



**CAPRICORN METALS LTD**

ABN 84 121 700 105

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2017**

# Corporate Directory

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## Directors

Heath Hellewell – Executive Chairman  
Debra Bakker – Non – Executive Director  
Peter Langworthy – Non-Executive Director  
Stuart Pether – Non-Executive Director

## Joint Company Secretaries

Jonathan Shellabear  
Natasha Santi

## Registered Office & Principal Place of Business

Level 1, 28 Ord Street  
WEST PERTH WA 6005

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Email: [enquiries@capmet.com.au](mailto:enquiries@capmet.com.au)  
Website: [capmetals.com.au](http://capmetals.com.au)

## Share Registry

Automic Pty Ltd  
Level 2, 267 St Georges Terrace  
PERTH WA 6000  
Telephone: +61 2 9698 5414  
Or 1300 288 664

## Auditor

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

## Securities Exchange Listing

Australian Securities Exchange  
ASX Code: CMM

*Registered under the Corporations Act 2001 in the State of Western Australia on 22<sup>nd</sup> September 2006*

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# Directors' Report

The Directors submit the financial report of the Consolidated Group ("the Group") consisting of Capricorn Metals Ltd and the entities it controlled for the half year ended 31 December 2017, made in accordance with a resolution of the Board.

## DIRECTORS

The names of Directors who held office during or since the end of the half year, for the whole period unless otherwise stated:

Mr Heath Hellewell	(Executive Chairman)
Ms Debra Bakker	(Non-Executive Director) – Appointed 26 February 2018
Mr Peter Langworthy	(Non-Executive Director) – Appointed 2 February 2018
Mr Stuart Pether	(Non-Executive Director)
Mr Guy LeClezio	(Non-Executive Director) – Resigned 2 February 2018

## REVIEW OF OPERATIONS

### Financial Review

The consolidated group incurred a loss from ordinary activities after income tax of \$1,364,430 for the half year (2016: \$1,000,018). Components of this performance were:

	31 December 2017	31 December 2016
	\$	\$
Income:		
Revenue	108,729	128,254
Other income	24,935	59,113
Fair value loss on financial assets	-	(17,155)
(Loss) / gain on disposal of financial assets	(3,224)	5,357
Expenses:		
Employee benefits expense	(1,003,231)	(656,769)
Exploration expenditure	(139,217)	(38,588)
Reversal of impairment of assets and liabilities related to subsidiary group disposal	127,179	-
Other operating expenses	(479,601)	(480,230)
Net Loss after tax	(1,364,430)	(1,000,018)

During the half year ended 31 December 2017 cash proceeds of \$66,915 were received on the sale of 1,000,000 shares in NEXT Source Materials Inc (see Note 6). Subsequent to half year end, the final cash instalment of \$75,000 and 2,000,000 ordinary shares in the capital of BlackEarth Minerals NL have been to complete the sale of the Mauritian subsidiary, Madagascar Graphite Ltd.

The Group had a cash balance of \$10,348,581 at 31 December 2017 (30 June 2017: \$5,541,663).

### Operations Review – Karlawinda Gold Project

Highlights from the period include:

- Maiden Ore Reserve estimated at 21 million tonnes @ 1.06g/t Au containing 713,000<sup>1</sup> ounces of gold.
- Finalisation of Feasibility Study work on the 100%-owned Karlawinda Gold Project, located near Newman in the Pilbara region of Western Australia.
  - The study outlined a financially and technically robust project with a mine life of 6.5 years based on the current Ore Reserve.
  - Average life of mine production of approximately 100,000 oz per annum with estimated all in sustaining costs (AISC) of A\$1,025/oz.
- Increased total Mineral Resource estimate for the Project to 38.3 million tonnes @ 1.1g/t Au containing 1,326,000<sup>2</sup> ounces of gold.
- Completion of 53 Reverse Circulation (RC) holes (6,500m) focused on resource expansion targets and 83 Air Core (AC) holes (5,100m) to further define the southern extensions of the Bibra mineralised system, were completed.

### Feasibility Study

The Karlawinda Feasibility Study was released to the ASX on 23 October 2017. The study provides a detailed base case understanding of operational and cost structures over the initial 6.5-year life of the Project. The study confirms the potential for a high-margin gold project at Karlawinda with an

<sup>1</sup> Capricorn report that it is not aware of any new information or data that materially affects the information included in the Ore Reserve announcement dated 7 August 2017 and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

<sup>2</sup> Capricorn report that it is not aware of any new information or data that materially affects the information included in the Resource update announcement dated 17 November 2017 and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

## Directors' Report *(Cont'd)*

attractive life of mine (LOM) average annual production of approximately 100,000 ounces of gold per year and a low forecast average production costs (AISC) per oz of A\$1025.

The Project is based on open pit mining, from a single large multi-stage open pit, with contract grade control drilling, contract drill and blast and owner operator load and haul. Ore will be treated through a 3Mtpa plant using standard "off the shelf" processing technology including single stage crushing, SAG/SABC grinding and gravity recovery along with conventional cyanide leaching and recovery.

The Company has obtained a granted Mining Lease for the Project along with a signed Native Title access agreement, base line and detailed environmental studies have been completed and the process of obtaining other key permits and approvals has commenced, with no obvious impediments to permitting the Project.

**TABLE 1: KARLAWINDA FEASIBILITY STUDY RESULTS**

Karlawinda Gold Project Total Mineral Resources			
Indicated	28.9Mt	1.10 g/t	1.03 Moz
Inferred	2.4Mt	1.06 g/t	0.084Moz
<b>Total Resources</b>	<b>31.3Mt</b>	<b>1.10 g/t</b>	<b>1.114Moz</b>
Bibra Ore Reserves			
Probable Reserve	21.0Mt	1.06 g/t	0.713Moz
Processing Plant & Infrastructure Capital Costs <sup>3</sup>			
3.0 Mtpa Process Plant		A\$M	90.7
Plant Infrastructure		A\$M	8.7
Other Infrastructure		A\$M	20.5
Owners Costs		A\$M	13.4
Contingency		A\$M	13.1
<b>Total</b>		<b>A\$M</b>	<b>146.4</b>
Capital Cost / LOM Gold Production		\$A/oz	221
Capital Cost / Pre-Tax NPV			1.02
LOM Sustaining Capital Costs <sup>4</sup>		A\$M	22.8
Production Summary			
Life of Mine (LOM)		Years	6.5
LOM Strip Ratio		Waste:Ore	4.7:1
LOM Gold Production		oz	660,955
LOM Average Annual Gold Production <sup>5</sup>		oz	101,685
Processing Rate - oxide		Mtpa	3.75
Processing Rate - primary		Mtpa	3.0
LOM Average Gold Recovery		%	92.6
Life Of Mine Operating Costs			
Mining		A\$/t milled	13.8
Processing (oxide)		A\$/t milled	9.9
Processing (primary)		A\$/t milled	13.0
Processing (average LOM)		A\$/t milled	12.0
Administration		A\$/t milled	2.6
C1 Costs <sup>6</sup>		A\$/oz	991
AISC <sup>7</sup>		A\$/oz	1025
Project Economics			
LOM Revenue (A\$1650/oz)		A\$M	1091
LOM Pre-Tax Operating Cashflow (A\$1650/oz)		A\$M	413
NPV <sub>8</sub> (Pre-Tax)		A\$M	144
IRR (Pre-Tax)		%	31
Payback (Post-Tax)		Years	3.1

<sup>3</sup> Excludes mining fleet, may include rounding adjustments

<sup>4</sup> Includes mine rehabilitation and closure costs

<sup>5</sup> Excludes final quarter of production

<sup>6</sup> Includes royalties equating to A\$82.90/oz

<sup>7</sup> Includes sustaining capital costs equating to A\$34.50/oz

## Exploration

During the period, exploration drilling activities were once again ramped up at Karlawinda, the increased activity followed a period of data collection and consolidation and benefited from an improved understanding of the geology and controls of mineralisation at Karlawinda.

A total of 53 RC holes (6,500m) and 83 AC holes (5,100m) were completed. Final assay results were yet to be received for a significant proportion of the completed drilling as at 31 December 2017.

RC drilling was predominantly focused on resource expansion targets along the southern extension of the Bibra mineralised system. At the Tramore Prospect located approximately 600m southwest of the main Bibra open pit (Figure 1), RC drilling targeted on a prominent magnetic target and intersected significant results including (see ASX announcement on 25 January 2018):

- 15m @ 1.37g/t Au from 88m (KBRC1060)
- 14m @ 1.63g/t Au from 184m (KBRC1061)
- 20m @ 1.00g/t Au from 49m (KBRC1069)

A program of shallow AC drilling was completed to further define the potential southern extensions of the Bibra mineralised system and in particular the Main Footwall Lode. A portion of this drilling targeted the 600 metres of strike between the Bibra Mineral Resource and the Tramore Prospect. This drilling consistently intersected gold mineralisation and demonstrates strong continuity of the mineralisation along the Tramore target zone. Results include:

- 2m @ 1.46g/t Au from 61m (KBAC1217)
- 5m @ 1.12g/t Au from 60m (KBAC1204)
- 14m @ 1.15g/t Au from 36m (KBAC1205)
- 14m @ 0.65g/t Au from 51m (KBAC1197)
- 3m @ 1.29g/t Au from 42m (KBAC1178)

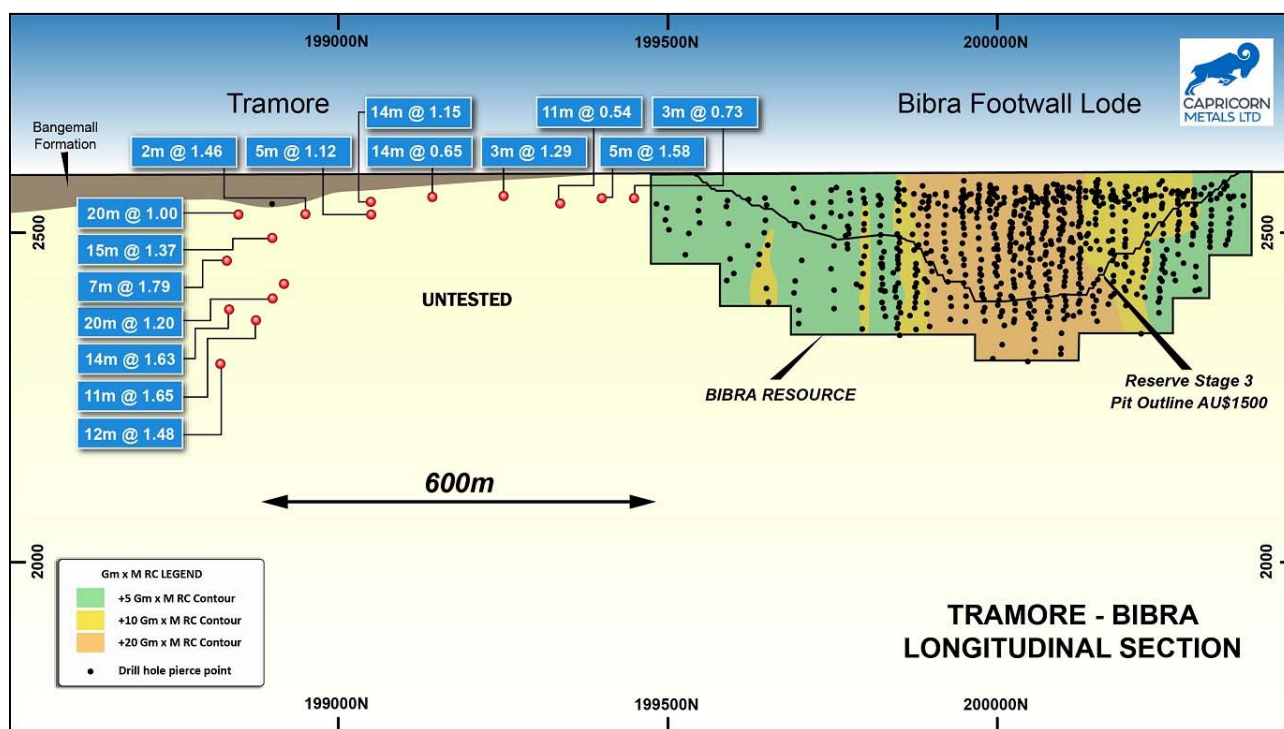


Figure 1: Bibra Gold Deposit to Tramore Prospect, Longitudinal Section

## EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the period, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of the affairs for the consolidated entity in subsequent financial years, other than:

- On 22<sup>nd</sup> January 2018 the sale of wholly owned Mauritian subsidiary, Madagascar Graphite Ltd and its assets, which comprise 100% ownership of Madagascan subsidiary, Mada-Aust SARL, was completed after the receipt of \$150,000 in cash consideration and the allotment of 2,000,000 ordinary shares in the capital of Black Earth Minerals NL at a deemed issue price of \$0.20 per share.
- 2<sup>nd</sup> February 2018: Mr Guy LeClezio resigned as a Non-Executive Director. Additionally, Mr Peter Langworthy resigned from his Executive position (Executive General Manager – Geology) and was appointed as a Non-Executive Director.
- 26<sup>th</sup> February 2018: Ms Debra Bakker was appointed as a Non-Executive Director.

## Directors' Report *(Cont'd)*

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### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporation Act 2001 is set out on the following page for the half-year ended 31 December 2017.

*This report is signed in accordance with a resolution of the Board of Directors.*



**Mr Heath Hellewell**  
Executive Chairman

Dated this 16<sup>th</sup> day of March 2018

**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 half-year ended 31 December 2017 there have been:

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

*William Buck*

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

*g*

Conley Manifis  
Director

Dated this 16<sup>th</sup> day of March, 2018

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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South Perth WA 6151

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South Perth WA 6951

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2017

		31 December	
	Note	2017	2016
		\$	\$
Revenue	2 (a)	108,729	128,254
Other income	2 (b)	24,935	59,113
Fair value loss on financial assets	6	-	(17,155)
(Loss) / gain on disposal of other financial assets	6	(3,224)	5,357
Employee benefits expense		(1,003,231)	(656,769)
Depreciation expense		(45,943)	(35,096)
Foreign currency gain		43	30
Administration costs		(470,807)	(459,453)
Exploration expenditure		(139,217)	(38,588)
Reversal of impairment of receivable		38,246	15,496
Reversal of impairment of assets and liabilities related to subsidiary group disposal	7	127,179	-
Loss before income tax expense		(1,363,290)	(998,811)
Income tax expense		(1,140)	(1,207)
<b>Net Loss attributable to members of the parent entity</b>		<b>(1,364,430)</b>	<b>(1,000,018)</b>
<b>Other Comprehensive Income:</b>			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Adjustment from translation of foreign controlled entities		(25,387)	1,933
Revaluation of Land & Buildings		8,095	7,777
Income tax relating to components of other comprehensive income		-	-
<b>Total comprehensive loss for the period attributable to members of the parent entity</b>		<b>(1,381,722)</b>	<b>(990,308)</b>
<b>Earnings per share:</b>			
Basic loss per share (cents per share)		(0.23)	(0.21)
Diluted loss per share (cents per share)		(0.23)	(0.21)

*The accompanying notes form part of these financial statements.*



# Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 \$	30 June 2017 \$
<b>Current Assets</b>			
Cash and cash equivalents		10,348,581	5,541,663
Other current receivables		214,209	196,169
Other current assets		20,291	23,964
Other financial assets	6	-	70,139
		<u>10,583,081</u>	<u>5,831,935</u>
Assets classified as held for sale	7	5,050,000	5,050,000
<b>Total Current Assets</b>		<u>15,633,081</u>	<u>10,881,935</u>
<b>Non-Current Assets</b>			
Property, plant & equipment		343,247	373,498
Deferred exploration and evaluation costs	3	23,016,866	20,668,339
<b>Total Non-Current Assets</b>		<u>23,360,113</u>	<u>21,041,837</u>
<b>TOTAL ASSETS</b>		<u>38,993,194</u>	<u>31,923,772</u>
<b>Current Liabilities</b>			
Trade and other payables		808,872	1,346,353
Other liability		2,188	2,398
Short-term provisions		130,926	89,057
<b>Total Current Liabilities</b>		<u>941,986</u>	<u>1,437,808</u>
<b>Non-Current Liabilities</b>			
Trade and other payables		352,273	378,416
<b>Total Non-Current Liabilities</b>		<u>352,273</u>	<u>378,416</u>
<b>TOTAL LIABILITIES</b>		<u>1,294,259</u>	<u>1,816,224</u>
<b>NET ASSETS</b>		<u>37,698,935</u>	<u>30,107,548</u>
<b>EQUITY</b>			
Issued capital	8	50,878,673	42,121,506
Reserves		2,526,628	2,327,978
Accumulated losses		(15,706,366)	(14,341,936)
<b>TOTAL EQUITY</b>		<u>37,698,935</u>	<u>30,107,548</u>

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Changes in Equity

For the half year ended 31 December 2017

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Asset Revaluation Reserve \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2016</b>	<b>32,509,123</b>	<b>(11,048,697)</b>	<b>(733,639)</b>	<b>2,167,734</b>	<b>316,018</b>	<b>23,210,539</b>
Loss for the period	-	(1,000,018)	-	-	-	(1,000,018)
Other comprehensive income	-	-	1,933	7,777	-	9,710
Total comprehensive income	-	(1,000,018)	1,933	7,777	-	(990,308)
Issue of shares	150,000	-	-	-	-	150,000
Share based payments	-	-	-	-	292,908	292,908
<b>Balance at 31 December 2016</b>	<b>32,659,123</b>	<b>(12,048,715)</b>	<b>(731,706)</b>	<b>2,175,511</b>	<b>608,926</b>	<b>22,663,139</b>
<b>Balance at 1 July 2017</b>	<b>42,121,506</b>	<b>(14,341,936)</b>	<b>(717,282)</b>	<b>2,184,021</b>	<b>861,239</b>	<b>30,107,548</b>
Loss for the period	-	(1,364,430)	-	-	-	(1,364,430)
Other comprehensive income	-	-	(25,387)	8,095	-	(17,292)
Total comprehensive income	-	(1,364,430)	(25,387)	8,095	-	(1,381,722)
Issue of shares	9,128,944	-	-	-	-	9,128,944
Costs of capital raised	(371,777)	-	-	-	-	(371,777)
Share based payments	-	-	-	-	215,942	215,942
<b>Balance at 31 December 2017</b>	<b>50,878,673</b>	<b>(15,706,366)</b>	<b>(742,669)</b>	<b>2,192,116</b>	<b>1,077,181</b>	<b>37,698,935</b>

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Cash Flows

For the half year ended 31 December 2017

	31 December	
	2017	2016
	\$	\$
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(974,741)	(1,112,782)
Payments for exploration and evaluation expenditure	(99,160)	(9,238)
Payments for stamp duty on acquisition of Greenmount Resources Pty Ltd	(330,584)	-
Interest received	27,760	69,434
Royalties received	66,003	62,206
Other income	52,249	48,950
	<hr/>	<hr/>
Net cash used in operating activities	(1,258,473)	(941,430)
	<hr/>	<hr/>
<b>Cash flows from Investing Activities</b>		
Payments for purchase of plant & equipment	(11,990)	(17,357)
Proceeds on sale of plant & equipment	-	822
Proceeds on sale of financial assets	66,915	21,330
Payments for capitalised exploration expenditure	(2,714,996)	(7,710,256)
Payment for the acquisition of the Karlawinda tenements	-	(1,500,000)
	<hr/>	<hr/>
Net cash used in investing activities	(2,660,071)	(9,205,461)
	<hr/>	<hr/>
<b>Cash flows from Financing Activities</b>		
Proceeds received from options exercised	-	150,000
Proceeds received from the issue of shares	9,128,944	-
Costs of capital raised	(371,777)	-
Deferred payments under share purchase agreement	(31,143)	(26,162)
	<hr/>	<hr/>
Net cash provided by financing activities	8,726,024	123,838
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents held</b>	<b>(4,807,480)</b>	<b>(10,023,053)</b>
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the period	5,541,663	11,755,911
Effect of Foreign exchange rates on cash in foreign currencies	(562)	45
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>10,348,581</b>	<b>1,732,903</b>

*The accompanying notes form part of these financial statements.*

# Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Standards and Interpretations adopted in the current year

The Group has adopted all of 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 half year ended 31 December 2017. In adopting these new and revised pronouncements, the Group has determined that there has been no material impact to the Group's reported position or performance.

### Going Concern

The half-year financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

## NOTE 2 – REVENUE

The following revenue items are relevant in explaining the financial performance for the interim period:

	31 December	
	2017	2016
	\$	\$
<b>(a) Revenue:</b>		
- royalties	46,431	78,701
- rental	62,057	29,527
- other	241	20,026
Total Revenue	108,729	128,254
<b>(b) Other Income:</b>		
- net Interest received	24,935	59,113
Total Other Income	24,935	59,113

## NOTE 3 – DEFERRED EXPLORATION & EVALUATION COSTS

	31 December 2017	30 June 2017
	\$	\$
<b>Madagascar</b>		
At 1 July	-	967,000
Impairment	-	(417,000)
Reclassified as held for sale	-	(550,000)
At 31 December/ 30 June	-	-
<b>Australia</b>		
At 1 July	20,668,339	7,598,465
Capitalised exploration expenditure	2,348,527	13,069,874
At 31 December/ 30 June	23,016,866	20,668,339
	23,016,866	20,668,339

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the half year ended 31 December 2017

## NOTE 4 – SEGMENT INFORMATION

### Identification of reportable segments:

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (as the chief operating decision makers) 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. Reportable segments are therefore disclosed as geographical segments being Australia and Madagascar. At 31 December 2017, the segment previously identified as Mauritius has been combined with the segment identified as Madagascar.

### 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.

- Intersegmental transactions:

Intersegment loans are recognised at the consideration received net of transaction costs.

	Australia \$	Madagascar \$	Eliminations \$	Consolidated \$
<b>31 December 2017</b>				
<b>Revenue</b>				
Revenue	-	108,729	-	108,729
Other income	24,969	(34)	-	24,935
Total segment revenue	24,969	108,695	-	133,664
<b>Result</b>				
Segment results	(1,332,924)	(430,873)	399,367	(1,364,430)
Profit/(Loss) before income tax	(1,332,924)	(429,733)	399,367	(1,363,290)

### 31 December 2016

<b>Revenue</b>				
Revenue	-	128,254	-	128,254
Other income	59,085	28	-	59,113
Total segment revenue	59,085	128,282	-	187,367
<b>Result</b>				
Segment results	(901,228)	(82,247)	(16,543)	(1,000,018)
Profit/(Loss) before income tax	(901,228)	(81,040)	(16,543)	(998,811)

	Australia \$	Madagascar \$	Eliminations \$	Consolidated \$
<b>31 December 2017</b>				
<b>Assets</b>				
Segment Assets	33,718,505	5,274,689	-	38,993,194
Segment Liabilities	(1,294,879)	620	-	(1,294,259)
<b>Other</b>				
Acquisition of non-current assets	4,778	-	-	4,778
Depreciation expense	20,141	25,802	-	45,943

### 30 June 2017

<b>Assets</b>				
Segment Assets	26,644,550	5,279,222	-	31,923,772
Segment Liabilities	(1,799,513)	(16,711)	-	(1,816,224)
<b>Other</b>				
Acquisition of non-current assets	178,393	1,679	-	180,072
Depreciation expense	19,790	53,937	-	73,727

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

## For the half year ended 31 December 2017

### NOTE 5 – DIVIDENDS

No dividend has been paid or proposed.

### NOTE 6 – OTHER FINANCIAL ASSETS

	31 December 2017	30 June 2017
	\$	\$
Listed Shares in NEXT Source Materials Inc	-	70,139
Unlisted Warrants in NEXT Source Materials Inc	-	-
	-	70,139

#### *Listed shares in NEXT Source Materials Inc:*

	31 December 2017		30 June 2017	
	Number	\$	Number	\$
At 1 January / 1 July	1,000,000	70,139	1,237,000	83,369
Fair value decrease	-	-	-	2,743
Shares sold	(1,000,000)	(70,139)	(237,000)	(15,973)
At 31 December / 30 June	-	-	1,000,000	70,139

Financial assets, revalued at fair value through the profit and loss using the closing quoting bid prices at the end of the reporting period represent Nil (30 June 2017: 1,000,000) fully paid ordinary shares in Canadian company NEXT Source Materials Inc.

During the half-year to 31 December 2017 the company sold 1,000,000 NEXT Source shares to raise \$66,915 in cash proceeds for working capital purposes.

#### *Disposal of listed shares:*

	31 December 2017	30 June 2017
	\$	\$
Shares disposed	(70,139)	(15,973)
Proceeds received	66,915	21,330
(Loss)/gain on disposal	(3,224)	5,357

#### *Fair value of listed shares and assumptions:*

	31 December 2017	30 June 2017
Fair value per listed share	N/A	\$0.701
Closing quoting bid price per share	N/A	CAD \$0.070
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	N/A	1.00198

\* The values set out in the table above are subject to rounding.

#### *Unlisted Warrants in NEXT Source Materials Inc:*

	31 December 2017	30 June 2017
	\$	\$
Balance at the beginning of the period / year	-	92,260
Fair value decrease	-	(25,375)
Fair value decline	-	(66,685)
Balance at the end of the period / year	-	-

The Company holds 3,500,000 Warrants in NEXT Source Materials Inc, convertible at USD \$0.14 per warrant and expire 15 April 2019.

At 31 December 2017, the Directors have considered it is unlikely that any value will be realised and have assessed carrying value of this investment as nil (30 June 2017: Nil).

# Notes to the Condensed Consolidated Financial Statements *(Cont'd)*

For the half year ended 31 December 2017

## NOTE 7 – ASSETS HELD FOR SALE

Assets held for sale comprises:

	31 December 2017	30 June 2017
	\$	\$
Property Asset <sup>(1)</sup>	4,500,000	4,500,000
	<u>4,500,000</u>	<u>4,500,000</u>
Subsidiary disposal group: <sup>(2)</sup>		
tenement holdings	550,000	550,000
operating & fixed assets	140,381	186,347
liabilities	(181,712)	(100,499)
Write back/ (Impairment) of assets & liabilities	41,331	(85,848)
	<u>550,000</u>	<u>550,000</u>
Total Assets Held for Sale	<u>5,050,000</u>	<u>5,050,000</u>

### (1) Property Asset

The Company intends to dispose of a freely held property asset located in Antananarivo, Madagascar within the next 12 months.

The Board of Directors have determined a fair value of \$4,500,000 for the Group's freehold land and buildings based on the market valuation performed by Messrs Cabinet D'Expertise Razafindratandra in October 2015 of 11,323,422,000 Ariary (AUD \$4,899,899). Messrs Cabinet D'Expertise Razafindratandra have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

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

### (2) Subsidiary Disposal Group

In February 2017, the Company committed to the sale of a wholly owned Mauritian subsidiary, Madagascar Graphite Ltd and its assets which comprise 100% ownership of Madagascan subsidiary, Mada-Aust SARL, by way of a Share Sale & Purchase Agreement with BlackEarth Minerals NL (BlackEarth).

The key terms of the agreement saw the payment of \$75,000 non-refundable deposit on signing of the agreement.

Consideration outstanding at 31 December 2017 comprised a further \$75,000 cash and the issue of 2,000,000 ordinary shares in BlackEarth, both due on completion of the sale which requires BlackEarth to successfully complete an initial public offer and receive conditional approval for admission to the official list of the Australian Securities Exchange.

Subsequent to half-year end, on 22 January 2018, the sale transaction was completed with the payment of the final \$75,000 cash installment. Earlier on 11 January 2018, the Company was allotted 2,000,000 ordinary shares in the capital of BlackEarth.

Further deferred consideration of \$1,000,000 is payable upon a 'decision to mine' being made by Blackearth within 8 years of completion of this transaction.

The fair value of the disposal is equal to the consideration due under the Share Sale & Purchase Agreement totaling \$550,000.

## NOTE 8 – ISSUED CAPITAL

	31 December 2017	30 June 2017
	\$	\$
747,936,325 fully paid ordinary shares (30 June 2017: 572,379,458)	50,878,673	42,121,506
<i>Ordinary shares:</i>	<i>Number</i>	<i>Number</i>
Balance at the beginning of the period / year	572,379,458	485,909,373
Shares issued during the period / year:		
- 19 September 2016 <sup>(1)</sup>	-	1,000,000
- 10 March 2017 <sup>(2)</sup>	-	54,852,304
- 5 May 2017 <sup>(3)</sup>	-	30,617,781
- 6 December 2017 <sup>(4)</sup>	137,095,083	-
- 27 December 2017 <sup>(5)</sup>	38,461,781	-
Balance at the end of the period / year	<u>747,936,325</u>	<u>572,379,458</u>

There are no preference shares on issue.

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

## For the half year ended 31 December 2017

### NOTE 8 – ISSUED CAPITAL (Cont'd)

#### Notes:

- 19 September 2016: 1,000,000 shares were issued at a price of \$0.15 per share on the exercise of unlisted options by Non-Executive Director, Mr G LeClezio.
- 10 March 2017: 54,852,304 shares were issued at a price of \$0.117 per share as completion of Tranche 1 of the placement to Hawke's Point Holdings I Limited. In addition, 18,284,101 free attaching options were also issued with an exercise price of \$0.15 per share and an expiry date of 5 May 2020.
- 5 May 2017: 30,617,781 shares were issued at a price of \$0.117 per share as completion of Tranche 2 of the placement to Hawke's Point Holdings I Limited. In addition, 10,205,927 free attaching options were also issued with an exercise price of \$0.15 per share and an expiry date of 5 May 2020.
- 6 December 2017: 137,095,083 shares were issued at a price of \$0.052 per share on completion of a placement to sophisticated investors.
- 27 December 2017: 38,461,781 shares were issued at a price of \$0.052 per share subsequent to the completion of a shareholder share purchase plan.

The Group has no maximum authorised share capital. Ordinary shares do not have a par value.

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.

#### Options

6,000,000 unlisted options exercisable at \$0.15 per share on or before 5 May 2021 were issued to Executive, Mr Jonathan Shellabear, under the rules of the Company's employee share option plan.

1,000,000 unlisted options exercisable at \$0.097 per share on or before 23 November 2021 were issued to Non-Executive Director, Mr Stuart Pether, subsequent to shareholder approval received on 23 November 2017.

#### Securities Exchange Listing

Total Issued Capital is 747,936,325 shares, all of which were listed on the ASX at 31 December 2017.

### NOTE 9 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 31 December 2017 (30 June 2017: Nil).

### NOTE 10 – COMMITMENTS

#### Exploration Commitments

The Group is obligated to meet the minimum expenditure commitments on its tenements held in Western Australia or may face forced relinquishment of all or part of the tenement.

As at 31 December 2017 there are nine granted tenements with annual expenditure commitments totalling \$557,000 and one granted mining lease with an annual expenditure commitment of \$297,600.

#### Operating Lease Commitments

The Group leases office premises in West Perth, Western Australia under normal commercial lease arrangements. The office lease was entered for an initial 5-year period commencing 1 May 2017. In addition, the Group entered into a lease arrangement on a printer from 22 May 2017. The lease is for a term of 5 years.

On 9 July 2017 the Company entered into a 5-year lease of a phone system.

	31 December 2017	30 June 2017
	\$	\$
<b>Lease Commitments: Group as lessee</b>		
<i>Operating leases:</i>		
- Within one year	145,888	141,268
- Later than one year but not later than five years	591,317	645,398
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	737,205	786,666

#### Other commitments

Capricorn Metals Ltd has bank guarantees totalling \$138,364.



# Notes to the Condensed Consolidated Financial Statements *(Cont'd)*

## For the half year ended 31 December 2017

### NOTE 11 – EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the period, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of the affairs for the consolidated entity in subsequent financial years, other than:

- On 22<sup>nd</sup> January 2018 the sale of wholly owned Mauritian subsidiary, Madagascar Graphite Ltd and its assets, which comprise 100% ownership of Madagascan subsidiary, Mada-Aust SARM, was completed after the receipt of \$150,000 in cash consideration and the allotment of 2,000,000 ordinary shares in the capital of Black Earth Minerals NL at a deemed issue price of \$0.20 per share.
- 2<sup>nd</sup> February 2018: Mr Guy LeClezio resigned as a Non-Executive Director. Additionally, Mr Peter Langworthy resigned from his Executive position (Executive General Manager – Geology) and was appointed as a Non-Executive Director.
- 26<sup>th</sup> February 2018: Ms Debra Bakker was appointed as a Non-Executive Director.

### NOTE 12 – KEY MANAGEMENT PERSONNEL

Details of the Group's Key Management Personnel Compensation arrangements are provided in the Remuneration Report and the Notes to the Financial Statements contained in the Group's Annual Report for the year ended 30 June 2017.

The significant changes in the nature of key management personnel remuneration since 30 June 2017 were as follows:

1. On 22 September 2017, 6,000,000 unlisted options exercisable at \$0.15 per share, expiring on 5 May 2021 were granted to an Executive under the terms of the employee share option plan.

Name	Options Issued
Mr Jonathan Shellabear	6,000,000

2. At the general meeting of shareholders held on 23 November 2017 approval was received for the issue of 1,000,000 unlisted options exercisable at \$0.097 per share expiring on 23 November 2021. The quantum of options issued to each key management person is set out below.

Name	Options Issued
Mr Stuart Pether	1,000,000

3. The total weighted average fair value of those equity instruments, determined by reference to market price, was \$151,161 which will be expensed over the vesting period.

The fair value is measured using the Black-Scholes option pricing formula. It was calculated using the following inputs:

Fair Value of Options & Assumptions:	<i>J Shellabear</i>	<i>S Pether</i>
Grant date	22/09/2017	23/11/2017
Number granted	6,000,000	1,000,000
Fair Value at grant date (per option) (cents)	2.188	1.988
Share Price at grant date (cents)	9.100	6.700
Exercise price	15.000	9.700
Expected share price volatility	50%	50%
Expected life of option (days)	1,321	1,461
Expected dividends	Nil	Nil
Risk free interest rate	2.205%	2.040%

## Directors' Declaration

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The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 7 to 16, are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.
- (b) 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:



**Mr Heath Hellewell**  
Executive Chairman

Perth, Western Australia  
16 March 2018

## Capricorn Metals Ltd

### Independent auditor's review report to members

## Report on the Review of the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Capricorn Metals Ltd (the company) and the entities it controlled at the half-year's end or from time to time during the half-year (the consolidated entity) on pages 7 to 17, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capricorn Metals Ltd on pages 7 to 17 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

### Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

As the auditor of Capricorn Metals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

#### CHARTERED ACCOUNTANTS & ADVISORS

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## Capricorn Metals Ltd

### Independent auditor's review report to members

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



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



Conley Manifis  
Director

Dated this 16<sup>th</sup> day of March, 2018