CAPRICORN METALS LTD

ABN 84 121 700 105

(Formerly Malagasy Minerals Limited)

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2015

Corporate Directory

Directors

Guy LeClezio – Non-Executive Chairman
Heath Hellewell – Non-Executive Director
Peter Thompson – Managing Director
Peter Langworthy – Executive Director

Country Manager Madagascar

Jean Luc Marquetoux

Company Secretaries

Graeme Boden
Natasha Forde

Principal Place of Business

1 Coventry Parade
NORTH FREMANTLE WA 6159

Registered and Corporate 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

Madagascar Operations Office

Batiment L Cite ex-BRGM, Rue Farafaty
Ampandrianomby – Antananarivo 101
MADAGASCAR
Telephone: +261 20 22 416 63
Facsimile: +261 20 22 591 32

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

Solicitors (Madagascar)

Lexel Juridique & Fiscal
Zone Tana Water Front
Ambodivona
ANTANANARIVO 101
MADAGASCAR

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Securities Exchange Listing

Australian Securities Exchange
ASX Code: CMM

Web Site

Visit our website at: www.capmetals.com.au

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

Contents

	Page No.
Directors' Report	2
Auditor's Independence Declaration	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12
Directors' Declaration	20
Independent Auditor's Review Report	21

Directors Report

Your Directors submit the financial report of the consolidated entity consisting of Capricorn Metals Ltd (formerly Malagasy Minerals Limited) and the entities it controlled for the half year ended 31 December 2015, 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 Guy LeClezio (Non-Executive Director & Chairman)
Mr Heath Hellewell (Non-Executive Director) – Appointed 3rd February 2016
Mr Peter Thompson (Managing Director) – Appointed 3rd February 2016
Mr Peter Langworthy (Executive Director)
Dr Peter Woods (Non-Executive Director) – Resigned 3rd February 2016
Mr Graeme Boden (Non-Executive Director) – Resigned 3rd February 2016

REVIEW OF OPERATIONS

The consolidated entity incurred a loss from ordinary activities after income tax of $2,747,190 for the half year (2014: $493,283). Components of this performance were:

	31 December 2015 $	31 December 2014 $
Income:		
Revenue	125,390	340,488
Other income	59,325	9,296
Fair value loss on financial assets	(160,476)	(71,028)
(Loss) / gain on disposal of financial assets	(41,389)	96,899
Expenses:		
Employee benefits expense	(294,466)	(300,959)
Exploration expenditure	(233,662)	(317,191)
Impairment of deferred exploration & evaluation expenditure	(1,869,216)	-
Other operating expenses	(332,696)	(250,788)
Net Loss after tax	(2,747,190)	(493,283)

The Group had a cash balance of $650,552 at 31 December 2015 (30 June 2015: $778,206). The Group's cash position was supported by the sale of 1,500,000 shares in Energizer Resources to raise $131,298 in cash proceeds during the half year.

Madagascar Project

The Company has been focused on a large exploration project in southern Madagascar exploring for high-grade, high-quality graphite deposits and mafic-ultramafic intrusive related nickel-copper deposits.

The graphite prospectivity of the region has been established by the discovery of the large, high-quality Molo Graphite Deposit by Energizer Resources Inc. ("Energizer"). Malagasy announced (27th March 2014) that it had finalized the sale of the company's 25% interest in the project in order to crystallise significant value and to increase its focus on the company's highly prospective 100% owned ground. The transaction has delivered a low-risk immediate return to Malagasy in the form of initial cash and share payments, whilst maintaining leveraged exposure through future benchmark cash and share payments.

The Company has been working to define the potential of the 100% held ground to host additional high-grade graphite deposits that would have the potential to either enhance, or be enhanced by, the development of the Molo Graphite Deposit by Energizer. Malagasy has been targeting a high-grade resource base with a particular focus on identifying near surface, low mining cost deposits that can be assessed quickly and at modest cost, potentially working off the benefits of the Molo development.

As part of this process, the Company will refine its tenement holdings in the area, with lower priority areas to be reviewed for divestment in an orderly fashion.

Graphite Exploration & Evaluation - Maniry Project

During the September 2015 quarter, exploration consisted of a program of trenching and sampling at the advanced Razafy target and at the large outcropping Haja target. A total of 1400 metres of trenching was completed and 980 composite samples were taken from these trenches. The samples were prepared and sent to the ACME Laboratory in Canada. Delays in the receipt of those samples in Canada lead to the results of this trenching programme being deferred until early 2016.

At Razafy the trenching (10 trenches – 800m) was completed, in part, across the surface above previous drilling. The information will provide critical data as to the continuity of the high-grade mineralisation intersected in the drilling.

At Haja 3 trenches were completed for 600m to provide a more detailed assessment of the wide (up to 250m) high-grade outcropping graphite mineralization. This work will provide guidance as to where the next phase of drilling could be located.

Following the receipt of the assay results, zones will be identified for the collection of metallurgical samples.

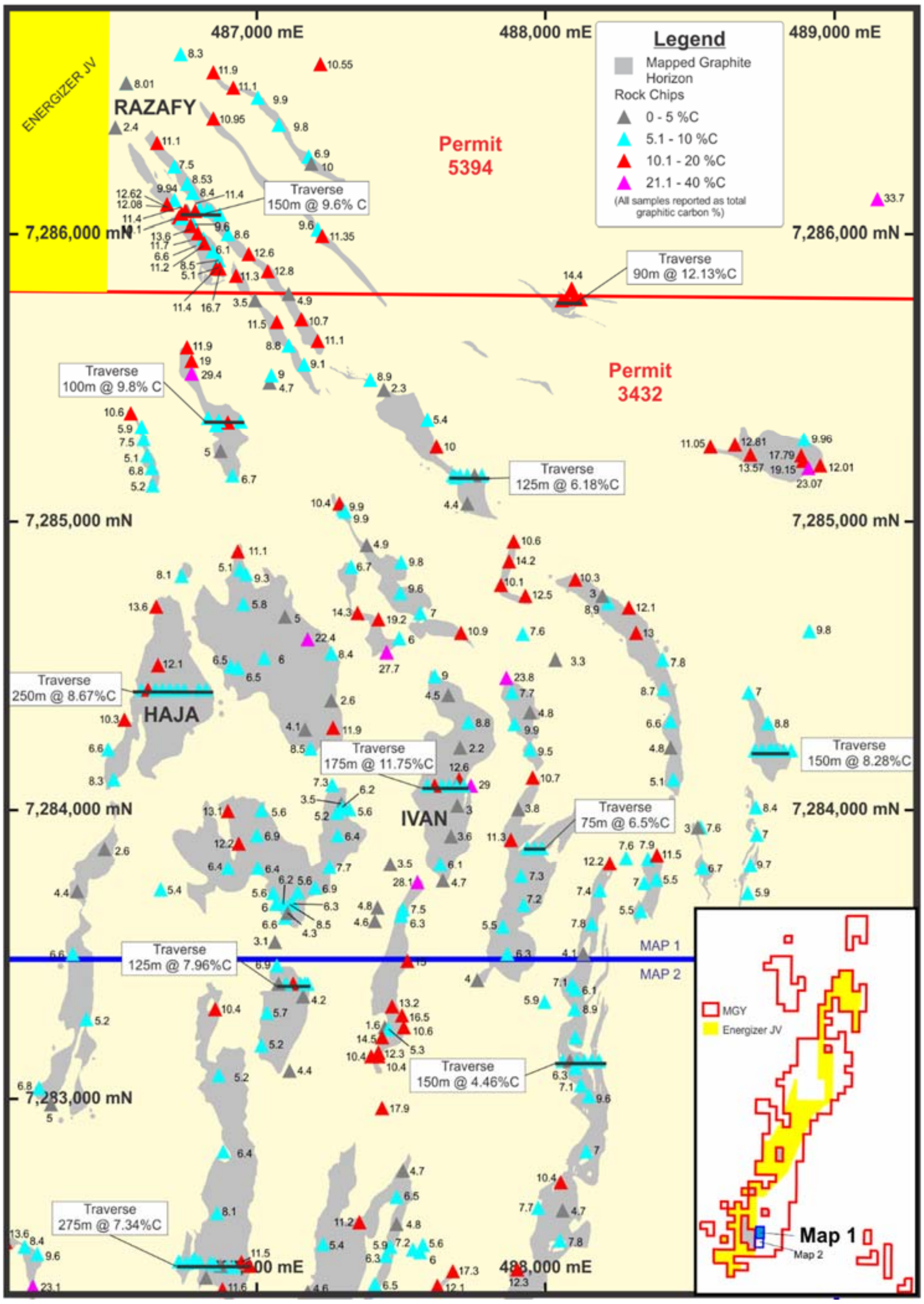

Figure (1) – Maniry Project high-grade graphite mapped outcrops

Madagascar Tenement Rationalisation

Lower priority areas have been identified and the statutory process of relinquishment undertaken. The tenement holdings in Madagascar has been reduced from 1351.3km^2 at the start of 2015 to 237.7km^2 at 31 December 2015.

Karlawinda Gold Project - Acquisition

On 26th October 2015, the Company announced that it had executed **a Heads of Agreement (HOA) with Greenmount Resources Pty Ltd ("Greenmount") to acquire all of the issued capital of Greenmount.**

Greenmount was a private company which has contracted to acquire the Karlawinda Gold Project encompassing the Bibra Gold Deposit and the highly endowed Francopan Gold Prospect. These advanced positions are located in a large exploration holding that is considered to have excellent regional gold potential. Greenmount has paid the first instalment to acquire Karlawinda and is required to pay a further instalment of $1.5m in August 2016.

Notice was provided by both Malagasy Minerals and Greenmount of the completion of the formal due diligence process and formal agreements with the Shareholders of Greenmount were entered into (ASX announcement dated 4th December 2015).

A General meeting approved the acquisition of Greenmount on 3rd February 2016. Also approved at that General meeting was the Company name to change to Capricorn Metals Ltd following the completion of the acquisition of Greenmount, with the ASX ticker code changed to 'CMM', and approval of the issue of 45,454,546 shares at an issue price of 3.3 cents per share to raise $1.5m.

Karlawinda Project Details

Summary

- Bibra Deposit - JORC 2012 Inferred resource at: **18mt @ 1.1g/t Au for 650,800oz Au (COG 0.5g/t)**
- Potential for near term open pit production: approximately $12 million already spent on resource evaluation and pre-feasibility study activities.
- Thick, flat lying gold mineralized structure amenable to low cost open pit mining with mineralization starting close to surface. No previous mining.
- Located close to key infrastructure and mining support services.
- Large scale potential within an unexplored Archean greenstone belt to significantly add to the gold resource base in the near term:
  - **Bibra Gold Deposit**: gold mineralization remains open in down plunge positions and potential exists for strike extensions and stacked mineralized gold lodes. Large areas of defined mineralization are not included in the JORC resource.
  - **Francopan Prospect**: drilling intersections up to 5km away from the Bibra Deposit include 81m @ 1.2g/t Au (includes 15m @ 3g/t Au) and 37m @ 1.9g/t Au.
  - **Regional Exploration:** largely limited to reconnaissance aircore drilling. Number of defined high priority targets for immediate testing. Potential for a large-scale mineralized system.

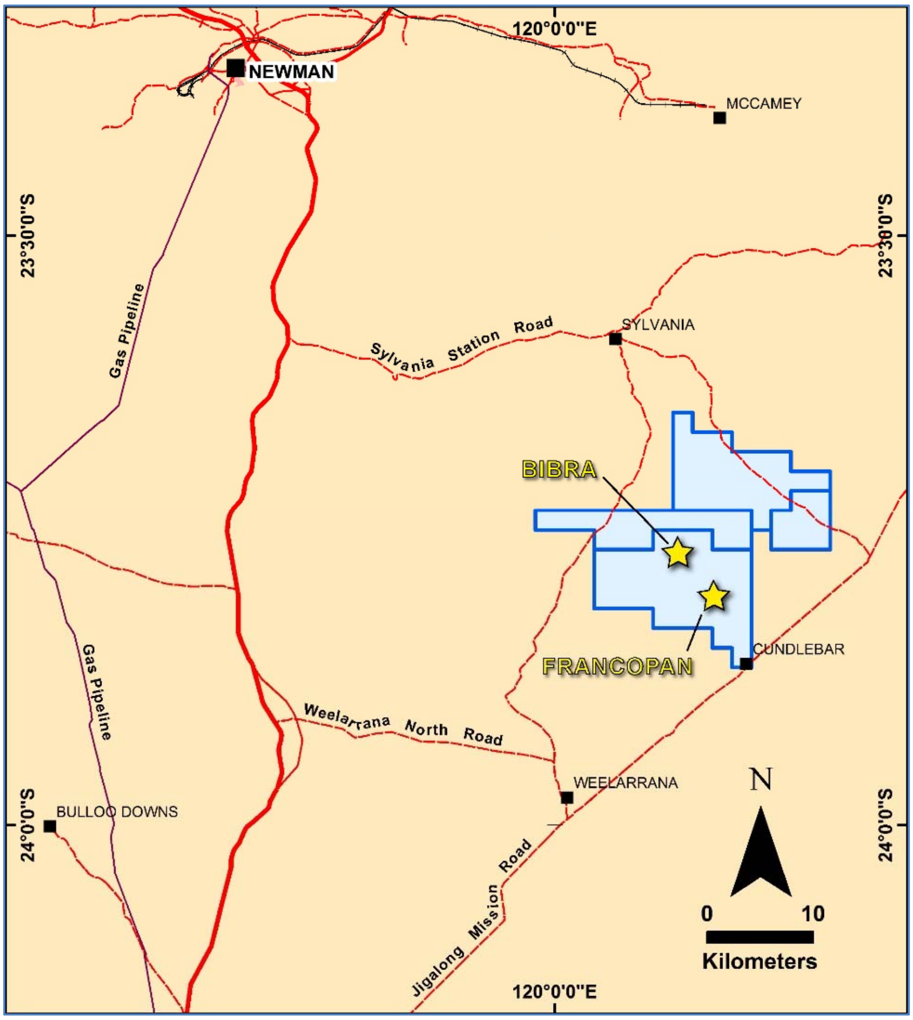

Figure (2) – Karlawinda Gold Project Location Plan

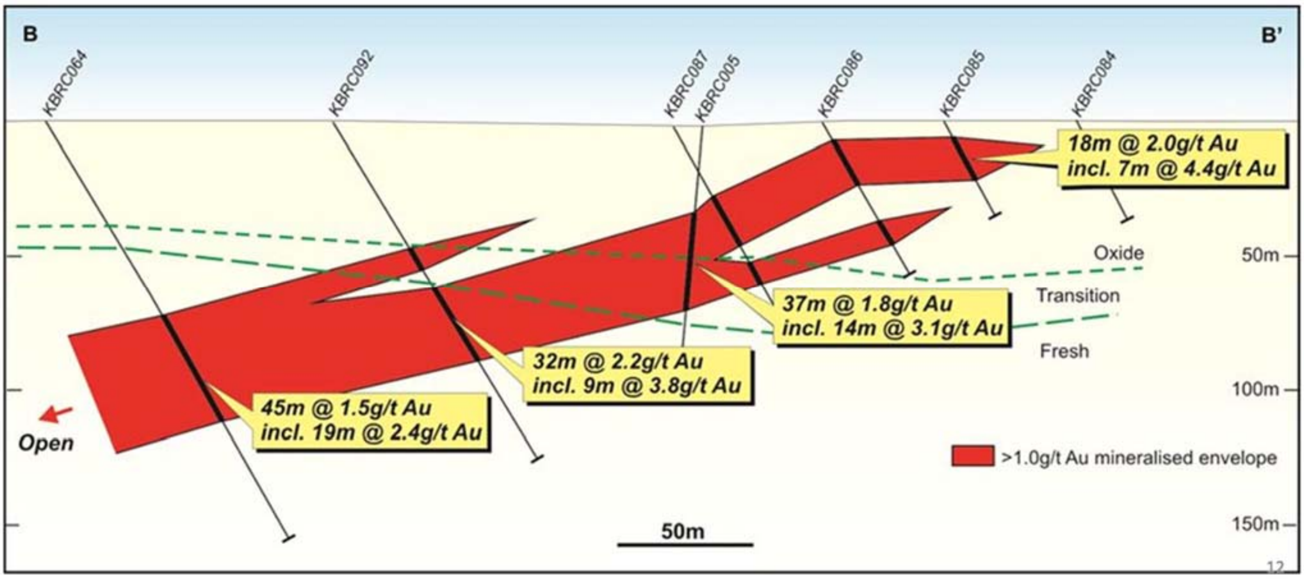

Figure (3) – Bibra Gold Deposit Interpreted Cross Section
(Diagram from IGO 2011 Diggers and Dealers Presentation)

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 2015.

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

Mr Peter Thompson
Managing Director

Dated this 14th day of March 2016

William Buck

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 2015 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 14th day of March, 2016

CHARTERED ACCOUNTANTS & ADVISORS

Level 3, 15 Labouchere Road
South Perth WA 6151

PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888

williambuck.com

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015

	Note	31 December 2015 $	2014 $
Revenue	2(a)	125,390	340,488
Other income	2(b)	59,325	9,296
Fair value loss on financial assets	6	(160,476)	(71,028)
(Loss) / gain on disposal of other financial assets		(41,389)	96,899
Employee benefits expense		(294,466)	(300,959)
Depreciation expense		(30,575)	(30,721)
Foreign currency (loss) / gain		(391)	4,930
Administration costs		(297,061)	(222,218)
Exploration expenditure		(233,662)	(317,191)
Impairment of receivable		(3,082)	-
Impairment of deferred exploration & evaluation expenditure	3	(1,869,216)	-
Loss before income tax expense		(2,745,603)	(490,504)
Income tax expense		(1,587)	(2,779)
Net Loss attributable to members of the parent entity		**(2,747,190)**	**(493,283)**
Other Comprehensive Income:			
Items that may be reclassified to the profit & loss:			
Adjustment from translation of foreign controlled entities		27,439	20,686
Revaluation of property asset	7	2,159,978	-
Income tax relating to components of other comprehensive income		-	-
Total comprehensive loss for the period attributable to members of the parent entity		**(559,773)**	**(472,597)**
Earnings per share:			
Basic loss per share (cents per share)		(1.66)	(0.31)
Diluted loss per share (cents per share)		(1.66)	(0.31)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 $	30 June 2015 $
Current Assets			
Cash and cash equivalents		650,552	778,206
Trade and other receivables		81,129	63,835
Other current assets		4,686	125,922
Other financial assets	6	311,658	644,822
Total Current Assets		1,048,025	1,612,785
Non-Current Assets			
Property, plant and equipment		4,797,456	2,665,519
Investment in Joint Venture		-	1
Deferred exploration and evaluation costs	3	1,420,000	3,289,216
Total Non-Current Assets		6,217,456	5,954,736
TOTAL ASSETS		7,265,481	7,567,521
Current Liabilities			
Trade and other payables		220,647	296,026
Other liability	8	230,027	-
Short-term provisions		16,234	16,893
Total Current Liabilities		466,908	312,919
Non-Current Liabilities			
Trade and other payables		394,843	422,574
Total Non-Current Liabilities		394,843	422,574
TOTAL LIABILITIES		861,751	735,493
NET ASSETS		**6,403,730**	**6,832,028**
EQUITY			
Issued capital	9	14,865,013	14,733,538
Reserves		1,633,736	(553,681)
Accumulated losses		(10,095,019)	(7,347,829)
TOTAL EQUITY		**6,403,730**	**6,832,028**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Option Reserve $	Total $
Balance at 1 July 2014	**14,613,363**	**(6,745,297)**	**(693,299)**	**-**	**200,353**	**7,375,120**
Loss for the period	-	(493,283)	-	-	-	(493,283)
Other comprehensive income	-	-	20,686	-	-	20,686
Total comprehensive income	14,613,363	(7,238,580)	(672,613)	-	200,353	6,702,170
Issue of shares	120,175	-	-	-	-	120,175
Balance at 31 December 2014	**14,733,538**	**(7,238,580)**	**(672,613)**	**-**	**200,353**	**7,022,698**
Balance at 1 July 2015	**14,733,538**	**(7,347,829)**	**(754,034)**	**-**	**200,353**	**6,832,028**
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
Balance at 31 December 2015	**14,865,013**	**(10,095,019)**	**(726,595)**	**2,159,978**	**200,353**	**6,403,730**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the half year ended 31 December 2015

	31 December 2015 $	31 December 2014 $
Cash flows from Operating Activities		
Payments to suppliers and employees	(496,028)	(316,880)
Payments for exploration and evaluation expenditure	(126,360)	(640,123)
Interest received	5,893	9,402
Royalties received	25,904	41,839
Other income	131,432	77,309
Net cash used in operating activities	(459,159)	(828,453)
Cash flows from Investing Activities		
Payments for property, plant & equipment	(3,994)	(6,473)
Proceeds on sale of exploration tenements	-	219,968
Proceeds on sale of joint venture interest	-	9,885
Proceeds on sale of financial assets	131,298	225,899
Net cash provided by investing activities	127,304	449,279
Cash flows from Financing Activities		
Proceeds received for shares yet to be issued	230,027	-
Deferred payments under share purchase agreement	(27,731)	(24,943)
Net cash provided by / (used in) financing activities	202,296	(24,943)
Net decrease in cash and cash equivalents held	**(129,559)**	**(404,117)**
Cash and cash equivalents at beginning of the period	778,206	1,125,108
Effect of Foreign exchange rates on cash in foreign currencies	1,905	17,345
Cash and cash equivalents at end of the period	**650,552**	**738,336**

The accompanying notes form part of these financial statements.

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 2015 annual financial report for the financial year ended 30 June 2015, 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 2015. 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.

The ability of the Group to continue as a going concern requires the Group to secure additional funds to make the payment of $1.5 million relating to the second instalment for the acquisition of the Karlawinda Gold Project payable on or around 18 August 2016. Accordingly, the Group is in the process of investigating various options for securing additional working capital which include but is not limited to the sale of existing non-core assets, including shares held in Energizer Resources Inc, a Toronto Securities Exchange listed entity, the property and tenements in Madagascar and access to equity markets to raise additional share capital if required. The carrying value of the shares in Energizer Resources Inc and the property and tenements in Madagascar at 31 December 2015 is in excess of the $1.5 million due for the acquisition of the Karlawinda Gold Project.

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 via the successful placement to raise $1.5 million, completed in February 2016.

For the half year ended 31 December 2015 the Group has incurred a loss of $2,747,190 (31 December 2014: $493,283) and at 31 December 2015 the Group had working capital of $581,117 (30 June 2015: $1,299,866) including a cash and cash equivalents balance of $650,552 (30 June 2015: $778,206). Cash used in operating activities in the 31 December 2015 half-year was $459,159 (2014: $828,453).

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

Should the Group be unable to achieve the matters as set out above, there is a material uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Change in accounting policy

The Group has changed its accounting policy for land & buildings from a cost model to a revaluation model in accordance with paragraph 31 of AASB 116 *Property, Plant and Equipment*. The entire class of property, plant and equipment to which land and buildings belong has been revalued in October 2015. The carrying amount of land and buildings has been increased as a result of the revaluation and the increase has been recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve.

The directors have determined that the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions for its property, plant and equipment on the entity's financial position, financial performance or cash flows.

NOTE 2 – REVENUE

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

	31 December 2015 $	31 December 2014 $
(a) Revenue:		
- royalties	47,084	43,211
- rental	70,056	69,408
- other	8,250	7,901
- tenement sales (1)	-	219,968
Total Revenue	125,390	340,488
(b) Other Income:		
- net Interest received	6,199	9,296
- non-refundable deposit (2)	53,126	-
Total Other Income	59,325	9,296

(1) 27 November 2014, Mada-Aust SARL, a wholly owned subsidiary, agreed to sell Labradorite permit number 19933 for the consideration of MGA 466,628,833.

(2) 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 2015 $	30 June 2015 $
At 1 July	3,289,216	3,289,216
Additions and Reclassifications	-	-
Impairment	(1,869,216)	-
At 30 June	1,420,000	3,289,216

NOTE 3 – DEFERRED EXPLORATION & EVALUATION COSTS *(Cont'd)*

During the half year ended 31 December 2015 a review of the Group's tenement holdings was undertaken. The decision was made to relinquish non-core tenements, reducing the land holding from 1,351.3km^2 to 237.7km^2. Additionally, an assessment of current contracts, related to the remaining tenement package, which may give rise to future income was undertaken. An impairment expense of $1,869,216 was recorded to reflect the significantly reduced tenement holding and the current value as assessed by the Directors.

NOTE 4 – DIVIDENDS

No dividend has been paid or proposed.

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 2015	Australia $	Madagascar $	Mauritius $	Eliminations $	Consolidated $
Revenue					
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)

31 December 2014	Australia $	Madagascar $	Mauritius $	Eliminations $	Consolidated $
Revenue					
Revenue	120	453,832	-	(113,464)	340,488
Other income	8,071	1,225	-	-	9,296
Total segment revenue	8,191	455,057	-	(113,464)	349,784
Result					
Segment results	(311,663)	(265,732)	(2,137)	86,249	(493,283)
Profit/(Loss) before income tax	(311,663)	(262,953)	(2,137)	86,249	(490,504)

NOTE 6 – OTHER FINANCIAL ASSETS

	31 December 2015 $	30 June 2015 $
Listed Shares in Energizer Resources Inc	167,878	402,937
Unlisted Warrants in Energizer Resources Inc	143,780	241,885
	311,658	644,822

Listed shares in Energizer Resources Inc:

	31 December 2015		30 June 2015	
	Number	$	Number	$
At 1 January / 1 July	3,500,000	402,937	3,500,000	452,702
Fair value decrease	-	(62,371)	-	(34,641)
Shares received as consideration	-	-	1,000,000	113,876
Shares sold	(1,500,000)	(172,688)	(1,000,000)	(129,000)
At 31 December / 30 June	2,000,000	167,878	3,500,000	402,937

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 2,000,000 (30 June 2015: 3,500,000) fully paid ordinary shares in Canadian company Energizer Resources Inc, of which are 1,000,000 shares are in escrow until 20 May 2016.

During the half-year to 31 December 2015 the company sold 1,500,000 Energizer shares to raise $131,298 in cash proceeds for working capital purposes.

Fair value of listed shares and assumptions:

	31 December 2015	30 June 2015
Fair value per listed share	$0.084	$0.115
Closing quoting bid price per share	CAD $0.085	CAD $0.110
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	0.98752	1.04659

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

Unlisted Warrants in Energizer Resources Inc:

	31 December 2015 $	30 June 2015 $
Balance at the beginning of the period	241,885	385,000
Fair value decrease	(98,105)	(143,115)
Balance at the end of the period	143,780	241,885

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 2015	30 June 2015
Fair value per unlisted warrant	$0.041	$0.
Closing quoting bid price per share	CAD $0.085	CAD $0.110
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	0.98752	1.04659
Exercise price per warrant	USD $0.14	USD $0.14
Foreign exchange rate – Australian Dollar per 1 US Dollar	1.36986	1.30066
Risk free interest rate	2.040%	2.105%
Expected volatility	100%	100%
Expected life (days)	1,201	1,364

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

NOTE 7 – FAIR VALUE MEASUREMENT - LAND & BUILDINGS

At 31 December 2015, the Group's freehold land & buildings have been stated at their revalued fair value of $4,500,000. Previously, at 30 June 2015 the valuation technique used was depreciating historical cost.

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

	31 December 2015 $	30 June 2015 $
Carrying value at the beginning of the period	2,347,774	2,364,580
Depreciation for the period	(7,752)	(16,806)
Revaluation	2,159,978	-
Carrying value at the end of the period	4,500,000	2,347,774

The fair value of the Group's land & buildings located in Antananarivo, Madagascar was determined after consideration of a market valuation completed in Madagascar during October 2015 which assigned a value of 11,323,422,000 Ariary (AUD $4,899,899) to the property.

From the market valuation the board has made an allowance of approximately $400,000 for potential transaction costs in realizing fair value.

Details of the Group's freehold land & buildings and information about the fair value hierarchy as at 31 December 2015 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
31 December 2015				
Land & Buildings	-	4,500,000	-	4,500,000
	-	4,500,000	-	4,500,000
30 June 2015				
Land & Buildings	-	2,347,774	-	2,347,774
	-	2,347,774	-	2,347,774

NOTE 8 – OTHER LIABILITY

	31 December 2015 $	30 June 2015 $
Balance at the beginning of the period	-	-
Proceeds received for shares yet to be issued	230,027	-
Balance at the end of the period	230,027	-

The company held $230,027 in subscription monies representing 6,970,524 ordinary shares at an issue price of $0.033 per share. The allotment of the shares was contingent upon the completion of the acquisition of Greenmount Resources Pty Ltd. Subsequent to the half year end, on 5 February 2015, the shares were allotted and this liability extinguished.

NOTE 9 – ISSUED CAPITAL

	31 December 2015 $	30 June 2015 $
171,636,476 fully paid ordinary shares (30 June 2015: 165,346,421)	14,865,013	14,733,538

Ordinary shares:	**Number**	**Number**
Balance at the beginning of the period	165,346,421	160,847,767
Shares issued during the period:		
- 2 December 2014 (1)	-	4,498,654
- 2 December 2015 (2)	6,290,055	-
Balance at the end of the period	171,636,476	165,346,421

There are no preference shares on issue.

Notes:

1. 2 December 2014, 4,498,654 fully paid ordinary shares were issued to directors, subsequent to shareholder approval received on 25 November 2014. The shares were issued as payment for accrued director fees totalling $120,175. The share were issued as follows:

Shares Issued	Issue Price (per share)
874,000	$0.0250
1,394,679	$0.0235
1,236,792	$0.0265
993,183	$0.0330
4,498,654	

2. 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	

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

No options were issued during the half-year.

Securities Exchange Listing

Total Issued Capital is 171,636,476 shares, all of which were listed on the ASX at 31 December 2015.

NOTE 10 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 31 December 2015 (30 June 2015: Nil).

NOTE 11 – COMMITMENTS

Exploration Commitments

The consolidated entity 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 are payable to maintain ownership over the tenement areas. 67.6% of the tenement rents are recouped from other parties.

NOTE 12 – 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
31 December 2015				
Financial assets:				
Available-for-sale financial assets:				
- listed investments	167,878	-	-	167,878
- unlisted warrants	-	143,780	-	143,780
	167,878	143,780	-	311,658
30 June 2015				
Financial assets:				
Available-for-sale financial assets:				
- listed investments	402,937	-	-	402,937
- unlisted warrants	-	241,885	-	241,885
	402,937	241,885	-	644,822

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.

NOTE 13 – 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:

- 3 February 2016: Completion of the acquisition of 100% of the issued capital of Greenmount Resources Pty Ltd by the issue of 171,636,476 fully paid ordinary shares.

  The acquisition of Greenmount Resources is not a business combination as Greenmount Resources' acquired assets did not meet the definition of a business as defined in the Australian Accounting Standards. The acquisition of Greenmount Resources meets the definition of, and has been accounted for as, an asset acquisition and the directors have determined that the fair value consideration of the acquisition was $4,146,955.

  The acquisition of Greenmount Resources, included the following assets and liabilities:

  - The Karlawinda Gold Project, located 65km south-east of Newman in Western Australia. The Karlawinda Gold Project contains a JORC 2012 Inferred Resource at: 18mt @ 1.1g/t Au for 650,800oz Au (COG 0.5g/t).
  - Cash of $88,225.
  - A liability of $1,500,000 to be paid for the acquisition of the Karlawinda Gold Project by Greenmount Resources, due August 2016.
  - A liability of $135,540 payable September 2016 for stamp duty on the transfer of the tenements which form the Karlawinda Gold Project.
  - Minimum tenement expenditure commitments associated with the Karlawinda Gold Project of $255,000.

- 5 February 2016: Completion of a share placement to raise $1,500,000 by the issue of 45,454,546 shares at an issue price of $0.033 per share.

NOTE 14 – 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 15 – KEY MANAGEMENT PERSONNEL

Details of the Group's Non-Executive Director 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 2015. There were no significant changes in the nature of related party remuneration since 30 June 2015 except for the following:

Grant Date	Number of Shares	Share Price at Grant Date
26 November 2015	6,290,055	$0.032

The weighted average fair value of those equity instruments, determined by reference to market price, was $201,282.

These shares were issued in lieu of directors' fees to key management personnel of the Group.

Subsequent to the end of the half year, two full time executive directors have been employed, with conditions of employment as set out below.

Name	Position	Term Expiring	Salary (per annum)	Unlisted Options(1)
Mr Peter Thompson	Managing Director	3 February 2019	$240,000	6,000,000
Mr Peter Langworthy	Executive Director	3 February 2019	$150,000	4,800,000

(1) Shareholder approval will be sought for the issue of unlisted options to the executives.

Directors' Declaration

The Directors of the company declare that:

(a) The financial statements and notes, as set out on pages 8 to 19, 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 economic entity's financial position as at 31 December 2015 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. Peter Thompson
Managing Director

Perth, Western Australia
14 March 2016

William Buck

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 8 to 20, which comprises the consolidated statement of financial position as at 31 December 2015, 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 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 2015 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

Level 3, 15 Labouchere Road
South Perth WA 6151

PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888

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 8 to 20 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 2015 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*.

Emphasis of Matter
Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a loss after income tax of $2,747,190 during the half-year ended 31 December 2015. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

William Buck

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

Conley Manifis
Director

Dated this 14th day of March, 2016