



29 September 2022

Company Announcements Office
 Australian Securities Exchange Limited
 Level 4, 20 Bridge Street
 Sydney NSW 2000

CAPRICORN RECORDS MAIDEN PROFIT OF \$89.5 MILLION

The board of Capricorn Metals Ltd is pleased to announce a maiden profit after tax of \$89.5 million for the year ended 30 June 2022 after the completion of a successful first year of operations at the Karlawinda Gold Project.

	Year to 30 Jun 22 \$'000	Year to 30 Jun 21 \$'000	Change
Gold sales	286,948	-	286,948
EBITDA	153,934	(7,336)	161,270
Profit/(loss) before tax	110,906	(4,765)	115,671
Profit/(loss) after tax	89,483	(4,765)	94,248
Earnings per share (cents)	24.27	(1.39)	25.66
EBITDA margin	53.6%	NA	53.6%
Cashflow from operating activities	134,657	(18,897)	153,554

The operating results at the KGP for the twelve months of operations to 30 June 2022 were as follows:

Ore mined	Tonnes	5,939,602
Ore milled	Tonnes	4,449,803
Head grade	g/t	0.89
Recovery	%	93.2
Gold production	Ounces	118,432
All-in-sustaining-costs*	\$/oz	1,112

* Costs are reported for the period from when operations were at steady state production which was 30 September 2021.

- Gold sales of 116,122 ounces at an average delivery price of \$2,471 per ounce.
- Cash balance of \$61.5 million at 30 June 2022 with gold bullion on hand of 1,664 ounces valued at \$4.4 million.

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- Bank debt of \$65 million at 30 June 2022 after repayments of \$25 million during the year. A further \$15 million repaid in early July 2022 as part of restructuring of financing facility with Macquarie Bank.

Capricorn Executive Chairman Mark Clark commented:

“The successful first year of operations at Karlawinda have underpinned an excellent financial result for the Company. The robust cash operating margin achieved at Karlawinda has provided a strong operating cash flow in which to pay down debt and build cash on the balance sheet. An outstanding net profit after tax of \$89.5 million for the year confirms Karlawinda’s status as a low cost, high margin project with the potential to deliver robust operating cash flows over a long mine life.”

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

For further information, please contact:

Mr Kim Massey

Chief Executive Officer

E: enquiries@capmet.com.au

T: +61 8 9212 4600

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.



CAPRICORN METALS LTD

ABN 84 121 700 105

FINANCIAL REPORT FOR THE YEAR ENDED

30 JUNE 2022

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

Registered Office & Principal Place of Business

Level 1, 28 Ord Street

WEST PERTH WA 6005

Telephone: +61 8 9212 4600

Facsimile: +61 8 9212 4699

Email: enquiries@capmet.com.au

Website: capmetals.com.au

Share Registry

Automic Pty Ltd

Level 2, 267 St Georges Terrace

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

Contents

Directors' report	3
Remuneration report (Audited)	13
Auditor's independence declaration	24
Consolidated statement of profit or loss and other comprehensive income	25
Consolidated statement of financial position	26
Consolidated statement of changes in equity	27
Consolidated statement of cash flows	28
Notes to the consolidated financial statements	29
Directors' declaration	63
Independent auditor's report	64

Directors' report

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 2022 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 2021 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 was appointed Managing Director of Regis Resources Limited (“Regis”) in May 2009 and Executive Chairman in November 2016. 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 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 1980s 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 2016) 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:

- Non-Executive Director 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 Committee	Remuneration, Nomination and 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	10	10	-	-	-	-
M Okeby	10	10	5	5	4	4
M Ertzen	10	10	5	5	4	4
B De Araugo	10	10	5	5	4	4

Principal Activities

The principal activities of Capricorn during the financial year were:

- exploration, evaluation, development and production from 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 commissioning, optimisation and operation of the KGP following the first gold pour on 30 June 2021. In addition, the Company actively pursued its strategy of growing in to a multi mine gold company with the acquisition of the MGGP in July 2021. The Company's objectives are to:

- Continue to optimise 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;
- Advance the development of the MGGP with the estimation of an updated Mineral Resource Estimate and Ore Reserve Estimate in the first half of FY23;
- Continue the technical, environmental and other studies required to underpin a Reserve estimate and feasibility study and ultimately the development of the project 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 after completion of project development on time and on budget.

The Company completed commissioning and optimisation of the project within the first full quarter of operations with steady state production achieved by the end of September 2021. The project produced 118,432 ounces of gold in the first financial year of operations which was at the top end of the 2022 financial year guidance of 110,000 – 120,000 ounces.

KGP is expected to produce 115,000 – 125,000 ounces of gold at all-in-sustaining-costs of \$1,160 - \$1,260 per ounce in FY2023, with growth capital of \$10 - \$14 million.

In July 2021 the Company acquired the MGGP. The project is located in the Mid-West region of Western Australia, 280 kilometres north-east of Perth. Capricorn has estimated a JORC compliant resource of 2.1 million ounces of gold and is progressing work with a view to developing the project.

At an acquisition cost of less than \$20 per resource ounce the project represents a deep value proposition for the Company and provides the potential for Capricorn to grow into a multi mine gold company.

Since acquisition, the Company has undertaken an extensive resource definition and extension drilling programme with the aim of estimating an updated Mineral Resource Estimate ("MRE") and maiden Ore Reserve Estimate ("ORE") in the 2023 financial year. Technical work and studies were also commenced during the year for reserve estimation, feasibility studies, permitting applications and ultimately project development decisions.

Financial Review

Key financial data	2022 \$'000	2021 \$'000	Change \$'000	Change %
Financial results				
Sales revenue	287,043	110	286,933	260,848
Cost of sales (excluding D&A) ¹	(118,975)	-	(118,975)	N/A
Other income	229	110	119	108
Corporate, admin and other costs	(14,363)	(7,556)	(6,807)	90
EBITDA ¹	153,934	(7,336)	161,270	2,198
Depreciation & amortisation (D&A)	(31,665)	(215)	(31,450)	14,627
Finance income/(expenses)	(11,363)	2,786	(14,149)	508
Profit/(loss) before tax	110,906	(4,765)	115,671	2,428
Income tax expense	(21,423)	-	(21,423)	N/A
Reported profit/(loss) after tax	89,483	(4,765)	94,248	1,978

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 \$89.5 million in FY22 up from a net loss position of \$4.8 million in FY21 as a result of the commencement of operations at the KGP. The Group recorded an EBITDA of \$153.9 million and an EBITDA margin for the year of 54%. A reconciliation between the statutory profit after tax and the Group's EBITDA is tabled above.

Gold revenue for the financial year was \$286.9 million from the sale of 116,122 ounces of gold at an average realised price of \$2,471 per ounce. During the year Capricorn delivered 35,053 ounces of gold into forward contracts at an average delivery price of \$2,247 per ounce and sold 81,069 ounces of gold at spot prices averaging \$2,568 per ounce. As at 30 June 2022, Capricorn's forward gold hedging programme totalled 164,947 ounces of flat forward contracts at an average delivery price of \$2,248 per ounce and 7,140 ounces of rolling spot deferred contracts at an average delivery price of \$2,681 per ounce. In addition, the Company has a 16,700 ounce gold call option with a strike price of \$2,250 per ounce maturing on 30 June 2025.

Cost of sales for the year was \$149.5 million. All-in-sustaining-costs ("AISC") of \$1,112 per ounce were reported for the first 9 months of steady state production.

Statutory operating cash flow for the year was \$134.7 million underpinning a \$55.6 million increase (to \$65.9 million) in cash and bullion for the year. Key cash flow movements for the year included:

- Net cash inflow from operations (excluding interest paid) of \$141.0 million
- Payments for the completion of construction of the KGP of \$26.5 million
- \$26.7 million on the acquisition of the MGGP
- \$18.4 million on exploration activities at KGP and MGGP
- \$25.0 million repayment of debt to Macquarie Bank Ltd

The Company had outstanding debt at the end of the financial year of \$65 million after repaying \$25 million during the year. Shortly after the end of the financial year the Company repaid a further \$15 million of its project loan facility, taking cumulative repayments to \$40 million since September 2021 and reducing the principal outstanding to \$50 million. 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.

During the year the Company added 1.5 million tonnes of ore to its inventory balance. Ore stocks at 30 June 2022 were 2.1 million tonnes valued at a cost of \$36.7 million carried forward as an inventory asset on the Company's Balance Sheet.

Project Review

Karlawinda Gold Project

Operating results for the first 12 months of operations to 30 June 2022 were as follows:

	Unit	30 June 2022
Ore mined	BCM ('000)	2,790
Waste mined	BCM ('000)	8,954
Stripping ratio	w:o	3.21
Ore mined	Tonnes ('000)	5,940
Ore milled	Tonnes ('000)	4,450
Head grade	g/t	0.89
Recovery	%	94
Gold production	Ounces	118,432
Cash cost ¹	A\$/oz	\$952
Cash cost inc. royalties ¹	A\$/oz	\$1,073
All-in-sustaining-cost ¹	A\$/oz	\$1,112

¹ Costs are reported for the period from when operations were at steady state production which was 30 September 2021.

GKP produced 118,432 ounces from its first year of operation achieving the upper end of the annual production guidance range of 110,000 – 120,000 ounces. All-in-sustaining-costs ("AISC") for the nine months since the announcement of steady state production was achieved was \$1,112 per ounce which was at the lower end of the AISC guidance range for the year of \$1,100 - \$1,200 per ounce.

A total of 8.9 million BCM of material was mined from the Bibra open pit during the year at a strip ratio of 3.21. Mining focussed on delivering ore to the ROM from Stage 1 and 2 of the open pit and mining waste to open ore zones in stage 3 and 4 of the open pit.

The processing plant performed well during the year with steady state production achieved in the September 2021 quarter, three months after commissioning commenced. Mill feed during the year was primarily a combination of laterite and oxide ore with a small proportion of transitional ore being fed towards the end of the year.

Capricorn expects to continue its strong operational performance in FY2023 with gold production guidance of 115,000 – 125,000 ounces at an AISC range of \$1,160 - \$1,260 per ounce.

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. The Company has estimated a JORC 2012 compliant Inferred MRE of 79Mt @ 0.8g/t Au for 2,083,000 ounces of gold at MGGP.

The Company acquired the project for total consideration of \$39.6 million comprising \$25.6 million cash payment and \$14 million paid by the issue of 7.65 million fully paid ordinary shares in Capricorn. In addition, the Company granted a 1.0% net smelter royalty on all minerals produced from the project including gold production in excess of 90,000 ounces.

In December 2021 all key mining tenure was granted over the project area allowing Capricorn to expedite work to grow the gold resource and advance the project towards a maiden reserve estimate and feasibility study.

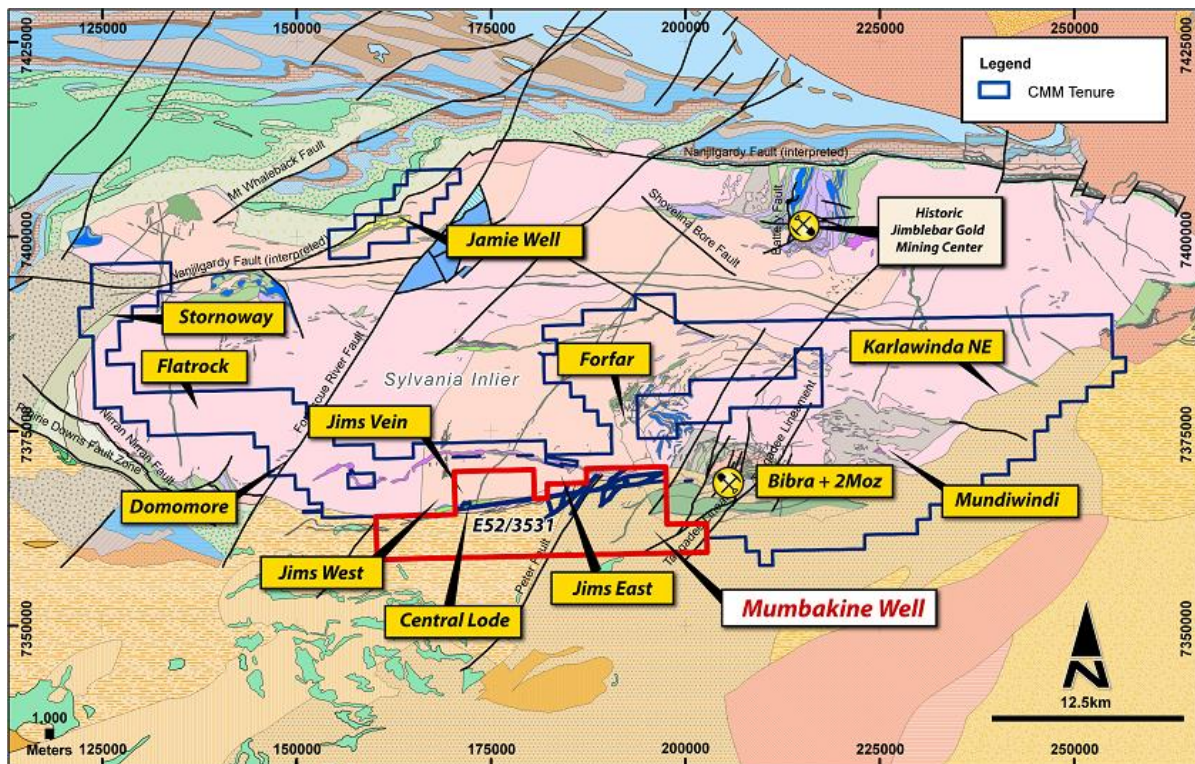
In January 2022 an extensive infill and extensional RC drilling programme commenced at MGGP to form the basis of an updated MRE and maiden ORE (refer to exploration section below for more details). In conjunction with the commencement of drilling, technical work and studies across numerous disciplines commenced at MGGP as required for reserve estimation, feasibility studies, permitting applications and ultimately project development. In June 2022 Capricorn's application for a mining lease was granted for an original term of 21 years. The granted mining lease covers all of the areas required to develop the mining project.

Exploration

Karlawinda Gold Project

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 773 holes for 58,513 metres were drilled across the KGP tenement package.

Drilling during the year focussed on extending and infilling the MRE at KGP with a 30,000 metre RC drilling programme commencing in March 2022. A total of 18,308 metres (85 holes) were completed by the end of the year covering 1.8 kilometres of strike from the Bibra Open Pit to the Southern Corridor and Tramore areas to the south. The programme tested for extensions of gold mineralisation below the current open pit resource shell and increased the drill density of the Southern Corridor and Tramore prospects whilst also testing for the occurrence of stacked lodes below the areas of shallow drilling in the deposit. The programme was completed in August 2022 with results expected to underpin the annual update of the MRE and ORE in October 2022.

Multiple near mine 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 above). Encouraging results were received from first pass drilling across the Muirfield, Carnoustie and Mundiwindi deposits during the year. Follow up regional and near mine drilling programmes will continue in FY2023.

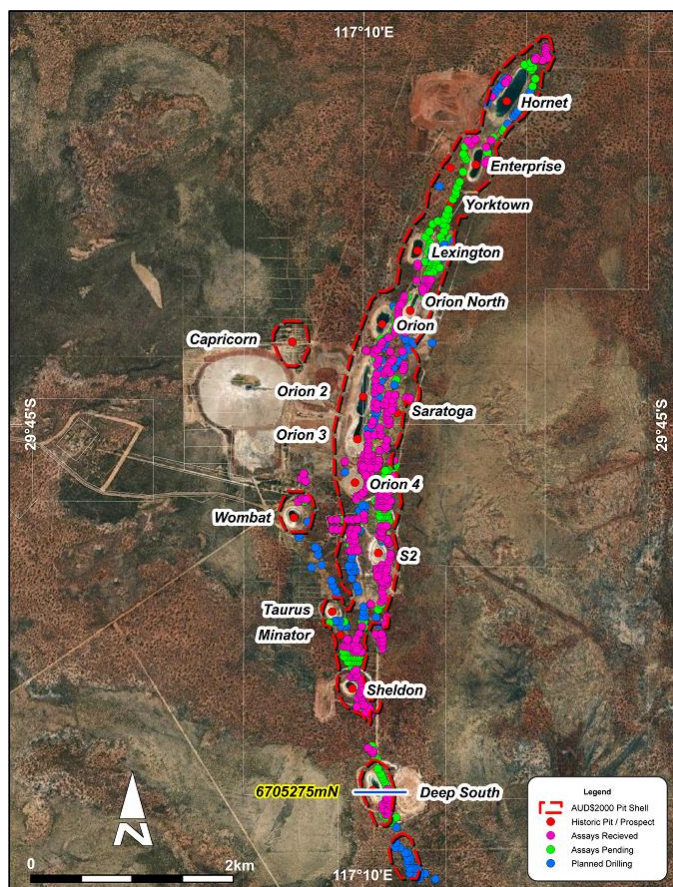
In June 2022 Capricorn acquired the Mumbakine Well Project. Capricorn paid Gascoyne Resources Ltd \$1.25 million in Capricorn shares and granted a 0.5% net smelter royalty on all gold produced from the project as well as contingent deferred payments of \$3.5 million (refer ASX Announcement 30 May 2022). The Mumbakine Well Project is located contiguous to the KGP and only 10 kilometers from the KGP processing plant. The project is highly prospective and provides an outstanding opportunity to add satellite resources and ultimately mill feed to the KGP. First pass drilling is planned in FY2023.

Mt Gibson Gold Project

In January 2022 two RC rigs commenced drilling a planned 81,000 metre drill programme across the 8 kilometres of strike of current resources at the Company's 100% owned MGGP.

The objectives of this programme included infill drilling of the resource to broadly bring the drill density to 25 x 25 metres, testing gaps between the resource pit optimisation shells along the 8 kilometres of strike and testing for extensions of gold mineralisation below the current resource shells.

By the end of the year a total of 80,124 metres of drilling was completed. Following a review of the very encouraging results, Capricorn has extended the programme to 105,000 metres to continue testing strong extensional areas.



The assays received from drilling to date continue to line up with the historic data both spatially and for grade tenor, providing validation of the historic +660,000 metre drill database acquired with the project in July 2021. The expectation is that a significant proportion of the Inferred resource will be converted to Indicated category.

Current and previously reported drilling at the depth extremities of the resource optimisation shells (where historic drill density is broader spaced) and below them has returned results consistent with Capricorn's geological interpretations of mineralisation location, widths and grade tenor. Drilling across the project to date indicates that mineralisation remains open down dip and along strike to the north and south with multiple stacked lodes intersected.

Results of this extended programme will underpin an updated MRE targeted for completion in September 2022 and a maiden ORE targeted for completion in October 2022.

Material business risks

The material business risks of the Company include:

- **COVID-19:** Capricorn continues to actively respond to the ongoing COVID-19 virus currently impacting people and businesses globally. The health and safety of people working at Capricorn, their families and our communities remains paramount during this time. Capricorn continues to operate under protocols developed internally and as prescribed by State and Federal health authorities to minimise risks to our people and communities and ensure we continue to safely operate during this challenging period. During the year a contact tracing system was implemented at the KGP allowing for faster and more accurate assessment of close contacts to any positive cases on site. This system remains in use at the date of this report. The KGP is located in Western Australia which has enabled the Company to have a dynamic, rapid, and consistent approach to the management of the COVID-19 virus.

- *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.
- *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 (2021: Nil).

Subsequent events

There were no material events arising subsequent to 30 June 2022, 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, other than:

Loan refinancing & rolling of gold contracts

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. In addition, 30,000 ounces of gold contracts with an average delivery price of \$2,247/oz have been rolled from Jul 22 – Dec 22 to Dec 25 – Jun 26 to align with the maturity date of the new corporate facility.

Share issue

On 19 September 2022 the Company announced the issue of 2,000,000 shares as a result of performance rights being exercised by the Chief Executive Officer Mr Massey and the Chief Operating Officer Mr Thomas, in equal proportions, in accordance with their employment contracts.

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 monitored by the Board of Directors and subjected from time to time to Government agency audits and site inspections. There have been no 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	22,052,000	240,000
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

During the year 10,000,000 ordinary shares were issued by the Company as a result of the exercise of 10,000,000 options at a weighted average exercise price of \$0.60 per share.

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
1 February 2023	975,000
30 September 2022	112,500
30 September 2023	112,500
18 January 2023	100,000
18 January 2024	100,000
29 March 2023	100,000
29 March 2024	100,000
4 October 2022	120,000
4 October 2023	120,000
10 December 2022	83,000
10 December 2023	599,000
10 December 2024	639,000
30 June 2023	139,909
30 June 2024	139,909

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 2022 (2021: 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 2022 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 2022 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 2022 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.

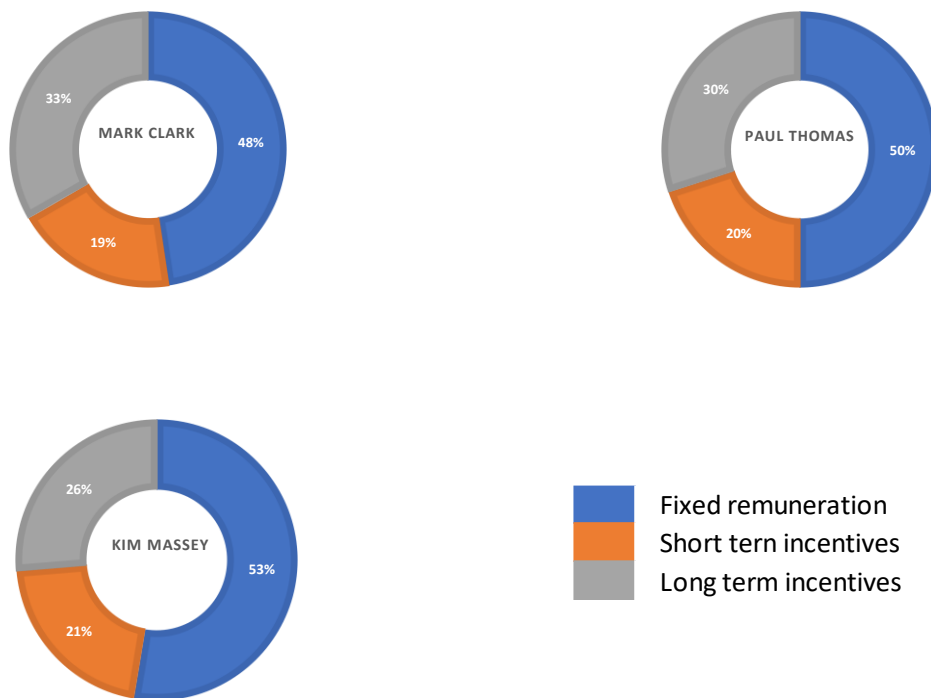
The Company’s remuneration policy provides for a combination of fixed and variable pay with the following components:

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

The relative proportion of target FY22 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.

During the year, the RNDC recommended to the Board that executive fixed remuneration be increased to reflect the transformation of the Company to gold producer. From 1 October 2021 executive annual base salaries were:

- Mark Clark \$650,000
- Paul Thomas \$600,000
- Kim Massey \$500,000

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 FY22 was 40% of the fixed remuneration of the executive.

Each year the RNDC set KPI targets for executives. For FY22 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 FY22 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	0%	0%
Company performance	25%	TSR performance against comparator group	100%	25%
Total	100%			55%

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

Production – annual gold production of 118,432 ounces was in line with FY22 budgeted production and the base reward of 15% was awarded;

Costs – AISC's of \$1,112 per ounce for the 9 months of production since steady state operations were achieved was in line with FY22 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. Accordingly, although the Company achieved satisfactory performance for the year, the Committee decided not to allocate an award for this KPI;

Reserve growth – At the time of this report, the Company had not completed its annual Reserve and Resource update which is expected to be completed in October 2022. Accordingly, the Committee decided not to allocate an award for this KPI;

Company performance – The Company achieved a total shareholder return of 63% for the 12 months to 30 June 2022 which was at the upper end of the comparator group. Accordingly, the stretch target was achieved and a 25% weighting was awarded for this KPI.

Based on the above assessment, 55% of the target opportunity of 40% of fixed remuneration was achieved with the following STI payments made to executives for FY22:

Executive	Maximum STI opportunity	% KPI achieved	STI awarded	STI awarded
Mark Clark	40% of TFR	55%	22% of TFR	\$143,000
Paul Thomas	40% of TFR	55%	22% of TFR	\$132,000
Kim Massey	40% of TFR	55%	22% of TFR	\$110,000

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 2022 financial year, under the Performance Rights Plan, the number of rights granted to executives range from 50% to 60% 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 FY22 were subject to one performance hurdle being total shareholder return ("TSR") measured against a benchmark peer group.

Remuneration report (Audited) (Continued)

The following companies have been identified by Capricorn to comprise the peer group:

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
Calidus Resources Limited	Gascoyne Resources Ltd	Ramelius Resources Limited
Ora Banda Mining Ltd	De Grey 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 2021 and ending on 30 June 2023 (Tranche 1); and
- The other 50% of the performance rights is the 36-month period commencing on 1 July 2021 and ending on 30 June 2024 (Tranche 2).

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

Executive	Maximum LTI Opportunity	Share price at grant date	Number of performance rights granted during FY22
Paul Thomas	60%	2.18	165,138
Kim Massey	50%	2.18	114,680

In October 2021, the Remuneration, Nomination and Diversity Committee awarded the Company's Executive Chairman 240,000 performance rights with similar performance hurdles however the measurement period was:

- 50% of the performance rights is the 12-month period commencing on 4 October 2021 and ending on 4 October 2022 (Tranche 1); and
- The other 50% of the performance rights is the 24-month period commencing on 4 October 2021 and ending on 4 October 2023 (Tranche 2).

The Committee awarded the performance rights with a reduced measurement period in recognition that Mr Clark had not previously been awarded performance rights.

Shareholders approved the issue of performance rights to Mr Clark at the Company AGM in November 2021.

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	0%	0%
	TSR	120,000	24/11/2021	\$2.042	4/10/2023	0%	0%
K Massey	2 yrs service	1,000,000	17/12/2019	\$1.180	17/9/2021	100%	0%
	3 yrs service	1,000,000	17/12/2019	\$1.180	17/9/2022	0%	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%
P Thomas	2 yrs service	1,000,000	17/12/2019	\$1.180	17/9/2021	100%	0%
	3 yrs service	1,000,000	17/12/2019	\$1.180	17/9/2022	0%	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%
		4,519,818					

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 \$1,017,468. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2019 to 30 June 2024).

The total performance rights expense recognised for KMP during the year is \$1,736,338.

There were 2,000,000 performance rights with a grant date 17 December 2019 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.

Options

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

The table below outlines the movements in options during the year.

Name	M Clark	M Okeby	Total
Grant date	27 Aug 19	27 Aug 19	
Number held as at 1 July 2021	8,000,000	2,000,000	10,000,000
Fair value at grant date	\$1.225	\$1.225	
Exercise price per option	\$0.60	\$0.60	
Vesting date	27 Aug 19	27 Aug 19	
Expiry date	30 Aug 22	30 Aug 22	
Vested and exercisable	8,000,000	2,000,000	10,000,000
Exercised during the year	(8,000,000)	(2,000,000)	(10,000,000)
Number held as at 30 June 2022	-	-	-

These options were fully expensed at the time of vesting in 2019.

Remuneration report (Audited)

Movements in options and rights over equity instruments

The movement during the reporting period in the number of options and 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 1 July 2021	Granted as remuneration	Exercised	Net change other	Held as at 30 June 2022	Total vested	Exercisable	Not exercisable
Options								
M Clark	8,000,000	-	(8,000,000)	-	-	-	-	-
M Okeby	2,000,000	-	(2,000,000)	-	-	-	-	-
Total	10,000,000	-	(10,000,000)	-	-	-	-	-
Rights								
M Clark	-	240,000	-	-	240,000	-	-	240,000
K Massey	2,000,000	114,680	(1,000,000)	-	1,114,680	-	-	1,114,680
P Thomas	2,000,000	165,138	(1,000,000)	-	1,165,138	-	-	1,165,138
Total	14,000,000	519,818	(2,000,000)	-	2,519,818	-	-	2,519,818

(1) Unvested options are forfeited immediately on cessation of employment.

(2) Vested options lapse 30 days after the cessation of employment, if the options have not been exercised prior.

Remuneration report (Audited)

Non-executive directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2021 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 increased from \$100,000 to \$120,000 per annum excluding superannuation on 1 October 2021. 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 2022.

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
Mark Clark, Executive Director			
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
Kim Massey, Chief Executive Officer			
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
Paul Thomas, Chief Operating Officer			
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 unvested 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 2022

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

^ 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.

Remuneration report (Audited) (Continued)

Remuneration for Key management personnel of the Group during the year ended 30 June 2021

FY2021	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			%
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors									
M Okeby ⁽¹⁾	85,000	26,190	-	10,563	-	-	-	121,753	-
M Ertzen	85,000	-	-	8,075	-	-	-	93,075	-
B De Araugo ⁽²⁾	9,872	-	-	938	-	-	-	10,810	-
Executive Directors									
M Clark ⁽⁴⁾	347,481	-	7,031	25,000	13,278	-	-	392,790	-
Other Executives									
K Massey ⁽⁴⁾	358,250	-	7,031	25,000	7,599	1,081,683	-	1,479,563	73.11%
P Thomas ⁽⁴⁾	358,250	-	7,031	25,000	34,228	1,081,683	-	1,506,192	71.82%
T Dixon ⁽³⁾	159,103	-	4,508	24,615	(12,494)	155,884	100,000	431,616	36.12%
	1,402,956	26,190	25,601	119,191	42,611	2,319,250	100,000	4,035,799	

* 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) The other fees include additional consulting services provided by M Okeby during his appointment as Non-Executive Director to the Company.

(2) B De Araugo was appointed as a Non-Executive Director on 26 May 2021.

(3) T Dixon ceased as Chief Financial Officer and company secretary effective 4 March 2021.

(4) 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 1 July 2021	Issued on exercise of options/rights	Net change other*	Held as at 30 June 2022
Non-Executive Directors				
M Okeby	4,615,385	2,000,000	-	6,615,385
M Ertzen	3,611,539	-	-	3,611,539
B De Araugo	45,550	-	29,000	74,550
Executive Directors				
M Clark	14,052,000	8,000,000	-	22,052,000
Other Executives				
K Massey	2,153,847	1,000,000	(1,000,000)	2,153,847
P Thomas	4,300,000	1,000,000	(1,900,000)	3,400,000
	28,778,321	12,000,000	(2,871,000)	37,907,321

* 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

The following table shows the gross revenue, profits, dividends and share price at the end of financial year for the past five financial years ending 30 June:

	2018	2019	Restated 2020	2021	2022
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	242	207	122	110	287,043
Net profit/(loss) after tax	(3,118)	(23,817)	(17,947)	(4,765)	89,483
Share price at year-end	0.066	0.089	1.795 ⁽¹⁾	1.900	3.130
Dividends paid	-	-	-	-	-
Total assets	37,388	26,284	124,486	299,595	448,512
Net assets	35,984	23,817	95,508	130,460	247,535

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

Remuneration report (Audited) (Continued)

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
28 September 2022



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 2022 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.

A handwritten signature in blue ink that reads 'KPMG.' with a period at the end.

KPMG

A handwritten signature in blue ink, appearing to be 'R Gambitta'.

R Gambitta
Partner

Perth

28 September 2022

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Revenue	2	287,043	110
Cost of goods sold	3	(149,480)	-
Gross profit		137,563	110
Other income	2	229	110
Fair value gain/(loss) on financial assets	9	(340)	420
Personnel costs	3	(7,217)	(3,619)
Share-based payment expense	29	(4,893)	(3,277)
Depreciation	3	(225)	(215)
Amortisation	3	(935)	-
Administrative expense		(1,680)	(1,076)
Exploration and evaluation expenditure		(233)	(4)
Finance income/(expenses)	3	(11,363)	2,786
Profit/(loss) before income tax expense		110,906	(4,765)
Income tax expense	5	(21,423)	-
Profit/(loss) attributable to members of the parent entity		89,483	(4,765)
Other comprehensive income:			
<i>Items that may be re-classified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(196)	(149)
Other comprehensive loss for the year, net of tax		(196)	(149)
Total comprehensive income/(loss) for the year attributable to members of the parent entity		89,287	(4,914)
Earnings per share:			
Basic profit/(loss) per share (cents per share)	4	24.27	(1.39)
Diluted profit/(loss) per share (cents per share)	4	23.91	(1.39)

The accompanying notes form part of these financial statements

Consolidated statement of financial position
For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	6	61,502	10,312
Receivables	7	2,235	1,325
Other assets		295	265
Inventories	8	14,913	14,065
Financial assets	9	3,099	2,925
Assets classified as held for sale	10	2,500	2,500
Total current assets		84,544	31,392
Non-current assets			
Inventories	8	29,883	-
Financial assets	9	3,067	4,516
Plant and equipment	11	159,121	1,075
Right of use assets	12	47,972	51,591
Deferred exploration and evaluation costs	13	77,297	2,698
Mine properties under development	14	-	208,323
Mine properties	15	46,628	-
Total non-current assets		363,968	268,203
Total assets		448,512	299,595
Current liabilities			
Trade and other payables	17	27,407	18,945
Lease liabilities	18	7,613	7,452
Borrowings	19	38,386	32,000
Provisions	20	1,087	569
Total current liabilities		74,493	58,966
Non-current liabilities			
Lease liabilities	18	37,822	43,603
Borrowings	19	27,000	38,000
Provisions	20	29,226	21,483
Financial liabilities	21	11,540	7,083
Deferred tax liabilities	22	20,896	-
Total non-current liabilities		126,484	110,169
Total liabilities		200,977	169,135
Net assets		247,535	130,460
Equity			
Issued capital	23	203,524	180,629
Reserves	24	6,101	10,647
Retained earnings	25	37,910	(60,816)
Total equity		247,535	130,460

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Share-based payment reserve \$'000	Total \$'000
Balance as at 1 July 2020		145,040	(57,251)	(703)	9,422	96,508
Profit/(loss) for the year		-	(4,765)	-	-	(4,765)
Other comprehensive income		-	-	(149)	-	(149)
Total comprehensive income restated		-	(4,765)	(149)	-	(4,914)
Issue of shares	23	36,836	-	-	-	36,836
Cost of capital raised	23	(1,247)	-	-	-	(1,247)
Share based payments	29	-	-	-	3,277	3,277
Transfer	24	-	1,200	-	(1,200)	-
Balance as at 30 June 2021		180,629	(60,816)	(852)	11,499	130,460
Balance as at 1 July 2021		180,629	(60,816)	(852)	11,499	130,460
Profit/(loss) for the year		-	89,483	-	-	89,483
Other comprehensive income		-	-	(196)	-	(196)
Total comprehensive income		-	89,483	(196)	-	89,287
Issue of shares	23	22,410	-	-	-	22,410
Cost of capital raised	23	485	-	-	-	485
Share based payments	29	-	-	-	4,893	4,893
Transfer	24	-	9,243	-	(9,243)	-
Balance as at 30 June 2022		203,524	37,910	(1,048)	7,149	247,535

The accompanying notes form part of these financial statements

Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from gold sales		286,948	-
Payments to suppliers and employees		(146,390)	(18,294)
Payments for exploration expenditure		-	(4)
Interest received		28	177
Interest paid		(5,966)	(994)
Other income		37	218
Net cash from/(used in) operating activities	6	134,657	(18,897)
Cash flows from investing activities			
Payments for property, plant and equipment		(5,777)	(385)
Payments for investments		-	(1,200)
Payments for capitalised exploration expenditure		(18,437)	(2,750)
Payments for mine properties under development		(26,548)	(117,118)
Payment for acquisition of assets		(26,744)	-
Proceeds on disposal of property, plant and equipment		187	-
Net cash used in investing activities		(77,319)	(121,453)
Cash flows from financing activities			
Proceeds from the issue of shares		-	36,836
Proceeds from exercise of share options		6,000	
Transaction costs from issue of shares		(42)	(1,243)
Proceeds from borrowings		20,000	70,000
Repayment of borrowings		(25,000)	-
Repayment of lease liabilities		(7,424)	(626)
Net cash flows from/(used in) financing activities		(6,466)	104,967
Net increase/(decrease) in cash held		51,190	(35,383)
Cash and cash equivalent at the beginning of the year	6	10,312	45,695
Effect of exchange rates on cash holdings in foreign currencies		-	-
Cash and cash equivalents at the end of the year	6	61,502	10,312

The accompanying notes form part of these financial statements

	Page
Basis of preparation	30
Performance for the year	
1. Segment information	31
2. Revenue & other income	32
3. Expenses	33
4. Earnings per share	35
5. Income tax	36
6. Cash and cash equivalents	37
Assets	
7. Receivables	37
8. Inventories	38
9. Financial assets	38
10. Assets held for sale	40
11. Plant and equipment	41
12. Right of use assets	42
13. Deferred exploration and evaluation costs	42
14. Mine properties under development	43
15. Mine properties	44
16. Impairment of non-financial assets	44
Liabilities	
17. Trade and other payables	45
18. Lease liabilities	45
19. Borrowings	46
20. Provisions	47
21. Financial liabilities	48
22. Deferred tax liabilities	49
Equity	
23. Issued capital	51
24. Reserves	52
25. Retained earnings	52
Risk	
26. Financial risk management	52
27. Capital management	55
Other Disclosures	
28. Mount Gibson Gold Project Acquisition	55
29. Share-based payments	56
30. Related parties	60
31. Parent entity disclosures	61
32. Commitments	61
33. Contingencies	61
34. Auditors' remuneration	61
35. Subsequent events	62
36. New accounting standards and interpretations issued but not yet effective	62

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 1, 28 Ord Street

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 28 September 2022.

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 29.

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.

Note 3	Expenses	Page 33
Note 8	Inventories	Page 38
Note 13	Deferred exploration and evaluation costs	Page 42
Note 16	Impairment	Page 44
Note 20	Provisions	Page 47
Note 22	Deferred tax liabilities	Page 49
Note 29	Share-based payments	Page 56

New standards and interpretations adopted

The Group has early adopted AASB 116 *Property, Plant and Equipment: Proceeds before Intended Use* from 1 July 2021. Under the amendments, the Group recognises the proceeds from gold sales from mines which are in the pre-production/commissioning phase in the statement of profit or loss and other comprehensive income, together with the costs of production.

Prior to the adoption of the amended standard any proceeds from sales in the pre-production/commissioning phase were deducted from the cost of the mine properties under development asset.

New standards and interpretations issued but not yet effective

Refer to note 36

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.

Notes to the consolidated financial statements (Continued)
For the year ended 30 June 2022

	Karlawinda \$'000	Mt Gibson \$'000	Unallocated \$'000	Total \$'000
2022				
Revenue				
Revenue	286,948	-	95	287,043
Other income	-	187	42	229
	286,948	187	137	287,272
Result				
Profit/(loss) before income tax	124,125	99	(13,318)	110,906
Finance income/(expense)	(11,363)	-	-	(11,363)
Depreciation	(24,828)	-	(214)	(25,042)
Amortisation	(6,623)	-	-	(6,623)
Assets/Liabilities				
Segment assets	373,901	66,291	8,320	448,512
Segment liabilities	(162,946)	(13,054)	(24,977)	(200,977)
2021				
Revenue				
Revenue	-	-	110	110
Other income	50	-	60	110
	50	-	170	220
Result				
Profit/(loss) before income tax	2,498	-	(7,263)	(4,765)
Finance income/(expense)	2,757	-	29	2,786
Depreciation	(9)	-	(206)	(215)
Assets/Liabilities				
Segment assets	289,215	-	10,380	299,595
Segment liabilities	(168,443)	-	(692)	(169,135)

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.

	2022 \$'000	2021 \$'000
Revenue		
Gold sales	286,948	-
Rental income	95	110
	287,043	110
Other Income		
Government grant income	-	100
Other	42	10
Profit on sale of property, plant and equipment	187	-
	229	110

Physical gold delivery commitments

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. The contracts are accounted for as sale contracts with revenue recognised once gold has been delivered to Macquarie or its agent. The physical gold delivery contracts are considered a contract to sell a non-financial item and therefore do not fall within the scope of AASB 9 Financial Instruments. Hence no derivatives are recognised. The contracted sales price is rounded to the nearest dollar.

	Gold for physical delivery ounces	Contracted gold sale price \$	Value of committed sales \$'000	Mark-to- market \$'000
Within one year				
- Fixed forward contracts	59,947	2,247	134,680	(24,104)
- Rolled forward contracts	7,140	2,681	19,142	446
Between one and five years				
- Fixed forward contracts	105,000	2,249	236,135	(54,722)
	172,087		389,957	(78,380)

Mark-to-market has been calculated using the average forward price per ounce of \$2,726 (2021: \$2,379). 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.

	2022 \$'000	2021 \$'000
Costs of goods sold		
Cash costs of production	(105,399)	-
Royalties	(13,576)	-
Depreciation of mine plant and equipment	(24,817)	-
Amortisation of mine properties (refer Note 15)	(5,688)	-
	(149,480)	-
Personnel Costs		
Salaries and wages	(16,520)	(10,377)
Defined contribution superannuation	(1,607)	(924)
Employee bonuses	(1,404)	-
Other employee benefits expense	(2,384)	(689)
Less: Amounts capitalised ⁽¹⁾	2,120	8,371
Less: Amounts included in cost of goods sold	12,578	-
	(7,217)	(3,619)

	2022 \$'000	2021 \$'000
Depreciation		
Plant and equipment depreciation (refer to Note 11)	(18,827)	(201)
Right of use asset depreciation (refer to Note 12)	(6,144)	(1,473)
Other	(71)	-
Less: Amounts capitalised ⁽¹⁾	-	1,459
Less: Amounts included in cost of goods sold	24,817	-
	(225)	(215)
Amortisation		
Mine properties amortisation (refer note 15)	(5,688)	-
Derivative amortisation (refer note 9)	(935)	-
Less: Amounts included in cost of goods sold	5,688	-
	(935)	-
Finance Income/(Expenses)		
Interest on borrowings	(2,841)	(1,636)
Interest on lease liabilities (refer to Note 18)	(3,441)	(464)
Net gain/(loss) on financial instruments at fair value through profit and loss ⁽²⁾	(4,458)	3,638
Unwinding of discount on provisions	(677)	-
Other costs	-	(20)
Less: Amounts capitalised ⁽¹⁾	-	1,126
Interest revenue	54	142
	(11,363)	2,786

(1) Capitalised personnel, depreciation and finance costs are being included as part of Mine properties under development during the construction and commissioning stage of the Karlawinda Gold Project.

(2) The net gain/loss on financial instruments at fair value through profit or loss, refers to the movement in the fair value of an open sold gold call option contract recognised when they were entered into on 6 January 2020. For more information on the measurement and recognition of derivatives, refer to Note 21.

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.

4. 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.

	2022	2021
Earnings per share	Cents	Cents
Basic earnings per share (BEPS)	24.27	(1.39)
Diluted earnings per share (DEPS)	23.91	(1.39)

	2022	2021
Earnings used in calculating BEPS and DEPS	\$'000	\$'000
Profit/(loss) attributable to members of the parent entity	89,483	(4,765)

	2022	2021
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used to calculate BEPS	368,756,565	343,354,110

Adjustments for calculation of DEPS:

Performance rights	5,440,818	-
Weighted average number of ordinary shares used to calculate DEPS	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.

5. 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.

	2022	2021
	\$'000	\$'000
Amounts recognised in Profit and Loss		
(a) Tax expense		
Current tax	-	-
Deferred tax	21,423	-
Total tax expense for the period	21,423	-
(b) Numerical reconciliation between tax expense and pre-tax net profit or (loss)		
Net profit/(loss) before tax	110,906	(4,765)
Corporate tax rate applicable	30%	30%
Income tax expense/(benefit) on above at applicable corporate rate	33,272	(1,429)
Increase/(decrease) income tax due to tax effect of:		
Non-deductible expenses	1,460	1,030
Current year tax losses not recognised	-	828
Non assessable income	-	(30)
Movement in unrecognised temporary differences	75	(100)
Recognition of previously unrecognised prior year tax losses	(13,116)	-
Deductible equity raising costs	(268)	(299)
Income tax expense/(benefit) attributable to entity	21,423	-
(c) Amounts charged or (credited) directly to equity		
Relating to equity raising costs	(527)	-
Other	-	-
	(527)	-

6. 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.

	2022 \$'000	2021 \$'000
Cash at bank	61,502	10,312

	2022 \$'000	2021 \$'000
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Reconciliation of profit/(loss) after tax to net cash flow from operations:

Profit/(loss) after income tax`	89,483	(4,765)
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Non-cash flows in result

Depreciation	25,042	215
Amortisation	6,623	-
Unwinding of discount on provisions	677	-
Unrealised (gain)/loss on derivatives	4,458	(3,638)
Fair value (gain)/loss on financial assets	340	(420)
Share based payment	4,893	3,277
(Profit)/Loss on disposal of fixed assets	(187)	-
Write-off of a payment obligation	-	(323)

Changes in assets and liabilities

(Increase)/decrease in receivables	(909)	432
(Increase)/decrease in other current assets	(30)	273
(Increase) in inventories	(30,731)	(13,996)
Increase/(decrease) in payables and accruals	12,918	(293)
Increase in provisions	657	341
Increase in deferred tax liabilities	21,423	-
Cashflow from operating activities	134,657	(18,897)

Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year ended 30 June 2022 (2021: Nil).

ASSETS

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

7. 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.

	2022 \$'000	2021 \$'000
GST receivable	1,551	907
Security deposits	478	324
Fuel tax credit receivable	(66)	45
Interest receivable	26	1
Other receivables	246	48
	2,235	1,325

8. 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.

	2022 \$'000	2021 \$'000
Current		
Ore stockpiles	6,844	10,103
Gold in circuit	4,356	2,817
Bullion on hand	2,497	504
Consumable stores	1,216	641
	14,913	14,065
Non-Current		
Ore stockpiles	29,883	-

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. 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.

9. FINANCIAL ASSETS

Accounting policy

The Group's financial assets include cash and cash equivalents, trade and other receivables, term deposits, equity investments and gold forward asset.

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 of 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.

	2022	2021
	\$'000	\$'000
Financial assets		
Current		
Gold forward asset	1,751	1,237
Equity investments	1,348	1,688
	3,099	2,925
Non-current		
Gold forward asset	3,067	4,516

Gold forward asset

The gold forward asset refers to the fair value of the premium income on the sold gold call option contract entered into on 6 January 2020. The sold gold call option premium was added to the price of the Company's gold forward contracts (disclosed in Note 26). Subsequent measurement of the gold forward asset which matures on 30 June 2025 is at amortised cost. Amortisation expense in relation to the gold forward asset for the year ended 30 June 2022 was \$935,000 (2021:nil) (refer to Note 3).

Equity investments

As at 1 July	1,688	68
Additions	-	1,200
Fair value adjustment	(340)	420
As at 30 June	1,348	1,688

Fair value of listed shares and assumptions

	2022	2021
<i>BlackEarth Minerals NL</i>		
Fair value per listed share	\$0.074	\$0.094
Closing quoting bid price per share	\$0.074	\$0.094
<i>DiscovEx Resources Limited</i>		
Fair value per listed share	\$0.004	\$0.005
Closing quoting bid price per share	\$0.004	\$0.005

10. 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.

	2022	2021
	\$'000	\$'000
Property asset	2,500	4,500
Impairment	-	(1,800)
Translation adjustment	-	(200)
	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 19,373m² containing several buildings, including offices, warehouses and villa accommodation.

A valuation was completed by Cabinet D'Expertise Audit Techniques Et Conseils Qualities in June 2020 of 7,235,880,000 Ariary which translates to AUD \$2,603,874 as at 30 June 2022 (2021: AUD \$2,544,038). Based on the current valuation, the Directors considered the carrying value appropriate for the year ended 30 June 2022. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

11. 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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at 1 July 2020	-	83	-	343	443	869
Additions	-	180	-	196	109	485
Transfers to mine properties	-	-	-	-	(78)	(78)
Transfers between asset classes	-	441	-	20	(461)	-
Depreciation	-	(70)	-	(131)	-	(201)
Net carrying amount at 30 June 2021	-	634	-	428	13	1,075
As at 30 June 2021						
Cost	-	899	-	876	13	1,788
Accumulated depreciation	-	(265)	-	(448)	-	(713)
Net carrying amount at 30 June 2021	-	634	-	428	13	1,075

	Buildings & Infrastructure	Plant & Equipment	Mobile Plant & Equipment	Furniture & Equipment	Capital WIP	Total
	\$'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	43,049	103,270	3,148	7,009	2,645	159,121
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	43,049	103,270	3,148	7,009	2,645	159,121

12. 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.

	2022 \$'000	2021 \$'000
As at 1 July	51,591	218
Additions to right-of-use assets	2,525	52,846
Depreciation charge for the year (refer to Note 3)	(6,144)	(1,473)
As at 30 June	47,972	51,591

Payments associated with short-term leases and leases of low value assets for the year were \$1,477,000 (2021: \$1,626,000).

13. 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.

	2022 \$'000	2021 \$'000
As at 1 July	2,698	542
Expenditure for the period	21,789	3,154
Acquisition of exploration and evaluation assets – MGGP (refer note 27)	51,560	-
Acquisition of tenements (refer note 23)	1,250	-
Transfer to mine properties under development	-	(998)
As at 30 June	77,297	2,698

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.

	2022 \$'000	2021 \$'000
Within one year	3,313	1,723
Exploration commitments at reporting date not recognised as liabilities	3,313	1,723

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.

14. 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.

	2022 \$'000	2021 \$'000
As at 1 July	208,323	66,277
Construction expenditure capitalised	18,000	103,748
Pre-production expenditure capitalised	(233)	20,070
Rehabilitation additions	-	17,152
Transfer from exploration	-	998
Transfers from plant and equipment	-	78
Transfer to mine properties (refer note 15)	(55,613)	-
Transfer to property plant & equipment (refer note 11)	(170,477)	-
As at 30 June	-	208,323

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

15. 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 \$'000	Pre-production \$'000	Rehabilitation \$'000	Total \$'000
Net carrying amount at 1 July 2021	-	-	-	-
Transfers from mine properties under development ¹	15,477	18,865	21,271	55,613
Additions	-	-	149	149
Rehabilitation provision adjustments	-	-	(3,446)	(3,446)
Amortisation (refer note 3)	(1,726)	(1,957)	(2,005)	(5,688)
Net carrying amount at 30 June 2022	13,751	16,908	15,969	46,628
As at 30 June 2022				
Cost	15,477	18,865	17,974	52,316
Accumulated depreciation	(1,726)	(1,957)	(2,005)	(5,688)
Net carrying amount at 30 June 2022	13,751	16,908	15,969	46,628

(1) refer note 14

16. 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.

17. 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.

	2022 \$'000	2021 \$'000
Trade payables	8,169	6,100
Accrued expenses	12,156	11,200
Other payables	7,082	1,645
	27,407	18,945

18. 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.

Notes to the consolidated financial statements (Continued)
For the year ended 30 June 2022

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.

	2022 \$'000	2021 \$'000
Current		
Lease liabilities	7,613	7,452
Non-Current		
Lease liabilities	37,822	43,603

Interest expense in relation to lease liabilities for the year ended 30 June 2022 was \$3,441,000 (2021: \$464,000) (refer to Note 3).

Total cash outflows relating to leases during the year were \$10,864,000 (2021: \$952,000) comprising, principal (\$7,423,000) and interest (\$3,441,000) 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 2022, including non-lease components such as labour, totalled \$77,199,000 (2021: \$16,009,000).

Payments associated with short-term leases and leases of low value assets for the year were \$1,477,000 (2021: \$1,626,000).

19. 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.

	2022 \$'000	2021 \$'000
Current		
Bank loans	38,386	32,000
Non-Current		
Bank loans	27,000	38,000
	65,386	70,000

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

The bank holds a first ranking, registered fixed and floating charge over all the assets of Capricorn Metals Ltd and its wholly owned subsidiary, Greenmount Resources Pty Ltd (owner of the Karlawinda Gold Project) as security for the facility provided by Macquarie.

In July 2022 the Company refinanced the loan with Macquarie. Refer to note 35 for details.

20. 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.

	2022 \$'000	2021 \$'000
Current		
Annual leave	1,076	487
Rehabilitation	11	82
	1,087	569
Non-Current		
Long service leave	118	50
ROU asset demobilisation	703	244
Rehabilitation	28,405	21,189
	29,226	21,483

	2022	2021
	\$'000	\$'000
Provision for rehabilitation		
<i>As at 1 July</i>	21,271	4,119
Provisions raised during the year	149	17,152
Provisions used during the year	(15)	-
Provisions re-measured during the year	(3,446)	-
Provisions assumed during the year – MGGP (refer note 27)	9,779	-
Unwinding of the discount	678	-
<i>As at 30 June</i>	28,416	21,271

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.

21. FINANCIAL LIABILITIES

Accounting policy

The Group's financial liabilities include trade and other payables, lease liabilities, gold forward liability and borrowings.

Recognition and initial measurement

All financial liabilities 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 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 of 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.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

The method of recognising any re-measurement gain or loss depends on the nature of the item being hedged. Any changes in the fair value of a derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The Group's derivative financial instruments include the gold forward liability which does not qualify for hedge accounting and therefore any changes in the fair value of the gold forward liability are recognised immediately in the income statement.

	2022 \$'000	2021 \$'000
Gold forward liability	11,540	7,083

The gold forward liability refers to the fair value of the sold gold call option contract entered into on 6 January 2020. Subsequent measurement of the sold 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.

22. 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.

	2022	2021
	\$'000	\$'000
Deferred tax assets and liabilities		
(a) Recognised deferred tax assets and liabilities	30%	30%
Deferred tax liabilities		
Prepayments	19	-
Exploration and mine properties	17,066	7,557
Inventory	4,970	192
Plant and equipment	39,835	67
Investments	-	26
Other	7	1
Gross deferred tax liabilities	61,897	7,843
Set-off of deferred tax assets	(41,001)	(7,843)
Net deferred tax liabilities	20,896	-
Deferred tax assets		
Employee provisions	358	161
Other provisions and accruals	62	27
Derivative assets and liabilities	2,017	399
Rehabilitation provision	8,525	-
Blackhole previously expensed	12	20
Blackhole equity raising costs	527	-
Tax losses	29,177	6,768
Other	323	468
Gross deferred tax assets	41,001	7,843
Set-off of deferred tax liabilities	(41,001)	(7,843)
Net deferred tax assets	-	-
(b) Reconciliation of deferred tax, net:		
Opening balance at 1 July – net deferred tax assets/(liabilities)	-	-
Income tax (expense)/benefit recognised in profit or loss	(21,423)	-
Income tax (expense)/benefit recognised in equity	527	-
Closing balance at 30 June – net deferred tax assets/(liabilities)	(20,896)	-

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.

23. 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.

	2022 \$'000	2021 \$'000
Ordinary shares - issued and fully paid	203,524	180,629
	Number of Shares	\$'000
Movement in ordinary shares on issue		
<i>As at 1 July 2020</i>	326,801,473	145,040
Issue of shares	17,000,000	32,300
Issued on exercise of options	6,218,006	4,536
Transaction costs	-	(1,247)
<i>As at 30 June 2021</i>	350,019,479	180,629
<i>As at 30 June 2021</i>	350,019,479	180,629
Issue of shares on exercise of options ⁽¹⁾	10,000,000	6,000
Issue of shares on exercise of performance rights ⁽²⁾	3,275,000	-
Issue of shares on acquisition - MGGP ⁽³⁾	8,285,954	15,160
Issue of shares on acquisition - Tenements ⁽⁴⁾	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>	371,925,185	203,524

- On 28 July 2021, 10,000,000 options were exercised at an exercise price of \$0.60 each.
- During the year 3,275,000 performance rights were exercised for nil value to employees in accordance with the shareholder approved Performance Rights Plan.
- 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.
- 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.

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.

24. RESERVES

	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Total Reserves \$'000
<i>As at 1 July 2020</i>	9,422	(703)	8,719
Share-based payment transactions (refer note 28)	3,277	-	3,277
Translation movement for the year	-	(149)	(149)
Transfers ⁽¹⁾	(1,200)	-	(1,200)
<i>As at 30 June 2021</i>	11,499	(852)	10,647
Share-based payment transactions (refer note 28)	4,893	-	4,893
Translation movement for the year	-	(196)	(196)
Transfers ⁽¹⁾	(9,243)	-	(9,243)
<i>As at 30 June 2022</i>	7,149	(1,048)	6,101

(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 25).

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.

25. RETAINED EARNINGS

	2022 \$'000	2021 \$'000
<i>As at 1 July</i>	(60,816)	(57,251)
Profit/(loss) for the year	89,483	(4,765)
Transfers ⁽¹⁾	9,243	1,200
<i>As at 30 June</i>	37,910	(60,816)

(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 24).

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

26. 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 forward assets, trade and other payables, lease liabilities, gold forward liabilities and borrowings.

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.

Notes to the consolidated financial statements (Continued)
For the year ended 30 June 2022

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.

	2022 \$'000	2021 \$'000
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	61,502	10,312
Receivables	2,235	1,325
Equity investments	1,348	1,688
Gold forward asset	4,817	5,752
	69,902	10,077
Financial liabilities		
Trade and other payables	27,407	18,945
Lease liabilities	45,435	51,055
Gold forward liability	11,540	7,083
Borrowings	65,386	70,000
	149,768	147,083

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:

	2022 \$'000	2021 \$'000
Fixed rate instruments		
Cash and cash equivalents	-	2,369
Term deposits	478	324
Lease liabilities	(45,435)	(51,055)
	(44,957)	(48,362)
Variable rate instruments		
Cash and cash equivalents	61,502	7,941
Borrowings	(65,386)	(70,000)
	(3,884)	(62,059)

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 (2021: 100 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.

	2022		2021	
	200bp increase \$'000	200bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
Variable rate instruments	(78)	78	(621)	621

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 forward contracts (refer Note 2) and its sold gold call option contract (refer Note 21).

The gold forward sale contracts do not meet the criteria of financial instruments for accounting purposes on the basis that they meet the normal purchase/sale exemption because physical gold will be delivered into the contract and accordingly no sensitivity analysis is provided for these contracts as they are outside the scope of AASB 9 Financial Instruments.

The following table reflects the impact on equity and profit or loss relating to the sold gold call option contract of a \$100 change in the average forward price per ounce which was \$2,951 per ounce at 30 June 2022 (2021: \$2,684).

	2022		2021	
	\$100 increase \$'000	\$100 decrease \$'000	\$100 increase \$'000	\$100 decrease \$'000
Sold gold call option contract	(391)	391	(264)	264

Credit risk

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

Credit risk is managed to ensure that customers 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 \$'000	Total contractual cash flows \$'000	<6 months \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000
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	-
	138,228	158,452	49,348	6,633	13,128	73,701	15,643

	Carrying amount liabilities	Total contractual cash flows	<6 months	6-12 months	1-2 years	2-5 years	>5 years
2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	18,945	18,945	18,945	-	-	-	-
Lease liabilities	51,055	65,907	5,368	5,319	10,113	27,673	17,434
Borrowings	70,000	72,724	14,975	18,727	24,805	14,217	-
	140,000	157,576	39,288	24,046	34,918	41,890	17,434

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Level 1	1,348	1,688	-	-
Level 2	2,500	2,500	(11,540)	(7,082)
Level 3	-	-	-	-
	3,848	4,188	(11,540)	(7,082)

Included within Level 1 of the hierarchy are the BlackEarth Minerals NL and DiscovEx Resources Limited shares listed on the Australian Securities Exchange. The fair value of these financial assets have 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 a freehold property asset located in Antanarirvo, Madagascar that is held for sale and the sold gold call option. The fair value of the freehold property asset is based on a valuation that was completed in June 2020. The fair value of the gold forward liability 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 forward liability 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.

27. 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

28. MT GIBSON GOLD PROJECT ACQUISITION

In July 2021 the Company acquired a 100% interest in the Mt Gibson Gold Project ('MGGP') located 280 kilometres northeast of Perth in the Mid-West region of Western Australia. Refer ASX announcement dated 28 July 2021 for more information regarding the acquisition.

The Company acquired the project via a combination of cash of \$25.6 million and \$14.0 million in shares in the Company plus transaction costs (\$2.2 million) and the assumption of rehabilitation obligations relating to the project. Further details of the transaction are set out below:

Purchase consideration	\$'000
Purchase cost (including transaction costs)	41,781

The Group has determined that the transaction does not constitute a business combination in accordance with AASB 3 Business Combinations. The acquisition of the net assets has therefore been accounted for as an asset acquisition. When an asset acquisition does not constitute a business combination, the assets and liabilities are allocated a carrying amount based on their relative fair values in an asset purchase transaction.

The value of the assets acquired and liabilities assumed has been allocated on a fair value basis. Details of the purchase consideration and the net assets acquired are as follows:

Net assets acquired	\$'000
Exploration and evaluation assets (refer note 13)	51,560
Rehabilitation liabilities (refer note 20)	(9,779)
Total purchase consideration	<u>41,781</u>

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:

	2022	2021
	\$'000	\$'000
Recognised share-based payments expense		
Employee options share-based payments expense	-	1
Performance rights expense	4,893	3,276
Total expense arising from share-based payment transactions	4,893	3,277

Options

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

	2022		2021	
	Number	WAEP	Number	WAEP
<i>Outstanding as at 1 July</i>	10,000,000	\$0.60	16,218,006	\$0.65
Granted during the year	-	-	-	-
Exercised during the year	(10,000,000)	\$0.60	(6,218,006)	\$0.73
Outstanding at end of the year	-		10,000,000	\$0.60
<i>Exercisable as at 30 June</i>	-		10,000,000	\$0.60

The weighted average share price at the date the options were exercised during the year ended 30 June 2022 is \$2.25 (30 June 2021: \$1.73).

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 2022 and 30 June 2021.

Performance rights

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

	2022	2021
	Number of Rights	Number of Rights
Outstanding as at 1 July	7,175,000	6,450,000
Granted during the year	1,840,818	725,000
Forfeited during the year	(300,000)	-
Exercised during the year	(3,275,000)	-
Outstanding at end of the year	5,440,818	7,175,000
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)	0.22	0.59
Weighted average fair value	1.18	0.95

In October 2021, 2,000,000 Dec 2019 performance rights were exercised and in February 2022, 1,275,000 Mar 2020 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.

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 - 1.25	0.55 - 1.55	0.55 - 1.55
Weighted average fair value	\$1.77	\$1.94	\$1.94

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

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 3,4 and 5 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 \$5,112,568.

The fair value at the grant date was estimated using a Monte Carlo simulation (Issue 1 & 2), 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 & 30/06/24	4/10/22 & 4/10/23	10/12/22 & 10/12/24	10/12/23 & 10/12/24	10/12/24
Remaining performance period (yrs)	1.00 - 2.00	0.26 – 1.26	0.45 – 2.45	1.45 - 2.45	2.45
Weighted average fair value	1.83	2.11	\$3.10	\$3.10	\$3.10

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. The total remuneration paid to current and former KMP of the Group is as follows:

	2022 \$	2021 \$
Short term benefits	2,037,500	1,402,956
Other service fees	585,000	26,190
Non-cash benefits	28,041	25,601
Post-employment benefits	119,587	119,191
Annual leave	155,038	42,611
Share based payments	1,750,493	2,319,250
Termination payments	-	100,000
	4,675,659	4,035,799

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 (%)	
			2022	2021
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%	-
Metrovex Pty Ltd	Australia	Exploration	100%	-

In June 2022 former subsidiaries Energex SARL and Mazoto Minerals SARL were deregistered and therefore have not been included in the consolidated financial statements as at 30 June 2022.

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 2022, the net loans from the Parent to its subsidiaries totals \$131,882,000 (2021: \$142,599,000). This is made up of loans to subsidiaries of \$139,620,000 (2021: \$150,385,000) with a provision for impairment of \$7,738,000 (2021: \$7,786,000).

Subsidiaries	Loan	Provision for impairment	Carrying value
	\$'000	\$'000	\$'000
Mining Services SARL	452	(452)	-
MGY Mauritius Ltd	2,971	(471)	2,500
Malagasy Graphite Holdings Ltd	6,815	(6,815)	-
Greenmount Resources Pty Ltd	106,019	-	106,019
Crimson Metals Pty Ltd	10,379	-	10,379
Metrovex Pty Ltd	12,984	-	12,984
	139,620	(7,738)	131,882

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.

	2022 \$'000	2021 \$'000
Assets		
Current assets	4,385	7,402
Non-current assets	167,203	146,932
Total Assets	<u>171,588</u>	<u>154,334</u>
Liabilities		
Current liabilities	3,176	643
Non-current liabilities	904	55
Total Liabilities	<u>4,080</u>	<u>698</u>
Shareholders' Equity		
Issued capital	202,997	180,629
Reserves	7,149	11,500
Accumulated losses	(42,638)	(38,493)
Total Shareholders' Equity	<u>167,508</u>	<u>153,636</u>
Statement of comprehensive income		
Net loss attributable to members of the parent entity	(13,388)	(7,119)
Other comprehensive income for the period	-	-
Total comprehensive loss for the year attributable to members of the parent entity	<u>(13,388)</u>	<u>(7,119)</u>

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. COMMITMENTS

The Group has physical gold delivery commitments and exploration expenditure commitments which are disclosed in notes 2 and 13 respectively.

33. CONTINGENT LIABILITIES

As at 30 June 2022 Capricorn Metals Ltd has bank guarantees totalling \$478,000 (2021: \$324,000), refer to Note 7.

As at 30 June 2022 the Group has utilised \$10 million (2021: \$18 million) of the \$20 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.

34. AUDITORS REMUNERATION

	2022 \$	2021 \$
Amount payable to KPMG Australia		
- Auditing or reviewing the financial report	130,000	45,000

Amounts payable to other audit firms for the audit and review of the financial reports of subsidiary companies was \$1,688 (2021: \$1,699).

35. SUBSEQUENT EVENTS

There were no material events arising subsequent to 30 June 2021, 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, other than:

Loan refinancing & rolling of gold contracts

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. In addition, 30,000 ounces of gold contracts with an average delivery price of \$2,247/oz have been rolled from Jul 22 – Dec 22 to Dec 25 – Jun 26 to align with the maturity date of the new corporate facility.

Share issue

On 19 September 2022 the Company announced the issue of 2,000,000 shares as a result of performance rights being exercised by the Chief Executive Officer Mr Massey and the Chief Operating Officer Mr Thomas, in equal proportions, in accordance with their employment contracts.

36. 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 2022 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 9 Financial Instruments

The amendment clarifies that an entity includes 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.

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

The amendment specifies 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.

Application date of Standard: 1 January 2022 Application date for Group: 1 July 2022

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

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 2022 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.
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 2022.
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
28 September 2022



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 2022 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 2022
- 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	
<p>The Key Audit Matters we identified are:</p> <ul style="list-style-type: none"> • Acquisition of Mt Gibson Gold Project; and • Recognition of taxes. 	<p>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.</p> <p>These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p>
Acquisition of Mt Gibson Gold Project	
<p>Refer to Note 28 <i>Mt Gibson Gold Project Acquisition</i> to the Financial Report</p>	
The key audit matter	How the matter was addressed in our audit
<p>In July 2021, the Group acquired 100% interest in the Mt Gibson Gold Project (“MGGP”). The total consideration, consisting of cash and shares, for the acquisition of MGGP was \$41.8m and resulted in the recognition of exploration and evaluation assets and rehabilitation provision.</p> <p>This transaction is considered to be a key audit matter due to the:</p> <ul style="list-style-type: none"> • Size of the acquisition having a significant impact on the Group’s financial statements. • Group’s judgement and complexity relating to the determination of asset acquisition accounting, and allocation made to acquired assets and liabilities. • The acquisition included obligations for future MGGP site remediation. The recognition of the fair value of this rehabilitation provision is inherently complex involving the estimation of future rehabilitation and restoration costs and related judgements. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We evaluated the asset acquisition accounting by the Group against the requirements of the accounting standards. • We read the underlying transaction agreements to understand the terms of the acquisition and nature of the assets and liabilities acquired. • We assessed the accuracy of the calculation and measurement of consideration paid to acquire MGGP based on the underlying transaction agreements and the Group’s bank statements. • We assessed the recognition of the acquired exploration and evaluation assets against the requirements of the accounting standards. • We obtained the Group’s estimation of the rehabilitation provision acquired and critically evaluated the liability by comparing the nature, timing and the quantum of the costs within the provision to the Group’s internal and external underlying documentation. • We assessed the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.



Recognition of deferred tax	
Refer to Notes 5 and 22 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group recognised an income tax expense of \$21.4 million during the year ended 30 June 2022. As at 30 June 2022, a net deferred tax liability totaling \$20.9 million has been recognised. This deferred tax liability is net of deferred tax assets relating to past tax losses of \$29.1 million.</p> <p>The recognition of taxes was a key audit matter due to:</p> <ul style="list-style-type: none"> the significance of these tax balances recognised by the Group; the judgment required to assess that the deferred tax assets are expected to be utilised in the same period as the expected reversal of the deferred tax liabilities; and the risk of the Group applying the requirements of the accounting standards and Australian tax law to incorrectly recognise deferred tax assets for past tax losses. <p>We involved tax specialists to supplement our senior team members in assessing this key audit matter.</p>	<p>Working with our specialists, our procedures included:</p> <ul style="list-style-type: none"> We examined the documentation prepared by the Group supporting the availability of tax losses that were recognised in accordance with Australian tax law. We assessed the factors that led to the Group incurring tax losses and challenged the Group's assessment of future taxable profits. We examined the Group's tax calculations for current and income tax expense and deferred tax balances and compared to internal and external documentation. Understanding the anticipated timing of future taxable profits and considered the consistency those timeframes with the expected reversal of the deferred tax balances. We compared this to our knowledge of the business, its plans and Australian tax law and accounting requirements. We assessed the Group's disclosures in the financial report using the results from our testing and against the requirements of the accounting standards.

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 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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of *Capricorn Metals Ltd* for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 13 to 23 of the Directors' report for the year ended 30 June 2022.

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

28 September 2022