



**CAPRICORN METALS LTD**

ABN 84 121 700 105

**Financial Report for the Year Ended**

**30 June 2020**

### ABN

84 121 700 105

### Directors

Mark Clark – Executive Chairman  
Mark Okeby – Non-Executive Director  
Myles Ertzen – Non-Executive Director

### Company Secretary

Tammie Dixon

### Registered Office & Principal Place of Business

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WEST PERTH WA 6005

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Facsimile: +61 8 9212 4699  
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### Share Registry

Automic Pty Ltd  
Level 2, 267 St Georges Terrace  
PERTH WA 6000

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

### Auditor

William Buck Audit (WA) Pty Ltd  
Level 3, 15 Labouchere Road  
SOUTH PERTH WA 6151

### Annual General Meeting

The Annual General Meeting of Capricorn Metals Ltd will be held at:  
Perth Convention and Exhibition Centre  
Meeting Room 8  
21 Mounts Bay Road, Perth Western Australia

*Registered under the Corporations Act 2001 in the State of Western Australia on 22 September 2006*

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## Review of Operations

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The Directors of Capricorn Metals Ltd (“Capricorn” or the “Company”) provide the following operations review.

### Highlights

#### Corporate

- Cash position at 30 June 2020 was \$45.7 million. Subsequent to year end, the Company completed a capital raising via placement to institutional investors which raised a total of \$32.3 million. This funding will be used to fund the ongoing development of the Karlawinda Gold Project (“KGP”) and to accelerate exploration activities.
- Execution of \$100 million debt and guarantee facilities with Macquarie Bank Limited including roll-out of 200,000 ounce hedging programme at an average forward price of \$2,250 per ounce.

#### Project Development

- Significant progress on construction of the KGP with plant commissioning targeted to commence in the March 2021 quarter and first gold production to follow in the June 2021 quarter.
- Installation of the 306-room accommodation village with the project’s construction workforce occupying the village from April 2020.
- Key contracts executed with APA Group for the transportation of gas and construction of the lateral pipeline and with Contract Power Australia Pty Ltd for power generation.
- Orders have been placed for long lead capital equipment items.
- MACA Limited selected as preferred mining contractor.

#### Exploration

- Significant results from the reverse circulation drill programme at the Tramore prospect during the year which resulted in a maiden Indicated Resource and Ore Reserve in April 2020.

#### Reserves & Resources

- Increase of 35% for KGP JORC compliant Ore Reserves estimate updated to 43.5 million tonnes at 0.9g/t gold for 1,201,000 ounces.
- Increase of 41% for KGP JORC compliant Mineral Resource Estimate updated to 86.7 million tonnes at 0.8g/t gold for 2,145,000 ounces.

#### Outlook

- The immediate focus of the Board is on the development of the KGP which will see Capricorn transition from explorer to gold producer and will provide a strong platform for future growth for the Company.

### Corporate

In July 2019, the Company appointed Mr Mark Clark and Mr Mark Okeby to the Board as Executive Chairman and a Non-Executive Director, respectively. Both Directors have significant experience and knowledge in gold project development and operations. Mr Myles Ertzen was appointed as a Non-Executive Director in September 2019, along with Mr Kim Massey as Chief Executive Officer and Mr Paul Thomas as Chief Operating Officer. In October 2019, Ms Tammie Dixon was appointed as Chief Financial Officer and Company Secretary.

To assist with the funding for the development of the KGP, during the year Capricorn successfully completed two capital raisings for a combined total of \$83.26 million. This included a July 2019 placement of 280,922,429 new shares at an issue price of 6.5 cents per share and a further placement in August 2019 of 406,250,000 new shares at an issue price of 16 cents per share.

In November 2019, shareholders approved a resolution at the Annual General Meeting to consolidate the Company's issued capital through the conversion of every five shares into one share.

Debt and bank guarantee facility agreements were executed with Macquarie Bank Limited ("MBL") for the development of the KGP on 18 December 2019. The terms of the facility include:

- A Project Loan Facility of \$80 million and Bank Guarantee of \$20 million;
- First ranking security over the assets of Greenmount Resources Pty Ltd (a wholly owned operating subsidiary) and corporate guarantee;
- Competitive margin above BBSY;
- Loan covenants customary for a facility of this type;
- Four and a half year tenor with a repayment schedule over the term; and
- The facility can be repaid early at any time without penalty.

Capricorn is in the process of satisfying the conditions precedent before draw down can commence. As a pre-condition to the financing facility with MBL, the Company completed 200,000 ounces of gold hedging contracts at a flat forward price of \$2,250 per ounce. The hedges have been rolled into a flat forward structure with a delivery schedule covering 10,000 to 12,000 ounces of gold production per quarter from June 2021 to September 2025 at a flat forward price of \$2,250 per ounce.

Subsequent to year end, the Company completed a successful capital raising via a placement to institutional investors of 17,000,000 new shares at an issue price of \$1.90 per share which raised a total of \$32.3 million.

### Response to COVID-19

On 30 January 2020, the World Health Organisation (WHO) announced that the coronavirus ("COVID-19") outbreak was a global health emergency and later declared it a global pandemic. The Company has followed the formal guidance from the State and Federal health authorities by implementing measures to minimise the risk of infection and rate of transmission of the virus.

Site procedures have been established at the KGP to ensure strict adherence to these controls including health screening of all employees, contractors and deliveries made to the mine site; social distancing protocols; strict hygiene practices and staggering of meal times to limit social gatherings. Remote working arrangements have been implemented for staff at the Company's corporate office.

### Financial Review

#### Financial Position

The net loss attributable to members of the parent entity for the year was \$12,979,161 (2019: \$23,817,278).

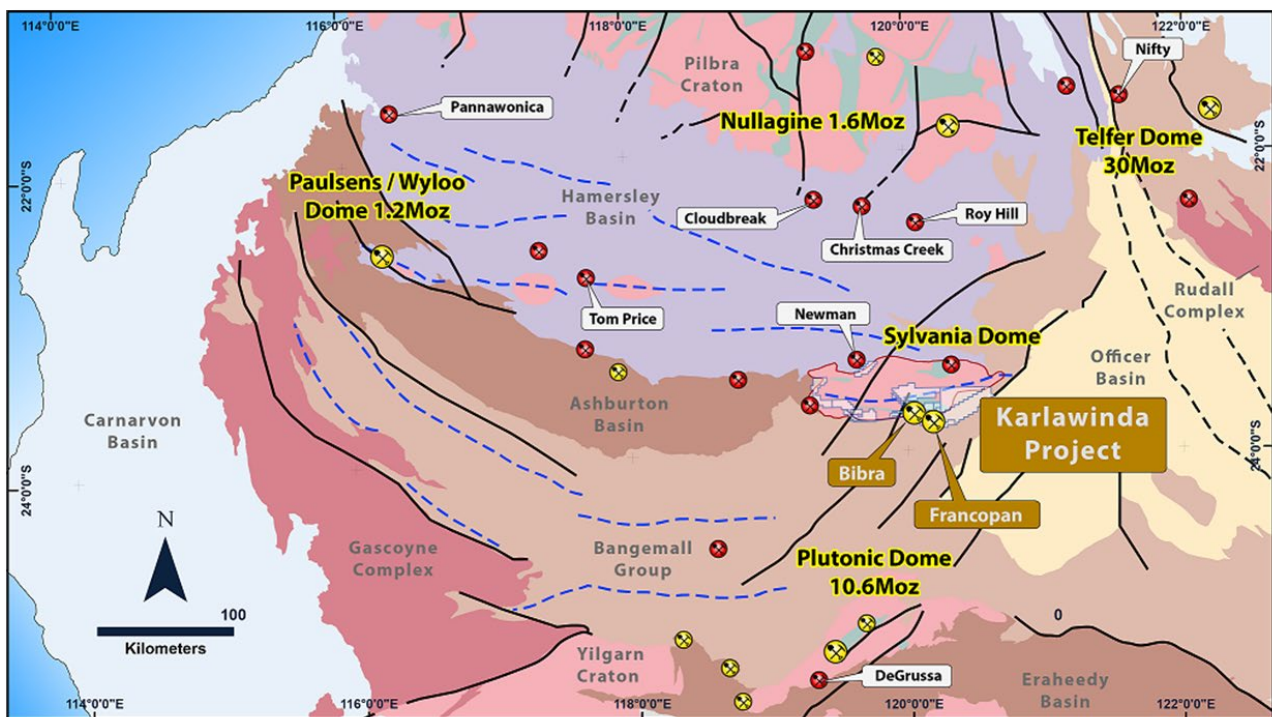
The cash balance of the Group at 30 June 2020 was \$45.7 million.

#### Future Prospects

The Group's cash balance at 30 June 2020, in conjunction with the additional \$32.3 million raised subsequent to year end and the \$100 million project loan and bank guarantee facility with MBL is forecast to be sufficient to see the Group through construction of the KGP, commissioning with first gold pour expected in June 2021.

### Karlawinda Gold Project

The Karlawinda Gold Project is located in the Pilbara region of Western Australia, 65km south-east of the town of Newman.



*Figure 1: Location of the Karlawinda Gold Project*

#### Geology

The Project area is underlain by a largely unexplored and only recently recognised belt of Archaean-aged greenstone rocks that were discovered in 2005. This belt of predominantly volcanic and sedimentary rocks is located on the southern margin of the Sylvania Dome, a major structure where Archaean predominantly granitic basement rocks thought to be part of the Pilbara Craton, are exposed at surface within surrounding younger Proterozoic aged sedimentary basins. Typically, at Karlawinda the bedrock geology is obscured by a thin cover of sandy soil up to 2m thick.

The Bibra deposit is part of a large-scale Archaean gold mineralising system with mineralisation hosted within a package of deformed meta-sediments and meta volcanic rocks and is developed on four main parallel, shallow dipping structures. Close to surface in the weathered rock, oxide gold mineralisation has been developed over the structures from surface to a depth of approximately 60m.



### Development

Upon the appointment of the new Board and management team, a review of the operating and development requirements of the project was undertaken. This included a review of the processing plant flow sheet, mining studies and key contracts.

Subsequent to the review and after the finalisation of the project debt facility with MBL, the Board approved the commencement of project construction in December 2019. Priority was given to the installation of the 306-room accommodation village to house the construction workforce. The village was occupied from April 2020.



*Figure 2: Installation of the accommodation village*

Mintrex and ECG Engineering have been appointed to undertake the engineering, plant design and electrical works for the KGP, with approximately 80% of the design completed as at 30 June 2020. Orders have been placed for all major long lead processing equipment including crushers, screens feeders, lime silo, ball mill, gravity recovery equipment, carbon regeneration kiln and agitators.



*Figure 3: Processing plant construction progress and concrete foundations for the ball mill and CIL tank construction*

## Review of Operations (Continued)

The Company has executed agreements with APA Group ("APA") for the transportation of gas from the Goldfields Gas Pipeline ("GGP") to the KGP. APA will build, own, and operate the lateral pipeline that links the GGP to the KGP. Capricorn has also executed a power supply agreement with Contract Power Australia Pty Ltd, where Contract Power will build, own and operate a 16 megawatt gas fuelled power station.

Subsequent to 30 June 2020, the Company announced a modified final processing plant design through upscaling and modifying equipment selection and associated structures in the crushing area of the plant. The new design indicates that the crushing and grinding circuit has the capacity to achieve throughput of up to 4.5 to 5.0 million tonnes per annum in the oxide/fresh ore blend in the first three years and up to 4.0 to 4.5 million tonnes per annum in fresh rock in year four and beyond.

The capital cost estimate of the KGP development is in the range of \$165 to \$170 million. Development activities will continue in the next year, with plant commissioning expected to commence in the March 2021 quarter and first gold production to follow in the June 2021 quarter.

## Reserves and Resources

In April 2020, the Company released an updated reserve and resource statement for the KGP. The KGP JORC compliant Ore Reserves estimate was updated to 43.5 million tonnes at 0.9 g/t gold for 1,201,000 ounces compared to the previous estimate announced in May 2018 of 27.6 million tonnes at 1.0g/t gold for 892,000 ounces. Infill drilling at both the Bibra and Tramore deposits and inhouse open-pit optimisations contributed to the significant increase.

The recent drilling also contributed to a significant increase in the KGP Mineral Resource Estimate to 2,145,000 ounces. The KGP JORC compliant MRE updated to 86.7 million tonnes at 0.8g/t gold for 2,145,000 ounces compared to the May 2018 estimate of 51.0 million tonnes at 0.9g/t gold for 1,525,000 ounces.

## Exploration

Capricorn wholly owns a 2,042 square kilometre tenement package at Karlawinda which includes the greenstone belt hosting the Bibra gold deposit and further significant greenstone areas. Due to the location of the project, in the Pilbara region of Western Australia, very little modern and meaningful gold exploration has been completed outside of the immediate Bibra deposit.

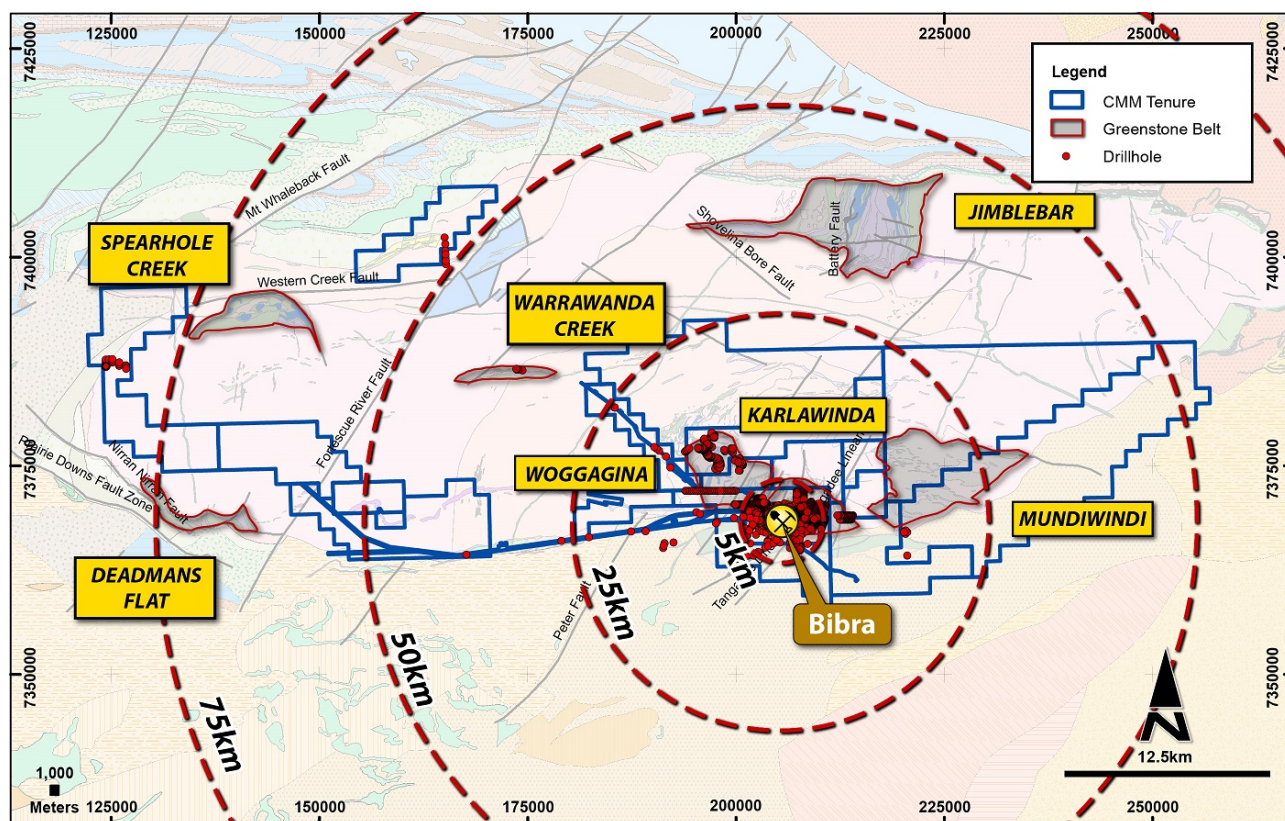


Figure 4: Drilling on Capricorn tenements surrounding the Bibra deposit



### Tramore Prospect

The Tramore Prospect is located immediately south of the proposed Bibra open pit and is interpreted as an along strike extension of the Bibra deposit. Gold mineralisation is defined over a strike length of approximately 450 metres and ranges in thickness between 10 metres and 20 metres with the deposit open at depth.

During the year, a reverse circulation ("RC") drilling programme continued across the Tramore Prospect completing a RC programme that commenced in May 2019. The drilling results contributed to a significant increase in the KGP Ore Reserves announced in April 2020.

### Soil Sampling

A soil sampling programme was completed during the year across an area of 538 square kilometres of regional exploration tenure. A total of 2,475 samples were collected on a grid pattern ranging from 400m by 400m to 1,600m by 400m. Preliminary results has emphasised the potential for new areas of gold mineralisation with the identification of several priority geochemical targets which correlate with areas of mapped greenstone lithologies. The data is being reviewed for priority targets identified for follow up work.

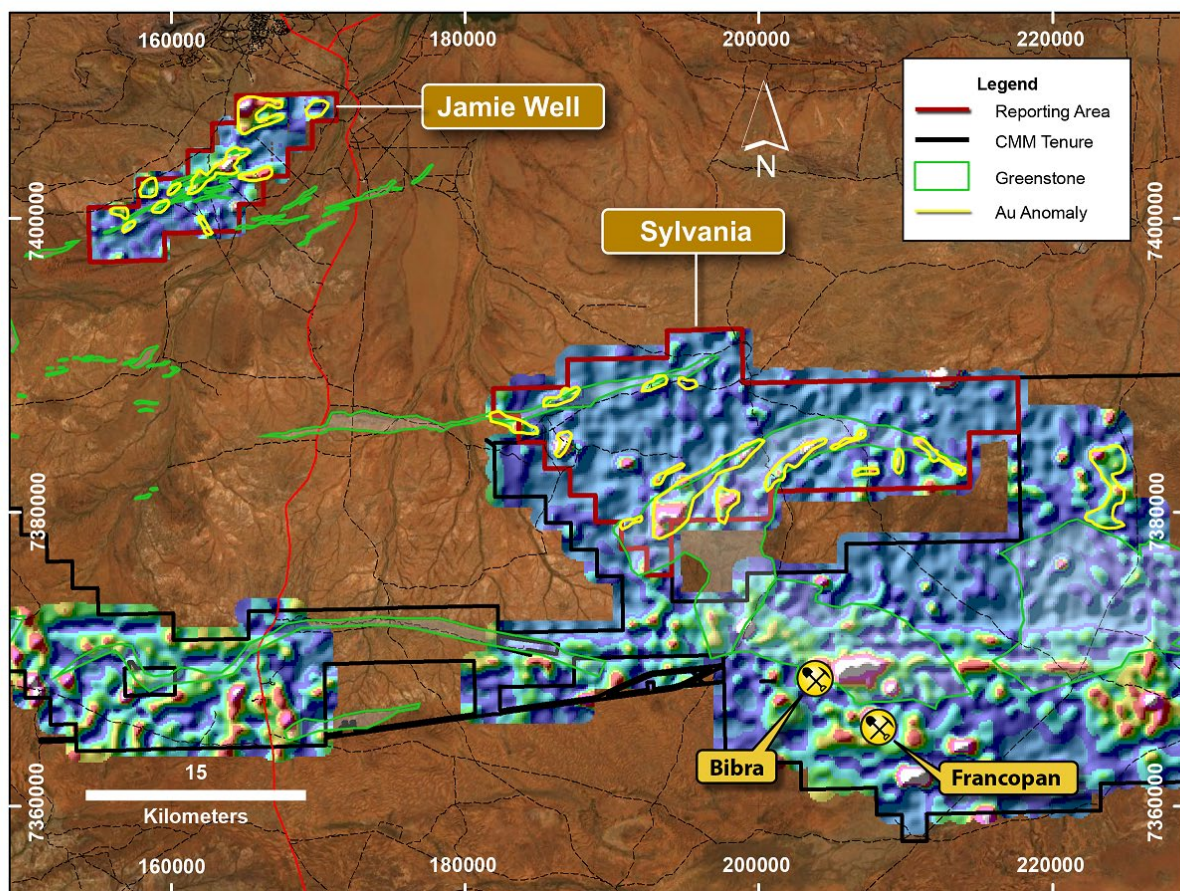


Figure 5: Soil sampling completed with identified geochemical targets

### Aircore Drilling Programme

During the year, an aircore programme commenced with a study of the geological, geophysical, and geochemical datasets from Capricorn's exploration activities identified 8 high-quality targets within a 15 kilometre radius of the Karlawinda processing plant. These 8 targets are located on geochemical anomalies with little to no historic drilling. The anomalies are in several cases coincident with major fault structures and geological contacts that contain gold mineralisation along strike.

An aircore drill rig has been mobilised to site and is expected to commence a 20,000 metre drilling programme in the first week of August 2020.

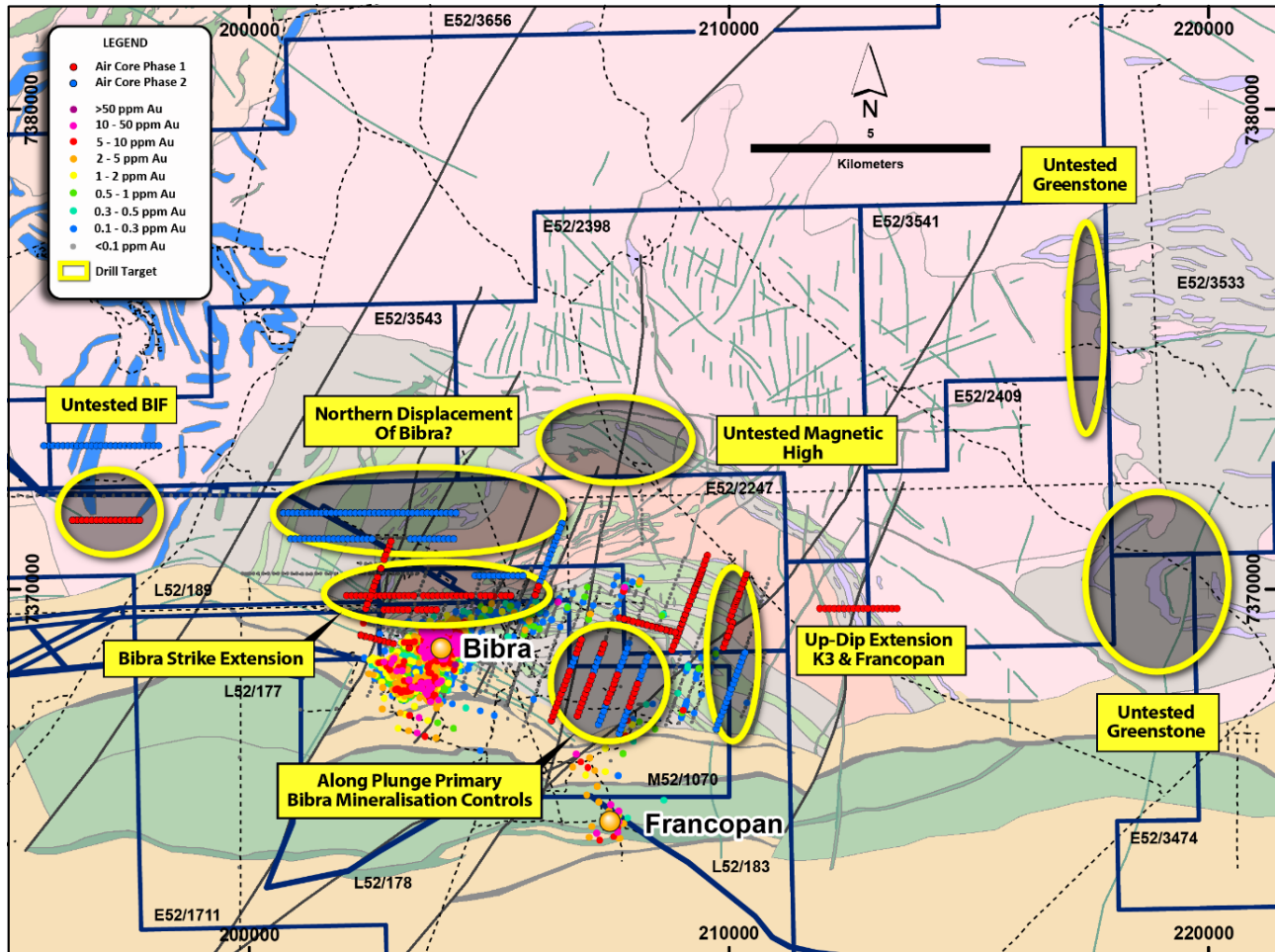


Figure 6: Phase 1 and 2 Aircore drill programmes

## Directors' Report (Continued)

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The Directors submit the financial report of the Consolidated Group ("the Group" or "Capricorn"), consisting of Capricorn Metals Ltd (referred to in these financial statements as "Parent" or "Capricorn") and its wholly owned subsidiaries for the year ended 30 June 2020 and the audit report thereon, made in accordance with a resolution of the Board.

### Directors

The Directors of the Company in office since 1 July 2019 and up to the date of this report are set out below.

**Mr Mark Clark** *B.Bus CA*

**Executive Chairman**

**Appointed 8 July 2019**

Mr Clark has 28 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. He was closely involved in the development and operation of Equigold's 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 an executive 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. In Mark's time at Regis, the company grew from a small explorer with a market capitalisation of around \$40 million to a significant gold producer with a market capitalisation in the order of \$2.5 billion.

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 held the following other listed company directorships:

- Executive Director of Regis Resources Limited (May 2009 to October 2018)

**Mr Donald 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.

He is currently a Director of Red Hill Iron Limited (appointed in 2016) and previously 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 joined the Board of Regis in July 2009 as a Non-Executive Director and was a major contributor on the Board that transformed Regis from a small gold explorer to one of Australia's largest gold producers.

Mr Okeby has a deep knowledge of the Australian resources landscape and the regulatory regimes around mine development and operation. He also has significant experience in the commercial and legal aspects of project development, financing, and corporate transactions.

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 Red Hill Iron Limited (August 2015 to present)
- Non-Executive Director of Regis Resources Limited (July 2009 to February 2019)

**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 had 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 Timothy Kestell** *B.Comm*

**Non-Executive Director**

**Resigned 13 September 2019**

Mr Kestell has over 20 years' experience in capital markets including working for Australian stockbrokers Euroz Securities Limited and Patersons Securities Ltd. In the past decade, Mr Kestell has played a key role in forming and/or re capitalising publicly listed companies, helping raise over \$70 million in the process.

Mr Kestell holds a Bachelor of Commerce degree and is currently a Director of Blue Capital Limited.

Mr Kestell was an independent Director.

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

- Non-Executive Directors of Hylea Metals Limited (formerly Riva Resources Limited) (September 2017 to present).
- Non-Executive Director of Neon Capital Limited (delisted from the ASX on 24 February 2017) (December 2014 to present).

**Mr Douglas Jendry** *AAppGeol*

**Non-Executive Director**

**Resigned 13 September 2019**

Mr Jendry is a qualified geologist and a member of the Australasian Institute of Mining and Metallurgy with over 40 years of onshore and offshore oil and gas experience. He has significant international experience, primarily in the Czech Republic, USA, Papua New Guinea and Colombia.

Mr Jendry was an independent Director.

During the past three years Mr Jendry has held no other listed company directorships.

**Mr Stuart Pether** *B.E Hons, MAUSIM*

**Non-Executive Director**

**Resigned 13 September 2019**

Mr Pether has over 25 years resources industry experience in project development, technical studies, mine operations and corporate management. He is equally skilled in open pit and underground mining in a range of commodities including gold, nickel and lead and zinc. A qualified mining engineer, he holds a Bachelor in Engineering (Mining Engineering) from the Western Australian School of Mines.

Mr Pether was previously the Chief Executive Officer for Kula Gold Ltd and also held the position of Chief Operating Officer at Catalpa Resources Ltd ("Catalpa")

Mr Pether is a member of the Australasian Institute of Mining and Metallurgy.

Mr Pether was not an independent Director, as he was the appointed Board nominee of substantial shareholder, Hawke's Point Holdings Limited.

During the past three years Mr Pether has held no other listed company directorships.

### Company Secretaries

Mrs Natasha Santi was appointed as Joint Company Secretary on 30 September 2012.

Mrs Santi had 9 years' experience, as an employee of Boden Corporate Services Pty Ltd ("Boden Corporate"), providing company secretarial and accounting services to a range of ASX listed and unlisted companies, including Capricorn from July 2012. On 1 April 2017, Mrs Santi became a full-time employee of Capricorn and ceased arrangements with Boden Corporate.

Mrs Santi resigned as Company Secretary on 28 February 2020.

Ms Tammie Dixon was appointed as Joint Company Secretary effective 15 November 2019.

Ms Dixon is a Certified Practising Accountant with significant experience in financial management with over 18 years' experience in the resources sector. She has held senior management roles with several ASX listed companies, including Regis Resources Limited, Equigold NL and Hardman Resources Ltd.

After the resignation of Mrs Santi in February, Ms Dixon continued in the role of Company Secretary.

### Nature of Operations and Principal Activities

The principal activities of Capricorn during the financial year were mineral exploration and project evaluation. There was no change in the nature of these activities during the financial year.

### Dividends Paid or Recommended

No dividends were paid or recommended to be paid during the financial year (2019: Nil).

### Operating Results

The net loss attributable to members of the parent entity after providing for income tax amounted to \$12,979,161 (2019: \$23,817,278). A review of the Group's operations during the year and the results of those operations are contained in the Review of Operations section of this Annual Report from page 3.

### Financial Position

The net assets of the Group for the year ended 30 June 2020 were \$101,476,059 (2019: \$23,817,336). Net assets have increased significantly due to capital raisings during the year totalling \$83.2 million and the commencement of construction of the Karlawinda Gold Project.

The Directors believe the Group is in a financial position to progress its current objectives and strategies.

### Future Developments

Likely future developments in the operations of the Group are referred to in the Review of Operations section of this Annual Report. 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 Significant Events after the Balance Date sections of the Directors' Report.



### Environmental Issues

Mining and exploration operations in Australia and Madagascar are subject to environmental regulation under the laws of each country 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 exploration drilling programmes in Australia, with only low-level activities in Madagascar.

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.

### 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.

- 5 July 2019: 108,707,208 shares were issued at a price of \$0.065 per share subsequent to the completion of a placement to shareholders.
- 20 August 2019: 125,426,127 shares were issued at a price of \$0.16 per share subsequent to the completion of a placement to shareholders.
- 30 August 2019: 172,215,221 shares were issued at a price of \$0.065 per share subsequent to the completion of a placement to shareholders.
- 30 September 2019: 280,823,873 shares were issued at a price of \$0.16 per share subsequent to the completion of a placement to shareholders.
- 2 December 2019: Shareholders approved a resolution to consolidate the Group's issued capital through the conversion of every five existing shares into one share.

### Events Subsequent to Reporting Date

There were no material events arising subsequent to 30 June 2020, 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:

#### *Share Issue*

On 29 July 2020, a placement to raise \$32.3 million by the issue of 17,000,000 shares at a price of \$1.90 per share was announced. The placement was completed, and shares were issued on 5 August 2020.

Subsequent to year end, 53,334 shares have been issued as a result of the exercise of employee options for proceeds of \$40,000.

The impact of the Coronavirus ("Covid-19") pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continuing to evolve and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

### Directors' Meetings

During the financial year, the Directors' attendance at meetings of Directors and committees of Directors were as follows:

Director	Directors' Meetings	
	Number eligible to attend	Number attended
D Jendry	1	1
S Pether	1	1
T Kestell	1	1
M Clark	7	7
M Okeby	7	7
M Ertzen	6	6

### 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 options
M Clark	13,846,154	8,000,000
M Okeby	4,615,385	2,000,000
M Ertzen	3,611,539	-

### Share Options

At the date of this report, the Company had the following unissued shares under listed and unlisted options.

Maturity Date	Exercise price	Number outstanding
<i>Unlisted Options</i>		
5 May 2021	\$0.750	266,666
23 November 2021	\$0.485	200,000
5 May 2021	\$0.737	5,698,006
30 August 2022	\$0.600	10,000,000

During the financial year, employees exercised unlisted options to acquire 2,060,000 fully paid ordinary shares in Capricorn Metals Ltd (ASX: CMM) at a weighted average exercise price of \$1.21 per share (2019: Nil).

No options were forfeited during the year (2019: 7,933,334 options forfeited and 6,366,666 options lapsed).

### Auditor Independence and Non-Audit Services

No fees were paid or payable to William Buck Audit (WA) Pty Ltd for non-audit services during the year ended 30 June 2020 (2019: 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 2020 is attached to the Directors' Report at page 23.

### 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.

### 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.

### Remuneration Report (Audited)

This report details the nature and amount of remuneration for each Key Management Personnel ("KMP") of Capricorn Metals Ltd.

The remuneration policy was approved by the Board. Executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits as relevant or appropriate to their position. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is reviewed annually, by the Board.

Executives may be granted unquoted share options or performance rights from time to time, as determined by the Board.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain executives to manage the Group. It will also provide executives with the necessary incentives to work towards sustainable growth in shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the Board annually as part of the review of executive remuneration. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

#### *Details of Remuneration for Year Ended 30 June 2020*

##### Key Management Personnel

The following table outlines the movements in KMP during the year ended 30 June 2020.

Name	Position	Term as KMP
<i>Non-Executive Directors</i>		
Mr Mark Okeby	Non-Executive Director	Appointed as Non-Executive Director effective 8 July 2019
Mr Myles Ertzen	Non-Executive Director	Appointed as Non-Executive Director effective 13 September 2019
Mr Timothy Kestell	Non-Executive Director	Resigned as Non-Executive Director effective 13 September 2019
Mr Douglas Jendry	Non-Executive Director	Resigned as Non-Executive Director effective 13 September 2019
Mr Stuart Pether	Non-Executive Director	Resigned as Non-Executive Director effective 13 September 2019
<i>Executive Directors</i>		
Mr Mark Clark	Executive Director	Appointed as Executive Director effective 8 July 2019
<i>Other Executives</i>		
Mr Kim Massey	Chief Executive Officer	Appointed as Chief Executive Officer effective 16 September 2019
Mr Paul Thomas	Chief Operating Officer	Appointed as Chief Operating Officer effective 1 October 2019
Ms Tammie Dixon	Chief Financial Officer & Company Secretary	Appointed as Chief Financial Officer effective 21 October 2019 and Company Secretary effective 15 November 2019
Mrs Natasha Santi	Joint Company Secretary	Resigned as Joint Company Secretary effective 28 February 2020
Mr Peter Thompson	Chief Operating Officer	Resigned as Chief Operating Officer effective 9 August 2019

## Directors' Report (Continued)

Mr Mark Clark, the Executive Director, is employed under a contract with the following termination provisions:

	Notice period	Payment in lieu of notice	Entitlement to options and rights on termination
Notice Period by Capricorn:			Options - 1 month to exercise, extendable at Board discretion
With or without reason:	2 months	Up to 2 months	
Serious misconduct:	Nil	Nil	
Notice Period by Executive:	2 months	Up to 2 months	As above
Fundamental change:	N/A	N/A	N/A

Mr Kim Massey, the Chief Executive Officer, is employed under a contract with the following termination provisions:

	Notice period	Payment in lieu of notice	Entitlement to options and rights on termination
Notice Period by Capricorn:			
With or without reason:	6 months	Up to 6 months	Note 1
Serious misconduct:	Nil	Nil	
Notice Period by Executive:	3 months	3 months	As above
Fundamental change:	1 month	12 months	N/A

Mr Paul Thomas, the Chief Operating Officer, is employed under a contract with the following termination provisions:

	Notice period	Payment in lieu of notice	Entitlement to options and rights on termination
Notice Period by Capricorn:			
With or without reason:	6 months	Up to 6 months	Note 1
Serious misconduct:	Nil	Nil	
Notice Period by Executive:	3 months	3 months	As above
Fundamental change:	1 month	12 months	N/A

Ms Tammie Dixon, the Chief Financial Officer and Company Secretary, is employed under a contract with the following termination provisions:

	Notice period	Payment in lieu of notice	Entitlement to options and rights on termination
Notice Period by Capricorn:			
With or without reason:	6 months	Up to 6 months	Note 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 will automatically lapse on the date of the cessation of employment. For those performance rights that have vested, they lapse one (1) month after cessation of employment. These terms can be extended at the Board's discretion.

### Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2019 Annual General Meeting, is not to exceed \$400,000 per annum. Directors' fees cover all main Board activities and committee memberships. The base fee for a Non-Executive Director is \$40,000 per annum excluding superannuation. 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.

In addition to the base Non-Executive Director fee, Mr Mark Okeby was also issued with shareholder approval 10,000,000 options (2,000,000 after share consolidation) during the year ended 30 June 2020.

## Directors' Report (Continued)

### 1. Remuneration for Key Management Personnel of the Group during the year ended 30 June 2020

	Short term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Termination Payments	Total	% Performance Related
Name	Salary, Fees & Commissions	Other Service Fees	Non-Cash Benefits*	Superannuation	Accrued annual & long service leave #	Options & Rights			
<i>Non-Executive Directors</i>									
M Okeby <sup>(1)</sup>	39,247	110,060	-	13,225	-	1,376,800	-	1,539,332	89.44%
M Ertzen <sup>(2)</sup>	32,000	-	-	3,040	-	-	-	35,040	-
T Kestell <sup>(3)</sup>	14,587	-	-	1,386	-	-	-	15,973	-
D Jendry <sup>(4)</sup>	10,950	5,022	-	-	-	-	-	15,972	-
S Pether <sup>(5)</sup>	10,950	-	-	-	-	3,729	-	14,679	25.40%
<i>Executive Directors</i>									
M Clark <sup>(6)</sup>	315,223	-	8,011	24,644	26,485	5,507,200	-	5,881,563	93.63%
<i>Other Executives</i>									
K Massey <sup>(7)</sup>	298,762	-	6,445	22,854	23,102	545,478	-	896,641	60.84%
P Thomas <sup>(8)</sup>	285,521	-	6,109	21,340	23,550	545,478	-	881,998	61.85%
T Dixon <sup>(9)</sup>	139,247	-	-	13,228	12,494	40,572	-	205,541	19.74%
N Santi <sup>(10)</sup>	90,909	-	-	9,031	5,633	1,824	84,990	192,387	0.95%
P Thompson <sup>(11)</sup>	180,447	-	-	12,934	874	2,379	-	196,634	1.21%
Total	1,417,843	115,082	20,565	121,682	92,138	8,023,460	84,990	9,875,760	

\* 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) M Okeby was appointed as a Non-Executive Director effective 8 July 2019. The other service fees include additional services provided by M Okeby during his appointment as Non-Executive Director to the Company.

(2) M Ertzen was appointed as a Non-Executive Director effective 13 September 2019.

(3) T Kestell ceased as Non-Executive Director effective 13 September 2019.

(4) D Jendry ceased as Non-Executive Director effective 13 September 2019. D Jendry also provided additional services during his appointment as Non-Executive Director to the Company.

(5) S Pether ceased as Non-Executive Director effective 13 September 2019.

(6) M Clark was appointed as an Executive Director effective 8 July 2019.

(7) K Massey was appointed as Chief Executive Officer effective 16 September 2019.

(8) P Thomas was appointed as Chief Operating Officer effective 1 October 2019.

(9) T Dixon was appointed as Chief Financial Officer effective 21 October 2019 and Joint Company Secretary effective 15 November 2019.

(10) N Santi ceased as Joint Company Secretary effective 28 February 2020.

(11) P Thompson ceased as Chief Operating Officer effective 9 August 2019.

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



## 2. Remuneration for Key Management Personnel of the Group during the year ended 30 June 2019

	Short term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Termination Payments	Total	% Performance Related
Name	Salary, Fees & Commissions	Other Service Fees	Non-Cash Benefits	Superannuation	Other	Options & Rights			
Non-Executive Directors									
S Pether	43,800	-	-	-	-	8,561	-	52,361	16.35%
P Langworthy <sup>(1)</sup>	14,222	-	-	1,351	-	(121,663)	-	(106,090)	114.68%
D Bakker <sup>(2)(11)</sup>	39,167	37,500	-	3,721	-	-	-	80,388	-
P Benjamin <sup>(3)</sup>	13,748	-	-	-	-	-	-	13,748	-
G Rogers <sup>(4)(11)</sup>	13,748	15,000	-	-	-	-	-	28,748	-
T Kestell <sup>(5)</sup>	8,871	-	-	-	-	-	-	8,871	-
D Jendry <sup>(6)</sup>	8,871	-	-	-	-	-	-	8,871	-
Executive Directors									
H Hellewell <sup>(7)</sup>	141,876	-	-	11,977	8,331	(9,035)	-	153,149	(5.90%)
W Hallam <sup>(8)</sup>	133,437	-	-	12,534	-	-	-	145,971	-
Other Executives									
P Thompson <sup>(9)</sup>	308,927	-	-	20,531	25,770	54,383	-	409,611	13.28%
J Shellabear <sup>(10)</sup>	330,575	-	-	14,067	17,527	(31,997)	-	330,172	(9.69%)
N Santi	135,000	-	-	12,825	11,997	4,639	-	164,461	2.82%
Total	1,192,242	52,500	-	77,006	63,625	(95,112)	-	1,290,261	

(1) P Langworthy ceased as a Non-Executive Director effective 8 November 2018.

(2) D Bakker ceased as a Non-Executive Director effective 5 March 2019.

(3) P Benjamin was appointed as a Non-Executive Director effective 8 November 2018 and ceased effective 5 March 2019.

(4) G Rogers was appointed as a Non-Executive Director effective 8 November 2018 and ceased effective 5 March 2019.

(5) T Kestell was appointed as a Non-Executive Director effective 5 March 2019 and ceased effective 13 September 2019.

(6) D Jendry was appointed as a Non-Executive Director effective 5 March 2019 and ceased effective 13 September 2019.

(7) H Hellewell ceased as Executive Chairman effective 8 November 2018.

(8) W Hallam was appointed as Managing Director effective 19 February 2019 and ceased effective 5 March 2019.

(9) P Thompson received a bonus of \$11,908 paid during the year, included in Short Term Benefits. P Thompson ceased effective 9 August 2019.

(10) J Shellabear ceased as Chief Financial Officer and Joint Company Secretary effective 5 March 2019.

(11) Other services fees cover additional professional services provided by Mr Rogers and Ms Bakker during their appointment as Non-Executive Directors assisting the Company executives with activities during the time which there was no Managing Director or Chief Executive Officer appointed.

## Directors' Report (Continued)

### 3. Equity issued as part of remuneration

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

During the year ended 30 June 2020, pursuant to agreement dated 2 July 2019 and following shareholder approval being obtained on 27 August 2019 40,000,000 options (8,000,000 after share consolidation) were issued to the Executive Chairman, Mr Mark Clark and 10,000,000 options (2,000,000 after share consolidation) to Non-Executive Director, Mr Mark Okeby. Details on options granted as compensation during the current year are provided below.

Options	Granted & Outstanding		Terms & Conditions for each Grant				Vested		% Forfeited during the year
	Number	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Vesting date	Number	% Vested during the year	
M Clark	8,000,000	27 Aug 19	\$1.225	\$0.60	30 Aug 22	27 Aug 19	8,000,000	100%	-
M Okeby	2,000,000	27 Aug 19	\$1.225	\$0.60	30 Aug 22	27 Aug 19	2,000,000	100%	-
<b>Total</b>	<b>10,000,000</b>						<b>10,000,000</b>		

These options expire at their expiry date and are vested. All other options expire at the earlier of their expiry date or termination of the individual's employment unless otherwise specified in the employment contract. Options granted as compensation do not have any vesting conditions other than continuing employment.

Details on performance rights that were granted as compensation to each KMP during the current year are provided below.

Rights	Granted		Terms & Conditions for each Grant			Vested		% Forfeited during the year
	Number	Grant date	Fair value per Performance right at grant date	Vesting date	Expiry date	Number	% Vested during the year	
K Massey	1,000,000	17 Dec 19	\$1.180	17 Sep 21	17 Sep 23	-	-	-
K Massey	1,000,000	17 Dec 19	\$1.180	17 Sep 22	17 Sep 23	-	-	-
P Thomas	1,000,000	17 Dec 19	\$1.180	17 Sep 21	17 Sep 23	-	-	-
P Thomas	1,000,000	17 Dec 19	\$1.180	17 Sep 22	17 Sep 23	-	-	-
T Dixon	200,000	27 Mar 20	\$0.950	1 Feb 22	1 Feb 24	-	-	-
T Dixon	200,000	27 Mar 20	\$0.950	1 Feb 23	1 Feb 24	-	-	-
<b>Total</b>	<b>4,400,000</b>					<b>-</b>		

Performance rights granted as compensation do not have any vesting conditions other than continuing employment and there are no market performance conditions attached to the vesting of the performance rights. The value of rights granted during the year is the fair value of the rights calculated at the grant date. The total value of the rights granted is \$5,100,000. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2019 to 30 June 2023). No performance rights vested and were eligible to be exercised during the year.

4. *Movements in share, options and rights holdings held by Key Management Personnel*

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 2019*	Issued on exercise of options	Net change other (6)	Held as at 30 June 2020
<b>Non-Executive Directors</b>				
M Okeby	-	-	4,615,385	4,615,385
M Ertzen	-	-	3,611,539	3,611,539
T Kestell <sup>(1)</sup>	31,461,935	-	-	n/a
D Jendry <sup>(2)</sup>	-	-	-	n/a
S Pether <sup>(3)</sup>	426,885	-	-	n/a
<b>Executive Directors</b>				
M Clark	-	-	13,846,154	13,846,154
<b>Other Executives</b>				
K Massey	-	-	2,153,847	2,153,847
P Thomas	-	-	4,307,693	4,307,693
T Dixon	-	-	25,000	25,000
N Santi <sup>(4)</sup>	-	-	-	n/a
P Thompson <sup>(5)</sup>	7,145,215	-	-	n/a
<b>Total</b>	<b>39,034,035</b>	<b>-</b>	<b>28,559,618</b>	<b>28,559,618</b>

\* Shares held as at 30 June 2019 are prior to the share consolidation of Capricorn shares for one of every five Capricorn shares approved by shareholders in November 2019.

(1) T Kestell ceased as Non-Executive Director effective 13 September 2019.

(2) D Jendry ceased as Non-Executive Director effective 13 September 2019.

(3) S Pether ceased as Non-Executive Director effective 13 September 2019.

(4) N Santi ceased as Joint Company Secretary effective 28 February 2020.

(5) P Thompson ceased as Chief Operating Officer effective 9 August 2019.

(6) Net change other represents share holdings held by KMP after 1 July 2019. These shareholdings are not related to remuneration.

## Directors' Report (Continued)

### 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 2019	Granted as remuneration	Exercised	Net change other	Held as at 30 June 2020	Total vested	Exercisable	Not exercisable
<b>Options</b>								
M Clark	-	40,000,000	-	(32,000,000)	8,000,000	8,000,000	8,000,000	-
M Okeby	-	10,000,000	-	(8,000,000)	2,000,000	2,000,000	2,000,000	-
S Pether <sup>(1)</sup>	1,000,000	-	-	(800,000)	200,000	200,000	133,333	66,667
N Santi <sup>(2)</sup>	800,000	-	(106,666)	(640,000)	53,334	53,334	53,334	-
P Thompson <sup>(3)</sup>	8,500,000	-	(1,700,000)	(6,800,000)	-	-	-	-
<b>Rights</b>								
K Massey	-	2,000,000	-	-	2,000,000	-	-	2,000,000
P Thomas	-	2,000,000	-	-	2,000,000	-	-	2,000,000
T Dixon	-	400,000	-	-	400,000	-	-	400,000
<b>Total</b>	<b>10,300,000</b>	<b>54,400,000</b>	<b>(1,806,666)</b>	<b>(48,240,000)</b>	<b>14,653,334</b>	<b>10,253,334</b>	<b>10,186,667</b>	<b>4,466,667</b>

(1) S Pether ceased as Non-Executive Director effective 13 September 2019.

(2) N Santi ceased as Joint Company Secretary effective 28 February 2020.

(3) P Thompson ceased as Chief Operating Officer effective 9 August 2019.

(4) Net change other for all KMPs relates to the share consolidation of Capricorn for one of every five Capricorn shares approved by shareholders in November 2019.

(5) Terms on unvested options granted to Mr Pether and Ms Santi were extended at Board discretion

## 5. 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.

The aggregate amounts recognised during the year relating to KMP and their related parties are as follows:

KMP	Transaction	2020 \$	2019 \$
P Langworthy <sup>(1)(2)</sup>	Exploration programme management	-	27,005
<b>Total</b>		<b>-</b>	<b>27,005</b>

- (1) OMNI GeoX Pty Ltd, of which Mr P Langworthy is a Director and shareholder, provides services in relation to the management and execution of the exploration programme, for which fees were billed on hourly rates the same as for other clients, as were due and payable under normal terms. The agreement may be terminated by one months' notice.
- (2) P Langworthy ceased to be a KMP and related party effective 8 November 2018.

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.

## 6. 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:

	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$
Revenue	700,637	425,592	241,770	207,158	973,167
Net profit/(loss)	(3,700,868)	(3,293,239)	(3,118,429)	(23,817,278)	(12,979,161)
Share price at year-end	0.150	0.081	0.066	0.089	1.795
Dividends paid	-	-	-	-	-

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  
16 September 2020



**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 during the year ended 30 June 2020 there have been:

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

William Buck

William Buck Audit (WA) Pty Ltd  
ABN 67 125 012 124



Robin Judd  
Director

Dated this 16<sup>th</sup> day of September 2020

**ACCOUNTANTS & ADVISORS**

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**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2020**

	Note	Consolidated	
		30 June 2020	30 June 2019
		\$	\$
Revenue	2	295,509	159,794
Other income	2	677,658	47,364
<b>Total revenue</b>		<b>973,167</b>	<b>207,158</b>
Fair value loss on financial assets	10	(60,000)	(62,000)
Personnel costs	3	(3,314,918)	(1,686,239)
Share-based payment expense	3	(8,237,323)	81,177
Depreciation	8	(191,893)	(54,973)
Administrative expenses		(1,083,026)	(1,311,114)
Exploration expenditure written off	11	(265,872)	(17,203,245)
Impairment on held for sale asset	9	(200,000)	(1,600,000)
Reversal of impairment on receivable		11,184	14,132
Exploration expenditure		(19,259)	(596,113)
Finance costs		(590,198)	(1,605,000)
<b>Total expenses</b>		<b>(13,951,305)</b>	<b>(24,023,375)</b>
<b>Loss before income tax expense</b>		<b>(12,978,138)</b>	<b>(23,816,217)</b>
Income tax expense	4	(1,023)	(1,061)
<b>Net loss attributable to members of the parent entity</b>		<b>(12,979,161)</b>	<b>(23,817,278)</b>
<b>Other Comprehensive Income:</b>			
<i>Items that may be re-classified to profit or loss:</i>			
- Adjustment from translation of foreign controlled entities		(6,775)	(22,324)
<b>Total comprehensive loss for the year attributable to members of the parent entity</b>		<b>(12,985,937)</b>	<b>(23,839,602)</b>
<b>Earnings per share:</b>			
Basic loss per share (cents per share)	18	(4.30)	(15.19)
Diluted loss per share (cents per share)	18	(4.30)	(15.19)

*The accompanying notes form part of these financial statements*

**Consolidated Statement of Financial Position**  
**As at 30 June 2020**

		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	5	45,694,818	9,039,767
Other current receivables	7	1,433,673	270,262
Other current assets	6	608,333	64,280
Other financial assets	10	68,000	-
Assets classified as held for sale	9	2,700,000	2,900,000
<b>Total Current Assets</b>		<b>50,504,824</b>	<b>12,274,309</b>
<b>Non-Current Assets</b>			
Other financial assets	10	-	128,000
Other non-current receivables	7	323,364	-
Plant & equipment	8	1,086,627	1,803,042
Deferred exploration and evaluation costs	11	541,705	12,078,608
Mine properties under development	12	66,277,430	-
<b>Total Non-Current Assets</b>		<b>68,229,126</b>	<b>14,009,650</b>
<b>Total Assets</b>		<b>118,733,950</b>	<b>26,283,959</b>
<b>Current Liabilities</b>			
Trade and other payables	13	12,864,235	2,162,824
Lease liabilities	8	133,591	-
Other liabilities		-	3,086
Provisions	14	301,877	-
<b>Total Current Liabilities</b>		<b>13,299,703</b>	<b>2,165,910</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	13	-	300,713
Lease liabilities	8	119,203	-
Provisions	14	3,838,985	-
<b>Total Non-Current Liabilities</b>		<b>3,958,188</b>	<b>300,713</b>
<b>Total Liabilities</b>		<b>17,257,891</b>	<b>2,466,623</b>
<b>Net Assets</b>		<b>101,476,059</b>	<b>23,817,336</b>
<b>Equity</b>			
Issued capital	15	145,040,353	62,633,017
Reserves	16	8,718,489	487,941
Accumulated losses	17	(52,282,783)	(39,303,622)
<b>Total Equity</b>		<b>101,476,059</b>	<b>23,817,336</b>

*The accompanying notes form part of these financial statements*

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Investment Revaluation Reserve \$	Option Reserve \$	Total \$
<b>Balance as at 1 July 2018</b>		<b>50,878,673</b>	<b>(15,276,344)</b>	<b>(674,628)</b>	<b>(210,000)</b>	<b>1,266,070</b>	<b>35,983,771</b>
New accounting standards adjustment to opening balances		-	(210,000)	-	210,000	-	-
<b>Restated as at 1 July 2018</b>		<b>50,878,673</b>	<b>(15,486,344)</b>	<b>(674,628)</b>	<b>-</b>	<b>1,266,070</b>	<b>35,983,771</b>
Loss for the year		-	(23,817,278)	-	-	-	(23,817,278)
Other comprehensive income		-	-	(22,324)	-	-	(22,324)
Total comprehensive income		-	(23,817,278)	(22,324)	-	-	(23,839,602)
Issue of shares	15	12,193,778	-	-	-	-	12,193,778
Cost of capital raised	15	(439,434)	-	-	-	-	(439,434)
Share based payments	19	-	-	-	-	(81,177)	(81,177)
<b>Balance as at 30 June 2019</b>		<b>62,633,017</b>	<b>(39,303,622)</b>	<b>(696,952)</b>	<b>-</b>	<b>1,184,893</b>	<b>23,817,336</b>
<b>Balance as at 1 July 2019</b>		<b>62,633,017</b>	<b>(39,303,622)</b>	<b>(696,952)</b>	<b>-</b>	<b>1,184,893</b>	<b>23,817,336</b>
Loss for the year		-	(12,979,161)	-	-	-	(12,979,161)
Other comprehensive income		-	-	(6,775)	-	-	(6,775)
Total comprehensive income		-	(12,979,161)	(6,775)	-	-	(12,985,936)
Issue of shares	15	84,629,956	-	-	-	-	84,629,956
Cost of capital raised	15	(2,222,620)	-	-	-	-	(2,222,620)
Share based payments	19	-	-	-	-	8,237,323	8,237,323
<b>Balance as at 30 June 2020</b>		<b>145,040,353</b>	<b>(52,282,783)</b>	<b>(703,727)</b>	<b>-</b>	<b>9,422,216</b>	<b>101,476,059</b>

*The accompanying notes form part of these financial statements*

**Consolidated Statement of Cash Flows**  
For the year ended 30 June 2020

		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
<b>Cash flows from Operating Activities</b>			
Payments to suppliers and employees		(4,646,086)	(3,076,039)
Payments for exploration expenditure		-	(636,626)
Interest received		648,186	45,132
Interest paid		(579,549)	-
Royalties received		11,091	67,869
Grant income received		173,343	15,136
Other income		111,075	112,957
<b>Net cash used in operating activities</b>	20	<b>(4,281,940)</b>	<b>(3,471,571)</b>
<b>Cash flows from Investing Activities</b>			
Payments for property, plant and equipment		(580,209)	(28,153)
Payments for acquisition of accommodation village & mining infrastructure		-	(1,500,000)
Payments for capitalised exploration expenditure		(3,544,493)	(3,260,316)
Payments for mine properties under development		(35,647,012)	-
<b>Net cash used in investing activities</b>		<b>(39,771,714)</b>	<b>(4,788,469)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds received from the issue of shares		84,629,956	12,193,778
Costs of capital raised		(2,222,620)	(439,434)
Repayment of lease liability		(82,982)	
Interest paid on lease liability		(10,649)	
Payments under share purchase agreement		-	(40,721)
Transaction costs from borrowings		(1,605,000)	-
<b>Net cash flows provided by financing activities</b>		<b>80,708,705</b>	<b>11,713,623</b>
<b>Net increase/(decrease) in cash held</b>		<b>36,655,051</b>	<b>3,453,583</b>
Cash and cash equivalent at the beginning of the year	5	9,039,767	5,586,437
Effect of exchange rates on cash holdings in foreign currencies		-	(253)
<b>Cash and cash equivalents at the end of the year</b>	5	<b>45,694,818</b>	<b>9,039,767</b>

*The accompanying notes form part of these financial statements*



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 30 June 2020, comprises Capricorn Metals Ltd (referred to in these financial statements as “Parent” or “Capricorn”) and its wholly owned subsidiaries (“the Group”)(“the Company”). Capricorn Metals Ltd is a listed public company, incorporated and domiciled in Australia. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The consolidated financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements were authorised for issue on 16 September 2020 by the Directors of the Company.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

### **Basis of Preparation:**

#### ***Reporting Basis and Conventions***

Except for the cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### **Accounting Policies:**

#### **(a) Principles of Consolidation**

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. A list of the subsidiaries is provided in Note 26.

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.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group’s interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### **(b) Income Tax**

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.

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

## Notes to the Consolidated Financial Statements (Continued)

### For the year ended 30 June 2019

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period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit and loss and other comprehensive income 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.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (c) Property, Plant and Equipment

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 revaluation model in accordance with paragraph 31 of AASB 116 Property, Plant and Equipment. The entire class of property, plant and equipment to which land and buildings belong is subject to review and revalued on the basis of independent valuations. 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, Plant and Equipment*

The value of plant 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 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.

##### *Depreciation*

The depreciable amount of all plant and equipment including capitalised lease assets, is depreciated on a reducing balance commencing from the time the asset is held ready for use.

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

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and Equipment	7.5% - 50%
Computers	20%
Motor vehicles	20%
Field equipment	40%

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.

#### (d) Assets Held for Sale

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, deferred tax assets, employee benefits assets, investment property or biological assets, 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.

**(e) Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development 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.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the 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.

Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted cash basis, of restoration and depreciating over the useful life of the asset. The unwinding of the effect of the discounting on the provision is recorded as a finance cost on the statement of profit or loss and other comprehensive income.

**(f) Mine Properties Under Development**

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 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.

**(g) Financial Instruments**

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

***Classification and subsequent measurement***

Classification and Subsequent Measurement Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) 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 (iv) 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 or 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.

***Financial assets at fair value through profit and loss or through other comprehensive income***

Financial assets are classified at 'fair value through profit or loss' or 'fair value through other comprehensive income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes,

or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by KMP on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'fair value through other comprehensive income'.

#### ***Financial liabilities***

The Group's financial liabilities include trade and other payables, provisions for cash bonus and other liabilities. All financial liabilities are recognised initially at fair value and, in the case payables, net of directly attributable transaction costs. Such liabilities are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'fair value through other comprehensive income'.

#### ***Fair value***

Fair value is determined based on current bid prices for all quoted investments.

#### ***Derecognition***

Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial liabilities are recognised 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.

#### **(h) Impairment of Receivables**

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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### **(i) Impairment of Assets**

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 to sell 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.

#### **(j) Foreign Currency Transactions and Balances**

##### ***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.

##### ***Transaction and balances***

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.

***Group companies***

The financial results and position of foreign operations, being activities outside of Australia, whose functional currency is different from the Group's presentation currency, are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period, when the average rate approximates the rate at the date of the transaction; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed of.

**(k) Employee Benefits**

***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.

As at 30 June 2020 the Group does not have any employees entitled to long service leave, or a pro-rata entitlement to long service leave.

***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 9.50% 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.

***Equity-settled compensation***

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') refer to Note 19.

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 non-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 (i) the extent to which the vesting period has expired and (ii) 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.

**(l) Provisions**

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.

**(m) Borrowings**

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 noncurrent borrowings in the balance sheet.

**(n) Cash and Cash Equivalents**

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.

**(o) Revenue and Other Income**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from Royalties are recognised upon delivery of goods to customers or to the minimum monthly contractual amount.

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

**(p) 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.

**(q) Operating Segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board as the Chief Operating Decision Makers ("CODM") in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of geographical location as the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. The consolidated entity has only one operating segments based on the information provided to the CODM. Therefore, as the results are the same as the consolidated entity they have not been repeated.

**(r) Group as a Lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**(s) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(t) Value Added Tax ("VAT")**

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Madagascan tax authority. In these circumstances VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of VAT.

Cash flows are presented in the statement of cash flow on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

**(u) Contributed Equity**

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.

**(v) Comparative Figures**

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(w) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### *Key Estimates*

#### Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Impairment of investments in subsidiaries arises where the carrying value of the asset exceeds the net asset position of the subsidiaries and impairment is recognised to the value of the deficit. Impairment of intangible assets is recognised upon managements' best estimate that the carrying value exceeds the fair value of the asset considering future cash flows and profits arising from the asset.

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

#### Rehabilitation Provision

The Group assesses site rehabilitation liabilities annually. 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 cost 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.

### *Key Judgements*

#### Exploration and Evaluation Expenditure

Tenement acquisition costs are initially capitalised and then amortised with other exploration and evaluation expenditure written off as incurred. 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 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. The Directors believe that the capitalised exploration expenditure on peripheral exploration tenements, outside of the defined mining lease should be written off at the reporting date as there are no immediate plans to develop outside of the mining lease.

#### Deferred Tax Assets

The Directors have considered it prudent not to bring to account the deferred tax asset of income tax losses until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.

#### Held for Sale Assets

The held for sale property asset, reclassified from property, plant and equipment at 30 June 2017, remains unsold as at 30 June 2020. An annual valuation prepared by an expert is used by the Directors in the assessment of the carrying amount of the held for sale asset and the requirement to impair the carrying value.

### **(x) Other Receivables**

Other 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. Refer to Note 1(h) for further discussion on the determination of impairment losses.



**(y) Other Payables**

Other payables are carried 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.

**(z) Earnings Per Share**

Basic earnings per share ("EPS") 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 half year, adjusted for any bonus elements.

Diluted EPS adjusts the figures used in the determination of Basic EPS 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.

**(aa) Adoption of New and Revised Accounting Standards**

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the year ended 30 June 2020.

There have been no new and revised standards that have had a significant impact on the measurement or disclosure requirements of the Group, except as noted below.

***New and revised Standards adopted by the Group***

**AASB 16 Leases**

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). AASB 16 replaces the previous leases Standard, AASB 117 Leases, and related Interpretations. AASB 16 has one model for lessees which will result in almost all leases being included on the Balance Sheet.

The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019.

The Group leases assets including properties and equipment. As a lessee, the Group previously classified leases as operating or financial leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right of use assets and lease liabilities for some of these leases – i.e. they are on the statement of financial position.

The Group presents right of-use assets in 'Property, plant and equipment' together with assets that it owns.

The Group presents lease liabilities separately in the statement of financial position.

The accounting policy changes have been outlined below.

**(i) Definition of a lease**

In accordance with AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration. On transition to AASB 16, the Group elected to apply the practical expedient (where applicable) to grandfather the assessment of lease transactions and applied AASB 16 only to contracts entered or changed on or after 1 July 2019.

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

**Notes to the Consolidated Financial Statements (Continued)**  
**For the year ended 30 June 2019**

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(ii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease and is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for any changes to lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(iii) Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification to an index or rate, a change in the residual value guarantee, or changes in the assessment of whether a purchase, extension or termination option will be exercised. The lease payments include fixed monthly payments, variable lease payments and amounts expected to be paid under residual value guarantees less any incentives received. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period it was incurred. The lease payment also includes the exercise price, or termination price, of a purchase option in the event the lease is likely to be extended, or terminated, by the Group. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of these options will impact the lease term and therefore affects the amount of lease liabilities and right-of-use assets recognised.

(iv) Impact on financial statements

On transition to AASB 16, the Group recognised additional right-of-use assets of \$335,775 and lease liabilities of \$335,775. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted the lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied was 3.55%. There was no impact on opening retained earnings at 1 July 2019.

<i>On initial application</i>	\$
Operating lease commitment as at 1 July 2019	540,237
Discounted on initial application using the incremental borrowing rate	(19,442)
Commitments not recognised as a lease	(185,020)
Lease liability recognised at 1 July 2019	335,775
<i>At 30 June 2020</i>	
Right-of-use assets	217,739
Lease liabilities	252,794

In addition, the Group has recognised depreciation and interest costs, instead of operating lease expenses.

For the period ended 30 June 2020, the Group recognised \$93,631 of lease liability repayments, \$118,036 of depreciation charges and \$10,649 of interest costs in relation to these leases. Total cash outflows for leases recognised under AASB 16 totalled \$104,280 for the year.

***Standards and interpretations issued, not yet adopted***

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2. REVENUE

	2020 \$	2019 \$
<b>Revenue</b>		
Government grant income	173,347	-
Other income	-	463
Rental income	122,162	116,085
Royalty income	-	43,246
Total Revenue	295,509	159,794
<b>Other Income</b>		
Interest income	677,658	47,352
Other	-	12
Total Other Income	677,658	47,364

## 3. PERSONNEL COSTS

	2020 \$	2019 \$
Wages and salaries	6,087,234	2,048,775
Defined contribution superannuation	528,291	153,958
Share-based payments expense	8,237,323	(81,177)
Employee bonuses	31,688	-
Other employee benefits expense	386,841	262,962
Total Personnel Costs	15,271,377	2,384,518
Less: amounts capitalised	(3,719,136)	(779,456)
Employee benefits expense recognised	11,552,241	1,605,062

#### 4. INCOME TAX

	2020 \$	2019 \$
<b>(a) Income Tax Expense</b>		
The prima facie tax expense/(benefit) on Profit/(Loss) from ordinary activities is reconciled as follows:		
The Components of tax expense comprise:		
- Current Tax	1,023	1,061
- Deferred Tax – temporary differences	-	-
	<u>1,023</u>	<u>1,061</u>
The Prima facie tax on Loss before income tax at 27.50% (2019: 27.50%)	(3,570,058)	(6,549,460)
Add/(subtract) the tax effect of:		
- Tax attributable to foreign subsidiary	1,023	1,061
- Other assessable income not included as accounting income	1,853	1,242
- Non-deductible expenses	3,622,654	4,394,468
- Accounting income not included as assessable income	(69)	(1,853)
- Other deductible expenses	(511,673)	(83,249)
- Deferred tax assets / (liabilities) not brought to account	(3,112,765)	(4,310,608)
Income tax expense / (benefit) attributable to entity	<u>1,023</u>	<u>1,061</u>
<b>(b) Recognised Deferred Tax Balances</b>		
Deferred Tax Asset	-	-
Deferred Tax Liability	-	-
	<u>-</u>	<u>-</u>
<b>(c) Unrecognised Deferred Tax Balances</b>		
The following deferred tax assets have not been brought to account:		
Unrecognised deferred tax assets comprise:		
- Deferred tax assets attributable to tax losses	11,257,845	10,025,826
- Transaction costs on equity issue	-	-
	<u>11,257,845</u>	<u>10,025,826</u>

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

The comparative amount for deferred tax assets attributable to tax losses has been restated on account of correction of an error in 2019.

	2019 \$
In 2019 financials, Group reported	13,914,405
Variance	(3,888,579)

#### 5. CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Cash at bank	<u>45,694,818</u>	<u>9,039,767</u>

## 6. OTHER CURRENT ASSETS

	2020 \$	2019 \$
Prepayments	539,511	68,927
Other	68,822	(4,647)
Total Other Current Assets	608,333	64,280

## 7. OTHER RECEIVABLES

	2020 \$	2019 \$
<b>Current</b>		
GST receivable	1,139,721	-
Deposits	40,000	138,364
Fuel tax credit receivable	90,599	-
Interest receivable	36,210	6,737
Other receivables	127,143	125,161
Total Other Current Receivables	1,433,673	270,262
<b>Non-Current</b>		
Deposits	323,364	-
Total Other Non-Current Receivables	323,364	-
Total Other Receivables	1,757,037	270,262

Deposits held for bank guarantees are made up of the following:

- \$40,000 is held as security for the credit card facility and bears 0.25% interest (2019: 2.35%).
- \$98,364 is held as security for the office lease and bears 0.50% interest (2019: 2.35%).
- \$75,000 is held as security for the CBA credit card facility and bears 0.70% interest (2019: N/A).
- \$150,000 is held as security for the Commissioner of Main Roads Access Road Bond and bears 0.70% interest (2019: N/A).

## 8. PLANT AND EQUIPMENT

	Furniture & Equipment \$	Plant & Equipment \$	Infrastructure \$	Capital WIP \$	Total \$
Net carrying amount as at 1 July 2019	204,588	98,454	1,500,000	-	1,803,042
Additions	205,672	-	-	442,696	648,368
Right-of-use lease assets	335,775	-	-	-	335,775
Depreciation	(179,698)	(14,935)	-	-	(194,633)
Transfers to Mine Properties	-	-	(1,500,000)	-	(1,500,000)
Disposals	(5,925)	-	-	-	(5,925)
Net carrying amount as at 30 June 2020	560,412	83,519	-	442,696	1,086,627
As at 30 June 2020					
Cost	995,456	278,044	-	442,696	1,716,196
Accumulated depreciation	(435,044)	(194,526)	-	-	(629,570)
Net carrying amount as at 30 June 2020	560,412	83,519	-	442,696	1,086,627

**Notes to the Consolidated Financial Statements (Continued)**  
**For the year ended 30 June 2020**

	Plant & Equipment	Field Equipment	Buildings & Infrastructure	Capital WIP	Total
	\$	\$	\$	\$	\$
Net carrying amount as at 1 July 2018	242,088	90,114	-	-	332,202
Additions	6,649	21,050	1,500,000	-	1,527,699
Depreciation	(42,262)	(12,711)	-	-	(54,973)
Disposals	(1,886)	-	-	-	(1,886)
Net carrying amount as at 30 June 2019	204,589	98,453	1,500,000	-	1,803,042
As at 30 June 2019					
Cost	462,369	248,346	1,500,000	-	2,210,715
Accumulated Depreciation	(257,780)	(149,893)	-	-	(407,673)
Net carrying amount as at 30 June 2019	204,589	98,453	1,500,000	-	1,803,042

*Assets pledged as security*

Macquarie Bank Ltd ("MBL") 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 as security for the debt facility provided by MBL to fund construction of the Karlawinda Gold Project.

Right of Use Assets

	2020 \$	2019 \$
As at 1 July	335,775	-
Additions to right-of-use assets	-	-
Depreciation charge for the year	(118,036)	-
As at 30 June	217,739	-

Lease Liabilities

	2020 \$	2019 \$
<b>Current</b>		
Lease liabilities	133,591	-
Total Current Lease Liabilities	133,591	-
<b>Non-Current</b>		
Lease liabilities	119,203	-
Total Non-Current Lease Liabilities	119,203	-
Total Lease Liabilities	252,794	-

The Group leases office premises in West Perth, Western Australia under normal commercial lease arrangements. The office lease was entered into for an initial 5-year period commencing 1 May 2017. In addition, the Group has entered into a lease arrangement on a printer from 22 May 2017, and a phone system from 9 July 2017, both with lease terms of 5 years. On 1 June 2020, the Group entered into a 2 year lease agreement for machinery to be used in the construction and eventually operation of KGP.

A right-of-use asset and corresponding lease liability has not yet been recognised for the lease entered into during June 2020 due to timing differences whereby the machinery was not yet delivered and ready for use.

## 9. ASSETS HELD FOR SALE

	2020 \$	2019 \$
Property asset	4,500,000	4,500,000
Impairment	(1,800,000)	(1,600,000)
Total Assets Held for Sale	2,700,000	2,900,000

The Group intends to dispose of a freely held property asset located in Antanarirvo, Madagascar within the next 12 months. This property of 19,373m<sup>2</sup> containing a number of buildings, including offices, warehouses and villa accommodation, is a unique asset with limited potential buyers.

An annual market valuation was completed by Cabinet D'Expertise Audit Techniques Et Conseils Qualities in June 2020 of 7,235,880,000 Ariary (AUD \$2,757,629). On the basis of the current valuation, and consideration for the unique nature of the property, the Directors considered it prudent to impair the carrying value of this asset by \$200,000 (2019: \$1,600,000).

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

## 10. OTHER FINANCIAL ASSETS

Part of the consideration for the sale of the subsidiary group comprising Madagascar Graphite Ltd and Mada-Aust SARL was the issue of 2,000,000 fully paid ordinary shares in the capital of BlackEarth Minerals NL.

	2020 \$	2019 \$
<b>Current</b>		
As at 1 July	128,000	-
Fair value adjustment	(60,000)	-
As at 30 June	68,000	-
<b>Non-Current</b>		
As at 1 July	-	190,000
Fair value adjustment	-	(62,000)
As at 30 June	-	128,000
<b>Fair value of listed shares and assumptions</b>		
	2020	2019
Fair value per listed share	\$0.034	\$0.064
Closing quoting bid price per share	\$0.034	\$0.064

The BlackEarth Minerals NL shares were restricted from trading for a 24 month period from listing date (19 January 2018). As of 30 June 2020, these shares are no longer restricted from trading and as such have been reclassified to a current financial asset.

## 11. DEFERRED EXPLORATION & EVALUATION COSTS

	2020 \$	2019 \$
As at 1 July	12,078,608	26,483,890
Expenditure for the period	3,208,783	2,797,963
Impairment	(265,872)	(17,203,245)
Transfer to mine properties under development	(14,479,814)	-
As at 30 June	541,705	12,078,608

**Notes to the Consolidated Financial Statements (Continued)**  
**For the year ended 30 June 2020**

During the year, the Group impaired \$265,872 of exploration expenditure incurred on the peripheral tenements outside of the Bibra deposit. The Board has made a decision to impair the value of exploration expenditure capitalised on these tenements as the main focus was on exploring near mine targets during the year.

*Assets pledged as security*

Macquarie Bank Ltd ("MBL") 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 as security for the debt facility provided by MBL to fund construction of the Karlawinda Gold Project.

**12. MINE PROPERTIES UNDER DEVELOPMENT**

	2020 \$	2019 \$
Balance at beginning of period	-	-
Construction expenditure capitalised	45,213,153	-
Pre-production expenditure capitalised	965,689	-
Rehabilitation additions	4,118,774	-
Transfer from exploration	14,479,814	-
Transfer from property, plant and equipment	1,500,000	-
Balance at the end of period	66,277,430	-

*Assets pledged as security*

Macquarie Bank Ltd ("MBL") 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 as security for the debt facility provided by MBL to fund construction of the Karlawinda Gold Project.

**13. TRADE & OTHER PAYABLES**

	2020 \$	2019 \$
<b><i>Trade Payables - Current</i></b>		
Trade payables	8,408,416	345,209
Accrued expenses	3,294,721	1,660,388
Other payables	987,901	22,555
Total Current Trade Payables	12,691,038	2,028,152
<b><i>Employee Benefits - Current</i></b>		
Employee entitlements - annual leave payable	173,197	134,672
Total Employee Benefits	173,197	134,672
Total Current Trade and Other Payables	12,864,235	2,162,824
<b><i>Trade and Other Payables - Non-Current</i></b>		
Other payables	-	300,713
Total Non-Current Trade and Other Payables	-	300,713



## 14. PROVISIONS

	2020 \$	2019 \$
<b>Current</b>		
Rehabilitation	301,877	-
Total Current Provisions	301,877	-
<b>Non-current</b>		
Long service leave	22,088	-
Rehabilitation	3,816,897	-
Total Non-Current Provisions	3,838,985	-
Total Provisions	4,140,862	-
<b>Provision for rehabilitation</b>		
Balance at beginning of period	-	-
Provisions made during the year	4,118,774	-
Balance at end of period	4,118,774	-

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.

## 15. ISSUED CAPITAL

	2020 \$	2019 \$
Ordinary shares - issued and fully paid	145,040,353	62,633,017
	<b>Number of Shares</b>	<b>\$</b>
<b>Movement in ordinary shares on issue</b>		
As at 1 July 2018	747,936,325	50,878,673
Issue of shares <sup>(1)(2)(3)</sup>	188,597,019	12,193,778
Cost of capital raised	-	(439,434)
As at 30 June 2019	936,533,344	62,633,017
Issue of shares <sup>(4)(5)(6)(7)</sup>	687,172,429	83,259,956
Issued on exercise of options	2,060,000	1,370,000
Share consolidation <sup>(8)</sup>	(1,298,964,300)	-
Cost of capital raised	-	(2,222,620)
As at 30 June 2020	326,801,473	145,040,353

There are no preference shares on issue.

- 27 February 2019: 32,508,128 shares were issued at a price of \$0.063 per share subsequent to the completion of a shareholder share purchase plan.
- 16 April 2019: 32,716,703 shares were issued at a price of \$0.065 per share subsequent to the completion of the institutional portion of a 1 for 5 shareholder entitlement offer to shareholders.
- 7 May 2019: 123,372,188 shares were issued at a price of \$0.065 per share subsequent to the completion of the retail portion of a 1 for 5 shareholder entitlement offer to shareholders.

**Notes to the Consolidated Financial Statements (Continued)**  
**For the year ended 30 June 2020**

4. 5 July 2019: 108,707,208 shares were issued at a price of \$0.065 per share subsequent to the completion of a placement to shareholders.
5. 20 August 2019: 125,426,127 shares were issued at a price of \$0.16 per share subsequent to the completion of a placement to shareholders.
6. 30 August 2019: 172,215,221 shares were issued at a price of \$0.065 per share subsequent to the completion of a placement to shareholders.
7. 30 September 2019: 280,823,873 shares were issued at a price of \$0.16 per share subsequent to the completion of a placement to shareholders.
8. 20 November 2019: Shareholders approved a resolution to consolidate the Group's issued capital through the conversion of every five existing shares into one share.

Ordinary shares participate in 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.

***Stock Exchange Listing***

Total issued capital is 326,801,473 (2019: 936,533,344) shares, of which all are listed on the Australian Securities Exchange ("ASX") at 30 June 2020.

**16. RESERVES**

	Share-based payment reserve	Foreign currency translation reserve	Investment revaluation reserve	Total Reserves
	\$	\$	\$	\$
Balance as at 1 July	1,266,070	(674,628)	(210,000)	381,442
Share-based payment transactions	140,534	-	-	140,534
Translation movement for the year	-	(22,324)	-	(22,324)
New accounting standard adjustment	-	-	210,000	210,000
Options forfeited during the year	(221,711)	-	-	(221,711)
Balance as at 30 June 2019 and 1 July 2019	1,184,893	(696,952)	-	487,941
Share-based payment transactions	8,237,323	-	-	8,237,323
Translation movement for the year	-	(6,775)	-	(6,775)
Options forfeited during the year	-	-	-	-
Balance as at 30 June 2020	9,422,216	(703,727)	-	8,718,489

***Share-based payments reserve***

The share-based payments reserve is used to record the value of share-based payments 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.

**17. ACCUMULATED LOSSES**

	2020 \$	2019 \$
Opening balance as at 1 July	(39,303,622)	(15,276,344)
New accounting standards adjustment to opening balance	-	(210,000)
Restated as at 1 July	-	(15,486,344)
Loss for the year	(12,979,161)	(23,817,278)
Closing balance as at 30 June	(52,282,783)	(39,303,622)

## 18. EARNINGS PER SHARE

	2020 \$	2019 \$
<i>Earnings used in calculating basic and diluted earnings per share</i>		
- Loss attributable to members of the parent entity	(12,979,161)	(23,817,278)
<i>Basic and diluted loss per share</i>	<i>Cents</i>	<i>Cents</i>
- Cents per share	(4.30)	(15.19)
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares outstanding at 30 June	301,853,464	156,773,211

As at 30 June 2020 there are 16,218,006 (2019: 41,390,028) unquoted options on issue.

As the Group incurred a loss for the year, the options on issue have no dilutive effect, therefore the diluted earnings per share is equal to the basic earnings per share.

In accordance with AASB 133 Earnings per Share, a retrospective adjustment has been made on the EPS for 2019 given the five for one consolidation of shares as approved by shareholders during the year.

## 19. SHARE BASED PAYMENTS

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

	2020 \$	2019 \$
<i>Recognised share-based payments expense</i>		
Employee share-based payments expense	6,897,860	(81,177)
Performance rights expense	1,339,463	-
Total expense arising from share-based payment transactions	8,237,323	(81,177)

### Options

On 2 July 2019 the Company agreed subject to shareholder approval to issue of 40,000,000 options (8,000,000 after share consolidation) to Mr Mark Clark (Executive Chairman) and 10,000,000 options (2,000,000 after share consolidation) to Mr Mark Okeby (Non-Executive Director) under the Group's Incentive Option Plan subject to shareholder approval, which was obtained on 27 August 2019.

The following table outlines the number and movements in share options issued during the year:

	2020 Number of Options	2019 Number of Options
Outstanding at beginning of the year	41,390,028	55,690,028
Granted during the year	50,000,000	-
Forfeited during the year	-	(7,933,334)
Exercised during the year	(2,060,000)	-
Expired during the year	-	(6,366,666)
Share consolidation reduction	(73,112,022)	-
Outstanding at end of the year	16,218,006	41,390,028
Exercisable at the end of the year	16,151,339	38,756,693

The Weighted Average Exercise Price ("WAEP") for the year ended 30 June 2020 is 0.5591.

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

**Notes to the Consolidated Financial Statements (Continued)**  
**For the year ended 30 June 2020**

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 vest immediately upon issue and the contractual life of each option is 3 years. The inputs used to calculate the fair value of these options are set out below.

Grant date	27 August 2019	23 November 2017	13 June 2017	25 November 2016
Share price at grant date	\$1.225	\$0.067	\$0.088	\$0.100
Exercise price	\$0.60	\$0.10	\$0.15	\$0.20
Expected dividends	0%	0%	0%	0%
Risk free rate	0.73%	2.04%	1.84%	1.98%
Expected volatility	77.04%	50.00%	50.00%	60.00%
Expected life	3 years	4 years	3.9 years	3.5 years
Fair value per option at grant date	\$0.6884	\$0.0199	\$0.0214	\$0.0205

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

***Performance rights***

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 KMP, Ms Tammie Dixon and other employees of Capricorn 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 fair value at the grant date was estimated using a Black Scholes option pricing model. The below table details the terms and conditions of the grants and the assumptions used in estimating the fair value:

Grant date	17 December 2019	27 March 2020
Value of the underlying security at grant date	\$1.18	\$0.95
Exercise price	nil	nil
Dividend yield	\$0.00	0%
Risk free rate	0.77% - 0.80%	0.38% - 0.39%
Volatility	105% - 126%	107% - 123%
Performance period (years)	1.75 - 2.75	1.85 - 2.85
Test date	17/09/21 & 17/09/22	1/02/22 & 1/02/23
Remaining performance period (years)	1.75 - 2.75	1.85 - 2.85
Weighted average fair value	1.18	0.95

The fair value of the Performance Rights granted during the year ended 30 June 2020 is \$7,047,500.

## 20. NOTE TO THE STATEMENT OF CASH FLOWS

### *Reconciliation of cash flow from operations, with loss after income tax*

	2020 \$	2019 \$
Loss after income tax	(12,979,161)	(23,817,278)
<b><i>Non-cash flows in result</i></b>		
Depreciation	191,893	54,973
Impairment of assets held for sale	200,000	1,600,000
Impairment of capitalised exploration expenditure	265,872	17,203,245
Fair value loss on financial assets	60,000	62,000
Foreign currency translation	6,475	(22,071)
Share based payment	8,237,323	(81,177)
Loss on disposal of fixed assets	5,620	1,886
<b><i>Changes in assets and liabilities</i></b>		
(Increase) in other current assets	(52,526)	27,302
(Increase) in receivables	(383,452)	-
Increase/(Decrease) in payables and accruals	143,928	1,499,549
Increase/(Decrease) in provisions	22,088	-
<b>Cashflow used by Operations</b>	<b>(4,281,940)</b>	<b>(3,471,571)</b>

### *Non-cash investing and financing activities*

There were no non-cash investing and financing activities during the year ended 30 June 2020 (2019: Nil).

## 21. COMMITMENTS

### **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.

As at 30 June 2020, the Group holds 17 granted tenements and 1 granted mining lease. In addition, there are 2 applications not yet granted and 9 granted miscellaneous licences which do not have an annual minimum expenditure commitment but do have an annual rent payment applicable.

	2020 \$	2019 \$
Within one year	1,513,664	1,197,363
Exploration commitments at reporting date not recognised as liabilities	1,513,664	1,197,363

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.

Tenement E52/3797 was under application as at 30 June 2020 and has subsequently been granted in August 2020. The required expenditure has been included in the above commitments.

## Operating Lease Commitments

The Group leases office premises in West Perth, Western Australia under normal commercial lease arrangements. The office lease was entered into for an initial 5-year period commencing 1 May 2017. In addition, the Group has entered into a lease arrangement on a printer from 22 May 2017, and a phone system from 9 July 2017, both with lease terms of 5 years.

At 1 July 2019, with the adoption of AASB16 Leases, operating leases as previously defined under AASB 117 Leases have for the most part been recognised and included as lease liabilities with future commitments disclosed in Note 8. Any leases that did not meet the definition of finance leases were either short term in nature or did not meet the recognition requirements (these totalled \$0). Refer to Note 1(z) for further details on the impact of this change.

The disclosure of prior period operating commitments is retained in these financial statements as follows:

	2019 \$
<b>Lease Commitments: Group as lessee</b>	
<i>Operating leases:</i>	
Within one year	160,752
Later than one year but not later than five years	379,485
Lease expenditure contracted at reporting date not recognised as liabilities	540,237

## 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 Bank Limited ("MBL"), the Group has entered into a gold forward contract 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 MBL 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 \$	Mark-to-market \$
Between one and five years				
- Fixed forward contracts	200,000	2,250	450,000,000	(67,390,000)

Mark-to-market has been calculated using the spot price of \$2,585 per ounce as at 30 June 2020.

Mark-to-market represents the value of the open contracts at balance date, calculated with reference to the gold spot price at that date. A negative amount reflects a valuation in the counterparty's favour.

On 6 January 2020, the Group entered into a call option contract of 16,700 ounces with a delivery price of \$2,260 per ounce with Macquarie Bank Limited.

The Group has no other gold sale commitments (June 2019: Nil).

## Gas Pipeline Construction and Supply

During May 2020, Capricorn entered into an agreement with APA Group ("APA") (ASX: APA) for the transportation of gas from the Goldfields Gas Pipeline ("GGP"). As part of this agreement, APA will build, own and operate the lateral pipeline that links GGP to the Karlawinda Gold Project. The terms of the agreement commit the Group to purchasing the right to use the gas pipeline including the lateral pipeline being built for ongoing gas supply over five years for an estimated \$31.1m.

## Power Station Construction and Supply

During May 2020, Capricorn executed a power supply agreement with Contract Power Australia Pty Ltd ("Contract Power") to build, own and operate a 16MW gas fuelled station with 2MW of diesel back-up at the Karlawinda Gold Project.

The terms of the agreement commit the Group to the right to use the Power Station being built and provides ongoing power supply for eight years for approximately \$31.5m which includes both fixed and variable pricing components.

## 22. CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities at 30 June 2020 (2019: Nil).

As 30 June 2020 Capricorn Metals Ltd has bank guarantees totalling \$363,364 (2019: \$138,364), refer Note 7.

As part of the Project Loan Facility of \$80 million and Bank Guarantee of \$20 million the Group entered into with MBL during the year, \$2.5m of the Bank Guarantee has been drawn down for the APA Group contract. Subsequent to year end Bank Guarantee has been drawn down to \$12.5 million for the APA Group contract.

## 23. EVENTS SUBSEQUENT TO REPORTING DATE

There were no material events arising subsequent to 30 June 2020, 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:

### *Share Issue*

Subsequent to year end, 53,334 shares have been issued as a result of the exercise of employee options for proceeds of \$40,000.

On 29 July 2020, a placement to raise \$32.3 million by the issue of 17,000,000 shares at a price of \$1.90 per share was announced. The placement was completed and shares were issued on 5 August 2020.

The impact of the Coronavirus ("Covid-19") pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continuing to evolve and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

## 24. FINANCIAL INSTRUMENTS

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 and trade and other payables.

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

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

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's risk management policies and objectives are designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

### *(a) Categories of financial instruments*

	2020 \$	2019 \$
<b><i>Financial asset</i></b>		
Cash and cash equivalents	45,694,818	9,039,767
Trade and other receivables	4,250,434	270,262
<b><i>Financial liabilities</i></b>		
Trade and other payables	12,691,039	2,328,865
Lease liabilities	252,794	-

**(b) Capital 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. As at 30 June 2020, under the Company's ASX listing Rule 7.1 Capacity, the Company could issue up to 15% of it is previously approved issued capital as new shares, therefore Capricorn could issue up to 140,480,001 new shares without requiring shareholder approval.

There are no externally imposed capital requirements.

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.

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

**(c) Market risk**

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable. In August 2019 Capricorn announced the completion of 200,000 ounces of gold hedging with a 31 December 2019 maturity and a price of A\$2,250 per ounce.

The hedges have been rolled into a flat forward structure with a delivery schedule covering 10,000 to 12,000 ounces of gold production per quarter from June 2021 to September 2025 at a flat forward price of \$2,250 per ounce. The delivery programme matches debt quantum and amortisation and life of mine production plans.

The Group does not speculate in the trading of derivative instruments. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

**(d) 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.

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 do 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. There is no formal foreign currency management policy, however the Group monitors its foreign currency expenditure and foreign subsidiary requirements.

**(e) Financial risk management**

The Group's management, co-ordinates access to banking facilities, and monitors and manages the financial risks relating to the operations, comprising mainly access to cash, and the level of trade and other payables in accordance with the decisions of the Directors.

In the reporting period, the Group was not exposed to material financial risks of changes in foreign currency exchange rates. Accordingly, the Group did not employ derivative financial instruments to hedge currency risk exposures.

**(f) Interest rate risk**

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

	2020 \$	2019 \$
<b>Fixed rate instruments</b>		
Cash and cash equivalents	40,415,335	-
Term deposits	363,364	138,364
Lease liabilities	252,794	-
<b>Variable rate instruments:</b>		
Cash and cash equivalents	5,279,483	9,039,767



### Cash flow sensitivity analysis for variable rate instruments

A change of 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. The analysis is performed on the same basis for 2019.

	2020		2019	
	100 bp increase \$	100 bp decrease \$	100 bp increase \$	100 bp decrease \$
Variable rate instruments	52,795	(52,795)	90,398	(90,398)

#### (g) 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.

#### (h) Credit risk

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.

The Group has no significant concentration of credit risk with any single party with the exception of the TVA receivable from the Madagascar government relating to taxes paid on the Business Sale Agreement and Long Term Lease Agreement. These taxes are recoverable long term in accordance with existing Madagascar taxation law. The Group has assessed the non-current TVA receivable as non-recoverable, and has recorded a provision for impairment of the full amount.

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

#### (i) 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:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	2020 \$	2019 \$
Level 1	68,000	128,000
Level 2	-	-
Level 3	-	-
Total	68,000	128,000

Included within Level 1 of the hierarchy are the BlackEarth Minerals NL shares listed on the Australian Securities Exchange. The fair value of this financial asset has been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

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.

*Financial liability maturity analysis*

	Carrying amount liabilities	Total contractual cash flows	<6 months	6-12 months	1-2 years	2-5 years	>5 years
2020	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	12,691,039	12,691,039	12,691,039	-	-	-	-
Lease liability	252,794	252,794	65,876	67,715	119,203	-	-
	12,943,833	12,943,833	12,756,915	67,715	119,203	-	-

	Carrying amount liabilities	Total contractual cash flows	<6 months	6-12 months	1-2 years	2-5 years	>5 years
2019	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	2,328,865	2,328,865	-	2,028,152	300,713	-	-
	2,328,865	2,328,865	-	2,028,152	300,713	-	-

## 25. OPERATING SEGMENTS

### Basis for accounting for purpose of reporting by operating segments

#### Accounting policies adopted

Unless otherwise stated, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group outlined in Note 1.

#### Intersegmental transactions

Intersegment loans are recognised at the consideration received net of transaction costs. Intersegment loans are not adjusted to fair value based on market interest rates.

	Australia \$	Madagascar \$	Elimination \$	Group \$
<b>2020</b>				
<b>Revenue</b>				
Revenue	173,343	111,075	11,091	295,509
Other income	611,931	108	-	612,039
Total segment revenue	785,274	111,183	11,091	907,548
<b>Result</b>				
Segment Result	(12,988,420)	(159,602)	168,860	(12,979,161)
Profit/(Loss) before Income tax	(12,988,420)	(158,579)	168,860	(12,978,139)
<b>Assets/ Liabilities</b>				
Segment Assets	116,387,810	(447,226)	2,793,366	118,733,950
Segment Liabilities	17,802,940	9,967	(555,015)	17,257,891
<b>Other</b>				
Acquisition of non-current assets				
Depreciation expense	182,432	25,024	(15,563)	191,893

**Notes to the Consolidated Financial Statements (Continued)**  
**For the year ended 30 June 2020**

	Australia \$	Madagascar \$	Elimination \$	Group \$
<b>2019</b>				
<b>Revenue</b>				
Revenue	-	159,794	-	159,794
Other income	47,213	151	-	47,364
Total segment revenue	47,213	159,945	-	207,158
<b>Result</b>				
Segment Result	(19,167,985)	(181,474)	(4,467,819)	(23,817,278)
Profit/(Loss) before Income tax	(19,167,985)	(180,413)	(4,467,819)	(23,816,217)
<b>Assets/ Liabilities</b>				
Segment Assets	24,961,879	295,768	1,026,312	26,283,959
Segment Liabilities	(2,439,177)	(4,066)	(23,308)	(2,466,623)
<b>Other</b>				
Acquisition of non-current assets	1,527,699	-	-	1,527,699
Depreciation expense	38,411	16,562	-	54,973

## 26. RELATED PARTY DISCLOSURES

### *Key Management Personnel Remuneration*

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

The total remuneration paid to KMP of the Group during the year are as follows:

	2020 \$	2019 \$
Short term benefits	1,417,843	1,192,242
Other service fees	115,082	52,500
Non-cash benefits	20,565	-
Post-employment benefits	121,682	77,006
Share based payments	8,023,460	(95,112)
Annual leave	92,138	63,625
Termination payments	84,990	-
Total Remuneration paid to KMP	9,875,760	1,290,261

### *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	
			2020	2019
Mazoto Minerals SARL	Madagascar	Exploration	100%	100%
Energex SARL	Madagascar	Dormant	100%	100%
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	Exploration	100%	100%

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

**Notes to the Consolidated Financial Statements (Continued)**  
**For the year ended 30 June 2020**

***Transactions with Related Parties***

As at 30 June 2020, the net loans from the Parent to its subsidiaries totals \$112,321,546 (2019: \$30,813,634). This is made up of loans to subsidiaries of \$119,869,836 (2019: \$38,000,456) with a provision for impairment of \$7,548,291 (2019: \$7,186,822).

Subsidiaries	Loan	Provision for impairment	Carrying value
	\$	\$	\$
Mazoto Minerals SARL	49,551	(49,551)	-
Energex SARL	6,481	(6,481)	-
Mining Services SARL	451,147	(451,147)	-
MGY Mauritius Ltd	2,926,431	(226,431)	2,700,000
Malagasy Graphite Holdings Ltd	6,814,681	(6,814,681)	-
Greenmount Resources Pty Ltd	109,621,546	-	109,621,546
	<b>119,869,837</b>	<b>(7,548,291)</b>	<b>112,321,546</b>

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

**27. 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.

	2020 \$	2019 \$
<b><i>Assets</i></b>		
Current Assets	6,370,031	9,171,650
Non-Current Assets	117,129,342	36,689,364
Total Assets	<b>123,499,373</b>	<b>45,861,014</b>
<b><i>Liabilities</i></b>		
Current Liabilities	1,242,035	279,224
Non-Current Liabilities	135,671	300,713
Total Liabilities	<b>1,377,706</b>	<b>579,937</b>
<b><i>Shareholders' Equity</i></b>		
Issued Capital	145,036,065	62,633,017
Reserves	9,422,216	1,184,893
Accumulated Losses	(32,336,614)	(18,536,833)
Total Shareholders' Equity	<b>122,121,667</b>	<b>45,281,077</b>
<b><i>Statement of Comprehensive Income</i></b>		
Net loss attributable to members of the parent entity	(12,209,998)	(2,655,887)
Total comprehensive loss for the year attributable to members of the parent entity	<b>(12,209,998)</b>	<b>(2,655,887)</b>

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

***Guarantees entered into by Parent entity***

As at 30 June 2020, the Group has the following financial guarantees:

- \$40,000 is held as security for the ANZ credit card facility and bears 0.25% interest.
- \$75,000 is held as security for the CBA credit card facility and bears 0.70% interest.
- \$98,364 is held as security for the office lease and bears 0.50% interest.

## 28. AUDITORS REMUNERATION

	2020 \$	2019 \$
Amount payable to William Buck Audit (WA) Pty Ltd		
- Auditing or reviewing the financial report	31,560	28,541

Amounts payable to other audit firms for the audit and review of the financial reports of subsidiary companies was \$1,947 (2019: \$4,970).

## Directors' Declaration

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The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 24 to 56 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
  - (d) the financial statements and notes for the financial year give a true and fair view.
3. the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with the Corporations Act 2001 and the Corporations Regulations 2001.
4. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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  
16 September 2020

## Capricorn Metals Ltd

### Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Capricorn Metals Ltd (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. 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.

#### ACCOUNTANTS & ADVISORS

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## Independent auditor's report to members (continued)

<b>MINE PROPERTIES UNDER DEVELOPMENT</b>	
<b>Area of focus</b> Refer also to notes 1 (f) and 12	<b>How our audit addressed it</b>
<p>There has been significant progress on the development of the Karlawinda Gold Project which has been capitalised during the year.</p> <p>The Group has incurred exploration costs for the Karlawinda project since December 2015, and a review of deferred exploration and evaluation costs for tenement M52/1070 was conducted during the year and a decision was made to reclassify a total of \$14,479,814 to Mine Properties under Development.</p> <p>This was a key matter because of the significance of the value of Mine Properties under Development at 30 June 2020.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Reviewing the directors' assessment of the criteria for the capitalisation of Mine Properties under Development including a review of the Group's accounting policy;</li> <li>— Substantive testing of a sample of expenditure incurred and capitalised; and</li> <li>— Assessing the adequacy of the Group's disclosures in respect of the transactions.</li> </ul>
<b>REHABILITATION PROVISION</b>	
<b>Area of focus</b> Refer also to notes 1 (l), 1 (w) and 14	<b>How our audit addressed it</b>
<p>At 30 June 2020, the Group has recognised a provision of \$4.1 million relating to the estimated cost of decommissioning, restoration and rehabilitation of areas disturbed during exploration and development activities.</p> <p>This was a key audit matter because the calculations of the provision were complex and based on the estimates of future costs of required work, including volume and unit rates and the area of disturbance.</p> <p>The provision has been split between current liabilities and non-current liabilities</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Evaluating and challenging the reasonableness of key assumptions used in the calculations of the provision;</li> <li>— Checking the mathematical accuracy of the calculations;</li> <li>— Assessing the competency and objectivity of the Environmental Manager who prepared the calculation;</li> <li>— Consider provision movements during the year to ensure they were consistent with our understanding of</li> </ul>



<p>to reflect the timing on when the rehabilitation work is likely to occur.</p>	<p>the Group's activities during the year; and</p> <ul style="list-style-type: none"> <li>— Assessing the adequacy of the Group's disclosure in the annual financial report in respect of the rehabilitation provision.</li> </ul>
<b>SHARE BASED PAYMENTS</b>	
<b>Area of focus</b> <b>Refer also to notes 1 (k), 1 (w) and 19</b>	<b>How our audit addressed it</b>
<p>The Group has entered into share-based payment arrangements during the year. The options were issued to provide long term incentives for executives and consultants to deliver long term shareholder returns. Participation in the plan was at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.</p> <p>This was a key audit matter because the arrangements required significant judgments and estimations by management, including the following:</p> <ul style="list-style-type: none"> <li>— The evaluation of the grant date of each arrangement, and the evaluation of the fair value of the underlying share price of the Company as at the grant date;</li> <li>— The evaluation of key inputs into the Black Scholes option pricing model, including the significant judgment of the forecast volatility of the share option over its exercise period.</li> </ul> <p>The results of these share-based payment arrangements materially affect the disclosures.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Evaluating the grant dates based on the terms and conditions of the share-based payment arrangements;</li> <li>— Evaluating the fair values of share-based payment arrangements by understanding and documenting the assumptions used; and</li> <li>— For the specific application of the Black Scholes model, we assessed the experience of the CFO in preparing these calculations. We retested some of the assumptions used in the model and recalculated those fair values using volatility applied in the model to be appropriately reasonable and within industry norms.</li> </ul> <p>We also reconciled the vesting of the share-based payment arrangements to disclosures made in both the key management personnel compensation note and the disclosures in the Remuneration Report.</p>

## Independent auditor's report to members (continued)

### Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

## Independent auditor's report to members (continued)

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our independent auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Capricorn Metals Ltd, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

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

**William Buck**

William Buck Audit (WA) Pty Ltd  
ABN: 67 125 012 124



Robin Judd  
Director

Dated this 16<sup>th</sup> day of September 2020