



**CAPRICORN METALS LTD**

ABN 84 121 700 105

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2016**

# Corporate Directory

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## Directors

Heath Hellewell – Executive Chairman  
Guy LeClezio – Non-Executive Director  
Stuart Pether – Non-Executive Director

## Executives

Peter Thompson – Chief Operating Officer  
Peter Langworthy – Executive General Manager - Geology  
Jonathan Shellabear – Chief Financial Officer

## Company Secretaries

Graeme Boden  
Natasha Forde

## Principal Place of Business

1 Coventry Parade  
NORTH FREMANTLE WA 6159

## Registered Office

15 Lovegrove Close  
MOUNT CLAREMONT WA 6010  
Telephone: +61 8 9286 1219  
Facsimile: +61 8 9284 3801

## Postal Address

15 Lovegrove Close  
MOUNT CLAREMONT WA 6010

## 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

## Solicitors to the Company

Steinepreis Paganin  
Level 4, 16 Milligan Street  
PERTH WA 6000

## Securities Exchange Listing

Australian Securities Exchange  
ASX Code: CMM

## Web Site

Visit our website at: [www.capmetals.com.au](http://www.capmetals.com.au)

*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 2016, 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)
Mr Guy LeClezio	(Non-Executive Director)
Mr Stuart Pether	(Non-Executive Director) – Appointed 14 <sup>th</sup> March 2017
Mr Peter Thompson	(Managing Director) – Resigned 14 <sup>th</sup> March 2017
Mr Peter Langworthy	(Executive Director) – Resigned 14 <sup>th</sup> March 2017
Mr Jonathan Shellabear	(Non-Executive Director) – Appointed 5 <sup>th</sup> December 2016, resigned 14 <sup>th</sup> March 2017

## REVIEW OF OPERATIONS

### Financial Review

The consolidated group incurred a loss from ordinary activities after income tax of \$1,000,018 for the half year (2015: \$2,747,190). Components of this performance were:

	31 December 2016 \$	31 December 2015 \$
Income:		
Revenue	128,254	125,390
Other income	59,113	59,325
Fair value loss on financial assets	(17,155)	(160,476)
Gain / (loss) on disposal of financial assets	5,357	(41,389)
Expenses:		
Employee benefits expense	(656,769)	(294,466)
Exploration expenditure	(38,588)	(233,662)
Impairment of deferred exploration & evaluation expenditure	-	(1,869,216)
Other operating expenses	(480,230)	(332,696)
Net Loss after tax	(1,000,018)	(2,747,190)

The Group had a cash balance of \$1,732,903 at 31 December 2016 (30 June 2016: \$11,755,911).

### Karlawinda Gold Project

#### Project highlights during the half-year

- Announcement of Bibra Gold Deposit Inferred Resource (ASX release 4 July 2016): 25.5mt @ 1.1g/t Au for 914,000oz.
- Completion of the positive Bibra Scoping Study in July 2016.
- Completion of significant drilling campaign at Karlawinda with a total 72,500m of Reverse Circulation (RC) and 5,000m of Diamond drilling.
- Mining lease M52/1070 granted in November 2016, following the signing of native title agreement.
- Definitive feasibility study on track for completion mid-2017.

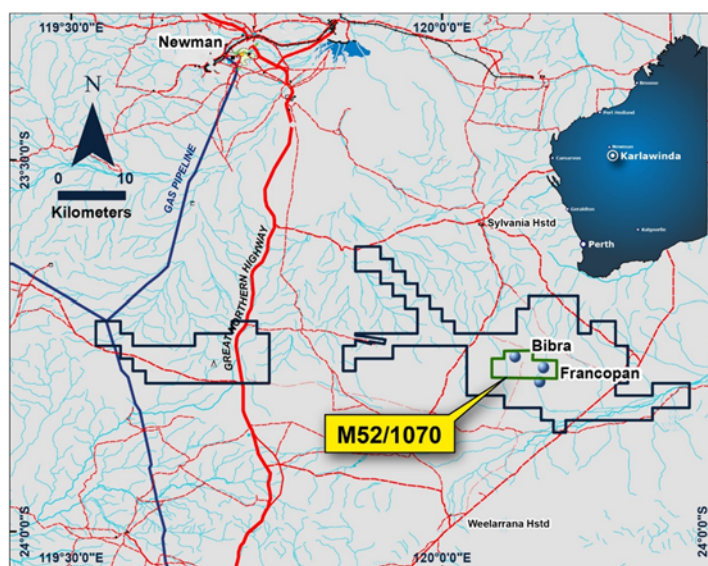


Figure 1: Location Map: Karlawinda Gold Project and M52/1070

# Directors' Report (Cont'd)

## Drilling Results

The completed programme reduced the drill-hole density at Bibra to 25m x25m spacing (critical areas) and 50m x 50m spacing (non-critical areas), generated large volumes of sample material for further metallurgical testwork, and discovered new mineralisation in peripheral gold targets including at the Easky, Portrush and Southern Corridor prospects.

Key outcomes from the drilling were to further enhance the Company's understanding of the geological controls on the mineralisation and to reinforce the strong continuity of mineralisation in all directions.

The improved geological understanding has confirmed the lithological controls for host rock (more permeable altered sandstones) and the structural controls on higher-grade mineralisation.

ASX releases of drilling results were made on 20<sup>th</sup> October, 2<sup>nd</sup> November, 9<sup>th</sup> December, 16<sup>th</sup> December, 20<sup>th</sup> December 2016 and 16<sup>th</sup> January 2017.

## 200100N Cross Section (ASX Release 2 November 2016)

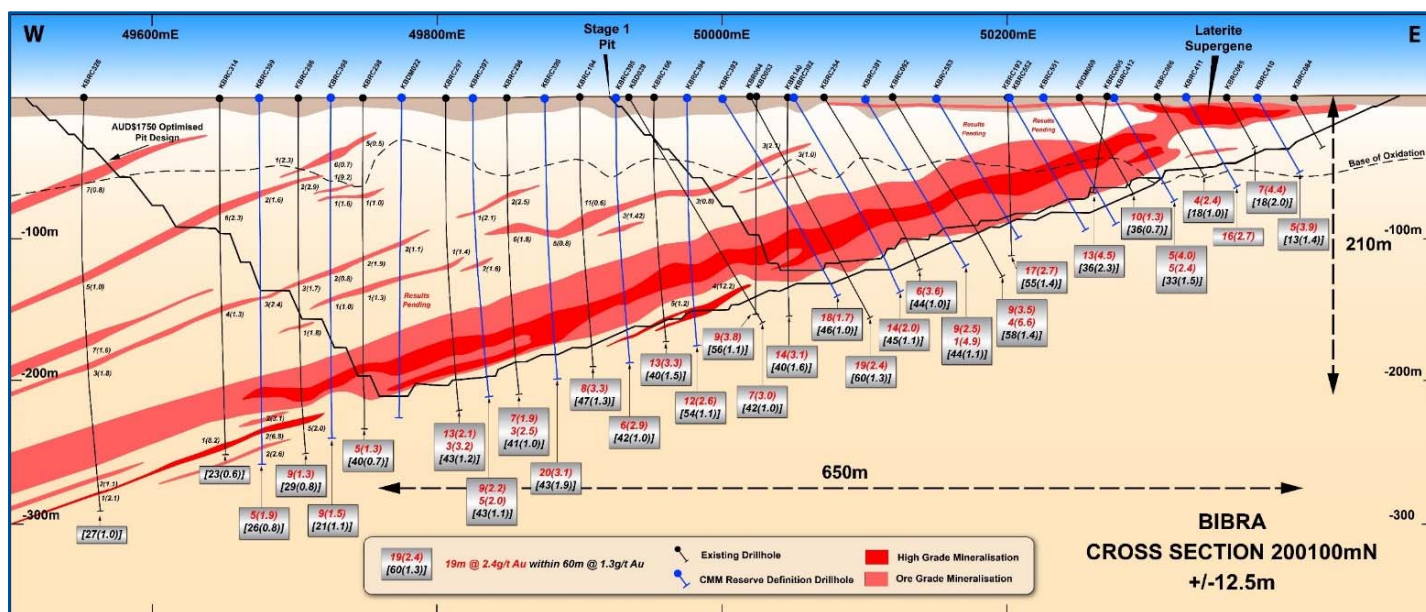


Figure 2: Bibra Cross-Section 200100 N

The cross-section shown above (Figure 2) runs East-West through the centre of the Bibra deposit and demonstrates strong continuity of the mineralisation from hole-to-hole on 25m drill-hole spacings for over 800m down-dip.

The main Footwall Lode is dominant with 40-50m thick mineralisation, and importantly includes a continuous higher-grade core (dark red colour). Near-surface, supergene laterite mineralisation is also highlighted, and includes some thick, high grade intersections.

Key intersections are summarised below:

### Laterite

- KBRC410 13m @ 1.40g/t Au from 5m (includes 5m @ 2.93g/t)
- KBRC085 18m @ 1.96g/t Au from 6m (includes 7m @ 4.43g/t)
- KBRC411 16m @ 2.68g/t Au from 8m

### Saprolite-Transition

- KBRC412 33m @ 1.45g/t Au from 23m (includes 5m @ 4.03g/t)

### Fresh Rock

- KBRC393 46m @ 1.00g/t Au from 89m (includes 18m @ 1.74g/t)
- KBRC394 54m @ 1.09g/t Au from 87m (includes 12m @ 2.60g/t)
- KBRC395 42m @ 1.03g/t Au from 112m (includes 6m @ 2.90g/t)
- KBRC396 47m @ 1.27g/t Au from 129m (includes 20m @ 3.10g/t)



# Directors' Report (Cont'd)

## 199725N Cross Section (ASX Release 16<sup>th</sup> December 2016)

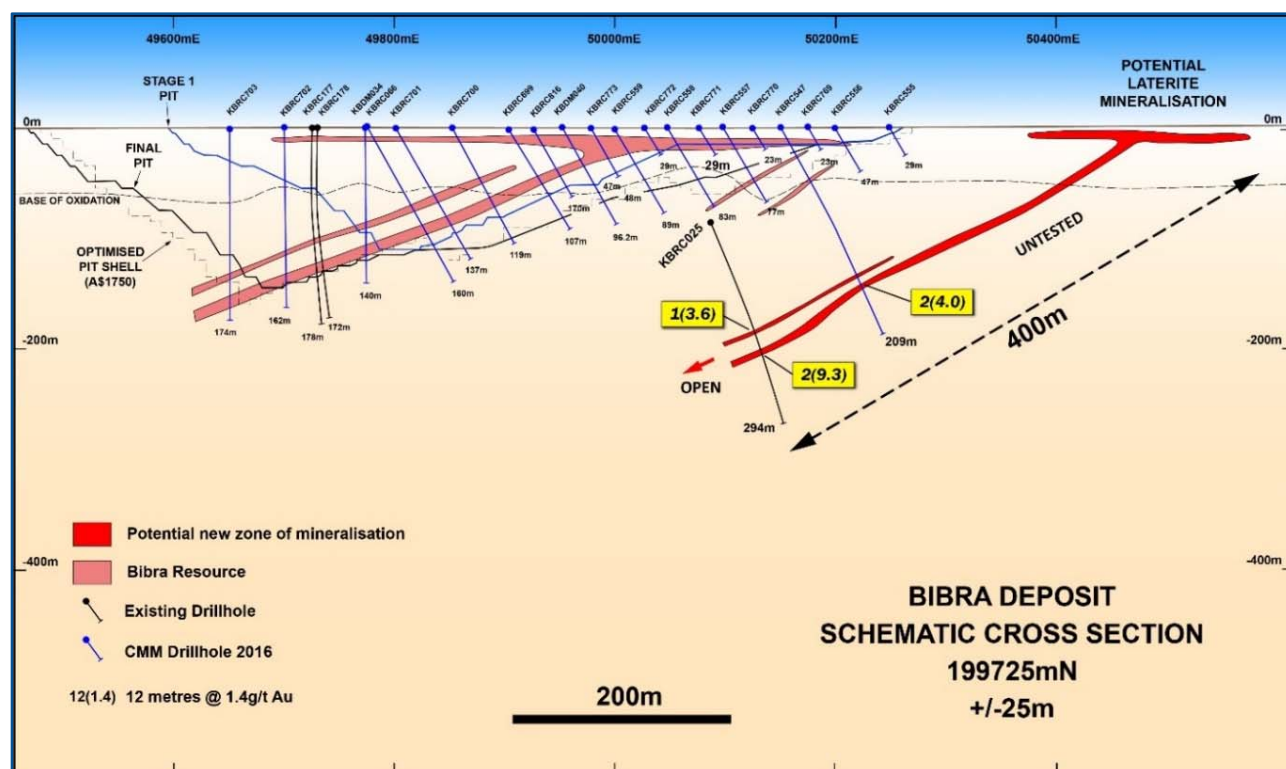


Figure 3: Bibra Cross Section 199725 N

The East-West cross section (Figure 3) through the southern part of the Bibra deposit highlights some deeper, higher grade mineralisation which has significant, untested up-dip potential. The Bibra mineralisation comprises a series of parallel, stacked lodes with strong continuity. These intersections of 2m @ 9.3 g/t and 2m @ 4.0 g/t gold lie below the current 2016 Scoping Study pit design and outside of the current Bibra resource, but indicate potential for shallower mineralisation to the east, where there is currently no drilling. This new, shallow target is expected to be drill-tested in the March quarter. Reported intersections from this cross-section are as follows:

- KBRC025 2m @ 9.3g/t Au from 218m
- KBRC547 2m @ 4.0g/t Au from 162m

## New High Grade Domain, 199775N Cross Section (ASX Release 16<sup>th</sup> January 2017)

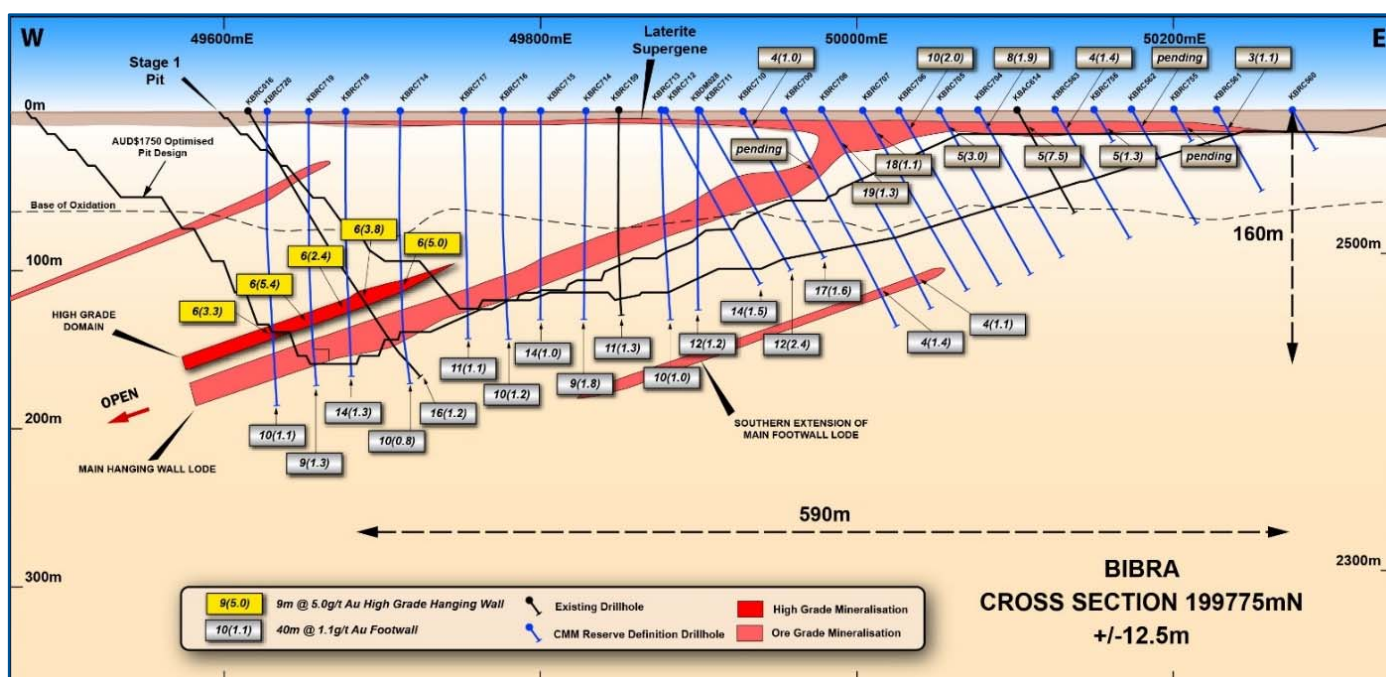


Figure 4: Bibra Cross Section 199775 N

## Directors' Report (Cont'd)

The cross-section shown at Figure 4, runs East-West through the southern part of the Bibra deposit, where the Hanging-Wall lode has become dominant (the Footwall lode is shown as the narrower, deeper lode below the pit design). Primary mineralisation extends for 400m down-dip and has very consistent widths and grades at 25m drillhole spacing.

- KBRC720 6m @ 3.3g/t Au from 134m
- KBRC719 6m @ 5.4g/t Au from 126m
- KBRC718 6m @ 2.4g/t Au from 118m
- KBRC174 6m @ 5.0g/t Au from 107m
- KBRC016 6m @ 3.8g/t Au from 134m

Strong near-surface laterite intersections are also reported on this section, including **10m @ 2.0g/t** and **8m @ 1.9g/t gold**. This mineralisation would be extracted in the first year of mining and would be expected to have a significant impact on project economics.

### Down-dip Mineralisation and Enhanced Footwall lode, 200075N and 199850N Cross Sections (ASX Release 20<sup>th</sup> December 2016).

Drilling results reported from the Footwall lode on section 200075 N (Figure 5) show good continuity of higher than average grades, below the 2016 Scoping Study pit design. These results have potential to expand the mineral resource in this area and to drive a deeper pit than previously designed. Intersections from this drilling include:

- KBRC604 7m @ 7.5g/t Au (within 33m @ 2.1g/t Au) and 4m @ 4.8g/t Au
- KBRC603 15m @ 2.4g/t Au (within 33m @ 1.5g/t Au)

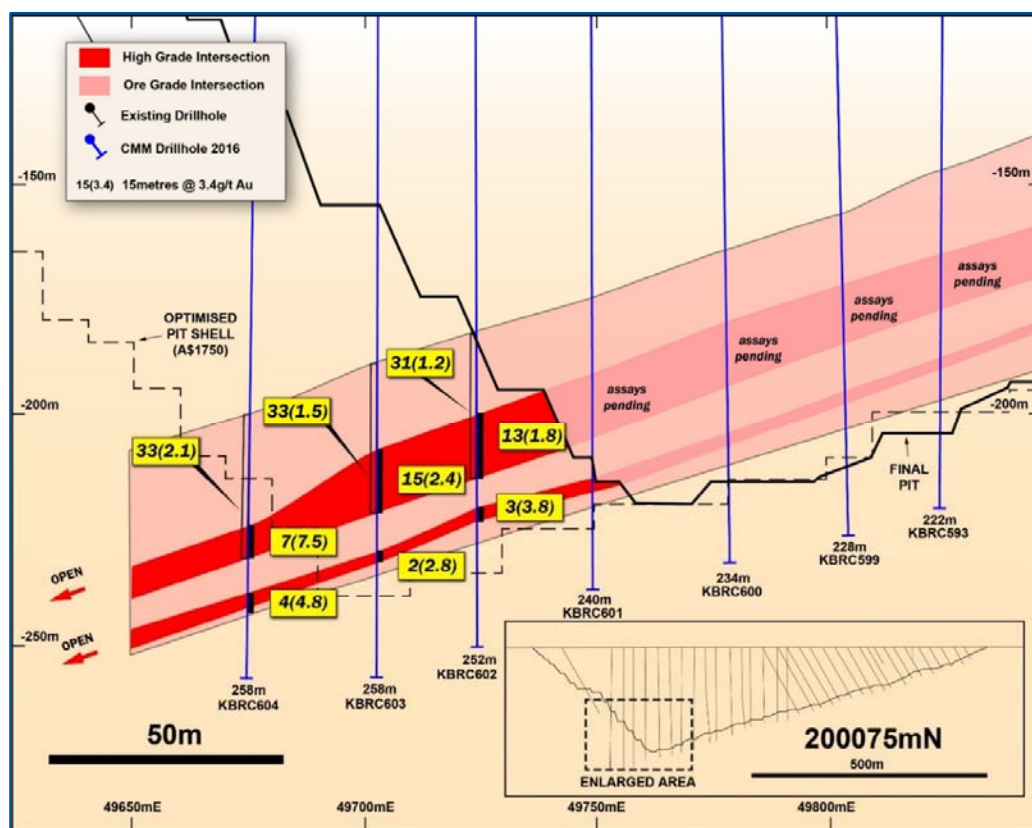


Figure 5: Bibra Cross Section 200075 N

A series of holes drilled to test for the potential southern extension of the Main Footwall lode are shown from cross-section 199850 N in Figure 6, below.

This position is located just beneath the 2016 Scoping Study pit design and, as such, any addition or improvement to the resource in this position could result in the pit design driving deeper to capture additional resources at minimal stripping ratio. The results returned to date clearly demonstrate potential for a significant extension to the resource in this location. Results include:

- KBRC458 7m @ 1.43g/t Au
- KBRC505 6m @ 1.54g/t Au
- KBRC499 8m @ 1.14g/t Au and 5m @ 10.8g/t Au (includes 1m @ 50.1g/t)
- KBRC501 8m @ 1.41g/t Au
- KBRC502 12m @ 1.10g/t Au
- KBRC342 8m @ 1.41g/t Au
- KBRC506 9m @ 1.50g/t Au



# Directors' Report (Cont'd)

- KBRC510 11m @ 1.20g/t Au
- KBRC341 6m @ 1.60g/t Au

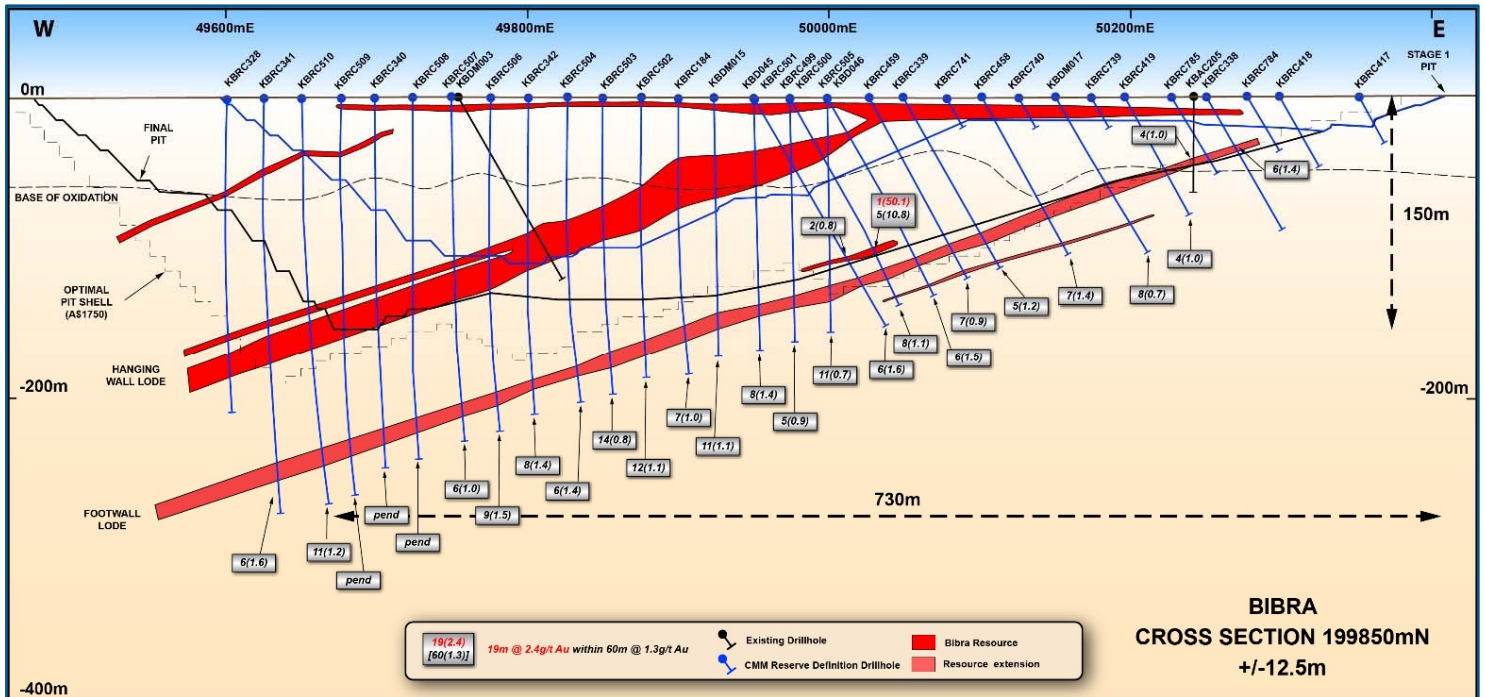


Figure 6: Bibra Cross Section 199850 N

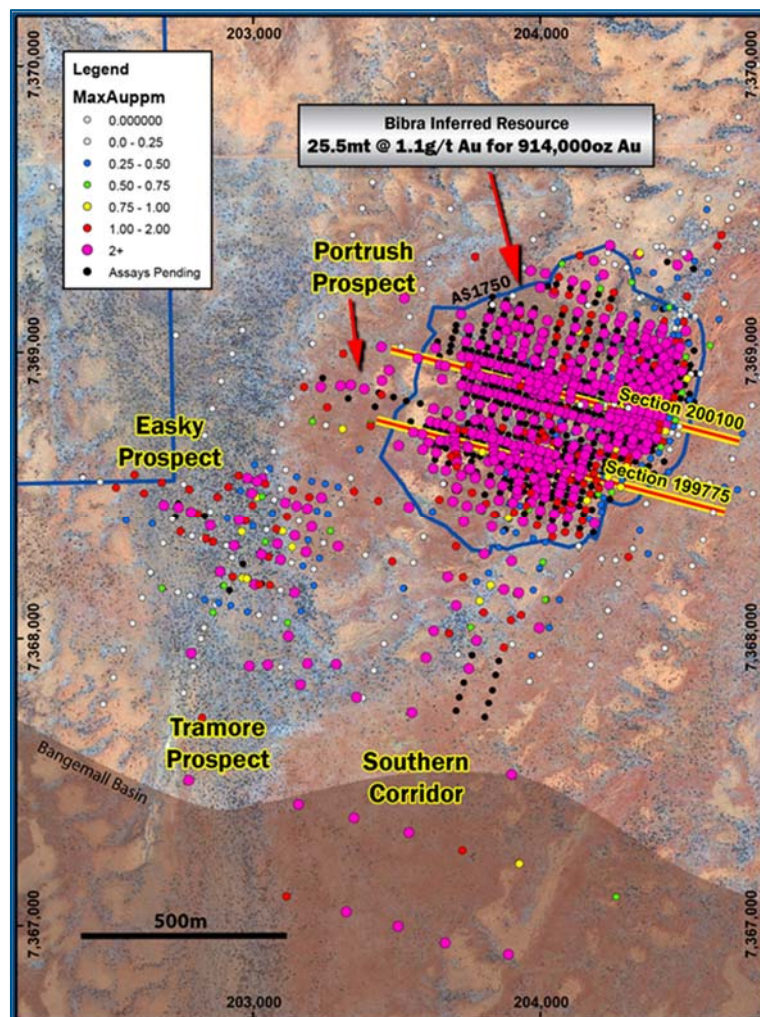


Figure 7: Plan view of Bibra and surrounding prospects with key cross-section traverses indicated



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

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### COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled or reviewed by Mr. Peter Langworthy, Executive General Manager - Geology, who is a Member of the Australian Institute of Mining and Metallurgy. Mr. Peter Langworthy is a full time Executive of Capricorn Metals Limited and has sufficient experience, which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Peter Langworthy consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

### 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 2016.

*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 2017

**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 2016 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



Conley Manifis  
Director

Dated this 16<sup>th</sup> day of March, 2017

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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South Perth WA 6151

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2016

		31 December 2016 \$	2015 \$
	Note		
Revenue	2(a)	128,254	125,390
Other income	2(b)	59,113	59,325
Fair value loss on financial assets	6	(17,155)	(160,476)
Gain / (loss) on disposal of other financial assets		5,357	(41,389)
Employee benefits expense		(656,769)	(294,466)
Depreciation expense		(35,096)	(30,575)
Foreign currency (loss) / gain		30	(391)
Administration costs		(459,453)	(297,061)
Exploration expenditure		(38,588)	(233,662)
Reversal / (impairment) of receivable		15,496	(3,082)
Impairment of deferred exploration & evaluation expenditure		-	(1,869,216)
Loss before income tax expense		(998,811)	(2,745,603)
Income tax expense		(1,207)	(1,587)
<b>Net Loss attributable to members of the parent entity</b>		<b>(1,000,018)</b>	<b>(2,747,190)</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		1,933	27,439
Revaluation of Land & Buildings	7	7,777	2,159,978
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>(990,308)</b>	<b>(559,773)</b>
<b>Earnings per share:</b>			
Basic loss per share (cents per share)		(0.21)	(1.66)
Diluted loss per share (cents per share)		(0.21)	(1.66)

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

# Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,732,903	11,755,911
Trade and other receivables		127,223	119,232
Other current assets		5,749	44,426
Other financial assets	6	142,500	175,629
<b>Total Current Assets</b>		<b>2,008,375</b>	<b>12,095,198</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		4,802,010	4,819,707
Deferred exploration and evaluation costs	3	16,713,432	8,565,465
<b>Total Non-Current Assets</b>		<b>21,515,442</b>	<b>13,385,172</b>
<b>TOTAL ASSETS</b>		<b>23,523,817</b>	<b>25,480,370</b>
<b>Current Liabilities</b>			
Trade and other payables		490,311	1,867,017
Other liability		2,311	2,305
Short-term provisions		19,640	25,931
<b>Total Current Liabilities</b>		<b>512,262</b>	<b>1,895,253</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		348,416	374,578
<b>Total Non-Current Liabilities</b>		<b>348,416</b>	<b>374,578</b>
<b>TOTAL LIABILITIES</b>		<b>860,678</b>	<b>2,269,832</b>
<b>NET ASSETS</b>		<b>22,663,139</b>	<b>23,210,539</b>
<b>EQUITY</b>			
Issued capital	8	32,659,123	32,509,123
Reserves		2,052,731	1,750,113
Accumulated losses		(12,048,715)	(11,048,697)
<b>TOTAL EQUITY</b>		<b>22,663,139</b>	<b>23,210,539</b>

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



# Consolidated Statement of Changes in Equity

For the half year ended 31 December 2016

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Asset Revaluation Reserve \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2015</b>	<b>14,733,538</b>	<b>(7,347,829)</b>	<b>(754,034)</b>	<b>-</b>	<b>200,353</b>	<b>6,832,028</b>
Loss for the period	-	(2,747,190)	-	-	-	(2,747,190)
Other comprehensive income	-	-	27,439	2,159,978	-	2,187,417
Total comprehensive income	-	(2,747,190)	27,439	2,159,978	-	(559,773)
Issue of shares	131,475	-	-	-	-	131,475
<b>Balance at 31 December 2015</b>	<b>14,865,013</b>	<b>(10,095,019)</b>	<b>(726,595)</b>	<b>2,159,978</b>	<b>200,353</b>	<b>6,403,730</b>
<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>

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

# Consolidated Statement of Cash Flows

For the half year ended 31 December 2016

	31 December 2016 \$	2015 \$
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(1,112,782)	(496,028)
Payments for exploration and evaluation expenditure	(9,238)	(126,360)
Interest received	69,434	5,893
Royalties received	62,206	25,904
Other income	48,950	131,432
Net cash used in operating activities	(941,430)	(459,159)
<b>Cash flows from Investing Activities</b>		
Payments for purchase of plant & equipment	(17,357)	(3,994)
Proceeds on sale of plant & equipment	822	-
Proceeds on sale of financial assets	21,330	131,298
Payments for capitalised exploration expenditure	(7,710,256)	-
Payment for the acquisition of the Karlawinda tenements	(1,500,000)	-
Net cash provided by investing activities	(9,205,461)	127,304
<b>Cash flows from Financing Activities</b>		
Proceeds received for shares yet to be issued	-	230,027
Proceeds received from options exercised	150,000	-
Deferred payments under share purchase agreement	(26,162)	(27,731)
Net cash provided by financing activities	123,838	202,296
<b>Net decrease in cash and cash equivalents held</b>	<b>(10,023,053)</b>	<b>(129,559)</b>
Cash and cash equivalents at beginning of the period	11,755,911	778,206
Effect of Foreign exchange rates on cash in foreign currencies	45	1,905
<b>Cash and cash equivalents at end of the period</b>	<b>1,732,903</b>	<b>650,552</b>

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

# Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2016

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## 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 2016 annual financial report for the financial year ended 30 June 2016, 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 2016. 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.

For the half year ended 31 December 2016 the Group has incurred a loss of \$1,000,018 (31 December 2015: \$2,747,190) and at 31 December 2016 the Group had working capital of \$1,496,113 (30 June 2016: \$10,199,945) including a cash and cash equivalents balance of \$1,732,903 (30 June 2016: \$11,755,911). Net cash used in operating and investing activities in the 31 December 2016 half-year was \$10,146,891 (2015: \$331,855).

The Directors believe that it is appropriate to prepare the financial report on a going concern basis because, although a capital raising may be required to fund further exploration and development expenditure, the Directors are confident that a sufficient capital raising can be completed, as has recently been demonstrated through the successful placement to raise \$10 million, with \$6.4 million completed in March 2017 and the balance to be completed subsequent to shareholder approval in approximately April 2017. Further if a sufficient capital raising cannot be made, the Company is able to reduce expenditure within the available cash balance.

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

For the half year ended 31 December 2016

## NOTE 2 – REVENUE

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

	31 December	
	2016	2015
	\$	\$
<b>(a) Revenue:</b>		
- royalties	78,701	47,084
- rental	29,527	70,056
- other	20,026	8,250
Total Revenue	128,254	125,390
<b>(b) Other Income:</b>		
- net Interest received	59,113	6,199
- non-refundable deposit <sup>(1)</sup>	-	53,126
Total Other Income	59,113	59,325

(1) Jupiter Mines Et Minerals SARL entered into a leasing arrangement for Labradorite permit 5394 with Mada-Aust SARL which saw the payment of a non-refundable deposit.

## NOTE 3 – DEFERRED EXPLORATION & EVALUATION COSTS

	31 December	30 June
	2016	2016
	\$	\$
<b>Madagascar</b>		
At 1 July	967,000	3,289,216
Impairment	-	(2,322,216)
At 31 December/ 30 June	967,000	967,000
<b>Australia</b>		
At 1 July	7,598,465	-
Acquisition of Karlawinda Gold Project	-	5,700,000
Capitalised exploration expenditure	8,147,967	1,898,465
At 31 December/ 30 June	15,746,432	7,598,465
	16,713,432	8,565,465

## NOTE 4 – DIVIDENDS

No dividend has been paid or proposed.



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

For the half year ended 31 December 2016

## NOTE 5 –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, Madagascar and Mauritius.

### 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.

31 December 2016	Australia \$	Madagascar \$	Mauritius \$	Eliminations \$	Consolidated \$
<b>Revenue</b>					
Revenue	-	128,254	-	-	128,254
Other income	59,085	28	-	-	59,113
Total segment revenue	59,085	128,282	-	-	187,367

### Result

Segment results	(901,228)	(63,747)	(18,500)	(16,543)	(1,000,018)
Profit/(Loss) before income tax	(901,228)	(62,540)	(18,500)	(16,543)	(998,811)

31 December 2015	Australia \$	Madagascar \$	Mauritius \$	Eliminations \$	Consolidated \$
<b>Revenue</b>					
Revenue	-	125,390	-	-	125,390
Other income	6,067	53,258	-	-	59,325
Total segment revenue	6,067	178,648	-	-	184,715

### Result

Segment results	(1,929,563)	(594,614)	(8,314)	(214,699)	(2,747,190)
Profit/(Loss) before income tax	(1,929,563)	(593,027)	(8,314)	(214,699)	(2,745,603)

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

For the half year ended 31 December 2016

## NOTE 6 – OTHER FINANCIAL ASSETS

	31 December 2016 \$	30 June 2016 \$
Listed Shares in Energizer Resources Inc	67,075	83,369
Unlisted Warrants in Energizer Resources Inc	75,425	92,260
	<u>142,500</u>	<u>175,629</u>

### *Listed shares in Energizer Resources Inc:*

	31 December 2016		30 June 2016	
	Number	\$	Number	\$
At 1 January / 1 July	1,237,000	83,369	3,500,000	402,937
Fair value decrease	-	(320)	-	(67,243)
Shares sold	(237,000)	(15,974)	(2,263,000)	(252,325)
At 31 December / 30 June	<u>1,000,000</u>	<u>67,075</u>	<u>1,237,000</u>	<u>83,369</u>

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 1,000,000 (30 June 2016: 1,237,000) fully paid ordinary shares in Canadian company Energizer Resources Inc.

During the half-year to 31 December 2016 the company sold 237,000 Energizer shares to raise \$21,330 in cash proceeds for working capital purposes.

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

	31 December 2016	30 June 2016
Fair value per listed share	\$0.067	\$0.067
Closing quoting bid price per share	CAD \$0.065	CAD \$0.065
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	1.03193	1.03686

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

### *Unlisted Warrants in Energizer Resources Inc:*

	31 December 2016 \$	30 June 2016 \$
Balance at the beginning of the period / year	92,260	241,885
Fair value decrease	(16,835)	(149,625)
Balance at the end of the period / year	<u>75,425</u>	<u>92,260</u>

The Company holds 3,500,000 Warrants in Energizer Resources Inc, convertible at USD \$0.14 per warrant and expire 25 March 2019. The fair value of the warrants is revalued through the profit and loss using the Black and Scholes valuation method.

### *Fair value of unlisted warrants and assumptions:*

	31 December 2016	30 June 2016
Fair value per unlisted warrant	\$0.022	\$0.026
Closing quoting bid price per share	CAD \$0.065	CAD \$0.067
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	1.03193	1.03686
Exercise price per warrant	USD \$0.14	USD \$0.14
Foreign exchange rate – Australian Dollar per 1 US Dollar	1.38758	1.34363
Risk free interest rate	1.905%	1.550%
Expected volatility	100%	100%
Expected life (days)	835	1,019

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

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

For the half year ended 31 December 2016

## NOTE 7 – FAIR VALUE MEASUREMENT

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 values.

Set out below are details of fair value measurement assessed by the Group.

### *Fair Value Re-Measurement: Land & Buildings*

At 31 December 2016, the Group's freehold land & buildings have been stated at their fair value of \$4,500,000 (30 June 2016: \$4,500,000).

Set out below is the movement of the land & buildings carrying value.

	31 December 2016 \$	30 June 2016 \$
Carrying value at the beginning of the period	4,500,000	2,347,774
Depreciation for the period	(7,777)	(15,508)
Revaluation	7,777	2,167,734
Carrying value at the end of the period	4,500,000	4,500,000

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.

The value of the land and buildings if carried at cost would be \$2,324,489.

Details of the Group's freehold land & buildings and information about the fair value hierarchy as at 31 December 2016 is set out below.

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).

	Level 1	Level 2	Level 3	Fair Value
<b>31 December 2016</b>				
Land & Buildings	-	4,500,000	-	4,500,000
	-	4,500,000	-	4,500,000
<b>30 June 2016</b>				
Land & Buildings	-	4,500,000	-	4,500,000
	-	4,500,000	-	4,500,000

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

For the half year ended 31 December 2016

## NOTE 8 – ISSUED CAPITAL

	31 December 2016 \$	30 June 2016 \$
486,909,373 fully paid ordinary shares (30 June 2016: 485,909,373)	32,659,123	32,509,123
<b>Ordinary shares:</b>	<b>Number</b>	<b>Number</b>
Balance at the beginning of the period / year	485,909,373	160,847,767
Shares issued during the period / year:		
- 2 December 2015 <sup>(1)</sup>	-	6,290,055
- 3 February 2016 <sup>(2)</sup>	-	171,636,476
- 3 February 2016 <sup>(3)</sup>	-	45,454,546
- 5 May 2016 <sup>(4)</sup>	-	97,181,875
- 19 September 2016 <sup>(5)</sup>	1,000,000	-
Balance at the end of the period / year	486,909,373	485,909,373

There are no preference shares on issue.

### Notes:

- 2 December 2015: 6,290,055 fully paid ordinary shares were issued to Directors, subsequent to shareholder approval received on 26 November 2015. The shares were issued as payment for accrued Director fees totalling \$131,475. The shares were issued as follows:

Shares Issued	Issue Price (per share)
1,097,499	\$0.030
1,493,181	\$0.022
1,646,250	\$0.020
2,053,125	\$0.016
6,290,055	

- 3 February 2016: 171,636,476 shares were issued for the acquisition of Greenmount Resources Pty Ltd.
- 3 February 2016: 45,454,546 shares were issued at a price of \$0.033 per share on completion of a placement.
- 5 May 2016: 97,181,875 shares were issued at a price of \$0.13 per share on completion of a placement.
- 19 September 2016: 1,000,000 shares were issued at a price of \$0.15 per share on the exercise of unlisted options.

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

7,000,000 unlisted options exercisable at \$0.20 per share on or before 31 May 2020 were issued to Directors subsequent to shareholder approval received on 25 November 2016.

### Securities Exchange Listing

Total Issued Capital is 486,909,373 shares, all of which were listed on the ASX at 31 December 2016.

## NOTE 9 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 31 December 2016 (30 June 2016: Nil).



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

For the half year ended 31 December 2016

## NOTE 10 – COMMITMENTS

### Exploration Commitments

#### Madagascar

The Group has no statutory obligations to perform minimum exploration work on its tenements, however the Company needs to maintain an active work program to retain its interests. For the 2016 calendar year tenement rents of approximately \$210,000 per annum were payable to maintain ownership over the tenement areas. 67.6% of the tenement rents were recouped from other parties.

#### Australia

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 2016 there are five granted tenements with an annual expenditure commitment totalling \$291,000 and one granted mining lease with an annual expenditure commitment of \$297,600.

## NOTE 11 – FINANCIAL INSTRUMENTS

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).

	Level 1	Level 2	Level 3	Total
<b>31 December 2016</b>				
<b>Financial assets:</b>				
<i>Available-for-sale financial assets:</i>				
- listed investments	67,075	-	-	67,075
- unlisted warrants	-	75,425	-	75,425
	<u>67,075</u>	<u>75,425</u>	<u>-</u>	<u>142,500</u>
<b>30 June 2016</b>				
<b>Financial assets:</b>				
<i>Available-for-sale financial assets:</i>				
- listed investments	83,369	-	-	83,369
- unlisted warrants	-	92,260	-	92,260
	<u>83,369</u>	<u>92,260</u>	<u>-</u>	<u>175,629</u>

Included within Level 1 of the hierarchy are the Energizer Resources Inc shares listed on the Toronto Stock Exchange. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In determining the fair value of unlisted investments included in Level 2 of the hierarchy, which include unlisted warrants held in Energizer Resources Inc, the Black Scholes option pricing model has been used to calculate a fair value based on the income approach valuation and inputs as set out in Note 6.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period.

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

For the half year ended 31 December 2016

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## NOTE 12 – 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:

- 6 February 2017: Capricorn announced the signing of a binding agreement with Hawke's Point Holdings LP to raise \$10,000,000 by the issue of 85,470,085 ordinary shares at a price of \$0.117 per share and 28,490,028 free attaching options with an exercise price of \$0.15 per share and an expiry to be set at four years from the completion of tranche two allotment is completed.

The Share placement is to be settled in two tranches, with tranche one completing after the signing of the Subscription Agreement and tranche two to settle after the receipt of shareholder approval.

- 9 March 2017: Tranche one of the Hawke's Point placement for 54,852,304 shares at \$0.117 to raise \$6,417,720 and 18,284,101 free attaching options exercisable at \$0.15 per share and an expiry to be set at four years from the completion of tranche two allotment.

A general meeting of shareholders will be called for the approval of tranche two of the placement. If approved tranche two will raise a further \$3,582,280 through the issue of 30,617,781 ordinary shares at \$0.117 per share and 10,205,927 free attaching options on the same conditions as those issued in tranche one.

- 14 March 2017: Board and management changes implemented were:
  - Mr Stuart Pether was appointed as a Non-Executive Director.
  - Mr Heath Hellewell transitioned to Executive Chairman, with Mr Guy Leclezio remaining as a Non-Executive Director, but relinquishing the Chairmanship.
  - Mr Peter Thompson resigned as Managing Director and was appointed to the position of Chief Operating Officer.
  - Mr Peter Langworthy resigned as Executive Director and was appointed to the position of Executive General Manager – Geology.
  - Mr Jonathan Shellabear resigned as Non-Executive Director and was appointed to the position of Chief Financial Officer.

## NOTE 13 – FAIR VALUE MEASUREMENT

The Directors consider that the carrying value of all other financial assets and financial liabilities is recognized in the condensed consolidated financial statements approximate to their fair values.

## NOTE 14 – 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 2016.

The significant changes in the nature of key management personnel remuneration since 30 June 2016 were as follows:

- At the general meeting of shareholders held on 25 November 2016 approval was received for the issue of 7,000,000 unlisted options exercisable at \$0.20 per share expiring on 31 May 2020. The quantum of options issued to each key management person is set out below.

Name	Options Issued
Mr Peter Thompson	2,500,000
Mr Peter Langworthy	2,500,000
Mr Heath Hellewell	1,000,000
Mr Guy Leclezio	1,000,000
	<u>7,000,000</u>

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

For the half year ended 31 December 2016

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The weighted average fair value of those equity instruments, determined by reference to market price, was \$300,670 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:**

Grant date	25/11/2016
Number granted	7,000,000
Fair Value at grant date (per option)	\$0.054
Share Price at grant date	\$0.100
Exercise price	\$0.200
Expected share price volatility	100%
Expected life of option (days)	1,288
Expected dividends	-
Risk free interest rate	1.97%

2. Remuneration of Executive Management, excluding statutory superannuation, appointed on 14 March 2017 is as follows:

<b>Name</b>	<b>Position</b>	<b>Annual Salary</b>
Mr Heath Hellewell	Executive Chairman	\$225,000
Mr Peter Thompson	Chief Operating Officer	\$290,000
Mr Peter Langworthy	Executive General Manager - Geology	\$225,000
Mr Jonathan Shellabear	Chief Financial Officer	\$290,000

3. There were no changes to the remuneration of Non-Executive Directors.

## Directors' Declaration

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The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 10 to 22, 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 2016 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 2017



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CAPRICORN METALS LTD AND CONTROLLED ENTITIES**

### **Report on the Half-Year Financial Report**

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 10 to 23, which comprises the consolidated statement of financial position as at 31 December 2016, 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 summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility 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 Responsibility*

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 2016 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations 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.

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.

### **CHARTERED ACCOUNTANTS & ADVISORS**

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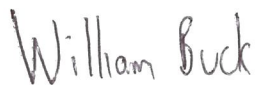
[williambuck.com](http://williambuck.com)

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CAPRICORN METALS LTD AND CONTROLLED ENTITIES (CONT)**

*Conclusion*

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 10 to 23 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 2016 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.



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



Conley Manifis  
Director

Dated this 16<sup>th</sup> day of March, 2017