The STI recognises and rewards annual performance and links the achievement of key short term Company targets with the remuneration received by those executives charged with meeting those targets. STI awards are capped at 100% of the target opportunity which in FY23 was 40% of the fixed remuneration of the executive.

Each year the RNDC set KPI targets for executives. For FY23 the KPI's included:

- operating targets including gold production and AISC measured against budgets;
- safety, environmental and heritage targets measured against internal objectives;
- additions to Company ore reserves net of mining depletion; and
- company performance measured as Total Shareholder Returns ('TSR') versus a comparator peer group of companies.

## Remuneration report (Audited) (Continued)

A summary of the KPI targets set for FY23 and their respective weightings and achievements are as follows:

| Key Performance Indicator      | Weighting | Measure  | % of KPI achieved | Award |
|--------------------------------|-----------|--|-------------------|-------|
| Production                     | 25%       | Gold production in line or greater than budget                         | 60%               | 15%   |
| Costs                          | 25%       | AISC in line or less than budget                                       | 60%               | 15%   |
| Safety, environment & heritage | 10%       | Safety, environment and heritage internal targets                      | 0%                | 0%    |
| Reserve growth                 | 15%       | Addition to the Company's reserve base net of depletion through mining | 100%              | 15%   |
| Company performance            | 25%       | TSR performance against comparator group                               | 100%              | 25%   |
| Total                          | 100%      |  |                   | 70%   |

In assessing the achievement of the KPI's the Committee made the following assessments:

*Production – annual gold production of 120,014 ounces was in line with FY23 budgeted production and the base reward of 15% was awarded;*

*Costs – AISC's of \$1,208 per ounce achieved was in line with FY23 budgeted AISC's and the base reward of 15% was awarded;*

*Safety, environment & heritage – Reflecting the Company's commitment to high standards of safety, environmental performance and heritage obligations, awards were only given if stretch targets were attained. The performance was impacted by a fatality at Karlawinda in October 2022, and subsequently, the metric was not achieved.*

*Reserve growth – The Company's reserves increased by 66% with the addition of the Mt Gibson maiden reserve. The stretch target was achieved and a 15% weighting was awarded.*

*Company performance – The Company achieved a total shareholder return of 29% for the 12 months to 30 June 2023 which was at the upper end of the comparator group. Accordingly, the stretch target was achieved and a 25% weighting was awarded.*

Based on the above assessment, 70% of the target opportunity of 40% of fixed remuneration was achieved with the following STI payments made to executives for FY23:

| Executive   | Maximum STI opportunity | % KPI achieved | STI awarded | STI awarded |
|-------------|-------------------------|----------------|-------------|-------------|
| Mark Clark  | 40% of TFR              | 70%            | 28% of TFR  | \$252,000   |
| Paul Thomas | 40% of TFR              | 70%            | 28% of TFR  | \$196,000   |
| Kim Massey  | 40% of TFR              | 70%            | 28% of TFR  | \$168,000   |

### Long term incentives

The Board has established the Employee Incentive Plan ("Incentive Plan") as a means for motivating senior employees to pursue the long-term growth and success of the Group. LTI's are provided to executives under the Capricorn Performance Rights Plan. Executives are eligible to receive performance rights (being entitlements to shares in Capricorn subject to satisfaction of vesting conditions) as long-term incentives as determined by the Board in accordance with the terms and conditions of the plan.

In the 2023 financial year, under the Performance Rights Plan, the number of rights granted to executives range from 50% to 70% of the executives fixed remuneration and is dependent on the individual's skills, responsibilities and ability to influence financial or other key objectives of the Company. The number of rights granted is calculated by dividing the LTI remuneration dollar amount by the Capricorn share price on the date of the grant.

The performance rights issued in FY23 were subject to one performance hurdle being total shareholder return ("TSR") measured against a benchmark peer group.

## Remuneration report (Audited) (Continued)

The following companies were identified by Capricorn to comprise the peer group for LTI purposes from 1 July 2022:

| Peer Group                  |                          |                                 |
|-----------------------------|--------------------------|---------------------------------|
| Regis Resources Limited     | Dacian Gold Limited      | Red 5 Limited                   |
| Silver Lake Resources Ltd   | St Barbara Limited       | Aurelia Metals Limited          |
| Westgold Resources Limited  | Pantoro Limited          | Alkane Resources Limited        |
| OceanaGold Corporation      | Evolution Mining Limited | Northern Star Resources Limited |
| Perseus Mining Limited      | De Grey Mining Limited   | Resolute Mining Limited         |
| Gold Road Resources Limited | Bellevue Gold Limited    |                                 |

This provides a broad and representative comparative peer group for Australian investors. The peer group will be adjusted if members are delisted (for reasons other than financial failure) or a company merges with or is acquired by another company in the peer group - in which case the resulting company remains in the peer group and the acquired company is removed. The Board has the discretion to adjust the peer group in other circumstances.

The proportion of executive rights that vest is dependent on how Capricorn's TSR compares to the peer group as follows:

| Relative TSR for Measurement Period  | Proportion of Performance Rights that will vest |
|--------------------------------------|---|
| Below the 50th percentile            | 0%  |
| At the 50th percentile               | 50%   |
| Between the 50th and 75th percentile | Pro-rata between 50% and 100%                   |
| At and above the 75th percentile     | 100%  |

The measurement period for:

- 50% of the performance rights is the 24-month period commencing on 1 July 2022 and ending on 30 June 2024 (Tranche 1); and
- The other 50% of the performance rights is the 36-month period commencing on 1 July 2022 and ending on 30 June 2025 (Tranche 2).

The following executives were awarded LTI's during the reporting period:

| Executive   | Maximum LTI Opportunity | Number of performance rights granted during FY23 |
|-------------|-------------------------|--|
| Mark Clark  | 70%                     | 161,414  |
| Paul Thomas | 60%                     | 127,712  |
| Kim Massey  | 50%                     | 88,688   |

Shareholders approved the issue of performance rights to Mr Clark at the Company AGM in November 2022.

## Remuneration report (Audited) (Continued)

Performance rights that were granted to KMPs as compensation during the current and previous years and which have vested during or remain outstanding at the end of the year are provided as follows:

| KMP      | Incentives    | No. of rights    | Grant date | FV at grant date | Test date  | % Vested during the year | % forfeited during the year |
|----------|---------------|------------------|------------|------------------|------------|--------------------------|-----------------------------|
| M Clark  | TSR           | 120,000          | 24/11/2021 | \$2.042          | 4/10/2022  | 100%                     | 0%                          |
|          | TSR           | 120,000          | 24/11/2021 | \$2.042          | 4/10/2023  | 0%                       | 0%                          |
|          | TSR           | 80,707           | 29/11/2022 | \$3.197          | 30/06/2024 | 0%                       | 0%                          |
|          | TSR           | 80,707           | 29/11/2022 | \$3.297          | 30/06/2025 | 0%                       | 0%                          |
| K Massey | 3 yrs service | 1,000,000        | 17/12/2019 | \$1.180          | 17/9/2022  | 100%                     | 0%                          |
|          | TSR           | 57,340           | 4/10/2021  | \$1.780          | 30/6/2023  | 0%                       | 0%                          |
|          | TSR           | 57,340           | 4/10/2021  | \$1.872          | 30/6/2024  | 0%                       | 0%                          |
|          | TSR           | 44,344           | 19/6/2023  | \$2.562          | 30/6/2024  | 0%                       | 0%                          |
|          | TSR           | 44,344           | 19/6/2023  | \$2.867          | 30/6/2025  | 0%                       | 0%                          |
| P Thomas | 3 yrs service | 1,000,000        | 17/12/2019 | \$1.180          | 17/9/2022  | 100%                     | 0%                          |
|          | TSR           | 82,569           | 4/10/2021  | \$1.780          | 30/6/2023  | 0%                       | 0%                          |
|          | TSR           | 82,569           | 4/10/2021  | \$1.872          | 30/6/2024  | 0%                       | 0%                          |
|          | TSR           | 63,856           | 19/6/2023  | \$2.562          | 30/6/2024  | 0%                       | 0%                          |
|          | TSR           | 63,856           | 19/6/2023  | \$2.867          | 30/6/2025  | 0%                       | 0%                          |
|          |               | <b>2,897,632</b> |            |                  |            |                          |                             |

The value of rights granted during the year is the fair value of the rights calculated at grant date. The total value of the rights granted during the year is \$1,111,529. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2022 to 30 June 2025).

The total performance rights expense recognised for KMP during the year is \$1,050,100.

There were 2,000,000 performance rights with a grant date 17 December 2019 that vested and were exercised during the year. There were 120,000 performance rights with a grant date 24 November 2021 that vested and were exercised during the year.

The remaining performance rights granted on 17 December 2019, have a three-year performance period which ends on 17 September 2022. For performance rights granted on 4 October 2021, 50% of the rights have a performance period of two years which ends on 30 June 2023 and the remaining balance ends on 30 June 2024.

In relation to the performance rights issued on 24 November 2021 50% of the rights have a performance period of one year which ends on 4 October 2022 and the remaining balance ends on 4 October 2023.

In relation to the performance rights issued on 29 November 2022 50% of the rights have a performance period of two years which ends on 30 June 2024 and the remaining balance ends on 30 June 2025.

In relation to the performance rights issued on 19 June 2023 50% of the rights have a performance period of two years which ends on 30 June 2024 and the remaining balance ends on 30 June 2025.

### Options

There were no options granted to KMP's during the current year.

There were no movements in options during the year.

## Remuneration report (Audited)

### Movements in rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held, directly, indirectly or beneficially, by KMP, including their related parties is as follows:

|               | Held as at<br>1 July 2022 | Granted as<br>remuneration | Exercised   | Net change<br>other <sup>(1)</sup> | Held as at<br>30 June 2023 | Total vested | Exercisable | Not<br>exercisable |
|---------------|---------------------------|----------------------------|-------------|------------------------------------|----------------------------|--------------|-------------|--------------------|
| <b>Rights</b> |                           |                            |             |                                    |                            |              |             |                    |
| M Clark       | 240,000                   | 161,414                    | (120,000)   | -                                  | 281,414                    | -            | -           | 281,414            |
| K Massey      | 1,114,680                 | 88,688                     | (1,000,000) | (88,688)                           | 114,680                    | -            | -           | 114,680            |
| P Thomas      | 1,165,138                 | 127,712                    | (1,000,000) | (127,712)                          | 165,138                    | -            | -           | 165,138            |
| Total         | 2,519,818                 | 377,814                    | (2,120,000) | (216,400)                          | 561,232                    | -            | -           | 561,232            |

Unvested rights are forfeited immediately on cessation of employment.

Vested rights lapse 30 days after the cessation of employment if the options have not been exercised prior.

(1) Net change other refers to rights granted but not issued.

## Remuneration report (Audited)

### Non-executive directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2022 Annual General Meeting, is not to exceed \$600,000 per annum. Directors' fees cover all main Board activities and committee memberships. The base fee for a Non-Executive Director is \$120,000 per annum excluding superannuation. An additional amount of \$15,000 is also paid to the Chairman of each of the Remuneration and Audit Committees. From time to time, Non-Executive Directors may provide additional services to the Company and in these cases, they are paid fees in line with industry rates.

### Key management personnel

The following table outlines the movements in KMP during the year ended 30 June 2023.

| Name                 | Position                                    | Term as KMP |
|----------------------|---|-------------|
| Mr Mark Okeby        | Non-Executive Director                      | Full Year   |
| Mr Myles Ertzen      | Non-Executive Director                      | Full Year   |
| Mr Bernard De Araugo | Non-Executive Director                      | Full Year   |
| Mr Mark Clark        | Executive Director                          | Full Year   |
| Mr Kim Massey        | Chief Executive Officer & Company Secretary | Full Year   |
| Mr Paul Thomas       | Chief Operating Officer                     | Full Year   |

The following table outlines the termination provisions for each current KMP:

|   | Notice period | Payment in lieu of notice | Entitlement to options and rights on termination |
|---|---------------|---------------------------|--|
| <b>Mark Clark, Executive Director</b>       |               |                           |  |
| Notice Period by Capricorn:                 |               |                           |  |
| - With or without reason                    | 2 months      | Up to 2 months            | (1)  |
| - Serious misconduct                        | Nil           | Nil                       |  |
| Notice Period by Executive:                 | 2 months      | Up to 2 months            | As above   |
| Fundamental change:                         | n/a           | n/a                       | n/a  |
| <b>Kim Massey, Chief Executive Officer</b>  |               |                           |  |
| Notice Period by Capricorn:                 |               |                           |  |
| - With or without reason                    | 6 months      | Up to 6 months            | (1)  |
| - Serious misconduct                        | Nil           | Nil                       |  |
| Notice Period by Executive:                 | 3 months      | 3 months                  | As above   |
| Fundamental change:                         | 1 month       | 12 months                 | n/a  |
| <b>Paul Thomas, Chief Operating Officer</b> |               |                           |  |
| Notice Period by Capricorn:                 |               |                           |  |
| - With or without reason:                   | 6 months      | Up to 6 months            | (1)  |
| - Serious misconduct:                       | Nil           | Nil                       |  |
| Notice Period by Executive:                 | 3 months      | 3 months                  | As above   |
| Fundamental change:                         | 1 month       | 12 months                 | n/a  |

(1) Due to resignation or termination for cause, any vested rights and options will automatically lapse on the date of the cessation of employment. For those performance rights or options that have vested, they lapse one (1) month after cessation of employment. These terms can be extended at the Board's discretion.

## Remuneration report (Audited) (Continued)

### Remuneration for Key management personnel of the Group during the year ended 30 June 2023

| FY2023                         | Short term benefits |                | Non-Cash Benefits* | Post-employment benefits | Long-term benefits                    | Share-based payments | Termination Payments | Total            | Performance Related |
|--------------------------------|---------------------|----------------|--------------------|--------------------------|---------------------------------------|----------------------|----------------------|------------------|---------------------|
|                                | Salary and Fees     | Other ^        |                    | Superannuation           | Accrued annual & long service leave # | Options & Rights     |                      |                  | %                   |
| <b>Non-Executive Directors</b> |                     |                |                    |                          |                                       |                      |                      |                  |                     |
| M Okeby                        | 150,000             | -              | -                  | 17,125                   | -                                     | -                    | -                    | 167,125          | -                   |
| M Ertzen                       | 120,000             | -              | -                  | 13,700                   | -                                     | -                    | -                    | 133,700          | -                   |
| B De Araugo                    | 120,000             | -              | -                  | 13,700                   | -                                     | -                    | -                    | 133,700          | -                   |
| <b>Executive Directors</b>     |                     |                |                    |                          |                                       |                      |                      |                  |                     |
| M Clark <sup>(1)</sup>         | 713,875             | 252,000        | 4,295              | 27,500                   | 74,832                                | 413,090              | -                    | 1,485,592        | 44.77%              |
| <b>Other Executives</b>        |                     |                |                    |                          |                                       |                      |                      |                  |                     |
| K Massey <sup>(1)</sup>        | 534,250             | 168,000        | 4,295              | 27,500                   | 36,296                                | 277,796              | -                    | 1,048,137        | 42.53%              |
| P Thomas <sup>(1)</sup>        | 644,750             | 196,000        | 4,295              | 27,500                   | 64,147                                | 359,214              | -                    | 1,295,906        | 42.84%              |
|                                | <b>2,282,875</b>    | <b>616,000</b> | <b>12,885</b>      | <b>127,025</b>           | <b>175,275</b>                        | <b>1,050,100</b>     | <b>-</b>             | <b>4,264,160</b> |                     |

^ Other short term benefits refer to a cash bonus paid to KMP for meeting STI targets.

\* Non-monetary benefits are presented at actual cost plus any fringe benefits tax paid or payable by the Company.

# Long term benefits for accrued annual and long service leave are the movements in the provision, net of any leave taken.

(1) Mr Clark, Mr Massey and Mr Thomas elected to receive a portion of their superannuation entitlements above the statutorily required maximum amount as salary.

## Remuneration report (Audited) (Continued)

### Remuneration for Key management personnel of the Group during the year ended 30 June 2022

| FY2022                         | Short term benefits |                |                    | Post-employment benefits | Long-term benefits                    | Share-based payments | Termination Payments | Salary and Fees  | Performance Related |
|--------------------------------|---------------------|----------------|--------------------|--------------------------|---------------------------------------|----------------------|----------------------|------------------|---------------------|
|                                | Salary and Fees     | Other ^        | Non-Cash Benefits* | Superannuation           | Accrued annual & long service leave # | Options & Rights     |                      |                  |                     |
|                                | \$                  | \$             | \$                 | \$                       | \$                                    | \$                   | \$                   | \$               | %                   |
| <b>Non-Executive Directors</b> |                     |                |                    |                          |                                       |                      |                      |                  |                     |
| M Okeby                        | 137,500             | -              | -                  | 13,937                   | -                                     | -                    | -                    | 151,437          | -                   |
| M Ertzen                       | 115,000             | -              | -                  | 11,575                   | -                                     | -                    | -                    | 126,575          | -                   |
| B De Araugo                    | 115,000             | -              | -                  | 11,575                   | -                                     | -                    | -                    | 126,575          | -                   |
| <b>Executive Directors</b>     |                     |                |                    |                          |                                       |                      |                      |                  |                     |
| M Clark <sup>(1)</sup>         | 605,000             | 143,000        | 9,347              | 27,500                   | 54,452                                | 267,309              | -                    | 1,106,608        | 37.08%              |
| <b>Other Executives</b>        |                     |                |                    |                          |                                       |                      |                      |                  |                     |
| K Massey <sup>(1)</sup>        | 481,250             | 110,000        | 9,347              | 27,500                   | 27,314                                | 723,287              | -                    | 1,378,698        | 60.44%              |
| P Thomas <sup>(1)</sup>        | 583,750             | 332,000        | 9,347              | 27,500                   | 73,272                                | 759,897              | -                    | 1,785,766        | 61.14%              |
|                                | <b>2,037,500</b>    | <b>585,000</b> | <b>28,041</b>      | <b>119,587</b>           | <b>155,038</b>                        | <b>1,750,493</b>     | <b>-</b>             | <b>4,675,659</b> |                     |

\* Other short-term benefits refer to a cash bonus paid to KMP for meeting STI targets. Included in Mr Thomas' other short-term benefits was a cash bonus of \$200,000 for meeting construction targets.

\* Non-monetary benefits are presented at actual cost plus any fringe benefits tax paid or payable by the Company.

# Long term benefits for accrued annual and long service leave are the movements in the provision, net of any leave taken.

(1) Mr Clark, Mr Massey and Mr Thomas elected to receive a portion of their superannuation entitlements above the statutorily required maximum amount as salary.

**Movements in share holdings**

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

|                                | Held as at<br>1 July 2022 | Issued on exercise<br>of options/rights | Net change<br>other* | Held as at<br>30 June 2023 |
|--------------------------------|---------------------------|---|----------------------|----------------------------|
| <b>Non-Executive Directors</b> |                           |   |                      |                            |
| M Okeby                        | 6,615,385                 | -                                       | -                    | 6,615,385                  |
| M Ertzen                       | 3,611,539                 | -                                       | -                    | 3,611,539                  |
| B De Araugo                    | 74,550                    | -                                       | -                    | 74,550                     |
| <b>Executive Directors</b>     |                           |   |                      |                            |
| M Clark                        | 22,052,000                | 120,000                                 | -                    | 22,172,000                 |
| <b>Other Executives</b>        |                           |   |                      |                            |
| K Massey                       | 2,153,847                 | 1,000,000                               | (600,000)            | 2,553,847                  |
| P Thomas                       | 3,400,000                 | 1,000,000                               | (1,400,000)          | 3,000,000                  |
|                                | <b>37,907,321</b>         | <b>2,120,000</b>                        | <b>(2,000,000)</b>   | <b>38,027,321</b>          |

\* Unless stated otherwise, "Net change other" relates to on market purchases and sales of shares.

**Related Party Transactions with Key Management Personnel****Loans to Key Management Personnel and their related parties**

There were no loans made to any Director, KMP and/or their related parties during the current or prior years.

**Other transactions with Key Management Personnel**

No Director has entered into contracts with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end. Transactions between related parties are on usual commercial terms and on conditions no more favourable than those available to other parties unless otherwise stated.

Other than the ordinary accrual of personnel expenses at balance date and transactions disclosed above, there are no other amounts receivable from and payable to KMP and their related parties.

**Company Performance**

Capricorn aims to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs, as discussed above. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

|                             | 2019     | Restated<br>2020     | 2021    | 2022    | 2023    |
|-----------------------------|----------|----------------------|---------|---------|---------|
|                             | \$'000   | \$'000               | \$'000  | \$'000  | \$'000  |
| Revenue                     | 207      | 122                  | 110     | 287,043 | 320,840 |
| Net profit/(loss) after tax | (23,817) | (17,947)             | (4,765) | 89,483  | 4,399   |
| Share price at year-end     | 0.089    | 1.795 <sup>(1)</sup> | 1.900   | 3.130   | 4.03    |
| Dividends paid              | -        | -                    | -       | -       | -       |
| Basic earnings per share    | (15.19)  | (4.30)               | (1.39)  | 24.27   | 1.18    |
| Net assets                  | 23,817   | 95,508               | 130,460 | 247,535 | 256,537 |

(1) A share consolidation of one for every five shares was approved by shareholders in November 2019.

Remuneration report (Audited) (Continued)

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The Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

- END OF AUDITED REMUNERATION REPORT -

Signed in accordance with a resolution of the Board of Directors.



Mr Mark Clark  
Executive Chairman  
Perth, Western Australia  
7 September 2023



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

To the Directors of Capricorn Metals Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Capricorn Metals Ltd for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

R Gambitta  
*Partner*

Perth

7 September 2023

For personal use only

Consolidated statement of profit or loss and other comprehensive income  
For the year ended 30 June 2023

|   | Note | 2023<br>\$'000 | 2022<br>\$'000 |
|---|------|----------------|----------------|
| Revenue   | 2    | 320,840        | 287,043        |
| Cost of goods sold  | 3    | (171,570)      | (149,480)      |
| <b>Gross profit</b>   |      | 149,270        | 137,563        |
| Other income  | 2    | 34             | 229            |
| Personnel costs   | 3    | (5,175)        | (7,217)        |
| Share-based payment expense   | 29   | (4,712)        | (4,893)        |
| Depreciation  | 3    | (341)          | (225)          |
| Amortisation  | 3    | (2,028)        | (935)          |
| Administrative expense  |      | (2,567)        | (1,680)        |
| Exploration and evaluation expenditure  |      | (66)           | (233)          |
| Net finance costs   | 4    | (125,249)      | (11,703)       |
| <b>Profit before income tax expense</b>   |      | <b>9,166</b>   | <b>110,906</b> |
| Income tax expense  | 6    | (4,767)        | (21,423)       |
| <b>Profit attributable to members of the parent entity</b>                                  |      | <b>4,399</b>   | <b>89,483</b>  |
| <b>Other comprehensive income:</b>  |      |                |                |
| <i>Items that may be re-classified to profit or loss:</i>                                   |      |                |                |
| Exchange differences on translation of foreign operations                                   |      | (7)            | (196)          |
| <b>Other comprehensive loss for the year, net of tax</b>                                    |      | <b>(7)</b>     | <b>(196)</b>   |
| <b>Total comprehensive income for the year attributable to members of the parent entity</b> |      | <b>4,392</b>   | <b>89,287</b>  |
| <b>Earnings per share:</b>  |      |                |                |
| Basic profit/(loss) per share (cents per share)   | 5    | 1.18           | 24.27          |
| Diluted profit/(loss) per share (cents per share)   | 5    | 1.17           | 23.91          |

*The accompanying notes form part of these financial statements*

Consolidated statement of financial position  
For the year ended 30 June 2023

|   | Note | 2023<br>\$'000 | 2022<br>\$'000 |
|---|------|----------------|----------------|
| <b>Current assets</b>                     |      |                |                |
| Cash and cash equivalents                 | 7    | 106,471        | 61,502         |
| Receivables                               | 8    | 2,535          | 2,235          |
| Other assets                              |      | 356            | 295            |
| Inventories                               | 9    | 16,619         | 14,913         |
| Other financial assets                    | 10   | 3,517          | 3,099          |
| Assets classified as held for sale        | 11   | 2,500          | 2,500          |
| <b>Total current assets</b>               |      | <b>131,998</b> | <b>84,544</b>  |
| <b>Non-current assets</b>                 |      |                |                |
| Inventories                               | 9    | 47,546         | 29,883         |
| Other financial assets                    | 10   | 2,790          | 3,067          |
| Plant and equipment                       | 12   | 153,302        | 159,121        |
| Right of use assets                       | 13   | 45,364         | 47,972         |
| Deferred exploration and evaluation costs | 14   | 105,723        | 77,297         |
| Mine properties under development         | 15   | -              | -              |
| Mine properties                           | 16   | 49,762         | 46,628         |
| <b>Total non-current assets</b>           |      | <b>404,487</b> | <b>363,968</b> |
| <b>Total assets</b>                       |      | <b>536,485</b> | <b>448,512</b> |
| <b>Current liabilities</b>                |      |                |                |
| Trade and other payables                  | 18   | 33,226         | 27,407         |
| Lease liabilities                         | 19   | 9,428          | 7,613          |
| Borrowings                                | 20   | 613            | 38,386         |
| Provisions                                | 21   | 1,457          | 1,087          |
| <b>Total current liabilities</b>          |      | <b>44,724</b>  | <b>74,493</b>  |
| <b>Non-current liabilities</b>            |      |                |                |
| Lease liabilities                         | 19   | 31,769         | 37,822         |
| Borrowings                                | 20   | 50,000         | 27,000         |
| Provisions                                | 21   | 30,452         | 29,226         |
| Other financial liabilities               | 22   | 97,103         | 11,540         |
| Deferred tax liabilities                  | 23   | 25,900         | 20,896         |
| <b>Total non-current liabilities</b>      |      | <b>235,224</b> | <b>126,484</b> |
| <b>Total liabilities</b>                  |      | <b>279,948</b> | <b>200,977</b> |
| <b>Net assets</b>                         |      | <b>256,537</b> | <b>247,535</b> |
| <b>Equity</b>                             |      |                |                |
| Issued capital                            | 24   | 203,422        | 203,524        |
| Reserves                                  | 25   | 3,134          | 6,101          |
| Retained earnings                         | 26   | 49,981         | 37,910         |
| <b>Total equity</b>                       |      | <b>256,537</b> | <b>247,535</b> |

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity  
For the year ended 30 June 2023

|                                   | Note | Issued<br>capital<br>\$'000 | Retained<br>earnings<br>\$'000 | Foreign currency<br>translation<br>reserve<br>\$'000 | Share-based<br>payment<br>reserve<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|------|-----------------------------|--------------------------------|--|---|-----------------|
| <b>Balance as at 1 July 2021</b>  |      | 180,629                     | (60,816)                       | (852)  | 11,499                                      | 130,460         |
| Profit/(loss) for the year        |      | -                           | 89,483                         | -  | -   | 89,483          |
| Other comprehensive income        |      | -                           | -                              | (196)  | -   | (196)           |
| <b>Total comprehensive income</b> |      | -                           | 89,483                         | (196)  | -   | 89,287          |
| Issue of shares                   | 24   | 22,410                      | -                              | -  | -   | 22,410          |
| Cost of capital raised            | 24   | 485                         | -                              | -  | -   | 485             |
| Share based payments              | 29   | -                           | -                              | -  | 4,893                                       | 4,893           |
| Transfer                          | 25   | -                           | 9,243                          | -  | (9,243)                                     | -               |
| <b>Balance as at 30 June 2022</b> |      | <b>203,524</b>              | <b>37,910</b>                  | <b>(1,048)</b>                                       | <b>7,149</b>                                | <b>247,535</b>  |
| <b>Balance as at 1 July 2022</b>  |      | 203,524                     | 37,910                         | (1,048)  | 7,149                                       | 247,535         |
| Profit/(loss) for the year        |      | -                           | 4,399                          | -  | -   | 4,399           |
| Other comprehensive income        |      | -                           | -                              | (7)  | -   | (7)             |
| <b>Total comprehensive income</b> |      | -                           | 4,399                          | (7)  | -   | 4,392           |
| Issue of shares                   | 24   | -                           | -                              | -  | -   | -               |
| Cost of capital raised            | 24   | (102)                       | -                              | -  | -   | (102)           |
| Share based payments              | 29   | -                           | -                              | -  | 4,712                                       | 4,712           |
| Transfer                          | 25   | -                           | 7,672                          | -  | (7,672)                                     | -               |
| <b>Balance as at 30 June 2023</b> |      | <b>203,422</b>              | <b>49,981</b>                  | <b>(1,055)</b>                                       | <b>4,189</b>                                | <b>256,537</b>  |

The accompanying notes form part of these financial statements

Consolidated statement of cash flows  
For the year ended 30 June 2023

|   | Note | 2023<br>\$'000  | 2022<br>\$'000  |
|---|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                     |      |                 |                 |
| Receipts from gold sales  |      | 320,747         | 286,948         |
| Payments to suppliers and employees                             |      | (164,124)       | (146,390)       |
| Interest received   |      | 2,028           | 28              |
| Interest paid   |      | (6,218)         | (5,966)         |
| Other income  |      | 127             | 37              |
| <b>Net cash from operating activities</b>                       | 7    | <b>152,560</b>  | <b>134,657</b>  |
| <b>Cash flows from investing activities</b>                     |      |                 |                 |
| Payments for property, plant and equipment                      |      | (11,474)        | (5,777)         |
| Payments for capitalised exploration expenditure                |      | (35,606)        | (18,437)        |
| Payments for mine properties under development                  |      | (23)            | (26,548)        |
| Payment for acquisition of assets                               |      | (200)           | (26,744)        |
| Proceeds on disposal of property, plant and equipment           |      | -               | 187             |
| <b>Net cash used in investing activities</b>                    |      | <b>(47,303)</b> | <b>(77,319)</b> |
| <b>Cash flows from financing activities</b>                     |      |                 |                 |
| Proceeds from exercise of share options                         |      | -               | 6,000           |
| Transaction costs from issue of shares                          |      | 135             | (42)            |
| Proceeds from borrowings  |      | -               | 20,000          |
| Repayment of borrowings   |      | (15,000)        | (25,000)        |
| Payment of lease liabilities                                    |      | (8,644)         | (7,424)         |
| Payments for gold put options                                   |      | (3,674)         | -               |
| Payments for gold forward contracts                             |      | (33,105)        | -               |
| <b>Net cash flows used in financing activities</b>              |      | <b>(60,288)</b> | <b>(6,466)</b>  |
| <b>Net increase in cash held</b>                                |      | <b>44,969</b>   | <b>51,190</b>   |
| Cash and cash equivalent at the beginning of the year           | 7    | 61,502          | 10,312          |
| Effect of exchange rates on cash holdings in foreign currencies |      | -               | -               |
| <b>Cash and cash equivalents at the end of the year</b>         | 7    | <b>106,471</b>  | <b>61,502</b>   |

*The accompanying notes form part of these financial statements*

|   | <b>Page</b> |
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## **BASIS OF PREPARATION**

Capricorn Metals Ltd is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The Company's registered office and principal place of business is:

Level 3, 40 Kings Park Road  
WEST PERTH WA 6005

The nature of the operations and principal activities of the Company and its subsidiaries are described in the Directors Report.

The consolidated financial statements were authorised for issue by the Board of Directors on 7 September 2023.

The consolidated financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards adopted by the International Standards Board;
- have been prepared on a historical cost basis except for assets and liabilities and share based payments which are required to be measured at fair value;
- are presented in Australian dollars with all values rounded to the nearest thousand (\$'000) unless otherwise stated in accordance with ASIC Instrument 2016/191;
- adopts all new, revised and amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period (See details below); and
- presents reclassified comparative information where required for consistency with the current year's presentation.

### **Principles of consolidation**

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in Note 30.

The consolidated financial statements incorporate the financial statements of the Parent and Entities controlled by the Parent (its subsidiaries). The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### **Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

### Key estimate and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes.

|         |   |         |
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### New standards and interpretations adopted

The Group has adopted AASB 9 *Financial Instruments*: from 1 July 2022. Under the amendments, the Group recognises only fees paid or received between the borrower and the lender and fees paid or received by either the borrower or the lender on the other's behalf when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The Group has adopted AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* from 1 July 2022. Under the amendments, the Group recognises that the costs an entity includes when assessing whether a contract will be loss-making consists of the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The adoption of the new standards and interpretations have not had a material impact on the financial performance of the Company.

### New standards and interpretations issued but not yet effective

Refer to Note 37

### Notes to the financial statements

The notes include information which is required to understand the financial statements and is material to the operations and the financial position and performance of the Group.

The notes are organised into the following sections:

- Performance for the year
- Assets
- Liabilities
- Equity
- Financial instruments and risk management
- Other disclosures

### PERFORMANCE FOR THE YEAR

This section focuses on the results and performance of the Group, covering profitability, return to shareholders via earnings per share combined with cash generation.

#### 1. SEGMENT INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board and the executive management team (the chief operating decision makers).

The Group has two reportable segments which comprise the Karlawinda Gold Project and the Mt Gibson Gold Project.

Unallocated items mainly comprise of corporate administrative costs.

|                           | Karlawinda               |                          | Mt Gibson                |                          | Unallocated              |                          | Total                    |                          |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                           | 30 Jun<br>2023<br>\$'000 | 30 Jun<br>2022<br>\$'000 |
| <b>Revenue</b>            |                          |                          |                          |                          |                          |                          |                          |                          |
| Revenue                   | 320,747                  | 286,948                  | -                        | -                        | 93                       | 95                       | 320,840                  | 287,043                  |
| Other income              | -                        | -                        | -                        | 187                      | 34                       | 42                       | 34                       | 229                      |
|                           | <b>320,747</b>           | <b>286,948</b>           | <b>-</b>                 | <b>187</b>               | <b>127</b>               | <b>137</b>               | <b>320,874</b>           | <b>287,272</b>           |
| <b>Result</b>             |                          |                          |                          |                          |                          |                          |                          |                          |
| Profit/(loss)             |                          |                          |                          |                          |                          |                          |                          |                          |
| before income tax         | 22,270                   | 124,125                  | (35)                     | 99                       | (13,069)                 | (13,318)                 | 9,166                    | 110,906                  |
| Net finance costs         | (125,237)                | (11,363)                 | 7                        | -                        | (19)                     | -                        | (125,249)                | (11,703)                 |
| Depreciation              | (21,274)                 | (24,828)                 | (49)                     | -                        | (335)                    | (214)                    | (21,658)                 | (25,042)                 |
| Amortisation              | (5,911)                  | (6,623)                  | -                        | -                        | -                        | -                        | (5,911)                  | (6,623)                  |
| <b>Assets/Liabilities</b> |                          |                          |                          |                          |                          |                          |                          |                          |
| Segment assets            | 433,908                  | 373,901                  | 93,441                   | 66,291                   | 9,136                    | 8,320                    | 536,485                  | 448,512                  |
| Segment liabilities       | (240,421)                | (162,946)                | (11,752)                 | (13,054)                 | (27,775)                 | (24,977)                 | (279,948)                | (200,977)                |

## 2. REVENUE AND OTHER INCOME

### Accounting policies

#### Gold Sales

The Group recognises revenue from gold sales when it satisfies the performance obligation of transferring control of gold inventory to the bank. The Group has determined that this generally occurs when the sales contract has been entered into and the bank has physical possession of the gold, as this is the point at which the bank obtains control of the asset. The transaction price is determined based on the agreed price and the number of ounces delivered. Payment is due upon delivery into the sales contract.

#### Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### Rental Income

Rental income is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic return on the property.

#### Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established. All revenue is stated net of the amount of goods and services tax ("GST").

#### Government Grants

Government grants are recognised when there is reasonable assurance that conditions attached to the grant will be complied with and that the grant will be received.

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| <b>Revenue and other income</b>                 |                |                |
| <b>Revenue</b>                                  |                |                |
| Gold sales                                      | 320,747        | 286,948        |
| Rental income                                   | 93             | 95             |
|   | <b>320,840</b> | <b>287,043</b> |
| <b>Other income</b>                             |                |                |
| Other   | 34             | 42             |
| Profit on sale of property, plant and equipment | -              | 187            |
|   | <b>34</b>      | <b>229</b>     |

### Gold forward contracts

As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financier Macquarie, the Group has entered into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold.

In June 2023 the Company announced that it had cash settled 51,000 ounces of gold forward contracts it held, consequently in accordance with accounting standards the remaining gold forwards are now recognised in the balance sheet at fair value (refer Note 22). Previously the gold forward contracts had only been settled via the physical delivery of gold which did not require the gold forwards to be recognised at fair value on the balance sheet. The gold forward contracts were treated as sale contracts with revenue recognised once gold has been delivered to Macquarie or its agent.

Set out below is the settlement timeframe for the remaining gold forward contracts as at 30 June 2023.

|                                   | Gold for physical<br>delivery<br>ounces | Average<br>Contracted<br>gold sale price<br>\$ | Value of<br>committed sales<br>\$'000 | Mark-to-<br>market<br>\$'000 |
|-----------------------------------|---|--|---------------------------------------|------------------------------|
| <b>Between one and five years</b> |   |  |                                       |                              |
| - Fixed forward contracts         | 107,000                                 | 2,327  | 248,989                               | (83,177)                     |

The average contracted sales price is rounded to the nearest dollar. Mark-to-market has been calculated using the average forward price per ounce of \$2,885 (2022: \$2,726). Mark to market represents the value of the open contracts at balance date, calculated with reference to the gold average forward price at that date. A negative amount reflects a valuation in the counterparty's favour.

### 3. EXPENSES

#### Accounting policies

##### Cash costs of production

Cash costs of production is a component of costs of goods sold and includes direct costs incurred for mining, milling, laboratory and mine site administration, net of costs capitalised to pre-strip. This category includes movements in the cost of inventory and any net realisable value write downs.

##### Defined contribution superannuation benefits

All employees of the Group, located in Australia, receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 10% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

##### Depreciation

Depreciation of mine specific plant, equipment, buildings and infrastructure with useful lives the same or greater than the expected life of mine are charged to the statement of profit and loss and other comprehensive income on a unit-of-production basis over the life of the mine using tonnes of ore milled.

Depreciation of other assets with useful life shorter than the life of mine are charged to the statement of comprehensive income over the assets useful life using the straight line method as follows:

|                              |              |
|------------------------------|--------------|
| Furniture and equipment      | 2 - 5 years  |
| Plant and equipment          | 2 - 10 years |
| Mobile plant and equipment   | 2 - 5 years  |
| Buildings and infrastructure | 2 - 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

#### Amortisation

Mine properties are amortised on a unit-of-production bases over the run of mine ore included in the life of mine plan.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs have been expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

| Expenses  | 2023<br>\$'000   | 2022<br>\$'000   |
|---|------------------|------------------|
| <b>Costs of goods sold</b>                          |                  |                  |
| Cash costs of production                            | (128,749)        | (105,399)        |
| Royalties   | (17,680)         | (13,576)         |
| Depreciation of mine plant and equipment            | (21,258)         | (24,817)         |
| Amortisation of mine properties (refer Note 16)     | (3,883)          | (5,688)          |
|   | <b>(171,570)</b> | <b>(149,480)</b> |
| <b>Personnel costs</b>                              |                  |                  |
| Salaries and wages                                  | (20,658)         | (16,520)         |
| Defined contribution superannuation                 | (1,945)          | (1,607)          |
| Employee bonuses                                    | -                | (1,404)          |
| Other employee benefits expense                     | (2,131)          | (2,384)          |
| Less: Amounts capitalised                           | 4,290            | 2,120            |
| Less: Amounts included in cost of goods sold        | 15,269           | 12,578           |
|   | <b>(5,175)</b>   | <b>(7,217)</b>   |
| <b>Depreciation</b>                                 |                  |                  |
| Plant and equipment depreciation (refer to Note 12) | (14,757)         | (18,827)         |
| Right of use asset depreciation (refer to Note 13)  | (6,901)          | (6,144)          |
| Less: Amounts capitalised                           | 59               | (71)             |
| Less: Amounts included in cost of goods sold        | 21,258           | 24,817           |
|   | <b>(341)</b>     | <b>(225)</b>     |
| <b>Amortisation</b>                                 |                  |                  |
| Mine properties amortisation (refer note 16)        | (3,883)          | (5,688)          |
| Financial asset amortisation (refer note 10)        | (2,028)          | (935)            |
| Less: Amounts included in cost of goods sold        | 3,883            | 5,688            |
|   | <b>(2,028)</b>   | <b>(935)</b>     |

#### 4. NET FINANCE COSTS

##### Accounting policies

##### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs have been expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

|   | 2023             | 2022            |
|---|------------------|-----------------|
|   | \$'000           | \$'000          |
| <b>Net finance costs</b>  |                  |                 |
| Interest revenue  | 2,287            | 54              |
| Interest on borrowings  | (3,127)          | (2,841)         |
| Interest on lease liabilities (refer to Note 19)                | (3,318)          | (3,441)         |
| Unwinding of discount on provisions (refer Note 21)             | (718)            | (677)           |
| Fair value loss on equity investments (refer Note 10)           | (595)            | (340)           |
| Fair value loss on gold put options (refer Note 10)             | (1,110)          | -               |
| Fair value loss on gold call options (refer Note 22)            | (2,386)          | (4,458)         |
| Fair value loss on gold forwards <sup>(1)</sup> (refer Note 22) | (83,177)         | -               |
| Cost of gold forwards <sup>(2)</sup>                            | (33,105)         | -               |
|   | <b>(125,249)</b> | <b>(11,703)</b> |

(1) Fair value loss on gold forwards represents the non-cash cost of fair valuing the remaining gold forwards held by the Company at year end. The initial recognition of the gold forwards at fair value during the year was required due to the company no longer being able to apply on the "own use" exemption in AASB 9 Financial instruments.

(2) Cost of gold forwards represents the settlement of 51,000 ounces of gold forward contracts held by the Company in cash as announced on 26 June 2023.

##### Key estimates and judgements – Unit-of-production method of depreciation and amortisation

The group uses the unit-of-production basis when depreciating/amortising life-of-mine specific assets which results in a depreciation/amortisation charge proportionate to the depletion of the anticipated remaining life-of-mine production. Each item's economic life, which is assessed annually, has due regard for both its physical life limitations and to present assessments of the available resource of the mine property at which it is located.

#### 5. EARNINGS PER SHARE

##### Accounting policy

Basic earnings per share ("BEPS") is calculated by dividing the income or loss attributable to the members of the Company for reporting period, after exclusion of any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period adjusted for any bonus elements.

Diluted earnings per share ("DEPS") adjusts the figures used in the determination of BEPS to take into account the after-tax effect of interest recognised associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares adjusted for any bonus elements.

|                                   | 2023  | 2022  |
|-----------------------------------|-------|-------|
|                                   | Cents | Cents |
| <b>Earnings per share</b>         |       |       |
| Basic earnings per share (BEPS)   | 1.18  | 24.27 |
| Diluted earnings per share (DEPS) | 1.17  | 23.91 |

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| <b>Earnings used in calculating BEPS and DEPS</b>   |                |                |
| Profit attributable to members of the parent entity | 4,399          | 89,483         |

|   | 2023<br>Number | 2022<br>Number |
|---|----------------|----------------|
| <b>Weighted average number of ordinary shares</b>                 |                |                |
| Weighted average number of ordinary shares used to calculate BEPS | 373,757,298    | 368,756,565    |
| <b>Adjustments for calculation of DEPS:</b>                       |                |                |
| Performance rights  | 1,963,732      | 5,440,818      |
| Weighted average number of ordinary shares used to calculate DEPS | 375,721,030    | 374,197,383    |

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements which would impact the above calculations.

## 6. INCOME TAX

### Accounting policy

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| <b>Amounts recognised in profit and loss</b>   |                |                |
| <b>(a) Tax expense</b>   |                |                |
| Current tax  | -              | -              |
| Deferred tax   | 4,767          | 21,423         |
| Total tax expense for the period   | 4,767          | 21,423         |
| <b>(b) Numerical reconciliation between tax expense and pre-tax net profit or (loss)</b> |                |                |
| Net profit before tax  | 9,166          | 110,906        |
| Corporate tax rate applicable  | 30%            | 30%            |
| Income tax expense on above at applicable corporate rate                                 | 2,750          | 33,272         |
| <b>Increase/(decrease) income tax due to tax effect of:</b>                              |                |                |
| Non-deductible expenses  | 1,425          | 1,460          |
| Current year tax losses not recognised   | -              | -              |
| Non assessable income  | -              | -              |
| Movement in unrecognised temporary differences   | 829            | 75             |
| Recognition of previously unrecognised prior year tax losses                             | -              | (13,116)       |
| Deductible equity raising costs  | (237)          | (268)          |
| Income tax expense attributable to entity  | 4,767          | 21,423         |
| <b>(c) Amounts charged or (credited) directly to equity</b>                              |                |                |
| Relating to equity raising costs   | 237            | (527)          |
| Other  | -              | -              |
|  | 237            | (527)          |

## 7. CASH AND CASH EQUIVALENTS

### Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

|                           | 2023    | 2022   |
|---------------------------|---------|--------|
|                           | \$'000  | \$'000 |
| Cash and cash equivalents |         |        |
| Cash at bank              | 106,471 | 61,502 |

### Reconciliation of profit after tax to net cash flow from operations:

|  |          |          |
|--|----------|----------|
| Profit after income tax                  | 4,399    | 89,483   |
| <b>Adjustments for:</b>                  |          |          |
| Depreciation                             | 21,599   | 25,042   |
| Amortisation                             | 5,911    | 6,623    |
| Unwinding of discount on provisions      | 718      | 677      |
| Unrealised loss on derivatives           | 86,672   | 4,458    |
| Fair value loss on financial assets      | 595      | 340      |
| Share based payment                      | 4,712    | 4,893    |
| Profit on disposal of fixed assets       | -        | (187)    |
| Unrealised foreign exchange gain         | (6)      | -        |
| Payments for gold derivatives            | 33,105   | -        |
| <b>Changes in assets and liabilities</b> |          |          |
| Increase in receivables                  | (300)    | (909)    |
| Increase in other current assets         | (61)     | (30)     |
| Increase in inventories                  | (19,369) | (30,731) |
| Increase in financial assets             | -        | -        |
| Increase in payables and accruals        | 9,228    | 12,918   |
| Increase in provisions                   | 590      | 657      |
| Increase in deferred tax liabilities     | 4,767    | 21,423   |
| Cashflow from operating activities       | 152,560  | 134,657  |

### Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year ended 30 June 2023 (2022: Nil).

### ASSETS

This section shows the assets used to generate the Group's trading performance.

## 8. RECEIVABLES

### Accounting policy

Receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Receivables are recognised at amortised cost, less any allowance for expected credit losses.

|                            | 2023<br>\$'000 | 2022<br>\$'000 |
|----------------------------|----------------|----------------|
| <b>Receivables</b>         |                |                |
| GST receivable             | 1,647          | 1,551          |
| Security deposits          | 386            | 478            |
| Fuel tax credit receivable | 150            | (66)           |
| Interest receivable        | 283            | 26             |
| Other receivables          | 69             | 246            |
|                            | <b>2,535</b>   | <b>2,235</b>   |

## 9. INVENTORIES

### Accounting policy

Gold bullion, gold in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting ore into gold bullion. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product, including royalties.

Consumable stores are valued at the lower of cost and net realisable value. The cost of consumable stores is measured on a first-in first-out basis at weighted average cost.

Inventories expected to be sold (or consumed in the case of stores) within 12 months after the balance sheet date are classified as current assets, all other inventories are classified as non-current. The following balances are carried at cost.

|                    | 2023<br>\$'000 | 2022<br>\$'000 |
|--------------------|----------------|----------------|
| <b>Inventories</b> |                |                |
| <b>Current</b>     |                |                |
| Ore stockpiles     | 9,460          | 6,844          |
| Gold in circuit    | 3,972          | 4,356          |
| Bullion on hand    | 1,805          | 2,497          |
| Consumable stores  | 1,382          | 1,216          |
|                    | <b>16,619</b>  | <b>14,913</b>  |
| <b>Non-Current</b> |                |                |
| Ore stockpiles     | <b>47,546</b>  | <b>29,883</b>  |

### Key estimates and judgements – Inventories

Net realisable value tests are performed at each reporting date and represent the estimated forecast sales price of the gold contained in inventories, when it is expected to be realised, less estimated costs to complete production and bring the product to sale in accordance with the approved mine plan which includes the blending of ores. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage. Stockpile tonnages are verified by periodic surveys.

## 10. OTHER FINANCIAL ASSETS

### Accounting policy

The Group's other financial assets include equity investments, gold call options and gold put options.

### Recognition and initial measurement

All financial assets are initially recognised when the Group becomes party to the contractual provisions of the instrument except trade receivables which are initially recognised when they are originated.

A financial asset (excluding trade receivables) is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except where the instruments are classified 'at fair value through profit or loss' ("FVTPL"), in which case transaction costs are expensed to profit or loss immediately.

### Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- at amortised cost;
- 'fair value in other comprehensive income' ("FVOCI") – equity investment; or
- FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes.

A financial asset is measured at amortised costs if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

On initial recognition of an equity investment that is not being held for trading, the Group may irrevocably elect to present subsequent changes to the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### Amortised cost

Amortised cost is calculated as:

- the amount at which the financial asset is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

### Fair values

The carrying amounts and estimated fair values of all the Group's financial assets recognised in the financial statements are materially the same. The methods and assumptions used to estimate the fair value of the financial assets are disclosed in the respective notes.

### Derecognition

The Group derecognises a financial asset when:

- the contractual rights to receive the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

|                               | 2023         | 2022         |
|-------------------------------|--------------|--------------|
|                               | \$'000       | \$'000       |
| <b>Other financial assets</b> |              |              |
| <i>Current</i>                |              |              |
| Gold call options at FVTPL    | -            | 1,751        |
| Gold put options at FVTPL     | 2,564        | -            |
| Equity investments at FVTPL   | 953          | 1,348        |
|                               | <b>3,517</b> | <b>3,099</b> |
| <i>Non-current</i>            |              |              |
| Gold call options at FVTPL    | <b>2,790</b> | <b>3,067</b> |

#### Gold option assets

Gold option assets represent the fair value gold call option contracts entered into on 6 January 2020 and gold put option contracts purchased on 26 June 2023.

|                                       | 2023         | 2022         |
|---------------------------------------|--------------|--------------|
|                                       | \$'000       | \$'000       |
| <b>Gold option assets</b>             |              |              |
| As at 1 July                          | 4,818        | 5,753        |
| Additions                             | 3,674        | -            |
| Amortisation (refer Note 3)           | (2,028)      | (935)        |
| Fair value adjustments (refer Note 4) | (1,110)      | -            |
| As at 30 June                         | <b>5,354</b> | <b>4,818</b> |

#### Equity investments

Equity investments represent the fair value of shares held by the Company in ASX listed Companies.

|                                       | 2023       | 2022         |
|---------------------------------------|------------|--------------|
|                                       | \$'000     | \$'000       |
| <b>Equity investments</b>             |            |              |
| As at 1 July                          | 1,348      | 1,688        |
| Additions                             | 200        | -            |
| Fair value adjustments (refer Note 4) | (595)      | (340)        |
| As at 30 June                         | <b>953</b> | <b>1,348</b> |

#### Fair value of listed shares and assumptions

|   | 2023     | 2022    |
|---|----------|---------|
| <b>Evion Group NL (formerly BlackEarth Minerals NL)</b> |          |         |
| Fair value per listed share                             | \$0.036  | \$0.074 |
| Closing quoting bid price per share                     | \$0.036  | \$0.074 |
| <b>DiscovEx Resources Limited</b>                       |          |         |
| Fair value per listed share                             | \$0.0025 | \$0.004 |
| Closing quoting bid price per share                     | \$0.0025 | \$0.004 |

## 11. ASSETS HELD FOR SALE

### Accounting policy

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through the sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets, except deferred tax assets, employee benefits assets or investment property, which continue to be measured in accordance with the Group's other accounting policies.

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

The held-for-sale property is subject to review and revalued on the basis of independent valuations. Any revaluation adjustment to the carrying amount is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve.

|                             | 2023   | 2022   |
|-----------------------------|--------|--------|
|                             | \$'000 | \$'000 |
| <b>Assets held for sale</b> |        |        |
| Property asset              | 2,500  | 2,500  |
| Impairment                  | -      | -      |
| Translation adjustment      | -      | -      |
|                             | 2,500  | 2,500  |

The Group has put its freehold property asset located in Antananarivo, Madagascar up for sale. The property covers an area of 19,373m<sup>2</sup> containing several buildings, including offices, warehouses and villa accommodation.

A valuation was completed by Cabinet D'Expertise Audit Techniques Et Conseils Qualities in June 2023 of 9,019,164,000 Ariary which translates to AUD \$3,027,733 as at 30 June 2023 (2022: AUD \$2,603,874). Based on the current valuation, the Directors considered the carrying value appropriate for the year ended 30 June 2023. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

## 12. PLANT AND EQUIPMENT

### Accounting policy

Each class of property, plant and equipment is carried at cost or fair value, less, where applicable, any accumulated depreciation and impairment losses.

### Property

Land and Buildings are measured using a cost model in accordance with paragraph 31 of AASB 116 Property, Plant and Equipment. Any revaluation adjustment to the carrying amount of land and buildings is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve.

### Infrastructure, mobile plant and equipment, plant and equipment and furniture and equipment

The value of infrastructure, mobile plant and equipment, plant and equipment and furniture and equipment is measured as the cost of the asset, less accumulated depreciation and impairment. The cost of the asset also includes the cost of assembly and replacing parts that are eligible for capitalisation, the cost of major inspections and an initial estimate of the cost of dismantling and removing the item from site at the end of its useful life.

### Capital work in progress

The value of capital WIP is measured as the cost of the asset less impairment. The cost of the asset also includes the cost of assembly and replacing parts that are eligible for capitalisation, the cost of major inspections and an initial estimate of the cost of dismantling and removing the item from site at the end of its useful life.

|  | Buildings & Infrastructure | Plant & Equipment | Mobile Plant & Equipment | Furniture & Equipment | Capital WIP  | Total          |
|--|----------------------------|-------------------|--------------------------|-----------------------|--------------|----------------|
| Plant and equipment                              | \$'000                     | \$'000            | \$'000                   | \$'000                | \$'000       | \$'000         |
| Net carrying amount at 1 July 2021               | -                          | 634               | -                        | 428                   | 13           | 1,075          |
| Additions  | 1,574                      | 1,230             | 662                      | 416                   | 2,632        | 6,514          |
| Transfers from mine properties under development | 46,520                     | 113,574           | 3,050                    | 7,333                 | -            | 170,477        |
| Transfers between asset classes                  | -                          | (269)             | 269                      | -                     | -            | -              |
| Depreciation                                     | (5,045)                    | (11,837)          | (832)                    | (1,113)               | -            | (18,827)       |
| Amounts written off                              |                            | (62)              | (1)                      | (55)                  | -            | (118)          |
| Net carrying amount at 30 June 2022              | <b>43,049</b>              | <b>103,270</b>    | <b>3,148</b>             | <b>7,009</b>          | <b>2,645</b> | <b>159,121</b> |

As at 30 June 2022

|                                     |               |                |              |              |              |                |
|-------------------------------------|---------------|----------------|--------------|--------------|--------------|----------------|
| Cost                                | 48,094        | 115,216        | 3,980        | 8,377        | 2,645        | 178,312        |
| Accumulated depreciation            | (5,045)       | (11,946)       | (832)        | (1,368)      | -            | (19,191)       |
| Net carrying amount at 30 June 2022 | <b>43,049</b> | <b>103,270</b> | <b>3,148</b> | <b>7,009</b> | <b>2,645</b> | <b>159,121</b> |

|                                     | Buildings & Infrastructure | Plant & Equipment | Mobile Plant & Equipment | Furniture & Equipment | Capital WIP  | Total          |
|-------------------------------------|----------------------------|-------------------|--------------------------|-----------------------|--------------|----------------|
| Plant and equipment                 | \$'000                     | \$'000            | \$'000                   | \$'000                | \$'000       | \$'000         |
| Net carrying amount at 1 July 2022  | 43,049                     | 103,270           | 3,148                    | 7,009                 | 2,645        | 159,121        |
| Additions                           | 1,738                      | 1,656             | 1,263                    | 1,509                 | 2,808        | 8,974          |
| Depreciation                        | (3,505)                    | (9,032)           | (1,149)                  | (1,071)               | -            | (14,757)       |
| Amounts written off                 |                            | (36)              | -                        | -                     | -            | (36)           |
| Net carrying amount at 30 June 2023 | <b>41,282</b>              | <b>95,858</b>     | <b>3,262</b>             | <b>7,447</b>          | <b>5,453</b> | <b>153,302</b> |

As at 30 June 2023

|                                     |               |               |              |              |              |                |
|-------------------------------------|---------------|---------------|--------------|--------------|--------------|----------------|
| Cost                                | 49,832        | 116,817       | 5,243        | 9,886        | 5,453        | 187,231        |
| Accumulated depreciation            | (8,550)       | (20,959)      | (1,981)      | (2,439)      | -            | (33,929)       |
| Net carrying amount at 30 June 2023 | <b>41,282</b> | <b>95,858</b> | <b>3,262</b> | <b>7,447</b> | <b>5,453</b> | <b>153,302</b> |

### 13. RIGHT-OF-USE ASSETS

#### Accounting policy

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs;
- Any restoration costs.

The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for remeasurements of the lease liability.

Payments associated with short-term leases that have terms of 12 months or less and leases of low-value assets that have a replacement value of less than \$5,000 are recognised on a straight-line basis as an expense in profit or loss. Assets arising from a lease are initially measured on a present value basis.

|  | 2023          | 2022          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>Right of use assets</b>                         |               |               |
| As at 1 July                                       | 47,972        | 51,591        |
| Additions to right-of-use assets                   | 4,293         | 2,525         |
| Depreciation charge for the year (refer to Note 3) | (6,901)       | (6,144)       |
| As at 30 June                                      | <b>45,364</b> | <b>47,972</b> |

Payments associated with short-term leases and leases of low value assets for the year were \$1,523,000 (2022: \$1,477,000).

#### 14. DEFERRED EXPLORATION AND EVALUATION COSTS

##### Accounting policy

Exploration and evaluation expenditure incurred is capitalised only when that expenditure is attributable to a defined area of interest for which the Group has the rights to explore, evaluate and develop. Tenement acquisition costs are initially capitalised. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development. No amortisation is charged during the exploration and evaluation phase.

Exploration and evaluation assets are assessed for impairment if:

- the period for which the right to explore in the area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned;
- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGUs") to which the exploration activity relates. The CGU is not larger than the area of interest.

|   | 2023           | 2022          |
|---|----------------|---------------|
|   | \$'000         | \$'000        |
| <b>Deferred exploration and evaluation costs</b>        |                |               |
| As at 1 July  | 77,297         | 2,698         |
| Expenditure for the period                              | 35,160         | 21,789        |
| Acquisition of exploration and evaluation assets – MGGP | -              | 51,560        |
| Acquisition of tenements                                | -              | 1,250         |
| Transfer to mine properties                             | (6,734)        | -             |
| As at 30 June   | <b>105,723</b> | <b>77,297</b> |

##### Key estimates and judgements – Exploration and evaluation expenditure

###### Exploration expenditure

Tenement acquisition costs are initially capitalised together with other exploration and evaluation expenditure. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of a defined area of interest for which the Group has the rights to explore, evaluate and develop, the sale of the respective areas of interest or where activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

###### Planned exploration expenditure

Exploration expenditure commitments represent tenement rentals and expenditure requirements that may be required to be met under the relevant legislation should the Group wish to retain tenure on all current tenements in which the Group has an interest.

The terms and conditions under which the Group retains title to its various tenements require it to meet tenement rentals and minimum levels of exploration expenditure as gazetted by the Western Australian government, as well as local government rates and taxes.

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| <b>Exploration commitments at reporting date not recognised as liabilities</b> |                |                |
| Within one year  | 3,582          | 3,313          |
|  | <b>3,582</b>   | <b>3,313</b>   |

Annual exploration expenditure after one year will be a similar commitment to that within one year, however this amount is increased if new exploration tenements are added to the Group's portfolio or reduced, if exploration tenements are removed from the Group's portfolio.

## 15. MINE PROPERTIES UNDER DEVELOPMENT

### Accounting policy

Mine properties under development represents the costs incurred in preparing mines for production and includes plant and equipment under construction and operating costs incurred before commercial production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases.

Once production commences, these costs are transferred to property, plant and equipment and mine properties, as relevant, and are depreciated and amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| <b>Mine properties under development</b> |                |                |
| As at 1 July                             | -              | 208,323        |
| Construction expenditure capitalised     | -              | 18,000         |
| Pre-production expenditure capitalised   | -              | (233)          |
| Transfer to mine properties              | -              | (55,613)       |
| Transfer to property plant & equipment   | -              | (170,477)      |
| As at 30 June                            | -              | -              |

Transfers to plant and equipment relate to construction expenditure on the Karlawinda Gold Project.

## 16. MINE PROPERTIES

### Accounting policy

Mine properties represent expenditure in respect of exploration, evaluation, feasibility, pre-production operating costs incurred by the Group prior to the commencement of production and rehabilitation assets. All expenditure is carried forward to the extent that it is expected to be recouped from future revenues. If additional expenditure is incurred in respect of a mine property after production has commenced such expenditure is carried forward as part of the cost of the mine property if it is expected to be recouped from future revenues otherwise the expenditure is classified as part of the cost of production and expensed as incurred.

Mine properties are amortised on a unit-of production basis over the life of the mine using tonnes of ore milled.

|                                     | Other<br>\$'000 | Pre-production<br>\$'000 | Rehabilitation<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|-----------------|--------------------------|--------------------------|-----------------|
| <b>Mine properties</b>              |                 |                          |                          |                 |
| Net carrying amount at 1 July 2022  | 13,751          | 16,908                   | 15,969                   | 46,628          |
| Additions                           | -               | -                        | 283                      | 283             |
| Transfers from Exploration          | 6,734           | -                        | -                        | 6,734           |
| Amortisation (refer note 3)         | (1,247)         | (1,341)                  | (1,295)                  | (3,883)         |
| Net carrying amount at 30 June 2023 | <b>19,238</b>   | <b>15,567</b>            | <b>14,957</b>            | <b>49,762</b>   |

|                                     | Other<br>\$'000 | Pre-production<br>\$'000 | Rehabilitation<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|-----------------|--------------------------|--------------------------|-----------------|
| As at 30 June 2023                  |                 |                          |                          |                 |
| Cost                                | 22,211          | 18,865                   | 18,257                   | 59,333          |
| Accumulated amortisation            | (2,973)         | (3,298)                  | (3,300)                  | (9,571)         |
| Net carrying amount at 30 June 2023 | <b>19,238</b>   | <b>15,567</b>            | <b>14,957</b>            | <b>49,762</b>   |

## 17. IMPAIRMENT OF NON-FINANCIAL ASSETS

### Accounting policy

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

There have been no impairment indicators during the year.

### Key estimates and judgements – Determination of mineral resources and reserves

The Group estimates its Mineral Resources and Ore Reserves in accordance with the *Australasian Code of Reporting for Mineral Resources and Ore Reserves 2012* (the "JORC Code"). The information on mineral resources and ore reserves was prepared by or under supervision of Competent Persons as defined under the JORC Code.

The determination of mineral resources and ore reserves impacts the accounting for asset carrying values.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of Reserves and may ultimately result in Reserves being restated

## LIABILITIES

This section shows the liabilities incurred as a result of the trading activities of the Group.

## 18. TRADE AND OTHER PAYABLES

### Accounting policy

Trade and other payables are initially recognised at fair value through profit or loss and subsequently measured at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

|                                 | 2023<br>\$'000 | 2022<br>\$'000 |
|---------------------------------|----------------|----------------|
| <b>Trade and other payables</b> |                |                |
| Trade payables                  | 17,141         | 8,169          |
| Accrued expenses                | 10,260         | 12,156         |
| Other payables                  | 5,825          | 7,082          |
|                                 | <b>33,226</b>  | <b>27,407</b>  |

## 19. LEASE LIABILITIES

### Accounting policy

The nature of the Group's leasing activities includes contracts for mining services, drilling, haulage, and power generation contracts. Additionally, office leases and office equipment have also been included.

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 uses the definition of a lease in AASB 16.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Payments associated with short-term leases that have a term of 12 months or less and leases of low-value assets that have a replacement value of \$5,000 or less are recognised on a straight-line basis as an expense in profit or loss.

|                          | 2023   | 2022   |
|--------------------------|--------|--------|
|                          | \$'000 | \$'000 |
| <b>Lease liabilities</b> |        |        |
| <b>Current</b>           |        |        |
| Lease liabilities        | 9,428  | 7,613  |
| <b>Non-Current</b>       |        |        |
| Lease liabilities        | 31,769 | 37,822 |

Interest expense in relation to lease liabilities for the year ended 30 June 2023 was \$3,318,000 (2022: \$3,441,000) (refer to Note 4).

Total cash outflows relating to leases during the year were \$11,962,000 (2022: \$10,864,000) comprising, principal (\$8,644,000) and interest (\$3,318,000) payments.

The Group's contracts that contain leases that are structured as variable payments are not included in the measurement of lease liabilities under AASB 16. Variable lease payments for the year ended 30 June 2023, including non-lease components such as labour, totalled \$77,222,769 (2022: \$77,199,000).

Payments associated with short-term leases and leases of low value assets for the year were \$1,706,377 (2022: \$1,477,000).

## 20. BORROWINGS

### Accounting policy

Interest bearing borrowings are initially measured at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings which are due to be settled within 12 months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than 12 months or an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings to be settled more than 12 months after the balance sheet date are included in non-current borrowings in the balance sheet.

|                    | 2023<br>\$'000 | 2022<br>\$'000 |
|--------------------|----------------|----------------|
| <b>Borrowings</b>  |                |                |
| <i>Current</i>     |                |                |
| Bank loans         | 613            | 38,386         |
| <i>Non-Current</i> |                |                |
| Bank loans         | 50,000         | 27,000         |

Borrowings comprise of amounts drawn down on an original Project Loan Facility of \$100 Million with Macquarie Bank Limited ("Macquarie"). The facility accrues interest at the bank bill rate plus 3% and was repayable in various instalments over a term ending 30 June 2025 however, voluntary repayments can be made in accordance with the facility agreement.

In July 2022 the Company arranged with Macquarie Bank to convert the project loan facility to a general-purpose corporate loan facility with a single bullet repayment in June 2025. Capricorn can elect to repay (part or full) the loan at any time without penalty.

The bank holds a first ranking, registered fixed and floating charge over all the assets of Capricorn Metals Ltd and its wholly owned subsidiaries, as security for the facility provided by Macquarie.

The facility includes customary liquidity and debt service covenants. The Group is in compliance with its covenants.

## 21. PROVISIONS

### Accounting policy

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the liability.

A provision for site rehabilitation is recognised in respect of the estimated cost of rehabilitation and restoration of the areas disturbed by mining activities up to the reporting date, but not yet rehabilitated.

### Rehabilitation provision

A provision for rehabilitation is recognised in respect of the estimated costs of rehabilitation of the areas that remain disturbed by mining activities up to the reporting date.

When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets.

At each reporting date the rehabilitation is re-measured to reflect any changes in discount and inflation rates and timing of amounts to be incurred. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation provision, prospectively from the date of change. Where the carrying value of the related asset has been reduced to nil either through amortisation or impairment, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.

### Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave entitlements. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and annual leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' long service leave entitlements are recognised as provisions in the statement of financial position.

#### Other long-term employee benefits

Provision is made for employees' long service leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

|   | 2023          | 2022          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>Provisions</b>                         |               |               |
| <b>Current</b>                            |               |               |
| Annual leave                              | 1,431         | 1,076         |
| Rehabilitation                            | 26            | 11            |
|   | <b>1,457</b>  | <b>1,087</b>  |
| <b>Non-Current</b>                        |               |               |
| Long service leave                        | 338           | 118           |
| ROU asset demobilisation                  | 743           | 703           |
| Rehabilitation                            | 29,371        | 28,405        |
|   | <b>30,452</b> | <b>29,226</b> |
|   |               |               |
|   | 2023          | 2022          |
|   | \$'000        | \$'000        |
| <b>Provision for rehabilitation</b>       |               |               |
| <i>As at 1 July</i>                       | 28,416        | 21,271        |
| Provisions raised during the year         | 283           | 149           |
| Provisions used during the year           | (19)          | (15)          |
| Provisions re-measured during the year    | (1)           | (3,446)       |
| Provisions assumed during the year – MGGP | -             | 9,779         |
| Unwinding of the discount (refer Note 4)  | 718           | 678           |
| <i>As at 30 June</i>                      | <b>29,397</b> | <b>28,416</b> |

#### Key estimates and judgements – Rehabilitation provision

The Group assesses site rehabilitation liabilities on an annual basis. The provision recognised is based on an assessment of the estimated cost of closure and reclamation of the areas using internal information concerning environmental issues in the exploration and previously mined areas, discounted to present value.

Significant estimation is required in determining the provision for site rehabilitation as there are many factors that may affect the timing and ultimate cost to rehabilitate sites where mining and/or exploration activities have previously taken place.

These factors include:

- future development/exploration activity;
- changes in the costs of goods and services required for restoration activity; and
- changes to the legal and regulatory framework.

These factors may result in future actual expenditure differing from the amounts currently provided.

## 22. OTHER FINANCIAL LIABILITIES

### Accounting policy

The Group's other financial liabilities include gold call options and gold forwards.

### Recognition and initial measurement

All financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except where the instruments are classified 'at fair value through profit or loss' ("FVTPL"), in which case transaction costs are expensed to profit or loss immediately.

### Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### Amortised cost

Amortised cost is calculated as:

- the amount at which the financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

### Fair values

The carrying amounts and estimated fair values of all the Group's financial liabilities recognised in the financial statements are materially the same. The methods and assumptions used to estimate the fair value of the financial liabilities are disclosed in the respective notes.

### Derecognition

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the profit or loss.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### Hedge accounting

The Group designates certain financial liabilities as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in the gold price.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

### Cashflow hedges

When a financial liability is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the financial liability is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the financial liability that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the financial liability is recognised immediately in profit or loss.

The amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the financial liability no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

The company has adopted hedge accounting from 1 July 2023.

|                                    | 2023          | 2022          |
|------------------------------------|---------------|---------------|
|                                    | \$'000        | \$'000        |
| <b>Other financial liabilities</b> |               |               |
| <i>Non-current</i>                 |               |               |
| Gold call options at FVTPL         | 13,926        | 11,540        |
| Gold forwards at FVTPL             | 83,177        | -             |
|                                    | <b>97,103</b> | <b>11,540</b> |

### Gold call options

Gold call option liability refers to the fair value of the gold call option contract entered into on 6 January 2020. Subsequent measurement of the gold call option contracts, which expire on 30 June 2025, is at fair value at balance date with any changes in the fair value immediately recognised in the profit or loss.

|                                       | 2023          | 2022          |
|---------------------------------------|---------------|---------------|
|                                       | \$'000        | \$'000        |
| <b>Gold call options</b>              |               |               |
| As at 1 July                          | 11,540        | 7,083         |
| Fair value adjustments (refer Note 4) | 2,386         | 4,457         |
| As at 30 June                         | <b>13,926</b> | <b>11,540</b> |

### Gold forwards

Gold forward liability refers to the fair value of the remaining gold forward contracts at year end which expire at various dates up until 31 December 2026.

Previously the Company was required to only recognise the fair value the gold forward contracts that settled.

|                                       | 2023          | 2022   |
|---------------------------------------|---------------|--------|
|                                       | \$'000        | \$'000 |
| <b>Gold forwards</b>                  |               |        |
| As at 1 July                          | -             | -      |
| Fair value adjustments (refer Note 4) | 83,177        | -      |
| As at 30 June                         | <b>83,177</b> | -      |

## 23. DEFERRED TAX LIABILITIES

### Accounting policy

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will

be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in profit and loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred revenue tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

|   | 2023            | 2022            |
|---|-----------------|-----------------|
|   | \$'000          | \$'000          |
| <b>Deferred tax assets and liabilities</b>                |                 |                 |
| <b>(a) Recognised deferred tax assets and liabilities</b> | 30%             | 30%             |
| <b>Deferred tax liabilities</b>                           |                 |                 |
| Prepayments   | 4               | 19              |
| Exploration and mine properties                           | 31,697          | 17,066          |
| Inventory   | 6,535           | 4,970           |
| Plant and equipment                                       | 44,029          | 39,835          |
| Other   | 85              | 7               |
| Gross deferred tax liabilities                            | 82,350          | 61,897          |
| Set-off of deferred tax assets                            | (56,450)        | (41,001)        |
| Net deferred tax liabilities                              | <b>25,900</b>   | <b>20,896</b>   |
| <b>Deferred tax assets</b>                                |                 |                 |
| Employee provisions                                       | 531             | 358             |
| Other provisions and accruals                             | 56              | 62              |
| Derivative assets and liabilities                         | 28,327          | 2,017           |
| Rehabilitation provision                                  | 8,819           | 8,525           |
| Blackhole previously expensed                             | 4               | 12              |
| Blackhole equity raising costs                            | 290             | 527             |
| Tax losses  | 18,244          | 29,177          |
| Other   | 179             | 323             |
| Gross deferred tax assets                                 | 56,450          | 41,001          |
| Set-off of deferred tax liabilities                       | (56,450)        | (41,001)        |
| Net deferred tax assets                                   | -               | -               |
| <b>(b) Reconciliation of deferred tax, net:</b>           |                 |                 |
| Opening balance at 1 July – net deferred tax liabilities  | (20,896)        | -               |
| Income tax expense recognised in profit or loss           | (4,767)         | (21,423)        |
| Income tax (expense)/benefit recognised in equity         | (237)           | 527             |
| Closing balance at 30 June – net deferred tax liabilities | <b>(25,900)</b> | <b>(20,896)</b> |

#### Key estimates and judgements – Deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the balance sheet. Deferred tax assets, including those arising from unutilised 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 forecast cash flows from operations and the application of existing tax laws in Australia.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in Australia could limit the ability of the Group to obtain tax deductions in future periods.

#### Tax consolidation

The Company and its wholly-owned Australian resident entities became part of a tax-consolidated group on 1 July 2016. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax consolidated group is Capricorn Metals Limited.

The head entity, in conjunction with other members of the tax-consolidated group, have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity and are recognised by the Company as intercompany receivables (or payables). Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which asset can be utilised. Any subsequent period adjustment to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

## **EQUITY**

This section outlines how the Group manages its capital.

### **24. ISSUED CAPITAL**

#### **Accounting policy**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

|  | 2023<br>\$'000              | 2022<br>\$'000 |
|--|-----------------------------|----------------|
| <b>Issued capital</b>  |                             |                |
| Ordinary shares - issued and fully paid                          | 203,422                     | 203,524        |
|  | <b>Number of<br/>Shares</b> | <b>\$'000</b>  |
| <b>Movement in ordinary shares on issue</b>                      |                             |                |
| <i>As at 1 July 2021</i>   | 350,019,479                 | 180,629        |
| Issue of shares on exercise of options <sup>(1)</sup>            | 10,000,000                  | 6,000          |
| Issue of shares on exercise of performance rights <sup>(2)</sup> | 3,275,000                   | -              |
| Issue of shares on acquisition - MGGP <sup>(3)</sup>             | 8,285,954                   | 15,160         |
| Issue of shares on acquisition - Tenements <sup>(4)</sup>        | 344,752                     | 1,250          |
| Transaction costs  | -                           | (42)           |
| Tax effect of deferred tax deductions posted directly to equity  | -                           | 527            |
| <i>As at 30 June 2022</i>  | <b>371,925,185</b>          | <b>203,524</b> |
| <i>As at 30 June 2022</i>  | 371,925,185                 | 203,524        |
| Issue of shares on exercise of performance rights <sup>(5)</sup> | 4,032,990                   | -              |
| Transaction costs  | -                           | (102)          |
| <i>As at 30 June 2023</i>  | <b>375,958,175</b>          | <b>203,422</b> |

(1) On 28 July 2021, 10,000,000 options were exercised at an exercise price of \$0.60 each.

(2) During the 2022 financial year 3,275,000 performance rights were exercised for nil value to employees in accordance with the shareholder approved Performance Rights Plan.

(3) On the 28 July 2021, 8,285,954 shares with a fair value of \$1.83 a share were issued in consideration for the acquisition of the Mt Gibson Gold project as announced on 28 July 2021.

(4) On the 29 June 2022, 344,752 shares with a fair value of \$3.62 a share were issued in consideration for the acquisition of the Mumbakine well project as announced on 30 May 2022.

- (5) During the 2023 financial year 4,032,990 performance rights were exercised for nil value to employees in accordance with the shareholder approved Performance Rights Plan.

There are no preference shares on issue. The holders of ordinary shares are entitled to receive dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Company does not have authorised capital or par value in respect of its shares.

## 25. RESERVES

| Reserves   | Share-based<br>payment reserve<br>\$'000 | Foreign currency<br>translation reserve<br>\$'000 | Total<br>Reserves<br>\$'000 |
|--|--|---|-----------------------------|
| <i>As at 1 July 2021</i>                         | 11,499                                   | (852)   | 10,647                      |
| Share-based payment transactions (refer note 29) | 4,893                                    | -   | 4,893                       |
| Translation movement for the year                | -  | (196)   | (196)                       |
| Transfers <sup>(1)</sup>                         | (9,243)                                  | -   | (9,243)                     |
| <i>As at 30 June 2022</i>                        | <b>7,149</b>                             | <b>(1,048)</b>                                    | <b>6,101</b>                |
| Share-based payment transactions (refer note 29) | 4,712                                    | -   | 4,712                       |
| Translation movement for the year                | -  | (7)   | (7)                         |
| Transfers <sup>(1)</sup>                         | (7,672)                                  | -   | (7,672)                     |
| <i>As at 30 June 2023</i>                        | <b>4,189</b>                             | <b>(1,055)</b>                                    | <b>3,134</b>                |

- (1) Transfer refers to options and performance rights that were either exercised, forfeited or expired in current and previous periods that have been transferred to retained earnings (refer to Note 26).

### Share-based payments reserve

The share-based payments reserve is used to record the value of share-based payments including options and performance rights to Directors, employees, including KMPs, as part of their remuneration.

### Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

## 26. RETAINED EARNINGS

| Retained earnings        | 2023<br>\$'000 | 2022<br>\$'000 |
|--------------------------|----------------|----------------|
| <i>As at 1 July</i>      | 37,910         | (60,816)       |
| Profit for the year      | 4,399          | 89,483         |
| Transfers <sup>(1)</sup> | 7,672          | 9,243          |
| <i>As at 30 June</i>     | <b>49,981</b>  | <b>37,910</b>  |

- (1) Transfers refers to options and performance rights that were either forfeited or expired in the current period that have been transferred from reserves (refer to Note 25).

## **RISK**

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

### **27. FINANCIAL RISK MANAGEMENT**

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group's key financial instruments comprise cash and cash equivalents, trade and other receivables, gold option assets, trade and other payables, lease liabilities, gold call options, gold forwards and borrowings.

In June 2023, the Company announced that it had reduced its gold forward contracts by 51,000 ounces to provide further exposure to any increase in the A\$ gold price. The closure of the gold forwards means the Company does not have any hedging delivery obligations until September 2024.

The restructure of the gold forwards has led to a change in the accounting for the remaining gold forwards and are now valued through the profit and loss. These contracts previously qualified as future inventory sales contracts with the sales value recognised as revenue at the time of sale, also known as the "own use" exemption.

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's risk management policies and objectives are designed to minimise the potential impacts of these risks on the Group where such impacts may be material.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

|  | 2023           | 2022           |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| <b>Categories of financial instruments</b> |                |                |
| <b>Financial assets</b>                    |                |                |
| Cash and cash equivalents                  | 106,471        | 61,502         |
| Receivables                                | 2,535          | 2,235          |
| Equity investments                         | 953            | 1,348          |
| Gold call options                          | 2,790          | 4,818          |
| Gold put options                           | 2,564          | -              |
|  | <b>115,313</b> | <b>69,902</b>  |
| <b>Financial liabilities</b>               |                |                |
| Trade and other payables                   | 33,226         | 27,407         |
| Lease liabilities                          | 41,197         | 45,435         |
| Borrowings                                 | 50,613         | 65,386         |
| Gold call options                          | 13,926         | 11,540         |
| Gold forwards                              | 83,177         | -              |
|  | <b>222,139</b> | <b>149,768</b> |

#### **Market risk**

##### **Foreign currency risk**

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's functional and presentation currency.

The Group's revenue is derived from the sale of gold in Australian dollars and costs are mainly incurred in Australian dollars although as gold is globally traded in US dollars, the Group is exposed to foreign currency risk. The Group hedges its gold ounces in Australian dollars, which provides for some coverage of foreign currency risk.

The Group is occasionally exposed to foreign currency risk when long lead items are purchased in a currency other than Australian dollars. The Group maintains all of its cash in Australian dollars and does not currently hedge these purchases.

As a result of subsidiary companies being registered in Madagascar, the Group's statement of financial position can be affected by movements in the AUD\$/Ariary exchange rates. The Group does not seek to hedge this exposure given there are minimal operations in these foreign subsidiaries and therefore minimal risk as a result of any changes in foreign currency.

In the reporting period, the Group was not exposed to material financial risks of changes in foreign currency exchange rates.

#### Interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

|   | 2023            | 2022            |
|---|-----------------|-----------------|
|   | \$'000          | \$'000          |
| <b>Interest-bearing financial instruments</b> |                 |                 |
| <i>Fixed rate instruments</i>                 |                 |                 |
| Term deposits                                 | 386             | 478             |
| Lease liabilities                             | (41,197)        | (45,435)        |
|   | <b>(40,811)</b> | <b>(44,957)</b> |
| <i>Variable rate instruments</i>              |                 |                 |
| Cash and cash equivalents                     | 106,471         | 61,502          |
| Borrowings                                    | (50,613)        | (65,386)        |
|   | <b>55,858</b>   | <b>(3,884)</b>  |

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change at reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 200 basis points (2022: 200 basis points) in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

|   | 2023                        |                             | 2022                        |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | 200bp<br>increase<br>\$'000 | 200bp<br>decrease<br>\$'000 | 200bp<br>increase<br>\$'000 | 200bp<br>decrease<br>\$'000 |
| <b>Interest-bearing financial instruments</b> |                             |                             |                             |                             |
| Variable rate instruments                     | 1,117                       | (1,117)                     | (78)                        | 78                          |

#### Commodity price risk

The Group's exposure to commodity price risk is from the fluctuations in the prevailing market prices of gold produced from its operating mine. The Group manages its exposure to movements in the gold price through the use of gold put options (refer Note 10), gold call options and gold forwards (refer Note 22) and its sold gold call option contract (refer Note 22).

The following table reflects the impact on equity and profit or loss relating to the gold put options, gold call options and the gold forwards of a \$100 change in the spot price of gold as at 30 June 2023 (2022: \$100).

|                   | 2023                        |                             | 2022                        |                             |
|-------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                   | \$100<br>Increase<br>\$'000 | \$100<br>decrease<br>\$'000 | \$100<br>increase<br>\$'000 | \$100<br>decrease<br>\$'000 |
| Gold put options  | (2,564)                     | 5,100                       | n/a                         | n/a                         |
| Gold call options | (1,670)                     | 1,670                       | (391)                       | 391                         |
| Gold forwards     | (10,700)                    | 10,700                      | n/a                         | n/a                         |

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Credit risk is managed to ensure that customers and counterparties are of sound credit worthiness and monitoring is used to recover aged debts and assess receivables for impairment. Credit terms are generally 30 days from the invoice date.

Risk is also minimized by investing surplus funds in financial institutions with a high credit rating.

#### Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate facilities are maintained.

#### Financial liability maturity analysis

|                          | Carrying amount liabilities<br>\$'000 | Total contractual cash flows<br>\$'000 | <6 months<br>\$'000 | 6-12 months<br>\$'000 | 1-2 years<br>\$'000 | 2-5 years<br>\$'000 | >5 years<br>\$'000 |
|--------------------------|---------------------------------------|--|---------------------|-----------------------|---------------------|---------------------|--------------------|
| <b>2023</b>              |                                       |  |                     |                       |                     |                     |                    |
| Trade and other payables | 33,226                                | 33,226                                 | 33,226              | -                     | -                   | -                   | -                  |
| Lease liabilities        | 41,197                                | 50,515                                 | 6,053               | 5,915                 | 11,280              | 15,074              | 12,193             |
| Borrowings               | 50,613                                | 60,408                                 | 2,245               | 1,633                 | 3,265               | 53,265              | -                  |
| Gold forwards            | 83,177                                | 83,177                                 | -                   | -                     | 31,697              | 51,480              | -                  |
|                          | <b>208,213</b>                        | <b>227,326</b>                         | <b>41,524</b>       | <b>7,548</b>          | <b>46,242</b>       | <b>119,819</b>      | <b>12,193</b>      |

|                          | Carrying amount liabilities<br>\$'000 | Total contractual cash flows<br>\$'000 | <6 months<br>\$'000 | 6-12 months<br>\$'000 | 1-2 years<br>\$'000 | 2-5 years<br>\$'000 | >5 years<br>\$'000 |
|--------------------------|---------------------------------------|--|---------------------|-----------------------|---------------------|---------------------|--------------------|
| <b>2022</b>              |                                       |  |                     |                       |                     |                     |                    |
| Trade and other payables | 27,407                                | 27,407                                 | 27,407              | -                     | -                   | -                   | -                  |
| Lease liabilities        | 45,435                                | 58,732                                 | 5,400               | 5,478                 | 10,819              | 21,392              | 15,643             |
| Borrowings               | 65,386                                | 72,313                                 | 16,541              | 1,155                 | 2,309               | 52,309              | -                  |
|                          | <b>138,228</b>                        | <b>158,452</b>                         | <b>49,348</b>       | <b>6,633</b>          | <b>13,128</b>       | <b>73,701</b>       | <b>15,643</b>      |

#### Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|         | Assets         |                | Liabilities     |                 |
|---------|----------------|----------------|-----------------|-----------------|
|         | 2023<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000  | 2022<br>\$'000  |
| Level 1 | 953            | 1,348          | -               | -               |
| Level 2 | 2,564          | 2,500          | (97,103)        | (11,540)        |
| Level 3 | -              | -              | -               | -               |
|         | <b>3,517</b>   | <b>3,848</b>   | <b>(97,103)</b> | <b>(11,540)</b> |

Included within Level 1 of the hierarchy are the Evion Group NL (formerly BlackEarth Minerals NL) and DiscovEx Resources Limited shares listed on the Australian Securities Exchange. The fair value of these financial assets has been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

Included within Level 2 of the hierarchy is the gold put options, gold call options and the gold forwards.

The fair value of the gold put options, the gold call options and the gold forwards was based on valuation techniques that employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, and spot and forward rate curves of the underlying commodity.

The changes in counterparty credit risk had no material effect on the gold put options, gold call options or the gold forwards recognised at fair value.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period. The Directors consider that the carrying value of all financial assets and financial liabilities are recognised in the consolidated financial statements approximate to their fair value.

## 28. CAPITAL MANAGEMENT

### Risk management

The Board controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern so that they can maximise shareholder value and benefits to other stakeholders.

The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Total capital is equity, as shown in the statement of financial position. The Group is not subject to any externally imposed capital requirements.

There have been no changes in the strategy adopted by the Board to control the capital of the Group since the prior year.

### OTHER DISCLOSURES

This section provides information on items which require disclosure to comply with Australian Standards and other regulatory requirements.

## 29. SHARE BASED PAYMENTS

### Accounting policy

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of options is determined by an internal valuation using a Black-Scholes option pricing model. The fair value of performance rights determined by consideration of the Company's share price at the grant date and consideration of the specific market vesting conditions applicable to the performance rights.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("Vesting Date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects

- the extent to which the vesting period has expired and
- the number of options that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

## Plans

The Company has an Incentive option plan and a Performance rights plan (collectively “the Plans”) which were last approved by shareholders on 10 November 2019 and 20 November 2020 respectively.

The objectives of the Plans are to assist with the recruitment, reward, retention and motivation of eligible employees of the Group. In accordance with the Plans the Board, on advice from the Remuneration, Nomination and Diversity Committee may issue eligible employees with options or performance rights to acquire shares in the future at a determined fixed exercise price on grant of the options or performance rights.

The vesting of the options and performance rights are subject to service conditions and performance criteria as outlined below.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

|  | 2023   | 2022   |
|--|--------|--------|
|  | \$'000 | \$'000 |
| <b>Recognised share-based payments expense</b> |        |        |
| Performance rights expense                     | 4,712  | 4,893  |

## Options

The following table outlines the number and weighted average exercise price (“WAEP”) of, and movements in, options during the year:

| Options                          | 2023   |      | 2022         |        |
|----------------------------------|--------|------|--------------|--------|
|                                  | Number | WAEP | Number       | WAEP   |
| <i>Outstanding as at 1 July</i>  | -      | -    | 10,000,000   | \$0.60 |
| Granted during the year          | -      | -    | -            | -      |
| Exercised during the year        | -      | -    | (10,000,000) | \$0.60 |
| Outstanding at end of the year   | -      | -    | -            | -      |
| <i>Exercisable as at 30 June</i> | -      | -    | -            | -      |

The weighted average share price at the date the options were exercised during the year ended 30 June 2022 is \$2.25.

All options refer to options over ordinary shares of Capricorn Metals Ltd which are exercisable on a one for one basis.

The fair value at grant date of the options has been estimated using the Black-Scholes option pricing formula, taking into account the terms and conditions upon which the options were granted. The options vested immediately upon issue and the contractual life of each option was 3 years. The ability to exercise the options is conditional upon the employee remaining with the Group throughout the vesting period.

There were no new grants of employee options during the years ended 30 June 2023 and 30 June 2022.

## Performance rights

The following table outlines the number and movements in Performance rights during the year:

| Performance rights             | 2023             | 2022             |
|--------------------------------|------------------|------------------|
|                                | Number of Rights | Number of Rights |
| Outstanding as at 1 July       | 5,440,818        | 7,175,000        |
| Granted during the year        | 920,304          | 1,840,818        |
| Forfeited during the year      | (148,000)        | (300,000)        |
| Exercised during the year      | (4,032,990)      | (3,275,000)      |
| Unissued during the year       | (216,400)        | -                |
| Outstanding at end of the year | <b>1,963,732</b> | <b>5,440,818</b> |
| Exercisable as at 30 June      | -                | -                |

## Financial year 2020

In December 2019, 4,000,000 Performance rights were granted to KMP, Mr Kim Massey and Mr Paul Thomas under the Group’s Performance Rights Plan, 50% of the rights will vest on 17 September 2021 and the remaining rights will vest on 17 September 2022.

In March 2020, 2,450,000 Performance rights were granted to employees of the Company under the Group's Performance Rights Plan, 50% of rights will vest on 1 February 2022 and the remaining rights will vest on 1 February 2023.

The performance condition for the FY2020 Performance rights was continued employment with the Company for the performance period.

The fair value of the Performance rights granted during Financial year 2020 was \$7,047,500. The fair value at the grant date was estimated using a Black Scholes option pricing model.

The table below details the terms and conditions of the grants and the assumptions used in estimating the fair value:

| <i>Item</i>                        | <i>Issue 1</i> | <i>Issue 2</i> |
|------------------------------------|----------------|----------------|
| Grant date                         | 17 Dec 2019    | 27 Mar 2020    |
| Value at grant date                | \$1.18         | \$0.95         |
| Exercise price                     | nil            | nil            |
| Dividend yield                     | 0%             | 0%             |
| Risk free rate                     | 0.77%          | 0.38%          |
| Volatility                         | 126%           | 123%           |
| Performance period (yrs)           | 2.75           | 2.85           |
| Test date                          | 17/09/22       | 01/02/23       |
| Remaining performance period (yrs) | -              | -              |
| Weighted average fair value        | \$1.18         | \$0.95         |

In October 2021, 2,000,000 Dec 2019 Performance rights were exercised by KMP, Mr Kim Massey and Mr Paul Thomas.

In February 2022, 1,275,000 Mar 2020 Performance rights were exercised by employees.

and in February 2023, 975,000 Performance rights were exercised.

In February 2022, 200,000 of the Mar 2020 Performance rights were forfeited due to the resignation of an employee in accordance with the Performance rights plan.

In September 2022, 2,000,000 of the Dec 2019 Performance rights were exercised by KMP, Mr Kim Massey and Mr Paul Thomas.

In February 2023, 975,000 Mar 2020 Performance rights were exercised by employees.

There are no Performance rights remaining from the Financial year 2020.

#### Financial year 2021

In October 2020, 325,000 Performance rights were granted to employees of the Company under the Group's Performance Rights Plan. 50% of rights will vest on 30 September 2022 and the remaining rights will vest on 30 September 2023.

In June 2021, 400,000 Performance rights were granted to employees of the Company under the Group's Performance Rights Plan. 200,000 rights will vest in equal proportions on 18/1/2023 and 18/1/2024 and the remaining 200,000 Performance will vest in equal proportions on 29 March 2023 and 29 March 2024.

The performance condition for the FY2021 Performance rights was continued employment with the Company for the performance period.

The fair value of the Performance rights granted during Financial year 2021 was \$1,351,250. The fair value at the grant date was estimated using a Black Scholes option pricing model.

The table below details the terms and conditions of the grants and the assumptions used in estimating the fair value:

| <i>Item</i>                        | <i>Issue 1</i>      | <i>Issue 2</i>      | <i>Issue 3</i>      |
|------------------------------------|---------------------|---------------------|---------------------|
| Grant date                         | 19 Oct 2020         | 16 Jun 2021         | 16 Jun 2021         |
| Value at grant date                | \$1.77              | \$1.94              | \$1.94              |
| Exercise price                     | nil                 | nil                 | nil                 |
| Dividend yield                     | 0%                  | 0%                  | 0%                  |
| Risk free rate                     | 0.13% - 0.14%       | 0.04% - 0.14%       | 0.04% - 0.14%       |
| Volatility                         | 95% - 123%          | 91% - 118%          | 91% - 118%          |
| Performance period (yrs)           | 1.95 - 2.95         | 1.59 - 2.59         | 1.59 - 2.59         |
| Test date                          | 30/09/22 & 30/09/23 | 18/01/23 & 18/01/24 | 29/03/23 & 29/03/24 |
| Remaining performance period (yrs) | 0.25                | 0.75                | 0.75                |
| Weighted average fair value        | \$1.77              | \$1.94              | \$1.94              |

In December 2022, 12,500 Oct 2020 Performance rights were exercised, and in February 2023, 100,000 of the Oct 2020 Performance rights were exercised.

In May 2023, 200,000 Jun 2021 (Issue 2 and 3) Performance rights were exercised.

In March and April 2022, 100,000 Oct 2020 Performance rights were forfeited due to the resignations of employees in accordance with the Performance Rights Plan.

There are 312,500 Performance rights remaining from Financial year 2021.

#### Financial year 2022

In October 2021, 279,818 Performance rights were granted to KMP, Mr Kim Massey and Mr Paul Thomas under the Group's Performance Rights Plan, 50% of the rights will vest on 30 June 2023 and the remaining rights will vest on 30 June 2024.

In November 2021, 240,000 Performance rights were issued to KMP, Mr Clark under the Group's Performance Rights Plan, 50% of the rights will vest on 4 October 2022 and the remaining rights will vest on 4 October 2023.

In December 2021:

- 249,000 Performance rights were issued to employees under the Group's Performance Rights Plan. A third of the rights will vest on 10 December 2022, another third on 10 December 2023 and the remaining rights will vest on 10 December 2024;
- In December 2021, 1,032,000 Performance rights were issued to employees under the Group's Performance Rights Plan. 50% of the rights will vest on 10 December 2023 and the remaining rights will vest on 10 December 2024; and
- In December 2021 40,000 Performance rights were issued to employees under the Group's Performance Rights Plan. All of the rights will vest on 10 December 2024.

The performance conditions for Issues 1, 2 and 5 of the FY2022 Performance rights was the Company's relative total shareholder return ("TSR") measured against the TSR's of 12 comparator mining companies and continued employment with the Company for the performance period.

The performance condition for Issues 2, 4, 5 and 6 of the FY2022 Performance rights was continued employment with the Company for the performance period.

The fair value of the Performance rights granted during Financial year 2022 was \$6,948,177.

The fair value at the grant date was estimated using a Monte Carlo simulation (Issue 1 & 3), and a Black Scholes option pricing model (Issue 3, 4 & 5).

The table below details the terms and conditions of the grants and the assumptions used in estimating the fair value:

| <i>Item</i>                        | <i>Issue 1</i>        | <i>Issue 2</i>       | <i>Issue 3</i>                      | <i>Issue 4</i>         | <i>Issue 5</i> |
|------------------------------------|-----------------------|----------------------|-------------------------------------|------------------------|----------------|
| Grant date                         | 4 Oct 2021            | 24 Nov 2021          | 10 Dec 2021                         | 10 Dec 2021            | 10 Dec 2021    |
| Value at grant date                | \$2.18                | \$2.95               | \$3.10                              | \$3.10                 | \$3.10         |
| Exercise price                     | nil                   | nil                  | nil                                 | nil                    | nil            |
| Dividend yield                     | 0%                    | 0%                   | 0%                                  | 0%                     | 0%             |
| Risk free rate                     | 0.05% - 0.27%         | 0.54%                | 1.32%                               | 1.32%                  | 1.32%          |
| Volatility                         | 50%                   | 50%                  | 72% - 106%                          | 72% - 106%             | 106%           |
| Performance period (yrs)           | 2.00 – 3.00           | 1.00 – 2.00          | 1.00 – 3.00                         | 2.00 – 3.00            | 3.00           |
| Test date                          | 30/6/23 &<br>30/06/24 | 4/10/22 &<br>4/10/23 | 10/12/22,<br>10/12/23 &<br>10/12/24 | 10/12/23 &<br>10/12/24 | 10/12/24       |
| Remaining performance period (yrs) | 0.00-1.00             | 0.26                 | 0.45 – 1.45                         | 0.45 - 1.45            | 1.45           |
| Weighted average fair value        | \$1.83                | \$2.11               | \$3.10                              | \$3.10                 | \$3.10         |

In December 2022, 120,000 Nov 2021 Performance rights were issued to KMP, Mr Mark Clark.

In December 2022 83,000 Dec 2021 (Issue 3) Performance rights were exercised by KMP, Mr Mark Clark.

In June 2023, 148,000 Dec 21 (Issue 3) Performance rights were forfeited due to the resignation of employees in accordance with the Performance Rights Plan.

There are 1,489,818 Performance rights remaining from Financial year 2022.

#### Financial year 2023

In November 2022, 542,490 Performance rights were issued to employees under the Group's Performance Rights Plan. 100% of the rights vested on 31 October 2022.

In November 2022, 161,414 Performance rights were issued to KMP, Mr Clark under the Group's Performance Rights Plan. 50% of the rights will vest on 30 June 2024 and the remaining rights will vest on 30 June 2025.

During FY23, 216,400 Performance rights were granted to KMP, Mr Kim Massey and Mr Paul Thomas under the Group's Performance Rights Plan. 50% of the rights will vest on 30 June 2024 and the remaining rights will vest on 30 June 2025.

The performance condition for the FY2023 Performance rights was continued employment with the Company for the performance period.

The fair value of the Performance rights granted during Financial year 2023 was \$2,947,423.

The fair value at the grant date was estimated using a Monte Carlo simulation (Issue 2 and 3), and a Black Scholes option pricing model (Issue 1).

The table below details the terms and conditions of the grants and the assumptions used in estimating the fair value:

| <i>Item</i>                        | <i>Issue 1</i> | <i>Issue 2</i>      | <i>Issue 3</i>    |
|------------------------------------|----------------|---------------------|-------------------|
| Grant date                         | 26 Oct 2021    | 29 Nov 2022         | 19 Jun 2023       |
| Value at grant date                | \$3.36         | \$4.21              | \$4.23            |
| Exercise price                     | Nil            | Nil                 | nil               |
| Dividend yield                     | 0%             | 0%                  | 0%                |
| Risk free rate                     | 0.54%          | 3.18%               | 4.14%             |
| Volatility                         | 50%            | 50%                 | 50%               |
| Performance period (yrs)           | 1.00           | 2.00-3.00           | 2.00 – 3.00       |
| Test date                          | 31/10/2022     | 30/06/24 & 30/06/25 | 30/6/24 & 30/6/25 |
| Remaining performance period (yrs) | -              | 1.00-2.00           | 1.03-2.03         |
| Weighted average fair value        | \$3.38         | \$3.25              | 2.72              |

In December 2022, 542,490 Oct 2021 Performance rights were exercised by employees.

There are 161,414 Performance rights remaining from Financial year 2023.

### Key estimates and judgements – Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value of options is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 24.

The fair value of performance rights is determined by the share price at the date of valuation and consideration of the probability of the market vesting condition being met.

## 30. RELATED PARTY DISCLOSURES

### Key Management Personnel Remuneration

KMP remuneration has been included in the Remuneration Report section of the Directors Report for current KMP only.

|   | 2023             | 2022             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Total remuneration paid to current and former KMP of the Group</b> |                  |                  |
| Short term benefits   | 2,282,875        | 2,037,500        |
| Other service fees  | 616,000          | 585,000          |
| Non-cash benefits   | 12,885           | 28,041           |
| Post-employment benefits  | 127,025          | 119,587          |
| Annual leave  | 175,275          | 155,038          |
| Share based payments  | 1,050,100        | 1,750,493        |
| Termination payments  | -                | -                |
|   | <b>4,264,160</b> | <b>4,675,659</b> |

### Ultimate Parent

Capricorn Metals Ltd is the ultimate parent entity of the Group.

### Controlled Entities

The consolidated financial statements include the financial statements of the Parent and the subsidiaries set out in the following table:

| Subsidiaries                   | Country    | Principal activity   | Ownership (%) |      |
|--------------------------------|------------|----------------------|---------------|------|
|                                |            |                      | 2023          | 2022 |
| Mining Services SARL           | Madagascar | Exploration Services | 100%          | 100% |
| St Denis Holdings SARL         | Madagascar | Commercial Property  | 100%          | 100% |
| MGY Mauritius Ltd              | Mauritius  | Investment Holding   | 100%          | 100% |
| Malagasy Graphite Holdings Ltd | Australia  | Investment Holding   | 100%          | 100% |
| Greenmount Resources Pty Ltd   | Australia  | Production           | 100%          | 100% |
| Crimson Metals Pty Ltd         | Australia  | Exploration          | 100%          | 100% |
| Metrovex Pty Ltd               | Australia  | Exploration          | 100%          | 100% |

The subsidiaries noted above are all controlled entities and are dependent on the parent entity for financial support.

### Transactions with Related Parties

As at 30 June 2023, the net loans from the Parent to its subsidiaries totals \$122,692,000 (2022: \$131,882,000). This is made up of loans to subsidiaries of \$130,422,000 (2022: \$139,620,000) with a provision for impairment of \$7,730,000 (2022: \$7,738,000).

|                                | Loan           | Provision for<br>impairment | Carrying value |
|--------------------------------|----------------|-----------------------------|----------------|
| <b>Subsidiaries</b>            | <b>\$'000</b>  | <b>\$'000</b>               | <b>\$'000</b>  |
| Mining Services SARL           | 452            | (452)                       | -              |
| MGY Mauritius Ltd              | 2,980          | (463)                       | 2,517          |
| Malagasy Graphite Holdings Ltd | 6,815          | (6,815)                     | -              |
| Greenmount Resources Pty Ltd   | 90,460         | -                           | 90,460         |
| Crimson Metals Pty Ltd         | 29,693         | -                           | 29,693         |
| Metrovex Pty Ltd               | 22             | -                           | 22             |
|                                | <b>130,422</b> | <b>(7,730)</b>              | <b>122,692</b> |

There are no other transactions between related parties within the Group.

### 31. PARENT ENTITY DISCLOSURES

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| <b>Statement of financial position</b> | <b>2023</b>   | <b>2022</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Assets</b>                          |               |               |
| Current assets                         | 4,706         | 4,385         |
| Non-current assets                     | 177,222       | 167,203       |
| Total Assets                           | 181,928       | 171,588       |
| <b>Liabilities</b>                     |               |               |
| Current liabilities                    | 1,003         | 3,176         |
| Non-current liabilities                | 865           | 904           |
| Total Liabilities                      | 1,868         | 4,080         |
| <b>Shareholders' equity</b>            |               |               |
| Issued capital                         | 203,422       | 202,997       |
| Reserves                               | 4,188         | 7,149         |
| Accumulated losses                     | (27,550)      | (42,638)      |
| Total Shareholders' Equity             | 180,060       | 167,508       |

| <b>Statement of comprehensive income</b>   | <b>2023</b>   | <b>2022</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Net loss attributable to members of the parent entity                              | (10,514)      | (13,388)      |
| Other comprehensive income for the period  | -             | -             |
| Total comprehensive loss for the year attributable to members of the parent entity | (10,514)      | (13,388)      |

The Parent entity has not entered into any contractual commitments for the acquisition of property plant and equipment at the date of this report.

### 32. DEED OF CROSS GUARANTEE

Capricorn Metals Ltd and its subsidiaries are parties to a Deed of cross guarantee under which each company guarantees the debts of the others.

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

- Capricorn Metals Ltd
- Greenmount Resources
- Crimson Metals Pty Ltd
- Metrovex Pty Ltd
- Malagasy Graphite Holding Pty Ltd

The above companies represent a 'closed group' for the purpose of the Legislative instrument, and as there are no other parties to the Deed of cross guarantee that are controlled by Capricorn Metals Ltd, they also represent the 'extended closed group'.

### 33. COMMITMENTS

The Group has physical gold delivery commitments and exploration expenditure commitments which are disclosed in Notes 2 and 14 respectively.

### 34. CONTINGENT LIABILITIES

As at 30 June 2023 Capricorn Metals Ltd has bank guarantees totalling \$386,000 (2022: \$478,000), refer to Note 8.

As at 30 June 2023 the Group has a \$4 million (2022: \$10 million) Bank Guarantee Facility with Macquarie under the existing Project Loan Facility in relation to the lateral pipeline that links Goldfields Gas Pipeline to the KGP.

### 35. AUDITORS REMUNERATION

|  | 2023           | 2022           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>Amount payable to KPMG Australia</b>                        |                |                |
| Audit and review of financial statements – Group               | 130,000        | 130,000        |
| Audit and review of financial statements – controlled entities | -              | 15,000         |
| Audit and review of financial statements – controlled entities | <b>130,000</b> | <b>145,000</b> |

Amounts payable to other audit firms for the audit and review of the financial reports of subsidiary companies was \$2,253 (2022: \$1,688).

### 36. SUBSEQUENT EVENTS

There were no material events arising subsequent to 30 June 2023, to the date of this report which may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in the future.

### 37. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2023 but have not been applied in preparing this financial report. Except where noted, the Group has evaluated the impact of the new standards and interpretations listed below and determined that the changes are not likely to have a material impact on its financial statements.

### **AASB 2020-3 Amendments to Australia Accounting Standards – Annual Improvements 2018-2020 & Other Amendments**

The subject of the principal amendments to the Standards are set out below:

#### **AASB 1 First-time Adoption of Australian Accounting Standards**

The amendment allows a subsidiary that becomes a first-time adopter after its parent to elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition, if no adjustment were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

#### **AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**

The amendments require a liability be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period. AASB 2020-6 defers the mandatory effective date of amendments that were originally made in AASB 2020-1 so the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.

Application date of Standard: 1 January 2023 Application date for Group: 1 July 2023

#### **AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**

The amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies.

Application date of Standard: 1 January 2023 Application date for Group: 1 July 2023

#### **AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a single transaction**

The amendments clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences.

Application date of Standard: 1 January 2023 Application date for Group: 1 July 2023

## Directors' declaration

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1. In the opinion of the Directors of Capricorn Metals Ltd:
  - (a) The consolidated financial statements, notes and additional disclosures included in the directors' report designated as audited of the Company and Group, are in accordance with the Corporations Act 2001 and:
    - (i) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
    - (ii) give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Company and Group.
  - (b) There are reasonable grounds to believe that the Company and Group will be able to pay its debts as and when they become due and payable, and
  - (c) At the date of this declaration there are reasonable grounds to believe that the members of the extended closed group identified in Note 32 will be able to meet any obligations or liabilities to which there are, or may become, subject by virtue of the deed of cross guarantee described in Note 32.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Financial Controller for the financial year ended 30 June 2023.
3. The Directors draw attention to the notes to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Mr Mark Clark  
Executive Chairman  
Perth, Western Australia  
7 September 2023



# Independent Auditor's Report

To the shareholders of Capricorn Metals Ltd

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Capricorn Metals Ltd (the Company).

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2023.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

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

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

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Key Audit Matters

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

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Gold forward restructure  |   |
|---|---|
| Refer to Note 4 <i>Net Finance Costs</i> and Note 22 <i>Other Financial Liabilities</i> in the Financial Report   |   |
| The key audit matter  | How the matter was addressed in our audit   |
| <p>The Group recognised a realised loss of \$33.1 million on partial termination of gold forwards ('gold forward restructure') and a fair value loss of \$83.2 million on the remaining gold forwards, now recognised as other financial liabilities at 30 June 2023.</p> <p>The forward contracts previously qualified as future inventory sales contracts, with sales recognised as revenue at the time of sale, also known as the own use exemption. The partial termination led to a change in accounting for the remaining gold forwards which are now recognised at fair value through profit and loss.</p> <p>The recognition of these losses was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the significance of the gold forward restructure to the income statement and liabilities of the Group;</li> <li>the judgment required to assess the accounting treatment of the remaining gold forwards; and</li> <li>the judgement required in the valuation of the remaining gold forwards as at 30 June 2023.</li> </ul> <p>We involved valuation specialists to supplement our senior team members in assessing this key audit matter.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>Compared the inputs of each gold forward to confirmations obtained from counterparties;</li> <li>Checked the partial termination of the gold forwards to source documentation including bank statements;</li> <li>With the assistance of technical specialists we assessed the accounting treatment of the gold forward restructure against accounting standard requirements which resulted in the recognition of the fair value loss;</li> <li>With the assistance of valuation specialists, we independently estimated the fair values of the Group's gold forwards as at 30 June 2023 using recognised market valuation methodologies and inputs. We compared the Group's valuations recorded in the general ledger to these fair value ranges; and</li> <li>We evaluated the appropriateness of the classification and the presentation of the open gold forwards and the related risk management disclosures against accounting standard requirements.</li> </ul> |

**Other Information**

Other Information is financial and non-financial information in Capricorn Metals Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman's letter to shareholders, Company Highlights, Reserves & Resources report, ESG report and ASX additional information are expected to be made available to us after the date of the Auditor's Report.

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

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

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

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)  
This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of *Capricorn Metals Ltd* for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

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

### Our responsibilities

We have audited the Remuneration Report included in pages 12 to 22 of the Directors' report for the year ended 30 June 2023.

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



KPMG



R Gambitta  
Partner

Perth

7 September 2023