



31 August 2022

ASX ANNOUNCEMENT

Appendix 4E

Preliminary final report for the year ending 30 June 2022

Name of entity: Ten Sixty Four Limited (formerly Medusa Mining Limited)

ABN: 60 099 377 849

Results for announcement to market

Previous corresponding year – ended 30 June 2021 (FY2021)

Revenues and profit	Change	FY2022 (US\$000)
Revenues from ordinary activities	down 22%	139,959
Profit from ordinary activities after tax attributable to members	down 94%	2,823
Net profit for the period attributable to members	down 94%	2,864
Underlying Net Profit before Tax	down 37%	41,822

The unaudited FY22 statutory Net Profit before Tax has been adjusted to report unaudited Underlying Net Profit before Tax as follows:

- (i) The one-off cost of acquisition of Ten Sixty Four Ltd of US\$12.5M, noting the Group accounting policy to expense costs relating to exploration acquisition costs and exploration and evaluation activities.

TEN SIXTY FOUR®

TEN SIXTY FOUR LIMITED
ABN: 60 099 377 849

ASX: X64

**THE GOLD
STANDARD**



- (ii) The Group held a materially higher amount of gold bullion at the 30 June 2022 balance date of 16,547oz (30 June 2021: 3,679oz). The impact of this is a reduction of reported profit of US\$17.2m before tax in FY2022.
- (iii) The Company's operating subsidiary in the Philippines settled a tax matter with the Bureau of Internal Revenue, Philippines relating to the tax year 2012, incurring a one-off payment of US\$2.8M.
- (iv) During FY22 there has been significant foreign exchange currency volatility which has negatively impacted the profit result by approximately USD\$5.4M.

Comparison of underlying profit	Note	FY2021 (US\$000)	FY2022 (US\$000)	Movement (US\$000)	Movement (%)
Statutory net profit before tax		62,435	3,943	(58,492)	(94)
Adjusted for:					
Acquisition costs for Ten Sixty Four Limited	(i)	-	12,491	12,491	
Gold bullion held at 30 June	(ii)	3,421	17,224	13,803	
Tax settlement	(iii)	-	2,768	2,768	
Forex unrealised	(iv)	166	4,244	4,078	
Forex realised	(iv)	409	1,153	744	
Underlying net profit before tax (*)		66,431	41,822	(24,609)	(37)

- (*) Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit by the Company's external auditors. All the items being adjusted pre-tax are separately identified within Notes 2 and 3 to the preliminary unaudited financial statements.

**Dividends:**

	Amount per security (A\$)	Franked amount per security (A\$)
Interim dividend	0.02	N/A
Final dividend	N/A	N/A
Total dividends paid for the year	0.02	N/A

The record date of the dividend was 5 November 2021.

Net tangible assets per share:

The net tangible assets per share as at 30 June 2022 was US\$0.786 (30 June 2021: US\$0.828).

Change in control of entities:

On 24 February 2022, the Company (then Medusa Mining Limited) completed the acquisition of Ten Sixty Four Limited, an Australian public unlisted company. This company is a Queensland based gold exploration company, now registered as Ten Sixty Four Queensland Limited.

On 10 May 2022, the Company changed its name from Medusa Mining Limited to Ten Sixty Four Limited with ASX code: X64.

Associates and Joint Venture entities:

The Consolidated Group did not have a holding in any associates or joint venture entities during the current year.



Unaudited Financial Statements:

This report is based on accounts which are in the process of being audited. The audit report is not anticipated to include a modified opinion, emphasis of matter or other matter paragraph.

This announcement has been authorised for release by the Board of Ten Sixty Four Limited.

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CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	Consolidated	
		2022 US\$000	2021 US\$000
Revenue	1	139,959	179,037
Cost of sales		(101,291)	(105,116)
Gross Profit		38,668	73,921
Other income	1	33	107
Exploration & Evaluation expenses		(1,697)	(1,412)
Administration expenses		(8,255)	(7,667)
Cost of company acquisition	2	(12,491)	-
Other expenses	2	(12,315)	(2,514)
Profit before income tax expense		3,943	62,435
Income tax expense		(1,120)	(15,179)
Profit for the year after income tax expense		2,823	47,256
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Movement in other reserves (net of tax)		484	(83)
Exchange differences on translation of foreign operations (net of tax)		(443)	653
Total comprehensive profit attributable to the owners		2,864	47,826
Basic profit per share	4	0.012	0.227
Diluted profit per share	4	0.012	0.221

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

		Consolidated	
		2022	2021
	Note	US\$000	US\$000
CURRENT ASSETS			
Cash & cash equivalents		50,658	51,074
Trade & other receivables		14,103	25,412
Inventories	3	30,659	16,697
Other current assets		694	657
Total Current Assets		96,114	93,840
NON-CURRENT ASSETS			
Trade & other receivables		10,871	20,869
Property, plant & equipment	5	29,612	17,675
Intangible assets		563	525
Mine Rehabilitation		638	1,036
Development expenditure	6	65,129	62,248
Deferred tax assets		23,818	18,921
Right-of-use assets		1,374	1,415
Total Non-current Assets		132,005	122,689
Total Assets		228,119	216,529
CURRENT LIABILITIES			
Trade & other payables	7	16,240	14,212
Borrowings	8	839	1,503
Provisions		360	245
Lease Liabilities		535	579
Total Current Liabilities		17,974	16,539
NON-CURRENT LIABILITIES			
Borrowings	8	213	200
Deferred tax liability		469	806
Provisions		3,709	4,999
Lease Liabilities		917	914
Total Non-current Liabilities		5,308	6,919
TOTAL LIABILITIES		23,282	23,458
NET ASSETS		204,837	193,071
EQUITY			
Issued capital	9	114,348	102,902
Reserves	10	7,670	7,438
Retained profits/(accumulated losses)	11	82,819	82,731
Total equity		204,837	193,071

CONSOLIDATED STATEMENT OF IN EQUITY

for the year ended 30 June 2022

	Share capital ordinary US\$000	Retained profits US\$000	Share based payment reserves US\$000	Other reserves US\$000	Foreign currency translation reserve US\$000	Total US\$000
<u>CONSOLIDATED</u>						
Balance at 30 June 2020	102,902	43,668	444	(959)	6,672	152,727
Balance at 1 July 2020	102,902	43,668	444	(959)	6,672	152,727
Net profit/(loss) after tax	-	47,256	-	-	-	47,256
Other comprehensive profit	-	-	-	(83)	653	570
Total comprehensive profit/(loss) for the year	-	47,256	-	(83)	653	47,826
<i>Transactions with owners, in their capacity as owners, and other transfers</i>						
Share options expensed	-	-	534	-	-	534
Transfer from option reserve	-	(177)	177	-	-	-
Dividend paid	-	(8,016)	-	-	-	(8,016)
Balance at 30 June 2021	102,902	82,731	1,155	(1,042)	7,325	193,071
Balance at 1 July 2021	102,902	82,731	1,155	(1,042)	7,325	193,071
Net profit/(loss) after tax	-	2,823	-	-	-	2,823
Other comprehensive profit	-	-	-	484	(443)	41
Total comprehensive profit for the year	-	2,823	-	484	(443)	2,864
<i>Transactions with owners, in their capacity as owners, and other transfers</i>						
Shares issued during the period	11,425	-	-	-	-	11,425
Share buy back	(71)	-	-	-	-	(71)
Share options expensed	-	-	681	-	-	681
Transfer from option reserve	92	398	(490)	-	-	-
Dividend paid	-	(3,133)	-	-	-	(3,133)
Balance at 30 June 2022	114,348	82,819	1,346	(558)	6,882	204,837

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Consolidated	
	2022	2021
Note	US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	154,336	164,660
Payments to suppliers & employees	(94,231)	(85,531)
Payments for exploration & evaluation activities	(1,678)	(1,412)
Other income	10	73
Interest received	22	34
Income tax paid	(4,528)	(13,388)
Net cash provided by operating activities	53,931	64,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	5 (18,211)	(10,795)
Payment for development activities	6 (32,372)	(28,640)
Payments for purchase of company, net of cash acquired	3 (317)	-
Net cash (used in) investing activities	(50,900)	(39,435)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for lease liabilities	(535)	(579)
Proceeds from issue of shares/buy back	(71)	-
Payments for dividends	(3,133)	(8,016)
Payment of bank loans	(652)	(4,049)
Net cash (used in)/provided by financing activities	(4,391)	(12,644)
Net increase/(decrease) in cash held	(1,360)	12,357
Cash and cash equivalent at the beginning of the year	51,074	38,852
Exchange rate adjustment	944	(135)
Cash and cash equivalent at the end of the year	50,658	51,074

The above Consolidated Statement of Cash Flows should be used in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

BASIS OF PREPARATION

These unaudited preliminary consolidated financial statements have been prepared to meet the periodic reporting requirements of the ASX, specifically Appendix 4E of its listing rules.

The unaudited preliminary financial statements comprise the consolidated financial statements of the Company and its controlled entities (collectively the Group).

The financial statements have been prepared in accordance with the recognition and measurement requirements (but not all disclosure requirements) of Australia Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The unaudited preliminary consolidated financial statements have been prepared on an accrual basis and are based on historical costs modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

The unaudited preliminary financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies. Amounts have been rounded off in accordance with the instruments to the nearest thousand dollars, or in certain cases, the nearest dollar.

This preliminary final report does not include all the notes of the type normally included in a consolidated annual financial report. Accordingly, this report should be read in conjunction with any public announcements made by the Company during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The unaudited preliminary financial statements were authorised for issue by the directors on August 2021.

These unaudited preliminary financial statements are in the process of being audited by the Company's auditor, BDO (WA) Pty Ltd.

(a) Principles of Consolidation

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2022. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(b) Covid-19

Judgement has been exercised in considering the impacts of that the Coronavirus (Covid-19) pandemic has had, or may have, on the Group based on known information. This consideration includes the annual assessment of impairment of assets and the continued assumption of the going concern basis for the preparation of the financial statements. Based on information available at the time of issuing this financial report, there is no known significant impact on the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Covid-19 pandemic.

PERFORMANCE FOR THE YEAR

This section of the notes includes segment information and provides further information on key line items relevant to the financial performance of the Group. It includes relevant accounting policies, key judgments and estimates relevant to understanding these items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

PERFORMANCE FOR THE YEAR (continued)

	Note	Consolidated	
		2022 US\$000	2021 US\$000
1. REVENUE AND OTHER INCOME			
<u>Operating activities:</u>			
Gold and silver sales		139,959	179,037
<u>Non-operating activities:</u>			
Interest income		22	34
Other income		10	73
Total revenue and other income		139,991	179,144

(a) Recognition and Measurement

Sale of refined gold & silver

Revenue is recognised when control of the goods has passed to the buyer based upon agreed delivery terms.

The Company's metal sales represent sales of refined gold and silver, when control passes to the customer which is when legal title to the refined metal transfers to the customer. The sales price is based on prevailing market metal prices.

Judgement is required to determine when transfer of control occurs relating to the sale of the goods to customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether control and legal title have transferred to the customer.

2. EXPENSES

Profit/(loss) before income tax expense/(income) has been determined after charging/(crediting) the following items:

Depreciation & amortisation:

4. Depreciation expense	8,067	8,335
5. Amortisation expense	29,935	25,361
6. Mine rehabilitation and right of use assets amortisation	823	873
Total depreciation & amortisation	38,825	34,569

Employee benefits expense	18,707	19,483
Interest expense & unwinding of discount on provisions	404	661
Cost of company acquisition (i)	12,491	-

Other expenses:

- VAT impairment	2,813	593
- Forex realised	1,153	409
- Forex unrealised	4,244	166
- Defined benefit plans	612	758
- Assets impaired	9	25
- Share-based payment expense	681	534
- Bad debts write off	35	29
- Tax settlement	2,768	-
Total other expenses	12,315	2,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

PERFORMANCE FOR THE YEAR (continued)

2. EXPENSES (continued)

Notes:

- (i) On 24 February 2022, the Company (for Medusa Mining Ltd) acquired 100% of the ordinary shares of Ten Sixty Four Ltd. This company is a Queensland based gold exploration company.

The exploration asset acquired is in the exploration phase and this together with the unique nature of the assets, means that the valuation of the asset cannot be readily estimated and as such, the fair value of the asset acquired has been measured by reference to the value of the equity instruments granted. The consideration payable was 20,000,000 million ordinary shares in the Company valued at USD\$11.446m, based on the share price at the date of completion when the rights of ownership to the asset was transferred. It is considered that the acquisition of Ten Sixty Four Ltd is not a business combination, but rather an acquisition of an exploration asset.

The fair value of the identifiable net assets and liabilities of Ten Sixty Four Ltd as at that date of acquisition are:

Purchase Consideration comprises:	USD\$000
20,000,000 fully paid ordinary shares	11,446
Transaction costs (inc Stamp Duty)	<u>1,045</u>
Total consideration	<u>12,491</u>
Net Asset acquired:	
Cost of Company Acquisition	<u>12,491</u>

Pursuant to the Company accounting policy, the Group expenses all costs incurred in respect of the acquisition costs of exploration assets and exploration and evaluation activities (refer Note 3 (iii)). Accordingly, the cost of acquiring Ten Sixty Four Ltd has been expensed in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Recognition and Measurement

(i) Depreciation

Plant and equipment (excluding the Co-O Mine) is depreciated applying the straight-line method over their estimated useful lives, commencing from the time the asset is held ready for use.

Co-O mine's useful life is estimated to approximate the expected life of the mine, the depreciation rate is based on a charge proportional to the depletion of estimated recoverable gold ounces contained in indicated and inferred resources.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation method	Depreciation rate (%)
Plant and equipment (excluding Co-O Mine)	Straight line	20.0% to 33%
Office furniture and fittings	Straight line	7.5% to 20%
Building	Straight line	5.0% to 20%

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 profit or loss.

Capital works in progress is included in Property, Plant and Equipment. Depreciation of the asset is applied when construction is completed, and the asset is ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

PERFORMANCE FOR THE YEAR (continued)

(ii) Amortisation

The Group uses the unit-of-production basis when amortising life-of-mine specific assets which results in an 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 reserve of the mine property at which it is located. Refer Note 6 for further detail.

(iii) Exploration and Evaluation Expenses

Exploration and Evaluation expenditure incurred by or on behalf of the Group is reported separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

The Group expenses all costs incurred in respect of the acquisition of exploration and evaluation activities and ongoing exploration activities in the period in which they are incurred.

	Consolidated	
	2022 US\$000	2021 US\$000
3. INVENTORIES		
Consumables - net realisable value	10,837	7,096
Ore stockpile - at cost	1,662	1,740
Gold Inventory - at cost (i)	18,160	7,861
Total inventories	30,659	16,697

(i) Includes gold bullion held of 16,547 ounces at cost of US\$13 million. Market value at 30 June 2022 for this gold bullion is US\$30 million (FY21: gold bullion held of 3,679 ounces, held at cost of US\$3 million.)

(a) Recognition and Measurement

Inventories consisting of ore in stockpiles, metal-in process and finished metal are valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Consumables are valued at the lower of cost and net realisable value. Any allowance for obsolescence is determined by reference to stock items identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

PERFORMANCE FOR THE YEAR (continued)

4. EARNINGS PER SHARE

(a) Earnings/(Loss) per Share

	Consolidated	
	2022	2021
	US\$000	US\$000
Profit/(Loss) used to calculate basic and diluted EPS	2,823	47,256
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	227,794,301	207,873,301
Weighted average unlisted options & performance rights outstanding	5,598,625	6,019,496
Weighted average of ordinary shares diluted as at 30 June	233,392,926	213,892,797

(b) Recognition and Measurement

Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members of the Company for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after-tax effect of financing costs associated with potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with potential ordinary shares, by the weighted average number of ordinary shares and potential ordinary shares adjusted for any bonus issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

OPERATING ASSETS & LIABILITIES

This section of the notes shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the Capital Structure, Financial Instruments and Risk Section.

5. PROPERTY, PLANT & EQUIPMENT

Plant & equipment:

At cost	210,142	204,342
less - provision for impairment	(132,064)	(132,064)
less - accumulated depreciation	(74,340)	(66,331)
Total plant & equipment at net book value	3,738	5,947

Capital works in progress:

At cost	25,704	11,570
Total capital works in progress at net book value	25,704	11,570

Furniture & fittings:

At cost	1,420	1,350
less - provision for impairment	(254)	(254)
less - accumulated depreciation	(996)	(938)
Total furniture & fittings at net book value	170	158
Total carrying amount at end of year	29,612	17,675

Reconciliations:

Plant & equipment:

Carrying amount at beginning of year	5,946	10,186
plus - additions	5,652	2,826
plus - net transfer from capital works in progress	226	1,225
less - forex differences on translation	(69)	(2)
less - disposal	(9)	(25)
less - depreciation	(8,008)	(8,263)
Carrying amount at end of year	3,738	5,947

Capital works in progress:

Carrying amount at beginning of year	11,570	4,815
plus - additions	14,363	7,991
less - net transfer to plant and equipment	(229)	(1,236)
Carrying amount at end of year	25,704	11,570

Furniture & fittings:

Carrying amount at beginning of year	158	69
plus - additions	66	149
plus - net transfer from capital works in progress	4	12
less - depreciation	(58)	(72)
Carrying amount at end of year	170	158
Total carrying amount at end of year	29,612	17,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

OPERATING ASSETS & LIABILITIES (continued)

(a) Recognition and Measurement

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

6. DEVELOPMENT EXPENDITURE

	Consolidated	
	2022 US\$000	2021 US\$000
At cost -	501,934	469,271
<i>less</i> - provisions for impairment	(246,260)	(246,260)
<i>less</i> - accumulated amortisation	(190,545)	(160,763)
Total carrying amount at end of year	65,129	62,248
<u>Reconciliation:</u>		
Carrying amount at beginning of year	62,248	58,796
<i>plus</i> - costs incurred	32,663	28,640
<i>less</i> - amortisation expense	(29,782)	(25,188)
Total carrying amount at end of year	65,129	62,248

(a) Recognition and Measurement

Development expenditure represents the accumulated land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production. All horizontal development drives which include permanent rail and associated infrastructure, are capitalised.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource at an average rate of 29.06% (2021: 28.99%). The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Where the life of the assets is shorter than the mine life their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

OPERATING ASSETS & LIABILITIES (continued)

DEVELOPMENT EXPENDITURE (continued)

(a) Key Estimates and Judgments

(i) Key estimates - Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates in determining the viability of a project.

Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the impairment charge is included in profit or loss.

(ii) Key estimates - Recoverability of long-lived assets

Certain assumptions are required to be made in order to assess the recoverability of capitalised development expenditure.

Key assumptions include the future price of gold, future cash flows, an estimated discount rate and estimates of ore reserves. In addition, cash flows are projected over the life of mine, which is based on proved and probable ore reserves.

Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described below, including cut-off grades. Changes in these estimates could materially impact on ore reserves and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

The Group has used the Reserve Statement released on 28th April 2021, taking into account ore utilised throughout the period and replenished to estimate the recoverable amount of long-lived assets.

(iii) Key estimates - Determination of ore reserves and remaining mine life

The Group uses the concept of life-of-mine as an accounting value to determine the amortisation of Development Assets in production.

In determining life-of-mine, The Group prepares ore resource and resource estimates in accordance with JORC Code 2012, guidelines prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geo Scientists and Minerals Council of Australia.

The estimate of these resources and reserves, by their very nature, require judgments, estimates and assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

OPERATING ASSETS & LIABILITIES (continued)

	Consolidated	
	2022 US\$000	2021 US\$000
7. TRADE & OTHER PAYABLES		
Trade creditors	5,721	7,412
Accruals	6,276	2,960
Income tax payable	3,193	1,291
Withholding tax	864	2,369
Other creditors	186	180
Total creditors	16,240	14,212

(a) Recognition and Measurement

Trade and other payables are initially measured at the value of the invoice received from the supplier and subsequently measured at amortised cost. They 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 these purchase of the goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK

This section provides further information about the Group's contributed equity, financial liabilities, related finance costs and its exposures to various risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage the risk.

	Consolidated	
	2022 US\$000	2021 US\$000
8. BORROWINGS		
Current borrowings:		
Secured liability - interest bearing loan	154	205
Unsecured liability - interest bearing loan	685	1,298
Total current borrowings	839	1,503
Non-current borrowings:		
Secured liability - interest bearing loan	213	200
Total non-current borrowings	213	200
Total Borrowings	1,052	1,703

Secured Borrowing are bank loans secured by transportation equipment of the Group. Interest rates on the loans range between 4.00% to 4.79% (2021: 4.13% to 4.45%).

(a) Recognition and Measurement

All borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost using the effective interest rate. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of borrowings using the effective rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

	Consolidated	
	2022 US\$000	2021 US\$000
9. ISSUED CAPITAL		
227,956,301 ordinary shares (30 June 2021: 207,873,301)	114,348	102,902
Total issued capital	114,348	102,902
Ordinary shares		
Balance at beginning of year	102,902	102,902
<u>Ordinary shares issued during the year:</u>		
Ordinary shares issued – 20,000,000 (i)	11,446	-
Balance at end of year	114,348	102,902

(i) Vendor shares issued to acquire Ten Sixty Four Limited – refer to Note 3

Ordinary shares

Ordinary shares are classified as equity and transaction costs directly attributable to the issue of shares recognised as a deduction from equity, net of any related income tax effects.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

No ordinary shares were issued during the year or during the prior year.

	Consolidated	
	2022 US\$000	2021 US\$000
10. RESERVES		
Share-based payment reserve	1,346	1,155
Other reserve	(558)	(1,042)
Foreign currency translation reserve	6,882	7,325
Total Reserves	7,670	7,438

(a) **Share based payment reserve**

The share-based payment reserve records items recognised as expenses on valuation of share based payments.

Options:

Unlisted options over ordinary shares at 30 June 2022;

- 1,465,000 options expired on 8 Jan 2022.

The above unlisted options did not entitle the holders to participate in any share issue of the Company.

Performance Rights:

Under the Performance Rights plan for long term incentives, which was approved by shareholders on January 2015, eligible employees are granted performance rights (each being an entitlement to an ordinary fully paid share), subject to the satisfaction of vesting conditions and on the terms and conditions as determined by the Board.

Under the short-term incentive plan for executives, agreed annually with the Board, a predetermined amount of the award is settled in Performance Rights. Eligible employees are granted performance rights (each being an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS & RISK (continued)

10 RESERVES (continued)

entitlement to an ordinary fully paid share), subject to the satisfaction of vesting conditions and on the terms and conditions as determined by the Board.

Performance Rights issued under these plans carry no voting or dividend rights and are issued for no consideration. Refer Note 27.

(b) Foreign Currency Translation Reserve

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

(c) Other Reserves

Remeasurement gains and losses arising from changes in actuarial assumptions relating to the retirement benefits are recognised in the period in which they occur, directly in other comprehensive income. They are included in Other Reserves in the Statement of Changes in Equity.

	Consolidated	
	2022	2021
	US\$000	US\$000
11. RETAINED PROFITS AND ACCUMULATED LOSSES		
Retained profit/(loss) at start of year	82,731	43,668
Net profit/(loss) attributable to members of Company	2,823	47,256
Transfer from share option reserve	398	(177)
Dividend paid	<u>(3,133)</u>	<u>(8,016)</u>
Retained profits/ (accumulated losses) at the end of year	<u>82,819</u>	<u>82,731</u>
12. DIVIDENDS PAID AND PROPOSED		
Interim dividend for the year ended 30 June 2022 of 2 cents per fully paid share (2021: 5 cents per fully paid share).	3,133	8,016
Total dividend paid during the financial year	<u>3,133</u>	<u>8,016</u>

(a) Recognition and Measurement

Provision is made for any declared dividend, being appropriately authorised and no longer at the discretion of Company, on or before the end of the reporting period but not distributed at the end of the reporting period. A provision for dividend is not recognised as a liability unless the dividends are declared on or before the reporting date.

13. CONTINGENT LIABILITIES

- (i) The parent entity on behalf of its subsidiary Komo Diti Traders Limited has provided a performance guarantee to its customer Heraeus Limited amounting to no more than US\$15,000,000 for any deficiency in the subsidiary's obligations and liabilities under the Refining & Transportation Agreement with Heraeus Limited.
- (ii) The parent entity has bank guarantees of AUD\$83,630 and AUD\$95,933 with the Commonwealth Bank of Australia for its head office premises. In the event that they are unable to fulfil its rental obligation with the landlords, the bank shall release the funds for settlement.
- (iii) The Company's operating subsidiary in the Philippines, Mindanao Mineral Processing and Refining Corporation ("MMPRC"), has successfully defended a corporate income tax dispute with the Bureau of Internal Revenue Philippines in the Court of Tax Appeals. Subsequently, the BIR filed a further petition

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

for review (appeal) with the Court of Tax Appeals on 8 April 2022. Management, in consultation with its legal counsel, believe the appeal can be successfully defended.

- (iv) The Company has terminated the service contract of the former Managing Director, Mr A Teo, refer to ASX announcement on 9 March 2022. Mr Teo has submitted a claim for compensation, which the Company will vigorously defend.
- (v) Three former directors have commenced legal proceedings against the Company, refer ASX announcement on 8 July 2022. The Company has appointed legal counsel to defend the matter.
- (vi) The Company has terminated the service contract of the former Managing Director, Mr P R Welker, refer ASX announcement on 5 July 2022. Mr Welker has submitted a claim for compensation, which the Company will vigorously defend.

OTHER INFORMATION

EVENTS SUBSEQUENT TO REPORTING DATE

On the 5th of July 2022, the Company terminated the service contract of the former managing director Mr P R Welker. Refer to ASX announcement for details.

Three former Directors have commenced legal proceedings against the Company, refer ASX announcement on 8th July 2022.

On 22 July 2022 the Company advised the ASX it had received a notice under section 203D (2) and 249F of the Corporations Act. Further to this matter, on 26 August 2022, the Convening Shareholders lodged on the ASX a Notice of Meeting and Explanation Memorandum announcement in relation to a shareholder meeting on 28 September 2022. Refer ASX announcements for details.

On 17 August 2022, the Company revealed its FY2023 gold production and cost guidelines being:

- Production: 84,000-89,000 ounces
- Average all-in sustaining cost: USD\$1,320 - USD\$1,370 per ounce

Except for the above, subsequent to Balance Date, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and/or unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.