CAPRICORN METALS LTD

ABN 84 121 700 105

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2018

Corporate Directory

Directors

Douglas Jendry – Non-Executive Chair
Stuart Pether – Non-Executive Director
Timothy Kestell – Non-Executive Director

Company Secretary

Natasha Santi

Registered Office & Principal Place of Business

Level 1, 28 Ord Street
WEST PERTH WA 6005

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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 22nd September 2006

Contents

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 2018, 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 Douglas Jendry	(Non-Executive Chair) – Appointed 5 March 2019
Mr Timothy Kestell	(Non-Executive Director) – Appointed 5 March 2019
Mr Stuart Pether	(Non-Executive Director)
Ms Debra Bakker	(Non-Executive Director) – Removed 5 March 2019
Mr Geoffrey Rogers	(Non-Executive Director) – Appointed 8 November 2018; Removed 5 March 2019
Mr Peter Benjamin	(Non-Executive Director) – Appointed 8 November 2018; Removed 5 March 2019
Mr Heath Hellewell	(Executive Chairman) – Ceased 3 October 2018 (Managing Director) – Resigned 8 November 2018
Mr Peter Langworthy	(Non-Executive Director) – Resigned 8 November 2018

REVIEW OF OPERATIONS

Financial Review

The consolidated group incurred a loss from ordinary activities after income tax of $1,831,316 for the half year (half year ended 31 December 2017: $1,364,430). Components of this performance were:

	31 December 2018 $	31 December 2017 $
Income:		
Revenue	74,252	108,729
Other income	22,121	24,935
(Loss) / gain on disposal of financial assets	-	(3,224)
Fair value loss on financial assets	(10,000)	-
Expenses:		
Employee benefits expense	(905,607)	(1,003,231)
Exploration expenditure	(300,331)	(139,217)
Reversal of impairment of assets and liabilities related to subsidiary group disposal	-	127,179
Other operating expenses	(711,751)	(479,601)
Net Loss after tax	**(1,831,316)**	**(1,364,430)**

During the half year Capricorn entered into an agreement with FMG Nullagine Pty Ltd to purchase a used accommodation village and some mining infrastructure buildings for a total cost of $1,500,000. An initial non-refundable deposit of $150,000 was paid for the acquisition, with the balance of $1,350,000 due by 31 March 2019. Additional payments totalling $150,000, which were included in Administration costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, were paid to defer the acquisition completion date from 30 September 2018 to 31 March 2019.

Subsequent to half year end, $2,048,000 was received on the completion a Shareholder Share Purchase Plan by the issue of 32,508,128 ordinary shares at a price of $0.063 per share.

The Group had a cash balance of $1,209,003 at 31 December 2018 (30 June 2018: $5,586,437).

Operations Review – Karlawinda Gold Project

Highlights from the period include:

- **Credit approved letter of offer for A$107 million project funding facilities executed with Macquarie Bank Limited. The facilities include a senior project finance facility of A$81 million, a bank guarantee facility of A$19 million and a working capital facility of A$7 million.**
- **Identification of an additional 120km^2 of tenure interpreted to be underlain by prospective Karlawinda type Archean greenstone rocks.**
- **Geochemical sampling has now been completed over an area of approximately 450km^2 resulting in the identification of several priority gold-in-soil anomalies ranging up to 3km by 2.5km in area.**
- **Geological interpretation of the Tramore Prospect completed following confirmation of a significant zone of shallow mineralisation. A resource definition programme at the Tramore prospect is expected to commence in March.**

KARLAWINDA GOLD PROJECT - DEVELOPMENT

During the half year the Company progressed the development ready, Karlawinda Gold Project, located 65 km south-east of Newman in the Pilbara region of Western Australia.

All key project approvals are in place including Native Vegetation Clearing Permit, Water Extraction Permits, Works Approval, Mining Proposal and Mine Closure Plan and Project Management Plan. An application to extend the Works Approval for a longer mine life has been submitted to the Department of Water and Environmental Regulation (the current Works Approval is valid for a 6.5-year mine life which related to the Ore Reserves at the time of application).

A number of competitive tender processes were advanced or completed during the half year:

- The provision of a gas-fired power station under a Build Own Operate (BOO) structure. Discussions continued with two preferred parties.
- Load & Haul and Drill & Blast contract was finalised with SMS Mining Services formally advised of their preferred contractor status.
- The supply of gas was completed with Santos has selected as the preferred supplier.
- Material terms have been finalised with APA Group for gas transportation and the construction of the gas lateral to site from the Goldfields Gas Pipeline.

A competitive debt financing process was completed (*see ASX Announcement of 13 December 2018*) which resulted in the execution of a committed credit approved letter of offer from Macquarie Bank Limited to provide project facilities totalling A$107 million. The facilities include a senior project facility of A$81 million, a bank guarantee facility of A$19 million and a working capital facility of A$7 million. The facilities contain typical conditions precedent which are required to be satisfied, prior to first draw down.

EXPLORATION

During the half year to 31 December 2018, the Company undertook further reverse circulation (RC) drilling at Tramore Prospect (*see ASX Announcement 20 August 2018*) and regional exploration work over the 110km length of the Karlawinda Gold Project. This work consisted of systematic soil sampling and geological mapping programs. *(see ASX Announcement 2 November 2018).*

New Greenstone Region

Approximately 120km^2 of interpreted new Archean greenstone stratigraphy has been identified approximately 10 kilometres to the east of the 1.5Moz[1] Bibra gold deposit (Figure 2).

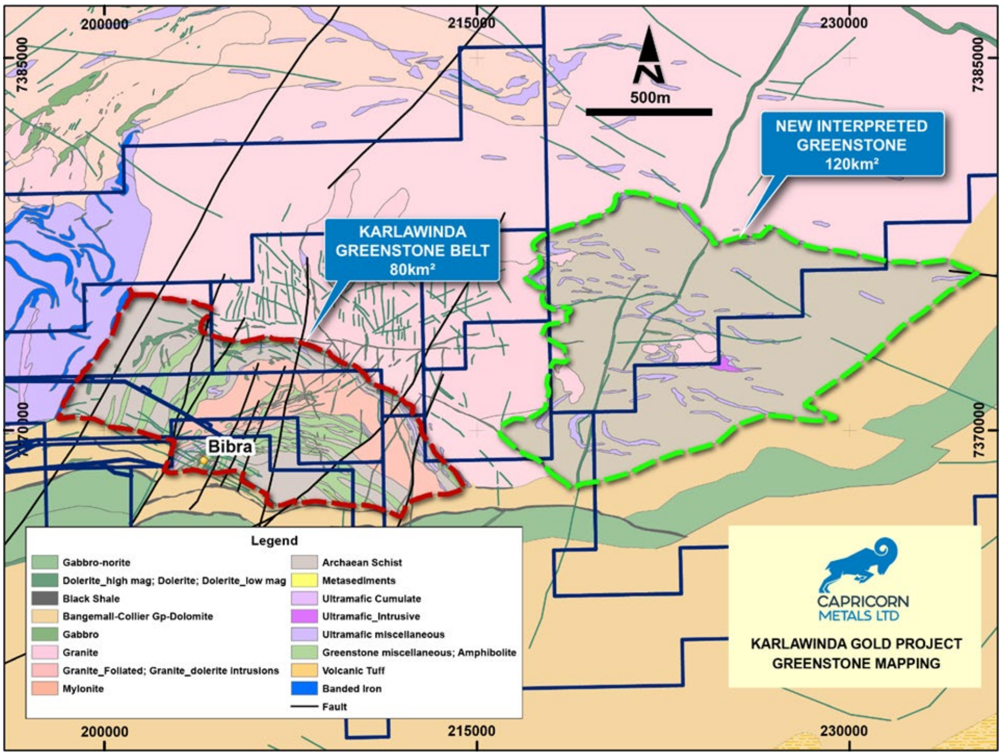

Figure 2: Location of the recently identified extension to the Karlawinda Greenstone Belt

[1] Capricorn Metals Ltd reports that it is not aware of any new information or data that materially affects the information included in the Reserve and Resource announcement dated 29 May 2018, and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and there have been no adverse material changes.

This newly-identified extension to the greenstone belt doubles the known extent of greenstone lithologies at the Karlawinda Gold Project and is considered highly prospective for gold mineralisation. This area has not been subject to any previous dedicated on-ground gold exploration and the rock types observed are interpreted to be similar to those seen within the host stratigraphy of the Bibra gold deposit. Similar metamorphic grade and structural deformation characteristics to the known area of Karlawinda greenstones are observed, suggesting rocks from both areas are the same age and have been subject to the same tectonic regime. Soil geochemistry confirms the similarities between the two areas, with the presence of the key elements which define the Bibra stratigraphy of Cu, Ni, Cr and As (Figure 3).

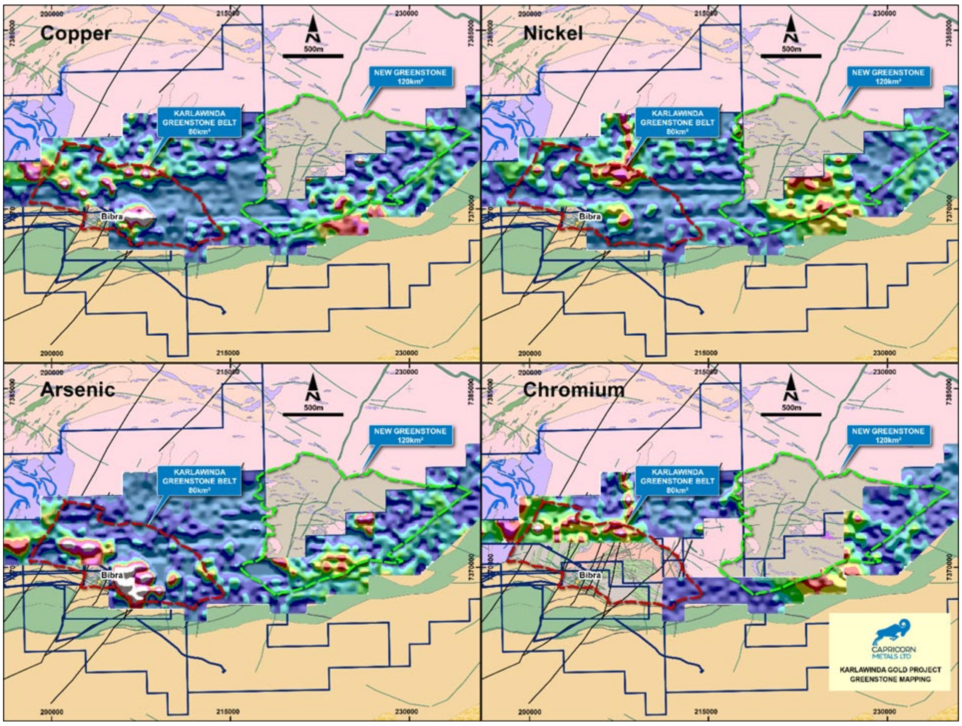

Figure 3: Soil-geochemical gridded images showing the similarities between the two greenstone areas using the four key elements, which defines part of the Bibra stratigraphy. Clockwise from top left Cu, Ni, Cr and As.

Regional Soil Geochemistry

A total of 3,200 samples were collected as part of a regional soil geochemical sampling program spaced on a 400m x 400m grid and covering a total area of approximately 450km2 of the expanded Karlawinda Gold Project. This program has highlighted the potential for new areas of gold mineralisation with the identification of several priority geochemical targets and confirms the prospectivity and scale of the exploration opportunities at Karlawinda. The new targets identified are all located within 50km of the proposed Karlawinda Gold Project processing facility and, in the case of the western prospects, are located close to the proposed Karlawinda Gold Project access road.

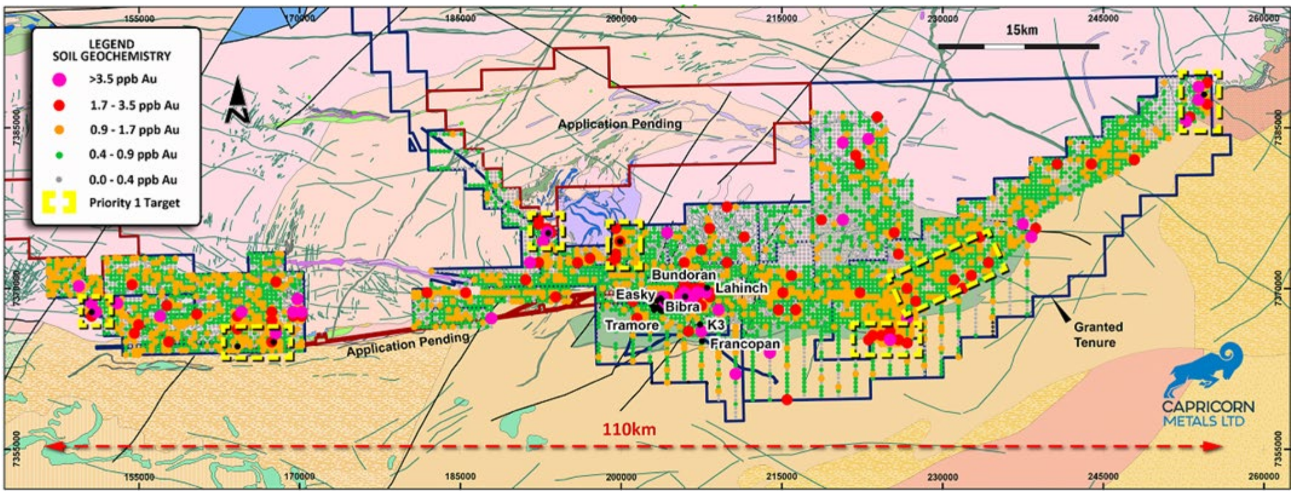

Figure 4: Soil sampling coverage at the Karlawinda Gold Project and priority one targets highlighted in yellow

Seven gold anomalies have been ranked as high-priority. The targets have strike lengths of up to 3km and consist of multiple contiguous anomalous gold-in-soil results and are located either within a prospective lithological host, along a major geological contact and/or a structurally complex area. Several lower order, more discrete anomalies, consisting of one to two anomalous contiguous gold assays within broader lower grade halos, have also been identified.

Tramore Prospect

Further RC drilling at the Tramore Prospect, located south of the main Bibra open pit, was completed during the half year. This drilling defined the Tramore Prospect, located immediately south of the 1.5Moz Bibra Mineral Resource, over a strike length of approximately 450m. Final results from this program confirmed a significant zone of shallow mineralisation, with intercepts including:

- 12m @ 2.54g/t from 129m (KBRC1187)
- 19m @ 1.51g/t from 119m (KBRC1184)
- 18m @ 1.1g/t from 159m (KBRC1186)
- 14m @ 1.03g/t from 56m (KBRC1224)

The Tramore Prospect is interpreted to be the southern extension of the Main Footwall Lode at the Bibra deposit with a current footprint of 450m along strike, up to 20m thick and 250m in the downdip direction. The Tramore Prospect remains open at depth.

The mineralised zone at Tramore is interpreted to be the southern continuation of the zone hosting the Main Footwall Lode at the Bibra deposit, which hosts the bulk of the current open pit Ore Reserves.

Consistent with the large Bibra mineralised system, the Tramore mineralisation is hosted in both Archaean amphibolite and garnet-rich volcanoclastic sandstone with higher grade intercepts associated with silica, carbonate, magnetite alteration and pyrite mineralisation (up to 5% pyrite). At Tramore, the Archaean greenstones are unconformably overlain by Proterozoic aged cover rocks of the Bangemall Group up to 50m thick at the southern end of the Prospect.

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:

- 19 February 2019: Mr Warren Hallam was appointed as Managing Director.
- 25 February 2019: The Company announced the completion of a Shareholder Share Purchase Plan to raise $2,048,000 by the issue of 32,508,128 ordinary shares at a price of $0.063 per share. The shares were allotted on 27 February 2019.
- 5 March 2019: A general meeting of shareholders was held, after the meeting was requisitioned by shareholders holding more than 5% of the issued capital of the company pursuant to section 249D of the *Corporations Act 2001*. The general meeting saw resolutions pass for the removal of Ms Debra Bakker, Mr Geoffrey Rogers and Mr Peter Benjamin as Non-Executive Directors of the Company and approved the appointment of Mr Douglas Jendry and Mr Timothy Kestell as Non-Executive Directors of the Company.
- 5 March 2019: Subsequent to the results of the shareholder requisitioned meeting Mr Warren Hallam resigned as a Managing Director and Mr Jonathan Shellabear resigned from his position as Chief Financial Officer and Joint Company Secretary.

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 2018.

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

Mr Douglas Jendry
Non-Executive Chairman

Dated this 15th day of March, 2019

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 2018 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

Robin Judd
Director
Dated this 15th day of March 2019

CHARTERED ACCOUNTANTS & ADVISORS

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2018

	Note	31 December 2018 $	31 December 2017 $
Revenue	2 (a)	74,252	108,729
Other income	2 (b)	22,121	24,935
(Loss) / gain on disposal of other financial assets		-	(3,224)
Fair value loss on financial assets	6	(10,000)	-
Employee benefits expense		(905,607)	(1,003,231)
Depreciation expense		(29,241)	(45,943)
Foreign currency gain		8	43
Administration costs		(686,759)	(470,807)
Exploration expenditure		(300,331)	(139,217)
Reversal of impairment of receivable		4,917	38,246
Reversal of impairment of assets and liabilities related to subsidiary group disposal		-	127,179
Loss before income tax expense		(1,830,640)	(1,363,290)
Income tax expense		(676)	(1,140)
Net Loss attributable to members of the parent entity		**(1,831,316)**	**(1,364,430)**
Other Comprehensive Income:			
Items that may be reclassified subsequently to the profit or loss:			
- Adjustment from translation of foreign controlled entities		(43,940)	(25,387)
Items that will not be reclassified subsequently to the profit or loss:			
- Revaluation of Land & Buildings		-	8,095
Total comprehensive loss for the period		**(1,875,256)**	**(1,381,722)**
Earnings per share:			
Basic loss per share (cents per share)		(0.24)	(0.23)
Diluted loss per share (cents per share)		(0.24)	(0.23)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
Current Assets			
Cash and cash equivalents		1,209,003	5,586,437
Other current receivables		200,099	235,994
Other current assets		37,666	59,862
		1,446,768	**5,882,293**
Assets classified as held for sale	8	4,500,000	4,500,000
Total Current Assets		**5,946,768**	**10,382,293**
Non-Current Assets			
Property, plant & equipment		314,854	332,202
Other financial assets	6	180,000	190,000
Other non-current assets	7	150,000	-
Deferred exploration and evaluation costs	3	28,330,169	26,483,890
Total Non-Current Assets		**28,975,023**	**27,006,092**
TOTAL ASSETS		**34,921,791**	**37,388,385**
Current Liabilities			
Trade and other payables		207,919	902,826
Other liability		3,159	2,479
Short-term provisions		203,195	165,320
Total Current Liabilities		**414,273**	**1,070,625**
Non-Current Liabilities			
Trade and other payables		300,713	333,989
Total Non-Current Liabilities		**300,713**	**333,989**
TOTAL LIABILITIES		**714,986**	**1,404,614**
NET ASSETS		**34,206,805**	**35,983,771**
EQUITY			
Issued capital	9	50,878,673	50,878,673
Reserves		2,829,813	2,565,463
Accumulated losses		(19,501,681)	(17,460,365)
TOTAL EQUITY		**34,206,805**	**35,983,771**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2018

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Investment Revaluation Reserve $	Option Reserve $	Total $
Balance at 1 July 2017	**42,121,506**	**(14,341,936)**	**(717,282)**	**2,184,021**	**-**	**861,239**	**30,107,548**
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
Balance at 31 December 2017	**50,878,673**	**(15,706,366)**	**(742,669)**	**2,192,116**	**-**	**1,077,181**	**37,698,935**
Balance at 1 July 2018	**50,878,673**	**(17,460,365)**	**(674,628)**	**2,184,021**	**(210,000)**	**1,266,070**	**35,983,771**
New accounting standards adjustment to opening balances (Note 1(d))	-	(210,000)	-	-	210,000	-	-
Restated at 1 July 2018	**50,878,673**	**(17,670,365)**	**(674,628)**	**2,184,021**	**-**	**1,266,070**	**35,983,771**
Loss for the period	-	(1,831,316)	-	-	-	-	(1,831,316)
Other comprehensive income	-	-	(43,940)	-	-	-	(43,940)
Total comprehensive income	-	(1,831,316)	(43,940)	-	-	-	(1,875,256)
Share based payments	-	-	-	-	-	98,290	98,290
Balance at 31 December 2018	**50,878,673**	**(19,501,681)**	**(718,568)**	**2,184,021**	**-**	**1,364,360**	**34,206,805**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2018

	31 December 2018 $	31 December 2017 $
Cash flows from Operating Activities		
Payments to suppliers and employees	(1,468,552)	(974,741)
Payments for exploration and evaluation expenditure	(288,432)	(99,160)
Payments for stamp duty on acquisition of Greenmount Resources Pty Ltd	-	(330,584)
Interest received	24,684	27,760
Royalties received	28,933	66,003
Grant income received	15,136	-
Rental income received	53,141	52,249
Net cash used in operating activities	(1,635,090)	(1,258,473)
Cash flows from Investing Activities		
Payments for purchase of plant & equipment	(13,507)	(11,990)
Deposit paid for the acquisition of accommodation village & mining infrastructure	(150,000)	-
Proceeds on sale of financial assets	-	66,915
Payments for capitalised exploration expenditure	(2,545,449)	(2,714,996)
Net cash used in investing activities	(2,708,956)	(2,660,071)
Cash flows from Financing Activities		
Proceeds received from the issue of shares	-	9,128,944
Costs of capital raised	-	(371,777)
Deferred payments under share purchase agreement	(33,276)	(31,143)
Net cash (used in) / provided by financing activities	(33,276)	8,726,024
Net decrease in cash and cash equivalents held	**(4,377,322)**	**(4,807,480)**
Cash and cash equivalents at beginning of the period	5,586,437	5,541,663
Effect of Foreign exchange rates on cash in foreign currencies	(112)	(562)
Cash and cash equivalents at end of the period	**1,209,003**	**10,348,581**

The accompanying notes form part of these financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

(b) 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 2018 annual financial report for the financial year ended 30 June 2018, 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.

(c) 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 2018.

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.

(d) New and revised Standards adopted by the Group

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces parts of AASB 139 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Consolidated Entity has applied AASB 9 from 1 July 2018. The cumulative impact of applying AASB 9 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Consolidated Entity has elected not to adjust comparative information.

AASB 9 introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and are solely payments of principal and interest (SPPI). All other financial instrument assets are to be classified and measured at fair value through profit or loss (FVTPL) unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for trading) in other comprehensive income (OCI).

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements more closely align the accounting treatment with the risk management activities of the Consolidated Entity.

Impairment requirements use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment is measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

The key impacts of adopting AASB 9 are summarised below:

Classification and measurement

The Consolidated Entity continued measuring at fair value all financial assets previously held at fair value under AASB 139.

Equity investments - Listed equity investments previously classified as Available-for-Sale financial assets are now classified and measured as financial assets at FVTPL. As a consequence the reclassification the fair value reserve at 1 July 2018 relating to Available-for-Sale financial assets was transferred to retained earnings (see below).

Impact on statement of financial position

The following table summarises the impact, net of tax, of transition to AASB 9 on reserves and accumulated losses at 1 July 2018.

Investment Revaluation Reserve	**$**
Closing balance under AASB 139 (30 June 2018)	(210,000)
Equity instruments reclassified as financial assets at FVTPL	210,000
Opening balance under AASB 9 (1 July 2018)	**-**

Accumulated Losses	**$**
Closing balance under AASB 139 (30 June 2018)	(17,460,365)
Equity instruments reclassified as financial assets at FVTPL	(210,000)
Opening balance under AASB 9 (1 July 2018)	**(17,670,365)**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Classification of financial assets and financial liabilities on the date of initial application of AASB 9

The following table shows the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Consolidated Entity's financial assets and financial liabilities as at 1 July 2018.

	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Financial Assets				
Equity investments	Available-for-sale	FVTPL	190,000	190,000
Cash and cash equivalents	Loans and receivables	Amortised cost	5,586,437	5,586,437
Other current receivables	Loans and receivables	Amortised cost	235,994	235,994
Other current assets	Loans and receivables	Amortised cost	59,862	59,862
Total financial assets			**6,072,293**	**6,072,293**
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	902,826	902,826
Total financial liabilities			**902,826**	**902,826**

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers applied to the Group from 1 July 2018 and replaced AASB 118 Revenue which covers revenue arising from the sale of goods and the rendering of services.

The new standard is based on the principle that revenue is recognised when control of a service, or goods, transfers to a customer.

The Company completed its assessment of the implications of adopting the new standard and concluded that, due to the nature of the Group's services, there has been no changes to the timing of the Group's revenue recognition.

The Group's accounting policy under AASB 15 is as follows.

Revenue is recognised when the Group satisfies its performance obligations by transferring its products and services to the customer, and the revenue can be reliably measured at the fair value of the consideration received.

(e) Going Concern

The Group has incurred a loss of $1,831,316 and a net operating cash outflow of $1,635,090 during the half year ended 31 December 2018. The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. The ability of the Group to continue to adopt the going concern assumption will depend on future successful capital raisings and the successful exploration and subsequent exploitation of the Group's mining licences and permits. Subsequent to half year end, $2,048,000 was received on the completion a Shareholder Share Purchase Plan by the issue of 32,508,128 ordinary shares at a price of $0.063 per share.

The Directors will continue to manage the Group's activities with due regard to current and future funding requirements. The directors reasonably expect that the Company will be able to raise sufficient capital to fund the Group's exploration and working capital requirements, and that the Group will be able to settle debts as and when they become due and payable. On this basis, the Directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Company be unable to raise the required funding, there is a material uncertainty that may cast significant doubt on whether the company will be able to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTE 2 – REVENUE

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

	31 December 2018 $	31 December 2017 $
(a) Revenue:		
- royalties	21,505	46,431
- rental	52,723	62,057
- other	24	241
Total Revenue	74,252	108,729
(b) Other Income:		
- net Interest received	22,121	24,935
Total Other Income	22,121	24,935

NOTE 3 – DEFERRED EXPLORATION & EVALUATION COSTS

	31 December 2018 $	30 June 2018 $
Australia		
At 1 July	26,483,890	20,668,339
Capitalised exploration expenditure	1,846,279	5,815,551
Total Deferred Exploration & Evaluation costs at 31 December/ 30 June	28,330,169	26,483,890

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.

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 $
31 December 2018				
Revenue				
Revenue	-	74,252	-	74,252
Other income	22,041	80	-	22,121
Total segment revenue	22,041	74,332	-	96,373
Result				
Segment results	(1,824,150)	(69,988)	62,822	(1,831,316)
Profit/(Loss) before income tax	(1,824,150)	(69,312)	62,822	(1,831,316)
31 December 2017				
Revenue				
Revenue	-	108,729	-	108,729
Other income	24,969	(34)	-	24,935
Total segment revenue	24,969	108,695	-	133,664
Result				
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)

NOTE 4 – SEGMENT INFORMATION *(Cont'd)*

	Australia $	Madagascar $	Eliminations $	Consolidated $
31 December 2018				
Assets				
Segment Assets	32,637,992	2,912,907	(629,108)	34,921,791
Segment Liabilities	(707,289)	(7,697)	-	(714,986)
Other				
Acquisition of non-current assets	11,893	-	-	11,893
Depreciation expense	19,789	9,452	-	29,241
30 June 2018				
Assets				
Segment Assets	31,592,384	1,783,600	4,012,401	37,388,385
Segment Liabilities	(1,405,435)	(10,194)	11,015	(1,404,614)
Other				
Acquisition of non-current assets	28,874	-	-	28,874
Depreciation expense	39,993	28,376	-	68,369

NOTE 5 – DIVIDENDS

No dividend has been paid or proposed.

NOTE 6 – OTHER FINANCIAL ASSETS

On 18 January 2018, the Group disposed of Madagascar Graphite Ltd and its wholly owned subsidiary, Mada-Aust SARL, which held a number of exploration licences in Madagascar. Part of the consideration paid was 2,000,000 fully paid ordinary shares in the capital of BlackEarth Minerals NL.

The shares received are restricted from trading for a period of 24 months from the ASX Listing of BlackEarth Minerals NL (Listing date: 19 January 2018).

	31 December 2018 $	30 June 2018 $
Non-Current:		
At 1 July	190,000	-
Acquisition of 2,000,000 shares in BlackEarth Minerals NL	-	400,000
Fair value adjustment	(10,000)	(210,000)
At 31 December/ 30 June	180,000	190,000

Financial assets, revalued at fair value through the profit or loss using the closing quoting bid prices at the end of the reporting period represent 2,000,000 (30 June 2018: 2,000,000) fully paid ordinary shares in Australian company BlackEarth Minerals NL.

Fair value of listed shares and assumptions:

	31 December 2018	30 June 2018
Fair value per listed share	$0.090	$0.095
Closing quoting bid price per share	$0.090	$0.095

NOTE 7 – OTHER NON-CURRENT ASSETS

	31 December 2018 $	30 June 2018 $
Non-refundable deposit paid: Accommodation village acquisition	150,000	-
At 31 December/ 30 June	150,000	-

On 10 July 2018 Capricorn entered into an agreement with FMG Nullagine Pty Ltd to purchase a used accommodation village and some mining infrastructure buildings for a total cost of $1,500,000. An initial non-refundable deposit of $150,000 was paid for the acquisition, with the balance of $1,350,000 due by 31 March 2019. Additional payments totalling $150,000, which were included in Administration costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, were paid to defer the acquisition completion date from 30 September 2018 to 31 March 2019.

NOTE 8 – ASSETS HELD FOR SALE

Assets held for sale comprises:

	31 December 2018 $	30 June 2018 $
Property Asset	4,500,000	4,500,000
	4,500,000	4,500,000

The Company intends to dispose of a freely held property asset located in Antanarirvo, 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.

To assess the requirement for any impairment or revaluation of the carrying value of the asset, a new valuation was completed by Messrs Cabinet D'Expertise Razafindratandra in July 2018 of 14,080,146,000 Ariary (AUD $5,793,157). On the basis of the current valuation the Directors considered that no adjustment to the carrying value was required through impairment and according to the policy the Company is unable to revalue this asset upwards.

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

NOTE 9 – ISSUED CAPITAL

	31 December 2018 $	30 June 2018 $
747,936,325 fully paid ordinary shares (30 June 2018: 747,936,325)	50,878,673	50,873,673

Ordinary shares:	**Number**	**Number**
Balance at the beginning of the period / year	747,936,325	572,379,458
Shares issued during the period / year:		
- 6 December 2017 (1)	-	137,095,083
- 27 December 2017 (2)	-	38,461,784
Balance at the end of the period / year	747,936,325	747,936,325

There are no preference shares on issue.

Notes:

1. 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.
2. 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.

Securities Exchange Listing

Total Issued Capital is 747,936,325 shares, all of which were listed on the ASX at 31 December 2018.

NOTE 10 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 31 December 2018 (30 June 2018: Nil).

NOTE 11 – 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 2018 there are fourteen granted tenements with annual expenditure commitments totalling $746,000 (30 June 2018: $617,000) and one granted mining lease with an annual expenditure commitment of $298,000 (30 June 2018: $298,000).

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 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.

	31 December 2018 $	30 June 2018 $
Lease Commitments: Group as lessee		
Operating leases:		
- Within one year	149,651	149,651
- Later than one year but not later than five years	452,213	529,348
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	601,864	678,999

Other commitments

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

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:

- 19 February 2019: Mr Warren Hallam was appointed as Managing Director.
- 25 February 2019: The Company announced the completion of a Shareholder Share Purchase Plan to raise $2,048,000 by the issue of 32,508,128 ordinary shares at a price of $0.063 per share. The shares were allotted on 27 February 2019.
- 5 March 2019: A general meeting of shareholders was held, after the meeting was requisitioned by shareholders holding more than 5% of the issued capital of the company. The general meeting saw resolutions pass for the removal of Ms Debra Bakker, Mr Geoffrey Rogers and Mr Peter Benjamin as Non-Executive Directors of the Company and approved the appointment of Mr Douglas Jendry and Mr Timothy Kestell as Non-Executive Directors of the Company.
- 5 March 2019: Subsequent to the results of the shareholder requisitioned meeting Mr Warren Hallam resigned as a Managing Director and Mr Jonathan Shellabear resigned from his position as Chief Financial Officer and Joint Company Secretary.

NOTE 13 – 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 2018.

There were no significant changes in the nature of key management personnel remuneration since 30 June 2018.

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 2018 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 Douglas Jendry
Non-Executive Chairman

Perth, Western Australia
15th March 2019

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 2018, 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 2018 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a net loss of $1,831,316 and incurred net operating cash outflows of $1,635,090 during the half year ended 31 December 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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*

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William Buck

Independent auditor's review report to members (cont.)

Auditor of the Entity ('ASRE 2410'), 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 2018 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.

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

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

Robin Judd
Director
Dated this 15th day of March 2019