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CAPRICORN METALS LTD

Annual Report

30 June 2017

ABN 84 121 700 105

Corporate Directory

Directors

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

Joint Company Secretaries

Jonathan Shellabear
Natasha Santi

Registered Office & Principal Place of Business

Level 1, 28 Ord Street
WEST PERTH WA 6005

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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

Annual General Meeting

The Annual General Meeting of Capricorn Metals Ltd will be held in the Function Room, The Celtic Club, 1st Floor, 48 Ord Street, West Perth Australia at 9 am on Thursday 23rd November 2017.

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

Contents

	Page No.
Chairman's Letter	2
Operating and Financial Review	3
Directors' Report	8
Remuneration Report	11
Auditor's Independence Declaration	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Financial Statements	22
Directors' Declaration	47
Independent Audit Report	48
ASX Additional Information	55
Group Tenement Schedule	57

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Chairman's Letter

Dear Shareholders,

It is with great satisfaction we present to you the Capricorn Metals Ltd 2017 Annual Report. This past reporting period has been a very busy and very exciting year, with many key achievements by staff and consultants, as we seek to realise our aim of becoming a significant new Australian gold producer.

We continue working towards the delivery of the Feasibility Study for the proposed open pit mining and standalone processing facility at Karlawinda. This study will be based on our maiden Ore Reserve estimate for the Bibra deposit, completed during the year. Whilst we are confident this study will provide a positive outcome and ultimately lead to the development of the project, we see this as just the start for the Company at Karlawinda. In parallel with our ongoing development studies we have maintained a very active exploration program as we seek to realise the full potential of the Company's assets and look to maintain the strong growth in our resource and reserve base for the proposed operation.

We are excited by the endowment potential of the entire tenement area at Karlawinda. The opportunities to increase the resource at Bibra are significant. Furthermore, the advanced prospects at Francopan and K3, both of which have all the hall marks of another major mineralised system, have significant untested potential. In our opinion, there is excellent potential for significant new discoveries at Karlawinda and we intend to continue an aggressive exploration program to unlock these opportunities which should add significant value to the underlying Karlawinda Gold Project. We consider this as a rare opportunity to be at the start of defining what we believe will develop into a significant gold camp.

We thank you, our shareholders, for your ongoing support and look forward to the continued transition of our Company into a profitable gold producer.



Heath Hellewell

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OPERATIONS REVIEW

Highlights

- Completion of a positive Scoping Study and commencement of the Karlawinda Gold Project Feasibility Study.
- Grant of Mining Lease M52/1070 following execution of Native Title Land Access Agreement for the Karlawinda Gold Project.
- Upgraded Mineral Resource estimate and release of the Maiden Bibra Ore Reserve statement.

Karlawinda Gold Project

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

Tenure

Originally acquired in February 2016, Capricorn assumed 100% control of the key mineral tenements covering an area of 290km^2 following the final payment of $1.5M to the previous project owners in August 2016. Throughout the reporting period Capricorn continued to build its tenement position at Karlawinda to its current total area of 1419km^2. A Land Access agreement was executed with the single traditional claimant group, the Nyiyaparli, in November 2016. Mining lease M52/1070 was granted over the key ore deposit at Bibra and surrounding areas for potential project infrastructure in December 2016, the lease is valid for 21 years.

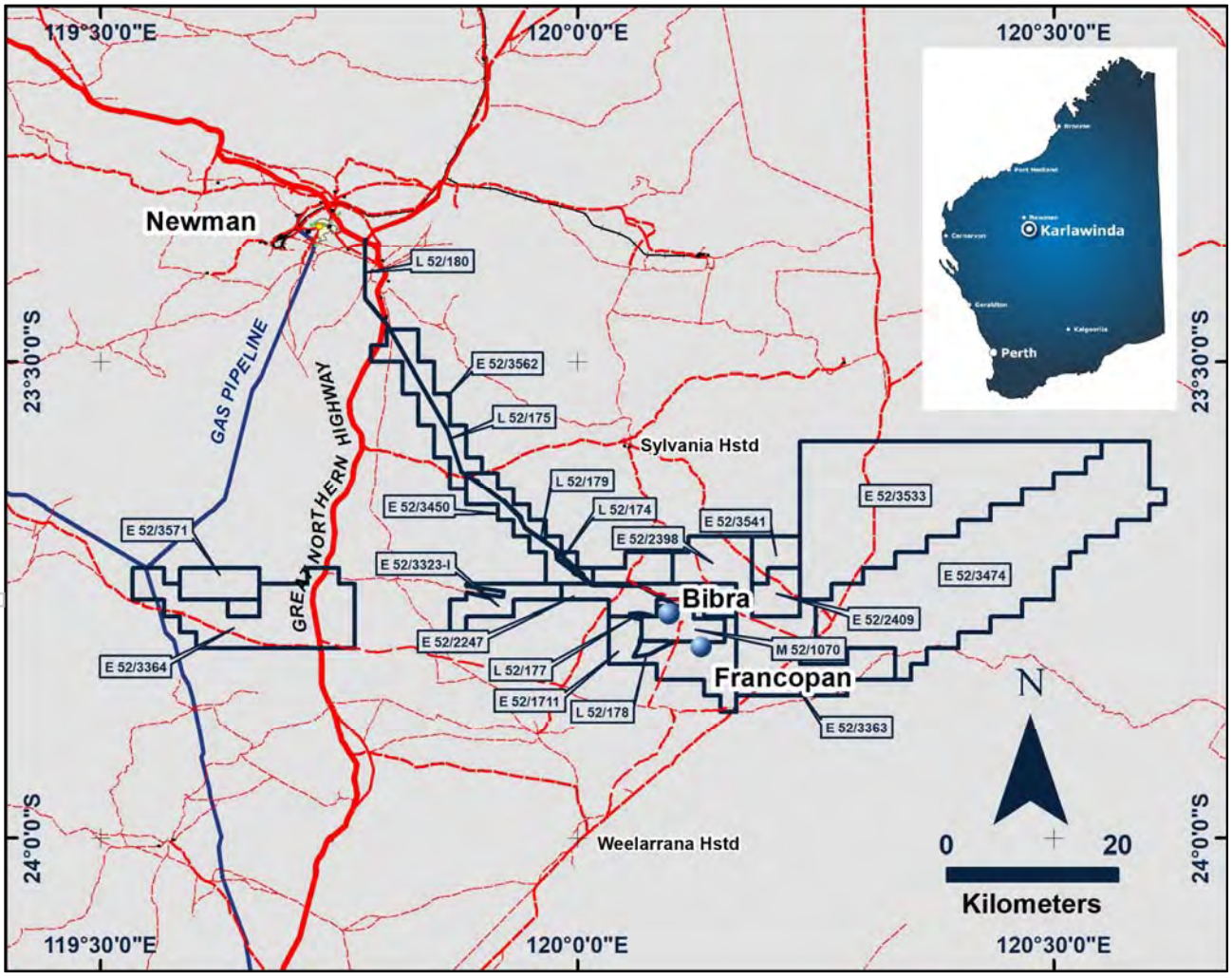

Figure 1: Location map & tenement holdings

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Geology

The project area is underlain by a largely unexplored and only recently recognised belt of Archaean greenstone rocks that were discovered in 2005. This belt of predominantly volcanic and sedimentary rocks is located on the southern margin of the Sylvania Dome, a major structure where Archaean-aged, predominantly granitic basement rocks, thought to be part of the Pilbara Craton, are exposed at surface within surrounding younger Proterozoic aged sedimentary basins.

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

Approximately 5km south east of Bibra, previous drilling at the Francopan and K3 prospects has intercepted gold mineralisation with similar characteristics in similar host rocks to that which is present at Bibra.

Strategy

Following acquisition of the Karlawinda Gold Project, Capricorn immediately initiated a strategy to bring the project into gold production via an initial open pit mine and large scale standalone ore processing facility. Underpinning this strategy has been an aggressive program of drilling to grow the project resource base at the Bibra deposit to the current estimate of 1,114,000oz (Indicated and Inferred), a growth in resource inventory for the project of over 70% since the project acquisition.

Scoping Study

A Scoping Study for a mine development at Karlawinda was completed in July 2016. The study, which built on project scoping work undertaken by the previous project owners, concluded that a single large open pit mine at the Bibra deposit, feeding a 3Mtpa standalone CIL (carbon-in-leach) processing facility on site was economically the most robust of two scenarios considered.

Feasibility Study

Following the positive outcome from the scoping study, Capricorn commenced a Feasibility Study into the development of the Karlawinda Gold Project. This study is supported by a major 75,000m infill drilling program completed in December 2016. The aim of the program was to upgrade the confidence level in the previous Inferred Mineral Resource at Bibra to the higher confidence Indicated category. This drilling program was one of the largest drilling campaigns undertaken by the Australian gold sector in 2016.

The upgraded Mineral Resource estimation at Bibra deposit currently stands at:

31 million tonnes @ 1.1g/t Au for 1,114,000 ounces of gold

Based on this Mineral Resource estimate and the ongoing Feasibility Study work completed at that time, Capricorn released an Ore Reserve estimate for Bibra on 7th August 2017. The Bibra Ore Reserve is currently estimated at:

21,025,000 tonnes @ 1.06g/t Au for 713,000 ounces of gold

The Karlawinda Gold Project Feasibility Study is scheduled for completion in the coming weeks.

Exploration

In parallel with the ongoing resource development drilling programs and feasibility work, Capricorn has maintained a very active program of exploration activities. Whilst most of the work this year was understandably focused around the Bibra deposit and its immediate extensions, the Company has been pro-actively building on an improved understanding of the mineralisation and controls at Bibra, as it continued to build up its regional datasets and refined its future exploration targets.

This work has been completed in anticipation of a major exploration push for the coming year as the Company now looks towards building on the completion of the Feasibility Study and maximizing its investment at Karlawinda. Particularly exciting is the potential of the Francopan and K3 prospects where significant mineralisation is already known to occur from previous drilling and the Bundoran prospect where there are several coincident geophysical signatures with similar characteristics to the Bibra deposit. As the Company moves towards production the leverage off exploration success will be significant for shareholders.

Corporate

To ensure that Capricorn has the appropriate balance and blend of skills and experience between the Board and executive management, an organisational restructuring was undertaken during March 2017. The restructure has laid the foundation for the Company to move forward and deliver on its strategy to become a significant Australian gold producer.

On the 6th of February 2017, Capricorn announced the execution of a binding agreement with Hawke's Point Holdings L.P. to raise a total of $10 million in new equity through the issue of two tranches of shares at a price of 11.7c per share.

The investment by Hawke's Point, which followed an extensive due diligence process, is a strong endorsement for the Karlawinda Gold Project and means that Capricorn is fully-funded through to the completion of the Feasibility Study. On the 28th April, Tranche One shares were ratified and Tranche Two shares were approved for issue at a General Meeting of shareholders.

Madagascar Projects

As previously reported the Company has an active divestment program for its Madagascan assets, as they are now considered non-core, with the sole focus to be on the development of the Karlawinda Gold Project.

During the year, the Company made progress with the following divestment activities in Madagascar:

- Sale of Madagascar Graphite Ltd to Blackearth Minerals NL (Blackearth).
  - $75,000 cash was paid on signing of the Share Sale & Purchase Agreement in February 2017.
  - Remaining consideration of $75,000 cash and 2,000,000 shares due on completion, expected by 30 November 2017. Completion requires Blackearth to complete and initial public offering and receive approval to be added to the official list of the Australia Securities Exchange. In addition, a further $1,000,000 cash is due upon a 'decision to mine' being made by Blackearth within 8 years of completion of this transaction;
- Sale of equipment and vehicles for $17,722; and
- Sale of shares in NEXT Source Materials Inc (formerly Energizer Resources Inc.) for $21,330.

The principal Madagascar assets remaining to be divested include some real estate and mineral lease properties.

Bibra Ore Reserve

On 7 August 2017, the Company released its maiden JORC 2012 compliant Ore Reserve estimate of 21,025,000 tonnes @ 1.06g/t Au for 713,000 ounces for the Bibra deposit at the Karlawinda Gold Project (see ASX Release dated 7 August 2017), which is based on the updated April 2017 Mineral Resource estimate (ASX release 10 April 2017) of 31,331,100 tonnes @ 1.1g/t Au for 1,114,000 million ounces.

BIBRA GOLD DEPOSIT JORC OPEN PIT RESERVE STATEMENT *(A$1500/ounce assumption)*									
Date	PROVED RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
August 2017	-	-	-	21	1.06	0.713	21	1.06	0.713

Notes on the August 2017 Ore Reserve:

1. Reserves are a subset of Resources
2. Ore Reserves conform with and use the JORC 2012 Code definitions
3. Ore Reserves are calculated using a gold price of A$1500/ounce
4. Ore Reserves are calculated using a cut-off grade between 0.40g/t and 0.47g/t Au
5. Mining dilution, estimated by modelling to a Selective Mining Unit (SMU) with dimensions of 5m x6.25m x2.5m result in a reduction of 13% of reportable Au ounces
6. All figures are rounded to reflect appropriate levels of confidence which may result in apparent errors of summation

Bibra Mineral Resource

An updated Mineral Resource for the Bibra deposit was estimated in July 2016 and a further updated Mineral Resource estimate was undertaken in April 2017.

The April 2017 Indicated and Inferred Resource estimate for the Bibra deposit was 31,331,100 tonnes @ 1.10g/t for 1,114,000 ounces of contained gold (see ASX release dated 10 April 2017). The resource is reported at a 0.5g/t Au cut-off grade and is constrained within an optimised open pit shell using a gold price of A$1750/oz.

The Bibra JORC-2012 compliant Inferred Resource Estimate as at 30 June 2017, is as follows:

BIBRA GOLD DEPOSIT JORC OPEN PIT RESOURCE ESTIMATE									
DATE	INDICATED			INFERRED			TOTAL		
	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
April 2017	28.9	1.10	1.03	2.4	1.06	0.084	31.3	1.10	1.114
July 2016	---	---	---	25.5	1.10	0.914	25.5	1.10	0.914

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BIBRA GOLD DEPOSIT JORC OPEN PIT RESOURCE ESTIMATE BY DOMAIN			
DOMAIN	Tonnes	Grade (g/t Au)	Ounces
Laterite	1,544,000	1.4	67,600
Oxide – Upper Saprolite	2,318,000	1.0	73,000
Oxide – Lower Saprolite	3,075,000	1.0	99,850
Transitional	2,071,600	1.0	65,270
Fresh	22,322,500	1.1	808,380
TOTAL	31,331,100	1.1	1,114,000

Notes on the April 2017 Inferred Mineral Resource Estimate:

1. Refer to JORC 2012 Table (1) in Appendix 1 of ASX Release on 10 April 2017 for full details.
2. Discrepancy in summation may occur due to rounding.
3. The mineralisation has been wireframe modelled using a 0.3g/t Au assay cut-off grade. The resource estimate has been reported above a block grade of 0.5g/t Au.
4. The resource has been constrained by a A$1750/ounce conceptual optimal pit shell.
5. Ordinary kriging was used for grade estimation utilising Surpac software v6.6.2.
6. Grade estimation was constrained to blocks within each of the mineralised wireframes.
7. See ASX announcement dated 10th April 2016 for Inferred Resource announcement.

The Bibra JORC-2012 compliant Inferred Resource Estimate as at 30 June 2016, was as follows:

BIBRA GOLD JORC OPEN PIT INFERRED RESOURCE ESTIMATE			
Domain	Tonnes	Grade (g/t Au)	Ounces
Laterite	2,100,000	1.3	85,000
Saprolite	4,300,000	1.0	142,000
Transition	1,500,000	1.2	58,000
Fresh	17,600,000	1.1	629,000
TOTAL	25,500,000	1.1	914,000

Notes on the July 2016 Inferred Mineral Resource Estimate:

1. Refer to JORC 2012 Table (1) in Appendix 1 of ASX release 4 July 2016 for full details.
2. Discrepancy in summation may occur due to rounding.
3. The mineralisation has been wireframe modelled using a 0.3g/t Au assay cut-off grade. The resource estimate has been reported above a block grade of 0.5g/t Au.
4. The resource has been constrained by a A$1750/ounce conceptual optimal pit shell.
5. Ordinary Kriging was used for grade estimation utilising Surpac software v6.6.2.
6. Grade estimation was constrained to blocks within each of the mineralisation wireframes.
7. See ASX announcement dated 4th July 2016 for Inferred Resource announcement.

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. Michael Martin who is Chief Geologist and a full-time employee of the Company. Mr. Michael Martin is a current Member of the Australian Institute of Geoscientists 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. Martin consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Exploration Results or Mineral Resources is based on information reviewed by Mr. Peter Langworthy who is Executive General Manager Geology and a full-time employee of the Company. Mr. Peter Langworthy is a current Member of the Australian Institute of Mining and Metallurgy 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. Langworthy consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Ore Reserves for Bibra is based on information compiled by Quinton de Klerk. Mr de Klerk is an employee of Cube Consulting PL and is a Fellow of the Australian Institute of Mining and Metallurgy (FAusIMM, #210114). Mr de Klerk has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being 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. de Klerk consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Capricorn Metals confirms that it is not aware of any new information or data that materially affects the information included in the previous ASX announcements on Resources (10/4/2017) and Metallurgy (19/6/2017) and, in the case of estimates of Mineral Resources, Ore Reserves, Plant operating costs and Metallurgy, all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not materially changed from previous market announcements.

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FINANCIAL REVIEW

Financial Position

The consolidated loss for the year was $3,293,239 (2016: $3,700,868). In addition, a payment of $75,000 was received in relation to the sale of wholly owned subsidiary Madagascar Graphite Ltd.

During the year, Madagascan operations required parent company funding of $0.1 million, representing a shortfall in the self-funding strategy (2016 requirement: $0.3 million).

The cash balance of the Group at 30 June 2017 was $5.5 million.

Corporate Transactions

Blackearth Minerals NL:

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

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

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

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

The transaction is expected to conclude by 30 November 2017.

Future Prospects

The group's cash balance at 30 June 2017 will be sufficient to see the group through the planned activities in relation to the completion of the Feasibility Study at Karlawinda, during the coming year.

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Directors' Report

The directors present their report on the Consolidated Group, comprising Capricorn Metals Ltd (referred to in these financial statements as "Parent" or "Capricorn" and its wholly owned subsidiaries ("the Group"), together with the financial report for the year ended 30 June 2017 and the audit report thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the year are set out below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Mr Heath HELLEWELL
B.sc Hons, MAIG
Non-Executive Director – Appointed 3 February 2016
Executive Chairman – From 14 March 2017

Mr Hellewell is an exploration geologist with over 22 years of experience in gold, base metals and diamond exploration predominantly in Australia and West Africa. Mr Hellewell graduated from Curtin University with an Honours Degree in Geology and is a member of the Australian Institute of Geoscientists. Mr Hellewell has previously held senior exploration positions with a number of successful mining and exploration groups including DeBeers Australia Pty Ltd and Resolute Mining Limited. Mr Hellewell joined Independence Group NL in 2000 prior to the Company's IPO and was part of the team that identified and acquired the Tropicana project area, eventually leading to the discovery of the Tropicana and Havana gold deposits which are now subject to a production joint venture with Anglo Ashanti Australia Ltd. Mr Hellewell ultimately rose to the position of Exploration Manager at Independence Group.

Most recently he was the co-founding Executive Director of Doray Minerals Limited, where he was responsible for the Company's exploration and new business activities. Following the discovery of the Andy Well gold deposits in 2010, Doray Minerals was named "Gold Explorer of the Year" in 2011 by The Gold Mining Journal and in 2014 Heath was the co-winner of the prestigious "Prospector of the Year" award, presented by the Association of Mining and Exploration Companies.

Mr Hellewell is not an independent director.

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

- Non-Executive Director – Core Exploration Ltd (15 September 2014 to present)
- Non-Executive Director – Duketon Mining Limited (18 November 2014 to present)

Mr Guy LE CLEZIO
BA
Non-Executive Chairman – 4 April 2007 to 14 March 2017
Non-Executive Director – From 14 March 2017

Mr Le Clezio holds a Bachelor of Arts from the University of Western Australia. He has had 20 years' experience in the mining and exploration industry and was an Executive Director of Eyres Reed Ltd and Canadian Imperial Bank of Commerce who were leading Western Australian stockbrokers specialising in the mining industry. He was a founding director of World Titanium Resources Ltd and a former director of ASX listed Windy Knob Resources Ltd.

Mr LeClezio is an independent director.

During the past three years Mr Le Clezio has not held any other listed company directorships.

Mr Stuart PETHER
B.E Hons, MAUSIM
Non-Executive Director – Appointed 14 March 2017

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

Mr Pether was previously the Chief Executive Officer for Kula Gold and executive director of the 100% subsidiary Woodlark Mining Limited, the owner of the advance development project the Woodlark Island Gold Project in PNG.

He held the position of Chief Operating Officer at Catalpa Resources where he was responsible for the construction, commissioning and operation of the $92 million Edna May Gold Project and represented Catalpa Resources on the Cracow Gold Mine Joint Venture committee with Newcrest Mining. Following the merger of Catalpa Resources with Conquest Mining in November 2011, forming Evolution Mining, he took up the position of Vice President, Project Development where he was responsible for technical studies and major capital projects, including the construction of the $140 million Mt Carlton Gold Project in Queensland.

Prior, he worked in various mining management roles for CBH Resources, PacMin Mining Limited, Dominion Mining and Western Mining Corporation.

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

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Mr Pether is not an independent director, as he is the appointed board nominee of substantial shareholder, Hawke's Point Holdings I Limited.

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

Mr Peter THOMPSON
B.sc, M.Sc, MAusIMM
Managing Director – Appointed 3 February 2016 – Resigned 14 March 2017 to take the role of Chief Operating Officer

Mr Thompson trained as a geologist in Trinity College Dublin and Leicester University, he came to Australia in 1988 and has had a continuous career in exploration and mining for gold, nickel and copper.

Employed by WMC, Anaconda Nickel, Jubilee Mines, St Barbara Ltd, Beaconsfield Gold and Central Asia Resources in a range of roles, he has overseen several discoveries, project developments, feasibility studies, acquisitions, divestments and company start-ups.

Recent responsibilities as CEO of Beaconsfield Resources and Central Asia Resources have been for operating deep underground gold and heap leach start-up operations.

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

- Chief Executive Officer & Managing Director – Central Asia Resources Ltd (4 July 2014 to 8 February 2016)
- Non-Executive Director – Central Asia Resources Ltd (8 February 2016 to 5 September 2016)
- Non-Executive Director – Marmota Energy Ltd (26 May 2015 to present)

Mr Peter LANGWORTHY
BSc(Hons), MAusIMM
Non-Executive Director – 24 July 2013 to 2 February 2016
Executive Director – From 3 February 2016 – Resigned 14 March 2017 to take the role of Executive General Manager – Geology

Mr Langworthy is a geologist with a career spanning 26 years in mineral exploration and project development in Australia and Indonesia. He has specific expertise in building successful teams that have been responsible for significant mineral discoveries and in integrating technically sound exploration and resource development strategies into corporate planning. His industry experience includes 12 years in senior management roles with WMC Resources, four years with PacMIn Mining as Exploration Manager, five years with Jubilee Mines where he built the team responsible for numerous discoveries at the Cosmos Nickel Mine and the Sinclair nickel project, and three years with Talisman Mining as Technical Director. At Jubilee he was part of the corporate team responsible for the growth of the company until it was taken over by Xstrata for $23/share.

During the past three years Mr Langworthy has held the following other listed company directorship:

- Non-Executive Chairman – Syndicated Metals Limited (20 March 2012 to present)
- Non-Executive Director – Silver Mines Limited (21 June 2016 to present)

Mr Jonathan SHELLABEAR
B.Sc Hons, MBA
Non-Executive Director – Appointed 5 December 2016 – Resigned 14 March 2017 to take the role of Chief Financial Officer.

Mr Shellabear has over 25 years' experience in the Australian and international resources industry as a senior corporate executive and investment banker specialising in the mining sector. Mr Shellabear holds a Bachelor of Science with Honours in Geology and a Master in Business Administration from the University of Western Australia.

He has extensive capital markets and advisory experience in the resources sector and has held senior investment banking positions with NM Rothschild & Sons, Deutsche Bank and Resource Finance Corporation.

Mr Shellabear was previously the Managing Director and Chief Executive Officer of Dominion Mining Ltd which was acquired by Kingsgate Consolidated Ltd in 2011 to create, at that time, Australia's second largest gold company by market capitalisation. He has also held senior corporate roles with Portman Limited (now Cliffs Natural Resources) as General Manager, Business Development and Heron Resources Ltd as Managing Director and Chief Executive Officer.

During the past three years Mr Shellabear has not held any other listed company directorship:

2. COMPANY SECRETARIES

Mr Graeme Boden and Mrs Natasha Santi were appointed as Joint Company Secretaries on 30 September 2012.

Mrs N Santi has 9 years' experience, as an employee of Boden Corporate Services Pty Ltd, providing company secretarial and accounting services to a range of ASX listed and unlisted companies. On 1 April 2017 Mrs N Santi became a full-time employee of Capricorn Metals and ceased arrangements with Boden Corporate Services.

On 11 May 2017 Mr Graeme Boden resigned as Joint Company Secretary and Mr Jonathan Shellabear, the Chief Financial Officer was appointed Joint Company Secretary.

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3. MEETINGS OF DIRECTORS

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

	Directors' Meetings		Committee Meetings					
			Audit		Remuneration		Nomination	
Director	A	B	A	B	A	B	A	B
H Hellewell	8	8	-	-	-	-		
G LeClezio	8	8	-	-	-	-	-	-
S Pether	2	2	-	-	-	-	-	-
P Thompson	6	6	-	-	-	-	-	-
P Langworthy	6	6	-	-	-	-	-	-
J Shellabear	2	2	-	-	-	-	-	-

A = Number eligible to attend
B = Number attended

The Full Board sits as the Audit, Remuneration and Nomination Committees when those responsibilities are required to be fulfilled.

4. PRINCIPAL ACTIVITIES

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

5. OPERATING RESULTS

The consolidated loss of the consolidated entity after providing for income tax amounted to $3,293,239 (2016: $3,700,868).

6. DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended to be paid during the financial year (2016: Nil).

7. REVIEW OF OPERATIONS

A review of the consolidated entity's operations during the year and the results of those operations are contained in the Operating and Financial Review section of this Annual Report from page 2.

8. FINANCIAL POSITION

The net assets of the Group have increased by $6,9897,009 to $30,107,548 during the financial year. This significant increase is largely due to net capital raising proceeds of $9,612,383 and the capitalisation of exploration expenditure.

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

9. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than as set out elsewhere in the report, there were no significant changes in the state of affairs.

10. SUBSEQUENT EVENTS

There were no material events arising subsequent to 30 June 2017, to the date of this report which may significantly affect the operations of the consolidated entity, the results of those operations and the state of affairs of the consolidated entity in the future, other than:

- 22 September 2016, 6,000,000 unlisted incentive options were issued under the Incentive Option Plan to Chief Financial Officer, Mr J Shellabear. The options are exercisable at $0.15 per share and expire on 5 May 2021.

11. FUTURE DEVELOPMENTS

Likely future developments in the operations of the consolidated entity are referred to in the Operating and Financial Review section of this Annual Report.

12. ENVIRONMENTAL ISSUES

Mining and exploration operations in Madagascar and Australia are subject to environmental regulation under the Laws of each country. The Group's current activities generally involve disturbance associated with exploration drilling programmes in Australia, with only low-level activities in Madagascar. There have been no breaches of the Group's obligations under environmental laws.

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13. DIRECTORS INTERESTS

As at the date of this report, the interests of the Directors in shares and options of the Company were:

Director	No. of Shares	No. of Unlisted Options
H Hellewell	102,757,655	1,000,000
G LeClezio	19,444,276	1,000,000
S Pether	250,000	-

14. CORPORATE GOVERNANCE

The Company's corporate governance statement can be found at the following URL:

http://capmetals.com.au/wp-content/uploads/2017/09/170929-CMM-Corporate-Governance-Statement.pdf

15. REMUNERATION REPORT (AUDITED)

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

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

Executives may be granted unlisted share options from time to time, as determined by the Board.

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

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

Details of Remuneration for Year Ended 30 June 2017:

Executive Director & Executive Management

At 30 June 2017, the senior executives of the Company, who are full time employees, had conditions of employment as set out below. Either party may terminate their agreement without cause by giving written notice of three months. There is no termination fee payable other than during the term of notice.

Name	Mr Heath Hellewell	Mr Jonathan Shellabear	Mr Peter Langworthy	Mr Peter Thompson
Position	Executive Chairman	Chief Financial Officer	Executive General Manager – Geology	Chief Operating Officer
Salary Package per annum	$246,375	$317,550	$246,375	$317,550
Annual leave days per annum	25	20	30	20
Options [(1)]	1,000,000	-	7,300,000	8,500,000

Note:

(1) In addition to their contracted remuneration set out above 6,000,000 (2016: 10,800,000) unlisted Options were issued as incentives during the year ended 30 June 2017 (see (b) equity issued as part of remuneration).

Non-Executive Directors

The base fee for a non-executive director is $40,000 per annum. The Company makes contributions at the statutory minimum rate to superannuation funds nominated by directors, in addition to the base fee.

In addition to the base non-executive director fee, Mr G LeClezio was also issued 1,000,000 unlisted options during the year ended 30 June 2017.

The aggregate amount of remuneration payable to all non-executive directors was set prior to ASX listing, at $200,000 per annum.

Directors' fees cover all main board activities and committee memberships.

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(a) Remuneration for Key Management Personnel of the consolidated entity during the year was as follows:

2017	Short Term Benefits Salary & Director Fees $	Other Service Fees $	Post-Employment Benefits Superannuation $	Annual Leave $	Share Based Expense Value of Options $	Total $	Performance related %
Non-Executive Directors:							
G LeClezio	40,000	-	3,800	-	7,324	51,124	14.33
S Pether (1)	12,775	4,000	-	-	-	16,775	-
H Hellewell (2)	29,200	-	-	-	-	29,200	-
J Shellabear (3)	9,570	-	909	-	-	10,479	-
Executive Directors:							
H Hellewell	75,000	-	7,125	8,334	7,324	97,783	7.49
P Thompson (4)	160,000	-	13,077	-	-	173,077	-
P Langworthy (5)	100,000	-	9,500	-	-	109,500	-
	426,545	4,000	34,411	8,334	14,648	479,604	
Management:							
P Thompson (4)	96,667	-	9,183	16,550	291,699	414,099	70.44
P Langworthy (5)	75,000	-	7,125	24,472	237,021	343,618	68.98
J Shellabear (3)	96,667	-	9,183	8,590	-	114,440	
J L Marquetoux	152,031	-	-	-	-	152,031	-
	420,365	-	25,491	49,612	528,720	1,024,188	
Company Secretaries:							
G Boden & N Santi (6)	-	128,998	-	-	-	128,998	-
N Santi (7)	33,750	-	3,206	2,999	436	40,391	1.08
	33,750	128,998	3,206	2,999	436	169,389	
Total Key Management Personnel	880,660	132,998	63,108	60,945	543,804	1,681,515	

Notes:

(1) Mr Stuart Pether was appointed a Non-Executive Director on 14 March 2017.

(2) Mr H Hellewell transitioned from Non-Executive Director to Executive Chairman on 14 March 2017.

(3) Mr J Shellabear was appointed a Non-Executive Director on 5 December 2016. Mr Shellabear transitioned from Non-Executive Director to Chief Financial Officer on 14 March 2017 and was appointed Joint Company Secretary on 11 May 2017.

(4) Mr P Thompson transitioned from Managing Director to Chief Operating Officer on 14 March 2017.

(5) Mr P Langworthy transitioned from Executive Director to Executive General Manager – Geology on 14 March 2017.

(6) Payments made to Mr Graeme Boden through Boden Corporate Services Pty Ltd (BCS) include time spent on Company activities, including accounting and administration by G Boden and other employees of BCS, including N Santi as Joint Company Secretary (until 31 March 2017, see 7 below). Mr G Boden resigned as Joint Company Secretary on 11 May 2017.

(7) Ms Natasha Santi ceased employment with Boden Corporate Services Pty Ltd and became a direct employee of the Company from 1 April 2017, continuing in the role of Joint Company Secretary.

There were no bonuses paid to any Key Management Personnel during the year.

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2016	Short Term Benefits Salary & Director Fees $	Other Service Fees $	Post-Employment Benefits Superannuation $	Annual Leave $	Share Based Expense Value of Options $	Total $	Performance related %
Non-Executive Directors:							
G LeClezio	40,950	3,000	2,850	-	-	46,800	-
H Hellewell	18,250	-	-	-	-	18,250	-
P Woods (1)	24,628	-	1,299	-	-	25,927	-
Executive Directors:							
P Thompson (2)	100,000	-	8,045	8,423	64,258	180,726	35.56
P Langworthy (3)	48,450	-	3,563	4,738	51,407	108,158	47.53
	232,278	3,000	15,757	13,161	115,665	379,861	
Management:							
J L Marquetoux	169,783	-	-	-	-	169,783	-
Company Secretaries:							
G Boden & N Santi (4)(5)	-	130,134	-	-	-	130,134	-
Total Key Management Personnel	402,061	133,134	15,757	13,161	115,665	679,778	

Notes:

(8) Dr P Woods resigned as a director on 3 February 2016.

(9) Mr P Thompson was appointed Managing Director on 3 February 2016.

(10) Mr P Langworthy transitioned from a Non-Executive Director to an Executive Director role on 3 February 2016.

(11) Mr G Boden resigned as a director on 3 February 2016. Mr Boden did not receive payment of a director's fee.

(12) Payments made to G Boden through Boden Corporate Services Pty Ltd (BCS) include time spent on Company activities, including accounting and administration by G Boden and other employees of BCS, including N Forde as Joint Company Secretary.

There were no bonuses paid to any Key Management Personnel during the year.

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(b) Equity issued as part of remuneration:

Options:

During the year ended 30 June 2017, 7,800,000 (2016: 10,800,000) unlisted options, were issued to Key Management Personnel. The options have the following terms and vesting profiles.

7,000,000 options exercisable at $0.20 on or before 31 May 2020, subject to the following vesting periods :

- 2,333,333 (one third) vest on 25 November 2017;
- 2,333,333 (one third) vest on 25 November 2018; and
- 2,333,334 (one third) vest on 25 November 2019.

800,000 options exercisable at $0.15 on or before 5 May 2021, subject to the following vesting periods:

- 266,666 (one third) vest on 11 May 2018;
- 266,667 (one third) vest on 11 May 2019; and
- 266,667 (one third) vest on 11 May 2020.

Details of the options issued are as follows:

Key Management Person	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	Expiry Date
H Hellewell	-	1,000,000	25/11/2016	$0.021	$0.20	31/05/2020
G LeClezio	-	1,000,000	25/11/2016	$0.021	$0.20	31/05/2020
P Thompson	-	2,500,000	25/11/2016	$0.021	$0.20	31/05/2020
P Langworthy	-	2,500,000	25/11/2016	$0.021	$0.20	31/05/2020
N Santi	-	800,000	13/06/2017	$0.021	$0.15	05/05/2021
	-	7,800,000				

(c) Movements in share and options holdings, held by key management personnel:

Movements in options over equity instruments:

The movement during the reporting period in the number of options over ordinary shares in the Entity held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Balance 1 July 2016	Granted as Remuneration	Exercised	Expired	Balance 30 June 2017	Vested During the Year	Vested & Exercisable 30 June 2017
Directors:							
H Hellewell	-	1,000,000	-	-	1,000,000	-	-
G LeClezio	2,000,000	1,000,000	(1,000,000)	(1,000,000)	1,000,000	-	-
S Pether (1)	-	-	-	-	-	-	-
	2,000,000	2,000,000	(1,000,000)	(1,000,000)	2,000,000	-	-
Management:							
P Thompson	6,000,000	2,500,000	-	-	8,500,000	2,000,000	2,000,000
P Langworthy	4,800,000	2,500,000	-	-	7,300,000	1,600,000	1,600,000
J Shellabear	-	-	-	-	-	-	-
JL Marquetoux	250,000	-	-	(250,000)	-	-	-
	11,050,000	5,000,000	-	(250,000)	15,800,000	3,600,000	3,600,000
Company Secretaries:							
G Boden (2)	750,000	-	-	(750,000)	-	-	-
N Santi	250,000	800,000	-	(250,000)	800,000	-	-
	1,000,000	800,000	-	(1,000,000)	800,000	-	-
	14,050,000	7,800,000	(1,000,000)	(2,250,000)	18,600,000	3,600,000	3,600,000

Note:

(1) S Pether was appointed a director on 14 March 2017.

(2) G Boden resigned as company secretary on 11 May 2017.

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Movements in Share Holdings:

The movement during the reporting period in the number of ordinary shares in the Entity held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance 1 July 2016	Acquired	Options Exercised	Disposed	Balance 30 June 2017
Directors:					
H Hellewell	102,757,655	-	-	-	102,757,655
G LeClezio	16,444,276	2,000,000	1,000,000	-	19,444,276
S Pether (1)	N/A	250,000	-	-	250,000
	119,201,931	2,250,000	1,000,000	-	122,451,931
Management:					
P Thompson	6,279,974	388,100	-	-	6,668,074
P Langworthy	5,104,903	-	-	-	5,104,903
J Shellabear	-	-	-	-	-
JL Marquetoux	-	-	-	-	-
	11,384,877	388,100	-	-	11,772,977
Company Secretaries:					
G Boden (2)	1,000,000	-	-	-	N/A
N Santi	-	-	-	-	-
	1,000,000	-	-	-	-
	131,586,808	2,638,100	1,000,000	-	134,224,908

Note:

(1) S Pether was appointed a director on 14 March 2017.

(2) G Boden resigned as company secretary on 11 May 2017.

(d) Related Party Transactions with Key Management Personnel:

Apart from details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Transactions between related parties are on usual commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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

Key Management Person	Transaction	2017 $	2016 $
P Langworthy (1)	Exploration programme management	1,937,760	644,037
G Boden (2)	Corporate services	128,998	130,134
		2,066,758	774,171

Note:

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

(2) Boden Corporate Services Pty Ltd, of which Mr G Boden is a director, provided services in company secretarial, accounting and administration roles for which service fees were billed based on normal market rates, and were due and payable under normal terms. Boden Corporate provided these services from 1 October 2013 to 31 May 2017.

Amounts payable to key management personnel at the reporting date arising from these contract services were as set out below:

	2017 $	2016 $
Current payables:		
Trade and other payables	62,611	95,914
	62,611	95,914

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Company Performance

The following table shows the gross revenue, profits, dividends and share price at the end of financial year for the past five financial years ending 30 June:

Consolidated Entity	2013	2014	2015	2016	2017
Revenue	664,831	1,831,271	1,334,642	700,637	425,592
Net Profit/(Loss)	(3,262,572)	229,752	(602,534)	(3,700,868)	(3,293,239)
Share Price at Year End	1.9c	2.8c	1.8c	15.0c	8.1c
Dividends Paid	-	-	-	-	-

The Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of key management personnel.

- - END OF AUDITED REMUNERATION REPORT - -

16. NON-AUDIT SERVICES

No fees were paid or payable to William Buck Audit (WA) Pty Ltd for non-audit services during the year ended 30 June 2017 (2016: Nil).

17. INDEMNIFYING OFFICERS AND AUDITORS

The Company has established an insurance policy insuring Directors and officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers will not be disclosed. This is permitted under S300(9) of the *Corporation Act 2001*.

No indemnity has been obtained for the auditor of the group.

18. SHARE OPTIONS

At the date of this report, the unissued ordinary shares of Capricorn Metals Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	No. Under Option
20 April 2016	31 May 2020	$0.10	10,800,000
25 November 2016	31 May 2020	$0.20	7,000,000
9 March 2017	5 May 2021	$0.15	18,284,101
5 May 2017	5 May 2021	$0.15	10,205,927
13 June 2017	5 May 2021	$0.15	9,400,000
			55,690,028

1,000,000 options at a price of $0.15 per share were exercised during the year ended 30 June 2017 (2016: Nil).

19. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

20. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 17 of the annual report.

Signed in accordance with a resolution of the Board of Directors.



Mr H Hellewell
Executive Chairman
Perth, Western Australia
28 September 2017

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William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CAPRICORN METALS LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2017 there have been:

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

William Buck

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

Conley Manifis
Director

Dated this 28th day of September, 2017

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Praxity ASSOCIATE GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	2(a)	189,214	248,099
Other Income	2(b)	236,378	452,538
Fair value loss on other financial assets	4	(22,632)	(216,868)
Gain/(loss) on disposal of other financial assets		5,357	(51,554)
Employee benefits expense	3	(1,048,075)	(685,981)
Depreciation expense	9	(73,727)	(62,673)
Foreign currency gain		74	338
Administration costs		(1,316,337)	(707,937)
Exploration expenditure		(152,479)	(257,535)
Share-based payments	20	(545,221)	(115,665)
Reversal of impairment of receivable		7,328	22,673
Impairment of other financial assets	4	(66,885)	-
Impairment of assets & liabilities related to subsidiary disposal group	10	(85,848)	-
Impairment of deferred exploration and evaluation expenditure	12	(417,000)	(2,322,216)
Loss before income tax expense		(3,289,853)	(3,696,781)
Income tax expense	5	(3,386)	(4,087)
Net loss attributable to members of the parent entity		(3,293,239)	(3,700,868)
Other Comprehensive Income:			
Items that may be re-classified to profit or loss:			
- Adjustment from translation of foreign controlled entities		16,357	20,395
- Revaluation of property asset		16,287	2,167,734
Total comprehensive loss for the year attributable to members of the parent entity		(3,260,595)	(1,512,739)
Earnings per share:			
Basic loss per share (cents per share)	19	(0.65)	(1.36)
Diluted loss per share (cents per share)	19	(0.65)	(1.36)

The accompanying notes form part of these financial statements

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Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 $	2016 $
Current Assets			
Cash and cash equivalents	6	5,541,663	11,755,911
Other current receivables	8	196,169	119,232
Other current assets	7	23,964	44,426
Other financial assets	4	70,139	175,629
		5,831,935	12,095,198
Assets classified as held for sale	10	5,050,000	-
Total Current Assets		10,881,935	12,095,198
Non-Current Assets			
Property, plant & equipment	9	373,498	4,819,707
Deferred exploration and evaluation costs	12	20,668,339	8,565,465
Total Non-Current Assets		21,041,837	13,385,172
TOTAL ASSETS		31,923,772	25,480,370
Current Liabilities			
Trade and other payables	13	1,346,353	1,867,017
Other liability		2,398	2,305
Short-term provisions	14	89,057	25,931
Total Current Liabilities		1,437,808	1,895,253
Non-Current Liabilities			
Trade and other payables	15	378,416	374,578
Total Non-Current Liabilities		378,416	374,578
TOTAL LIABILITIES		1,816,224	2,269,832
NET ASSETS		30,107,548	23,210,539
EQUITY			
Issued capital	16	42,121,506	32,509,123
Reserves	17	2,327,978	1,750,113
Accumulated losses	18	(14,341,936)	(11,048,697)
TOTAL EQUITY		30,107,548	23,210,539

The accompanying notes form part of these financial statements.

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Option Reserve $	Total $
Balance at 1 July 2015		14,733,538	(7,347,829)	(754,034)	-	200,353	6,832,028
Loss for the year		-	(3,700,868)	-	-	-	(3,700,868)
Other comprehensive income		-	-	20,395	2,167,734	-	2,188,129
Total comprehensive income		-	(3,700,868)	20,395	2,167,734	-	(1,512,739)
			-		-	-	
Issue of shares	16	18,412,074	-	-	-	-	18,412,074
Cost of capital raised	16	(636,489)	-	-	-	-	(636,489)
Share based payments	17	-	-	-	-	115,665	115,665
Balance at 30 June 2016		32,509,123	(11,048,697)	(733,639)	2,167,734	316,018	23,210,539
Balance at 1 July 2016		32,509,123	(11,048,697)	(733,639)	2,167,734	316,018	23,210,539
Loss for the year		-	(3,293,239)	-	-	-	(3,293,239)
Other comprehensive income		-	-	16,357	16,287	-	32,644
Total comprehensive income		-	(3,293,239)	16,357	16,287	-	(3,260,595)
Issue of shares	16	10,150,000	-	-	-	-	10,150,000
Cost of capital raised	16	(537,617)	-	-	-	-	(537,617)
Share based payments	17	-	-	-	-	545,221	545,221
Balance at 30 June 2017		42,121,506	(14,341,936)	(717,282)	2,184,021	861,239	30,107,548

The accompanying notes form part of these financial statements

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Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from Operating Activities			
Payments to suppliers and employees		(1,916,351)	(1,558,667)
Payments for exploration expenditure		(121,330)	(273,398)
Interest received		93,723	34,161
Royalties received		108,929	91,360
Other Income		71,127	185,691
Net cash used in operating activities	21	(1,763,902)	(1,520,853)
Cash flows from Investing Activities			
Payments for property, plant and equipment		(175,138)	(44,488)
Proceeds on sale of fixed assets		17,887	49,550
Proceeds on sale of financial assets		21,330	200,771
Option payment received on potential sale of exploration permits		30,323	-
Deposit received on sale of Subsidiary		75,000	-
Proceeds on sale of potential future royalty		-	305,960
Capitalised exploration expenditure		(12,405,323)	(1,511,517)
Payment for the acquisition of the Karlawinda tenements		(1,500,000)	-
Cash acquired on acquisition of Greenmount Resources Pty Ltd		-	88,225
Net cash used in investing activities		(13,935,921)	(911,499)
Cash flows from Financing Activities			
Proceeds received from the issue of shares		10,150,000	14,133,644
Costs of capital raised		(537,617)	(636,489)
Deferred payments under share purchase agreement		(26,162)	(47,996)
Security deposit		(98,364)	(40,000)
Net cash flows provided by financing activities		9,487,857	13,409,159
Net (decrease)/increase in cash held		(6,211,966)	10,976,807
Cash and cash equivalent at the beginning of the year	6	11,755,911	778,206
Effect of exchange rates on cash holdings in foreign currencies		336	898
Cash directly associated with assets classified as held for sale	10	(2,618)	-
Cash and cash equivalents at the end of the year	6	5,541,663	11,755,911

The accompanying notes form part of these financial statements.

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NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue on 28 September 2017 by the Directors of the Company.

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

The consolidated financial statements of Capricorn Metals Ltd for the year ended 30 June 2017 comprises the Company and its subsidiaries (together referred to as the 'Group' or 'Consolidated Entity'). Capricorn Metals Ltd is a listed public company, incorporated and domiciled in Australia. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of Preparation:

Going Concern

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

For the year ended 30 June 2017 the Group has incurred a loss of $3,293,239 (2016: $3,700,868) and at 30 June 2017 the Group had working capital of $4,394,127, excluding assets held for sale, (30 June 2016: $9,860,658) including a cash and cash equivalents balance of $5,541,663 (30 June 2016: $11,755,911). Net cash used in operating and investing activities in the year to 30 June 2017 was $15,699,823 (2016: $2,432,352).

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 been demonstrated during 2017, through the successful placement to raise $10 million. Further, if a sufficient capital raising cannot be made, the Company is able to reduce expenditure within the available cash balance.

Reporting Basis and Conventions

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

Accounting Policies:

(a) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Entity and Entities (including special purpose entities) controlled by the Parent Entity (its subsidiaries). The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 27.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

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

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

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax

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

rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit and loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less, where applicable, any accumulated depreciation and impairment losses.

Property:
Land and Buildings are measured using a revaluation model in accordance with paragraph 31 of AASB 116 Property, Plant and Equipment. The entire class of property, plant and equipment to which land and buildings belong is subject to review and revalued on the basis of independent valuations. Any revaluation adjustment to the carrying amount of land and buildings is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve.

Plant and equipment:
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

Class of Fixed Asset	Depreciation Rate
Buildings	1%
Plant and Equipment	7.5% - 50%
Computers	20%
Motor vehicles	20%
Field equipment	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(d) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through the sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets, deferred tax assets, employee benefits assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(e) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Tenement acquisition costs are initially capitalised. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves.

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

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

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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

(f) Financial Instruments

Recognition and measurement:
Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss:
Financial assets are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in the statement of profit or loss and other comprehensive income.

Financial liabilities:
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value:
Fair value is determined based on current bid process for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment:
At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(g) Impairment of Debtors

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(h) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

(i) Interests in Joint Ventures

The Groups interests in the joint venture entity is recorded using the equity method of accounting in the consolidated financial statements. Details of the Groups interest is provided in Note 11.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency:
The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances:
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

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

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

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

(k) Employee Benefits

Short-term employee benefits:
Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave entitlements. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and annual leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits:
Provision is made for employees' long service leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations.

Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation benefits:
All employees of the Group, located in Australia receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.50% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the

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

(undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Equity-settled compensation:
The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions') refer to Note 20.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of options is determined by an internal valuation using a Black-Scholes option pricing model. The fair value of performance rights determined by consideration of the Company's share price at the grant date and consideration of the specific non-market vesting conditions applicable to the performance rights.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(n) Revenue and Other Income

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

Rental income is recognised on a straight line basis over the period of the lease term so as to reflect a constant periodic return on the property.

Revenue is measured at fair value of the consideration received or receivable to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be measured reliably.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Group as a lessor

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

(p) Goods and Services Tax (GST)

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

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

(q) Value Added Tax (VAT)

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

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

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

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

(r) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Comparative Figures

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

(t) Critical Accounting Estimates and Judgments

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

Key Estimates:

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

Share-Based Payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 20. The fair value of performance rights is determined by the share price at the date of valuation and consideration of the probability of the vesting condition being met.

Key Judgements:

Exploration and Evaluation Expenditure
Tenement acquisition costs are initially capitalised and then amortised with other exploration and evaluation expenditure written off as incurred. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. The Directors believe that the capitalised exploration expenditure should not be written off at reporting date as the tenements areas have been reviewed for impairment indicators and Directors believe no indicators of impairment exist.

Non-Current Receivables
Non-Current Receivables includes the tax (VAT) recoverable from the Madagascan tax authority. The Directors believe the full amount to be non-recoverable at 30 June 2017 and therefore a provision for impairment has been made.

Accrued Expenses
Accrued expenses are amounts in respect of the Share Sale Agreement with WTR Holdings Pty Ltd (formerly Madagascar Resources NL). The liability is only repayable from 70% of the labradorite royalty cash receipts by Mada-Aust SARL and is split between current and non-current portions. The directors believe the royalty generating operations will continue at a rate which will pay the liability in accordance with the agreement. The current portion of the liability is based on the estimate of the next financial year's cash receipts with the remaining balance not expected to be settled in the next financial year treated as non-current.

(u) Other receivables

Other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

(v) Other payables

Other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

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

(w) Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised pronouncements which became mandatory for annual reporting periods beginning on or after 1 July 2016.

Standards and interpretations issued, but not yet adopted:

Certain new accounting standards and interpretations have been published that are not yet mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations, most relevant to the consolidated entity, are set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date adopted by Company
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, impairment of financial assets and hedge accounting.	Given the nature of the Company's financial assets and financial liabilities, the Company does not expect the impact to be significant.	Must be applied for reporting periods commencing on or after 1 January 2018. Therefore the application date for the Company will be for the reporting period commencing on 1 July 2018.
AASB 15 Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 118 Revenue.	Based on the Company's assessment, the impact is not considered to be significant. The major sources of revenue relate to royalty income from labradorite quarrying contracts, where a minimum monthly fee is payable and from rental income generated by the lease of office space in the Group property asset. Due to the nature of the revenue received, the timing of revenue recognition is expected to be consistent with the current practice.	Must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore the application date for the Company will be for the reporting period commencing on 1 July 2018.
AASB 16 (issued February 2016) Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases.* It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	The group is expecting the standard will impact the financial statements as they do currently have lease obligations totalling $786,666 at 30 June 2017. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise right-of-use assets and corresponding liabilities in respect of all leases.	Must be applied for reporting periods commencing on or after 1 January 2019. Therefore the application date for the Company will be for the reporting period commencing on 1 July 2019.

Other standards not yet applicable

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

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NOTE 2 – REVENUE

	2017 $	2016 $
(a) Revenue:		
- royalties	113,963	119,052
- rental	65,362	117,367
- other	9,889	11,680
Total Revenue	189,214	248,099
(b) Other Income:		
- net Interest received	87,422	46,176
- non-refundable deposit [(1)(2)]	75,000	53,126
- Option payment [(3)]	56,234	-
- sale of fixed assets	17,722	47,276
- sale of potential future royalty	-	305,960
Total Other Income	236,378	452,538
Total Revenue	425,592	700,637

Note:

(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 totalling $53,126.

(2) Blackearth Minerals NL entered into a share sale and purchase agreement to acquire Capricorn's wholly owned Madagascan subsidiary Mada-Aust SARL. An initial non-refundable deposit of $75,000 was paid on signing of the agreement.

(3) AAA International Madagascar SARL entered into an option agreement to negotiate for the purchase of all or part labradorite mining permit 19932. Upon signing of the agreement, a non-refundable deposit of USD 50,000 payable for the one year option term.

NOTE 3 – EXPENSES

	2017 $	2016 $
(a) Employee benefits expense:		
Australia		
Non-executive directors' fees	95,545	97,729
Executive directors' salary	335,000	137,500
Other salaries	443,417	-
Superannuation	76,535	15,757
Annual leave entitlements	78,296	10,634
Other employment expenses	7,737	-
Salary capitalised as exploration and evaluation expenditure	(382,641)	(39,603)
	653,889	222,017
Mauritius		
Directors remuneration	12,000	7,000
	12,000	7,000
Madagascar		
Country manager - J L Marquetoux	152,031	169,783
Payroll	230,155	287,181
	382,186	456,964
Total employee benefits expense	1,048,075	685,981

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NOTE 4 – OTHER FINANCIAL ASSETS

During the year ended Energizer Resources Inc changed its name to NEXT Source Materials Inc.

	2017 $	2016 $
Listed Shares in NEXT Source Materials Inc	70,139	83,369
Unlisted Warrants in NEXT Source Materials Inc	-	92,260
	70,139	175,629

Listed shares in NEXT Source Materials Inc:

	2017		2016	
	Number	$	Number	$
At 1 July	1,237,000	83,369	3,500,000	402,937
Fair value increase/(decrease)	-	2,743	-	(67,243)
Shares sold	(237,000)	(15,973)	(2,263,000)	(252,325)
At 30 June	1,000,000	70,139	1,237,000	83,369

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, NEXT Source Materials Inc.

Disposal of listed shares:

	2017 $	2016 $
Shares disposed	(15,973)	(252,325)
Proceeds received	21,330	200,771
(Loss)/gain on disposal	5,357	(51,554)

Fair value of listed shares and assumptions:

	2017	2016
Fair value per listed share	$0.701	$0.067
Closing quoting bid price per share	CAD $0.070	CAD $0.065
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	1.00198	1.03686

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

Unlisted Warrants in NEXT Source Materials Inc:

	2017 $	2016 $
Balance at 1 July	92,260	241,885
Fair value decrease	(25,375)	(149,625)
Fair value decline	(66,885)	-
Balance at 30 June	-	92,260

The Company holds 3,500,000 Warrants in NEXT Source Materials Inc, convertible at USD $0.14 per warrant and expire 15 April 2019. The fair value of the warrants was revalued through the profit and loss using the Black and Scholes valuation method.

At 30 June 2017, the Directors have considered it is unlikely that, despite the fair value of this investment, any value will be realised and have assessed carrying value of this investment as nil.

Fair value of unlisted warrants and assumptions:

	2017	2016
Fair value per unlisted warrant	$0.019	$0.026
Closing quoting bid price per share	CAD $0.070	CAD $0.067
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	1.00198	1.03686
Exercise price per warrant	USD $0.14	USD $0.14
Foreign exchange rate – Australian Dollar per 1 US Dollar	1.30091	1.34363
Risk free interest rate	1.725%	1.550%
Expected volatility	100%	100%
Expected life (days)	654	1,019

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

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NOTE 5 - INCOME TAX

	2017 $	2016 $
(a) Income Tax Expense		
The prima facie tax expense/(benefit) on Profit/(Loss) from ordinary activities is reconciled as follows:		
The Components of tax expense comprise:		
- Current Tax	1,960	2,690
- Deferred Tax – temporary differences	1,425	1,397
	3,386	4,087
The Prima facie tax on Loss before income tax at 27.50% (2016: 30%)	(904,710)	(1,109,034)
Add/(subtract) the tax effect of:		
- Tax attributable to foreign subsidiary	3,386	4,087
- Other assessable income not included as accounting income	3,304	292,523
- Non-deductible expenses	458,114	190,181
- Accounting income not included as assessable income	(22,196)	(3,605)
- Other deductible expenses	(14,995)	(83,007)
- Deferred tax assets / (liabilities) not brought to account	(424,227)	712,942
Income tax expense / (benefit) attributable to entity	3,386	4,087
(b) Recognised Deferred Tax Balances		
Deferred Tax Asset	-	-
Deferred Tax Liability	-	-
	-	-
(c) Unrecognised Deferred Tax Balances		
The following deferred tax assets have not been brought to account:		
Unrecognised deferred tax assets comprise:		
- Deferred tax assets attributable to tax losses	5,663,748	1,735,082
- Transaction costs on equity issue	-	152,819
	5,663,748	1,887,901

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

NOTE 6 – CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank	5,541,663	11,755,911

NOTE 7 – OTHER CURRENT ASSETS

	2017 $	2016 $
Prepayments	22,963	41,312
Other	1,001	3,114
Total Other Current Assets	23,964	44,426

NOTE 8 – OTHER CURRENT RECEIVABLES

	2017 $	2016 $
Interest	5,714	12,015
Other receivables	52,091	67,217
Bank guarantees [(1)]	138,364	40,000
Total Other Current Receivables	196,169	119,232

Note:

(1) Bank guarantees are made up of the following:
- $40,000 is held as security for the credit card facility and bears 2.2% interest
- $98,364 is held as security for the office lease and bears 2.2% interest.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Plant & Equipment – At cost	441,246	376,376
Less accumulated depreciation	(167,862)	(201,282)
Total Plant & Equipment	273,384	175,094
Field Equipment – At cost	218,941	337,629
Less accumulated depreciation	(118,827)	(195,335)
Total Field Equipment	100,114	142,294
Motor Vehicles – At cost	29,699	181,175
Less accumulated depreciation	(29,699)	(178,856)
Total Motor Vehicles	-	2,319
Total Plant and Equipment	373,498	319,707
Land and Buildings – At cost	-	2,500,000
Fair value re-measurement (1)	-	2,167,734
Less accumulated depreciation	-	(167,734)
Total Land & Buildings	-	4,500,000
Total Property, Plant and Equipment	373,498	4,819,707

Note:
(1) See Note 10.

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land & Buildings $	Plant & Equipment $	Field Equipment $	Motor Vehicles $	Total $
Carrying amount at 30 June 2015	2,347,774	164,581	146,377	6,787	2,665,519
Additions	-	40,043	11,358	-	51,401
Disposals	-	(122)	(2)	(2,150)	(2,274)
Depreciation expense	(15,508)	(29,408)	(15,439)	(2,318)	(62,673)
Fair value re-measurement (1)	2,167,734	-	-	-	2,167,734
Currency translation differences	-	-	-	-	-
Carrying amount at 30 June 2016	4,500,000	175,094	142,294	2,319	4,819,707
Additions		159,629	20,443	2,319	182,072
Disposals	-	-	(165)	-	(165)
Depreciation expense	(16,287)	(38,867)	(18,573)	-	(73,727)
Fair value re-measurement (1)	16,287	-	-	-	16,287
Reclassified as held for sale (1)	(4,500,000)	(22,472)	(43,885)	-	(4,566,357)
Currency translation differences	-	-	-	(2,319)	(2,319)
Carrying amount at 30 June 2017	-	295,856	143,999	-	373,498

Note:
(1) See Note 10.

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NOTE 10 – ASSETS HELD FOR SALE

Assets held for sale comprises:

	2017 $
Property Asset [1]	4,500,000
	4,500,000
Subsidiary disposal group:[2]	
tenement holdings	550,000
operating & fixed assets	186,347
liabilities	(100,499)
Impairment of assets & liabilities	(85,848)
	550,000
Total Assets Held for Sale	5,050,000

(1) Property Asset

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.

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

(2) Subsidiary Disposal Group

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

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

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

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

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

NOTE 11 – INTERESTS IN JOINT VENTURES

The Company had been in various joint venture arrangements with Canadian TSX listed company, NEXT Source Materials Inc (formerly Energizer Resources Inc) ("NEXT"). At the commencement of the 2016 financial year the only elements of that relationship which remained in effect were:

- A payment by NEXT of CAD $1,000,000 upon the commencement of commercial production at the Molo graphite project.
- A royalty calculated as 1.5% of Net Smelter Return on all production from Molo.

On 29 April 2016, Capricorn sold the royalty to a third party, for upfront cash consideration of CAD $300,000, with an additional CAD $1,000,000 payable by the third party in the event that NEXT commences commercial production at Molo.

The potential production payments (CAD $2,000,000) have not been included as contingent assets, as the fair value at the date of this report is nil.

The former joint venture tenements remain in the name of Capricorn subsidiaries, pending registration of the transfers which have been lodged with the Madagascan government.

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NOTE 12 – DEFERRED EXPLORATION & EVALUATION COSTS

	2017 $	2016 $
Madagascar:		
At 1 July	967,000	3,289,216
Impairment	(417,000)	(2,322,216)
Reclassified as held for sale asset [2]	(550,000)	-
At 30 June	-	967,000
Australia:		
At 1 July	7,598,465	-
Acquisition of Karlawinda Gold Project [1]	-	5,700,000
Capitalised exploration expenditure	13,069,874	1,898,465
At 30 June	20,668,339	7,598,465
Total Deferred Exploration & Evaluation Costs	20,668,339	8,565,465

Note:

(1) The Karlawinda Gold Project was acquired through the acquisition of Greenmount Resources Pty Ltd on 3 February 2016. See Note 28.

(2) See Note 10.

NOTE 13 – CURRENT TRADE & OTHER PAYABLES

	2017 $	2016 $
Unsecured liabilities:		
Trade Payables	939,466	231,629
Accrued Payables – Operating [1] [2]	376,887	1,575,388
Accrued Payables – World Titane Holdings Ltd [3]	30,000	60,000
Total Current Trade & Other Payables	1,346,353	1,867,017

Note:

(1) 2016: Includes the final instalment of $1,500,000, due to Independence Group NL for the completion of the acquisition of the Karlawinda Gold Project tenements by wholly owned subsidiary, Greenmount Resources Pty Ltd.

(2) 2017: Includes $330,584 of stamp duty payable in relation to the acquisition of Greenmount Resources Pty Ltd.

(3) Accrued payables include amounts in respect of the Share Purchase Agreement with WTR Holdings Pty Ltd (formerly Madagascar Resources NL) estimated to be payable within the next 12 months. WTR Holdings Pty Ltd transferred its receivable to World Titane Holdings Ltd (WTH) in December 2016. The liability owed to WTH is only repayable from 70% of the labradorite royalty cash receipts actually received by Mada-Aust SARL from the one remaining specified lessee.

NOTE 14 – SHORT TERM PROVISIONS

		2017 $	2016 $
Provision for annual leave:			
Opening 1 July		25,931	16,893
Additional provisions		128,135	37,197
Amounts used		(54,005)	(28,704)
Foreign exchange adjustments		479	545
Liabilities directly associated with assets classified as held for sale		(11,483)	-
Closing 30 June		89,057	25,931
Number of employees at year end:	Australia	9	2
	Madagascar	15	21
		24	23

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NOTE 15 – NON-CURRENT TRADE & OTHER PAYABLES

	2017 $	2016 $
Unsecured liabilities:		
Accrued Payables (1)	378,416	374,578
Total Non-Current Trade & Other Payables	378,416	374,578

Note:

(1) Accrued payables are amounts in respect of the Share Purchase Agreement with WTR Holdings Pty Ltd (formerly Madagascar Resources NL). This portion of the liability is only repayable from 70% of the labradorite royalty cash receipts actually received by Mada-Aust SARL and is not expected to be settled in the next financial year.

The agreement provides that repayment is due only from amounts received in cash from royalty payers. Two of the three companies ceased operations during 2011 and have returned the tenements to the Company. The term of the remaining royalty agreement ends 30 June 2030.

NOTE 16 – ISSUED CAPITAL

	2017 $	2016 $
572,379,458 fully paid ordinary shares (2016: 485,909,373)	42,121,506	32,509,123
	42,121,506	32,509,123

	2017		2016	
	No.	$	No.	$
Ordinary shares:				
At 1 July	485,909,373	32,509,123	165,346,421	14,733,538
Shares issued during the year:				
- 2 December 2015 (1)	-	-	6,290,055	131,475
- 3 February 2016 (2)	-	-	171,636,476	4,146,955
- 3 February 2016 (3)	-	-	45,454,546	1,500,000
- 5 May 2016 (4)	-	-	97,181,875	12,633,644
- 19 September 2016 (5)	1,000,000	150,000	-	-
- 10 March 2017 (6)	54,852,304	6,417,720	-	-
- 5 May 2017 (7)	30,617,781	3,582,280	-	-
Costs of capital raised	-	(537,617)	-	(636,489)
At 30 June	572,379,458	42,121,506	485,909,373	32,509,123

There are no preference shares on issue.

Note:

(1) 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	

(2) 3 February 2016: 171,636,476 shares were issued for the acquisition of Greenmount Resources Pty Ltd. See Note 28.

(3) 3 February 2016: 45,454,546 shares were issued at a price of $0.033 per share on completion of a placement.

(4) 5 May 2016: 97,181,875 shares were issued at a price of $0.13 per share on completion of a placement.

(5) 19 September 2016: 1,000,000 shares were issued at a price of $0.15 per share on the exercise of unlisted options by Non-Executive Director, Mr G LeClezio.

(6) 10 March 2017: 54,852,304 shares were issued at a price of $0.117 per share as completion of Tranche 1 of the placement to Hawke's Point Holdings I Limited. In addition, 18,284,101 free attaching options were also issued with an exercise price of $0.15 per share and an expiry date of 5 May 2020.

(7) 5 May 2017: 30,617,781 shares were issued at a price of $0.117 per share as completion of Tranche 2 of the placement to Hawke's Point Holdings I Limited. In addition, 10,205,927 free attaching options were also issued with an exercise price of $0.15 per share and an expiry date of 5 May 2020.

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NOTE 16 – ISSUED CAPITAL *(Cont'd)*

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Company does not have authorised capital or par value in respect of its shares.

Stock Exchange Listing:

Total issued capital is 572,379,458 (2016: 485,909,373) shares, of which 572,379,458 (2016: 314,272,897) are listed on the Australian Securities Exchange (ASX) at the date of this report.

Options:

The following options were on issue during the year:

	2017		2016	
	Weighted Av. Exercise Price	Number of Options	Weighted Av. Exercise Price	Number of Options
(a) Options exercisable at $0.15 on or before 30 November 2016:				
Balance at beginning of year	$0.15	7,500,000	$0.15	7,500,000
Exercised	$0.15	(1,000,000)		
Lapsed	$0.15	(6,500,000)	-	-
Balance at end of year	-	-	$0.15	7,500,000
(b) Options exercisable at $0.10 on or before 31 May 2020:				
Balance at beginning of year	$0.10	10,800,000	-	-
Issued during the year	-	-	$0.10	10,800,000
Balance at end of year	$0.10	10,800,000	$0.10	10,800,000
(c) Options exercisable at $0.20 on or before 31 May 2020:				
Balance at beginning of year	-	-	-	-
Issued during the year	$0.20	7,000,000	-	-
Balance at end of year	$0.20	7,000,000	-	-
(d) Options exercisable at $0.15 on or before 5 May 2021:				
Balance at beginning of year	-	-	-	-
Issued during the year	$0.15	31,890,028	-	-
Balance at end of year	$0.15	31,890,028	-	-

Fair value:

The fair value of services rendered in return for share options granted is based on the fair value of share options granted, measured using the Black-Sholes option pricing formula. There were 38,890,028 share options granted during the year ended 30 June 2017 (2016: 10,800,000).

Fair Value of Options & Assumptions:	*Directors*	*Employees*
Grant date	29/11/16	13/06/17
Expiry date	31/05/20	05/05/21
Number granted	7,000,000	3,400,000
Fair Value at grant date (per option)	$0.021	$0.021
Share Price at grant date	$0.100	$0.088
Exercise price	$0.200	$0.150
Expected share price volatility	60%	50%
Expected life of option (days)	1,283	1,422
Expected dividends	-	-
Risk free interest rate	1.97%	1.84%

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NOTE 17 – RESERVES

	2017 $	2016 $
Share based payment reserve:		
Opening balance 1 July	316,018	200,353
Share based payments for the year	545,221	115,665
Closing balance 30 June	861,239	316,018

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 20 and the Remuneration Report for further details.

	2017 $	2016 $
Foreign currency translation reserve:		
Opening balance 1 July	(733,639)	(754,034)
Translation movement for the year	16,357	20,395
Closing balance 30 June	(717,282)	(733,639)

This reserve records exchange differences arising on translation of foreign controlled subsidiaries.

	2017 $	2016 $
Asset revaluation reserve:		
Opening balance 1 July	2,167,734	-
Revaluation movement for the year	16,287	2,167,734
Closing balance 30 June	2,184,021	2,167,734

This reserve records fair value re-measurement recorded on the Groups land & building asset held in Madagascar.

NOTE 18 – ACCUMULATED LOSSES

	2017 $	2016 $
Opening balance 1 July	(11,048,697)	(7,347,829)
Loss for the year	(3,293,239)	(3,700,868)
Closing balance 30 June	(14,341,936)	(11,048,697)

NOTE 19 – EARNINGS PER SHARE

	2017 $	2016 $
Earnings used in calculating basic and diluted earnings per share:		
- Loss attributable to members of the parent entity	(3,293,239)	(3,700,868)
Basic and diluted loss per share:	Cents	Cents
- cents per share	(0.65)	(1.36)
	Number	Number
Weighted average number of ordinary shares outstanding at 30 June	508,216,370	271,652,335

As at 30 June 2017 there are 49,690,028 (2016: 18,300,000) unlisted options on issue.

As the Group incurred a loss for the year (2016: Loss), the options on issue have no dilutive effect, therefore the diluted earnings per share is equal to the basic earnings per share.

49,690,028 (2016: 18,300,000) unlisted options which could potentially dilute the basic earnings per share in the future have been excluded from the diluted earnings per share calculation as they are not dilutive for the current year presented.

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NOTE 20 – SHARE BASED PAYMENTS

Options:

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

During the year ended 30 June 2017, 10,400,000 options were granted to key management personnel & employees of the Company (2016: 10,800,000 options).

The fair value of the options is calculated at the grant date using a Black–Scholes pricing model and allocated to each reporting period in accordance with the vesting profile of the options.

The value recognised is the portion of the fair value of the options allocated to the reporting period. The factors and assumptions used in determining the fair value on grant date of options issued during the financial year as follows:

Granted during 2017:

Number of Options	Grant Date	Expiry Date	Fair Value per Option	Exercise Price	Share Price on Grant Date	Risk Free Interest Rate (%)	Estimated Volatility (%)	Number Vested as at 30 June 2017
7,000,000 (1)	29/11/2016	31/05/2020	$0.021	$0.200	$0.100	1.97%	60%	-
3,400,000 (2)	13/06/2017	31/05/2021	$0.021	$0.150	$0.088	1.84%	50%	-

In the table above, the following vesting profiles have been adopted:

(1) 2,333,333 vest on 29 November 2017, 2,333,333 vest on 29 November 2018 and 2,333,334 vest on 29 November 2019.
(2) 1,133,333 vest on 11 May 2018, 1,133,333 vest on 11 May 2019 and 1,133,334 vest on 11 May 2020.

Granted during 2016 and outstanding at 30 June 2017:

Number of Options	Grant Date	Expiry Date	Fair Value per Option	Exercise Price	Share Price on Grant Date	Risk Free Interest Rate (%)	Estimated Volatility (%)	Number Vested as at 30 June 2017
10,800,000	20/04/16	31/05/20	$0.105	$0.100	$0.140	2.01	100	3,600,000

In the table above, the following vesting profile has been adopted:

3,600,000 vest on 20 April 2017, 3,600,000 vest on 20 April 2018 and 3,600,000 vest on 20 April 2019.

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

No dividends have been assumed to be paid during the life of the options. No options were exercised during the year (2016: Nil).

Expenses arising from share-based payment transactions:

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

	2017 $	2016 $
Options	545,221	115,665

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NOTE 21 – NOTE TO THE STATEMENT OF CASH FLOWS

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

	2017 $	2016 $
Loss after income tax	(3,293,239)	(3,700,868)
Non-cash flows in result:		
Depreciation	73,727	62,673
Impairment	558,885	2,322,216
Fair value gain on financial assets	22,632	216,868
Foreign currency translation	(6,965)	19,497
Share based payment	545,221	115,665
Cash flows in result not classified as cash flows from operations:		
Profit on sale of fixed assets	(17,722)	(47,276)
Profit/(Loss) on sale of financial assets	(5,357)	51,555
Profit on sale of potential future royalty	-	(305,960)
Option payment received on potential sale of exploration permits	(56,234)	-
Deposit received on sale of Subsidiary	(75,000)	-
Changes in assets and liabilities:		
Increase in income taxes payable	1,426	1,397
(Increase) in other current assets	(137,910)	(204,929)
Increase/(Decrease) in payables and accruals	626,634	(51,691)
Cashflow used by Operations	(1,763,902)	(1,520,853)

Non-cash investing and financing activities:

There were no non-cash investing and financing activities during the year ended 30 June 2017. During the year ended 30 June 2016, 171,636,476 ordinary shares were issued for the acquisition of Greenmount Resources Pty Ltd (See Note 28).

NOTE 22 – 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 2017 calendar year tenement rents of approximately $85,000 per annum were payable to maintain ownership over the tenement areas. 33% 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 30 June 2017 there are 7 granted tenements with an annual expenditure commitment totalling $310,000 and one granted mining lease with an annual expenditure commitment of $297,600.

Operating Lease Commitments

The Group leases office premises in West Perth, Western Australia under normal commercial lease arrangements. The office lease was entered 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. The lease is for a term of 5 years.

	2017 $	2016 $
Lease Commitments: Group as lessee		
Operating leases:		
- Within one year	141,268	-
- Later than one year but not later than five years	645,398	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	786,666	-

Other commitments

Capricorn Metals Ltd has bank guarantees totalling $138,364. See Note 8.

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NOTE 23 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 30 June 2017 (2016: Nil).

NOTE 24 – EVENTS SUBSEQUENT TO REPORTING DATE

There were no material events arising subsequent to 30 June 2017 to the date of this report which may significantly affect the operations of the consolidated entity, the results of those operations and the state of affairs of the consolidated entity in the future, other than:

- 22 September 2016, 6,000,000 unlisted incentive options were issued under the Incentive Option Plan to Chief Financial Officer, Mr J Shellabear.

NOTE 25 – FINANCIAL INSTRUMENTS

(a) Capital risk management:

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

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

(b) Market risk:

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable. The Group does not speculate in the trading of derivative instruments.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

(c) Foreign currency risk:

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's functional and presentation currency.

As a result of subsidiary companies being registered in Madagascar, the Group's statement of financial position can be affected by movements in the AUD$/Ariary exchange rates. The Group do not seek to hedge this exposure. There is no formal foreign currency management policy, however the Group monitors its foreign currency expenditure and foreign subsidiary requirements.

The following table shows the foreign currency risk on the financial assets and liabilities of the Groups operations denominated in currencies other than the functional currency of the operations.

	Net Financial Assets/(liabilities) in AUD				
2017	MGA	AUD	USD	EURO	Total AUD
Cash	5,891	5,535,579	-	193	5,541,663
Receivables	49,520	146,649	-	-	196,169
Payables	(14,185)	(1,332,168)	-	-	(1,346,353)
Statement of Financial Position exposure	41,226	4,350,060	-	193	4,391,479

	Net Financial Assets/(liabilities) in AUD				
2016	MGA	AUD	USD	EURO	Total AUD
Cash	34,227	11,721,401	88	195	11,755,911
Receivables	67,217	52,015	-	-	119,232
Payables	(12,661)	(1,854,356)	-	-	(1,867,017)
Statement of Financial Position exposure	88,783	9,919,060	88	195	10,008,126

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NOTE 25 – FINANCIAL INSTRUMENTS *(Cont'd)*

(d) Interest rate risk:

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

	2017 $	2016 $
Variable rate instruments:		
- Financial assets	5,541,663	11,755,911

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

	2017		2016	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	55,416	(55,416)	117,559	(117,559)

(e) Liquidity risk:

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate facilities are maintained.

The following are the contractual maturities of the Group's financial liabilities:

	Carrying Amount $	Contractual Cash Flows $	6 Months or Less $
Trade and other payables:			
- at 30 June 2017	1,346,353	(1,346,353)	(1,346,353)
- at 30 June 2016	1,867,017	(1,867,017)	(1,867,017)

(f) Credit risk:

Credit risk is managed to ensure that customers are of sound credit worthiness and monitoring is used to recover aged debts and assess receivables for impairment.

Credit terms are generally 30 days from the invoice date.

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

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

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NOTE 25 – FINANCIAL INSTRUMENTS *(Cont'd)*

(g) Financial instruments measured at fair value:

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:
- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
30 June 2017				
Financial assets:				
Available-for-sale financial assets:				
- listed investments	70,139	-	-	70,139
- unlisted warrants	-	-	-	-
	70,139	-	-	70,139
30 June 2016				
Financial assets:				
Available-for-sale financial assets:				
- listed investments	83,369	-	-	83,369
- unlisted warrants	-	92,260	-	92,260
	83,369	92,260	-	175,629

Included within Level 1 of the hierarchy are the NEXT Source Materials 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 NEXT Source Materials 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 4.

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

The directors consider that the carrying value of all financial assets and financial liabilities are recognised in the consolidated financial statements approximate to their fair value.

(h) Financial liability and financial asset maturity analysis:

	Within 1 year		1 to 5 years		Total	
	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$
Financial liabilities – Due for payment:						
Payables	1,508,307	1,835,254	-	-	1,508,307	1,835,254
Payable for Share Purchase Agreement	30,000	60,000	378,416	374,578	408,416	434,578
Total expected outflows	1,538,307	1,895,254	378,416	374,578	1,916,723	2,269,832
Financial Assets – Cash flows realisable:						
Cash	5,544,281	11,755,911	-	-	5,544,281	11,755,911
Assets	70,139	175,629	-	-	70,139	175,629
Receivables	276,116	119,232	-	-	276,116	119,232
Total Inflow on Financial Instruments	5,890,536	12,050,772	-	-	5,890,536	12,050,772

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NOTE 26 – STATEMENT OF OPERATIONS BY SEGMENT

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 outlined in Note 1.

- Intersegmental transactions:

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

2017	Australia	Madagascar	Mauritius	Elimination	Consolidated Entity
Revenue					
Revenue	-	189,214	-	-	189,214
Other income	162,626	73,752	-	-	236,378
Total segment revenue	162,626	262,966	-	-	425,592
Result					
Segment Result	(3,017,516)	(133,581)	(24,500)	(117,642)	(3,293,239)
Profit/(Loss) before Income tax	(3,017,516)	(130,195)	(24,500)	(117,642)	(3,289,853)
Assets					
Segment Assets	26,043,170	2,519,807	-	3,360,795	31,923,772
Segment Liabilities	(1,799,513)	(19,917)	-	3,206	(1,816,224)
Other					
Acquisition of non-current assets	178,393	1,679	-	-	180,072
Depreciation expense	19,790	53,937	-	-	73,727

2016	Australia	Madagascar	Mauritius	Elimination	Consolidated Entity
Revenue					
Revenue	-	249,099	-	-	248,099
Other income	351,819	100,719	-	-	452,538
Total segment revenue	351,819	348,818	-	-	700,637
Result					
Segment Result	(2,936,913)	(785,522)	(29,192)	50,759	(3,700,868)
Profit/(Loss) before Income tax	(2,936,913)	(781,435)	(29,192)	50,759	(3,696,781)
Assets					
Segment Assets	26,137,230	2,673,365	-	(3,330,225)	25,480,370
Segment Liabilities	(2,239,568)	(70,105)	-	39,842	(2,269,831)
Other					
Acquisition of non-current assets	45,858	5,543	-	-	51,401
Depreciation expense	2,609	60,064	-	-	62,673

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NOTE 27 – RELATED PARTY DISCLOSURES

(a) Key Management Personnel:

Mr H Hellewell	Executive Chairman	Transitioned from Non-Executive Director to Executive Chairman – 14 March 2017
Mr G LeClezio	Non-Executive Director	Transitioned from Non-Executive Chairman to Non-Executive Director – 14 March 2017
Mr Stuart Pether	Non-Executive Director	Appointed 14 March 2017
Mr P Thompson	Chief Operating Officer	Transitioned from Managing Director to Chief Operating Officer – 14 March 2017
Mr P Langworthy	Executive General Manager - Geology	Transitioned from Technical Director to Executive General Manager - Geology – 14 March 2017
Mr J Shellabear	Chief Financial Officer Joint Company Secretary	Appointed Non-Executive Director 5 December 2017. Transitioned from Non-Executive Director to Chief Financial Officer – 14 March 2017. Appointed Joint Company Secretary 11 May 2017.
Mr J Marquetoux	CFO & Gerant (Madagascar)	
Mr G Boden	Joint Company Secretary	Resigned as Company Secretary – 11 May 2017.
Mrs N Santi	Joint Company Secretary	

Key Management Personnel Remuneration:

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

The total remuneration paid to Key Management Personnel of the Group during the year are as follows:

	2017 $	2016 $
Short term benefits	880,660	402,061
Other service fees	132,998	133,134
Post – employment benefits	63,108	15,757
Share Based Payments	543,804	115,665
Annual Leave	60,945	13,161
	1,681,515	679,778

(b) Related Party Transactions with Key Management Personnel:

Apart from details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Transactions between related parties are on usual commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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

Key Management Person	Transaction	2017 $	2016 $
P Langworthy (1)	Exploration programme management	1,937,760	644,037
G Boden (2)	Corporate services	128,998	130,134
		2,066,758	774,171

Note:

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

(2) Boden Corporate Services Pty Ltd, of which Mr G Boden is a director, provided services in company secretarial, accounting and administration roles for which service fees were billed based on normal market rates, and were due and payable under normal terms. Boden Corporate provided these services from 1 October 2013 to 31 May 2017.

Amounts payable to key management personnel at the reporting date arising from these contract services were as set out below:

	2017 $	2016 $
Current payables:		
Trade and other payables	62,611	95,914
	62,611	95,914

NOTE 27 – RELATED PARTY DISCLOSURES *(Cont'd)*

(c) Controlled Entities:

The consolidated financial statements include the financial statements of Capricorn Metals Ltd and the subsidiaries set out in the following table.

			% Ownership	
Subsidiaries	Country	Principal activity	2017	2016
Mada-Aust SARL	Madagascar	Exploration	100%	100%
Mazoto Minerals SARL (1)	Madagascar	Exploration	100%	100%
Energex SARL	Madagascar	Dormant	100%	100%
Mining Services SARL	Madagascar	Exploration Services	100%	100%
St Denis Holdings SARL	Madagascar	Commercial Property	100%	100%
Madagascar Graphite Ltd (2)	Mauritius	Investment Holding	100%	100%
MGY Mauritius Ltd (3)	Mauritius	Investment Holding	100%	100%
Malagasy Graphite Holdings Ltd (4)	Australia	Investment Holding	100%	100%
Greenmount Resources Pty Ltd (5)	Australia	Exploration	100%	100%

Note:

(1) A 1% interest is held in trust for Capricorn Metals Ltd.
(2) Incorporated 23 November 2015.
(3) Incorporated 12 November 2015.
(4) Incorporated 30 October 2015.
(5) Acquired 3 February 2016 (See Note 28).

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

During the year no loans were capitalised as investment (2016: Nil).

Additional loans were made as follows:
- Madagascan operations: $96,867 (2016: $332,687).
- Australian operations: $14,442,874 (2016: 1,922,766)

At the year end, total net loans from the parent company to these subsidiaries amount to $20,274,370 (2016: $513,770). Loans to subsidiaries total $27,348,526 (2016: $7,000,060) with a provision for impairment of $7,074,157 (2016: $6,486,290).

NOTE 28 – ASSET ACQUISITION

Acquisition of Subsidiary Company – Greenmount Resources Pty Ltd

On 3 February 2016, Capricorn Metals Ltd acquired all the voting shares of Greenmount Resources Pty Ltd ("Greenmount") by Share Sale Agreement.

The acquisition of Greenmount was considered an asset acquisition for accounting purposes as the acquired assets did not meet the definition of a business as defined in the Australian Accounting Standards. The directors have determined that the fair value consideration of the acquisition was $4,146,955.

The fair value consideration of the acquisition is based upon the following:

	$
Independent Valuation of Karlawinda Gold Project	5,700,000
Outstanding acquisition liabilities	(1,635,540)
	4,064,460
Other net assets acquired	82,495
Fair value	4,146,955

The consideration paid was 171,636,476 ordinary shares.

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NOTE 29 – PARENT ENTITY DISCLOSURES

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2017 $	2016 $
Assets:		
Current Assets	5,263,524	11,942,159
Non-Current Assets	25,752,655	11,579,970
Total Assets	31,016,179	23,522,129
Liabilities:		
Current Liabilities	612,860	297,126
Non-Current Liabilities	378,416	374,578
Total Liabilities	991,276	671,704
Shareholders' Equity:		
Issued Capital	42,121,506	32,509,123
Reserves	861,239	316,018
Accumulated Losses	(12,957,842)	(9,974,716)
Total Shareholders' Equity	30,024,903	22,850,425
Statement of Comprehensive Income:		
Net loss attributable to members of the parent entity	(2,983,126)	(2,914,529)
Total comprehensive loss for the year attributable to members of the parent entity	(2,983,126)	(2,914,529)

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

Guarantees entered into by Parent entity:

As at 30 June 2017, the Group has the following financial guarantees:

- $40,000 is held as security for the credit card facility and bears 2.2% interest
- $98,364 is held as security for the office lease and bears 2.2% interest.

NOTE 30 – AUDITORS REMUNERATION

	2017 $	2016 $
Amount payable to William Buck Audit (WA) Pty Ltd		
- Auditing or reviewing the financial report	27,050	24,050

Amounts payable to other audit firms for the audit and review of the financial reports of subsidiary companies was $6,315 (2016: $3,671)

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Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 18 to 46 are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated entity;

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

   (d) the financial statements and notes for the financial year give a true and fair view;

3. the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with the Corporations Act 2001 and the Corporations Regulations 2001.

4. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Mr H Hellewell
Executive Chairman

Perth, Western Australia
28 September 2017

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Capricorn Metals Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Capricorn Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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Capricorn Metals Limited

Independent auditor's report to members

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. The matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters.

RELATED PARTY TRANSACTIONS	
Area of focus **Refer also to Remuneration Report**	**How our audit addressed it**
There have been numerous significant related party transactions with companies where key management personnel of the Group have interests and/or are Directors. As, such, there is a risk that: — Not all related party transactions are disclosed in the financial report; and — That related party transactions have been made on non-arm's length basis. This could result in insufficient information being provided in order to enable the reader to understand the nature and effect of the various related party relationships and transactions.	Our audit procedures included: - Comparing the list of related parties provided by the Directors with internal sources; - Conducting an ASIC search for external directorships held by the Board members and key management personnel to evaluate whether all related party relationships had been appropriately identified and disclosed; and - Assessing whether related party transactions were conducted at arm's length by comparing the basis of the transactions to external sources. For each class of related party transaction, we compared the financial statement disclosures to the underlying transactions and to the requirements of the accounting standards and *Corporations Act 2001*.

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Capricorn Metals Limited

Independent auditor's report to members

CARRYING VALUE OF DEFERRED EXPLORATION AND EVALUATION ASSETS	
Area of focus **Refer to note 1(e) and 12**	**How our audit addressed it**
The Group have incurred exploration costs for the Karlawinda Gold project since December 2015. The project is in its very early stages. There is a risk that accounting criteria associated with the capitalisation of deferred exploration and evaluation costs may no longer be appropriate and that capitalised costs exceed the value in use. An impairment review is only required if an impairment trigger is identified. Due to the nature of the Gold industry, indicators of impairment applying the value in use model include: — Significant decrease seen in global gold prices; — Changes to exploration plans; — Loss of rights to tenements; — Changes to reserve estimates; and — Costs of extraction and production.	Our audit procedures included: — A review of the directors' assessment of the criteria for the capitalisation of deferred exploration expenditure and evaluation of whether there are any indicators of impairment to capitalised costs. — Assessing the viability of the tenements and whether there were any indicators in these very early stages of impairment to those costs capitalised in the current period. We assessed the adequacy of the Group's disclosures in respect of the exploration and evaluation costs.
SHARE BASED PAYMENTS	
Area of focus **Refer also to remuneration report, notes 1(k) and 20**	**How our audit addressed it**
The Group granted two tranches of options totalling 10,400,000 during the year ended 30 June 2017 (2016: 10,800,000 options). The options were issued to provide long term incentives for key management personnel and	Our audit procedures included: — Determining the grant dates, and evaluating what were the most appropriate dates based on the terms and conditions of the share based payment arrangements;

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Capricorn Metals Limited

Independent auditor's report to members

employees to deliver long term shareholder returns. Participation in the plan was at the board's discretion. The above arrangements required significant judgments and estimations by management, including the following: — The evaluation of the grant date for the arrangement, and the evaluation of the fair value of the underlying share price of the company as at the grant date; and — The evaluation of key inputs into the Black Scholes option pricing model, including the significant judgment of the forecast volatility of the share option over its exercise period, and the adopted vesting profiles. The results of these share-based payment arrangements materially affect the disclosures.	— Evaluating the fair values of the share-based payment arrangement by agreeing assumptions to third party evidence; — Evaluating the vesting of the share based payments; and — For the specific application of the Black Scholes model, we assessed the experience of the company secretary who advised the value of the arrangements. We retested some of the key assumptions used in the model and recalculated those fair values. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms. We also reconciled the vesting of the share-based payment arrangements to disclosures made in note 20 and the remuneration report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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Capricorn Metals Limited

Independent auditor's report to members

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

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relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 16 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Capricorn Metals Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

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

Conley Manifis
Director
Dated this 28th day of September, 2017

ASX Additional Information

1. *Listed Shares*

The shareholder information set out below was applicable as at 22 September 2017.

a) Distribution of Share Holdings

Size of Holding	No. of Shareholders	No. of Shares
1 - 1,000	38	7,837
1,001 - 5,000	53	207,892
5,001 - 10,000	175	1,426,082
10,001 - 100,000	642	28,372,375
100,001 and over	342	542,365,272
Total Shareholders	1,250	572,379,458

There are 99 Shareholders with less than a marketable parcel at a price of $0.09, totalling 258,155 shares.

b) Voting Rights

The voting rights attached to the ordinary shares are governed by the Constitution.

On a show of hands every person present who is a Member or representative of a Member shall have one vote and on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

c) Twenty Largest Shareholders

Shareholder	No. of Shares	%
Citicorp Nominees Pty Limited	86,040,627	15.03
Centrepeak Resources Group Pty Ltd	74,221,378	12.97
Nedlands Nominees Pty Ltd	28,536,277	4.99
Merrill Lynch (Australia) Nominees Pty Limited	23,102,817	4.04
Harmanis Holdings Pty Ltd	17,851,616	3.12
Ellenbrook Investments Pty Ltd	17,671,673	3.09
Resource Discovery Pty Ltd	14,135,322	2.47
J P Morgan Nominees Australia Limited	13,374,738	2.33
BNP Paribas Noms Pty Ltd	12,725,246	2.22
Running Water Limited	12,690,513	2.22
Citicorp Nominees Pty Limited	11,800,757	2.06
Mr Jules LeClezio	11,700,000	2.04
Mr Bradley James Drabsch	8,711,936	1.52
Pershing Australia Nominees Pty Ltd	8,578,435	1.50
Peter Robert Thompson	5,522,398	0.96
OMNI GeoX Pty Ltd	5,104,903	0.89
Mutual Investments Pty Ltd	5,000,000	0.87
Sassey Pty Ltd	5,000,000	0.87
HSBC Custody Nominees (Australia) Limited	4,719,163	0.82
Quantum Holdings Pty Ltd	4,550,000	0.79
Precision Opportunities Fund Ltd	4,500,000	0.79
Top Twenty Shareholders	375,537,799	65.61
Total Issued Capital	572,379,458	100.00

d) Substantial Shareholders

The names of the substantial shareholders listed in the Company's share register as at 22 September 2017 were:

Shareholder	No. of Shares	%
Hawke's Point Holdings I Limited	85,470,085	14.93
Centrepeak Resources Group Pty Ltd	74,221,378	12.97
Acorn Capital Limited	34,704,712	6.06
Total	94,396,175	33.96

e) On Market Buy-Back

There is currently no on-market buy-back in place

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2. Unquoted Securities – Options

a) Distribution of Option Holdings

Size of Holding	No. of Optionholders	No. of Options
100,001 and over	13	55,690,028
Total Optionholders	13	55,690,028

b) Voting Rights

Unlisted options do not entitle the holder to any voting rights.

c) *Holder of More Than 20% of Unquoted Options*

As at 22 September 2017 the Company has on issue 55,690,028 Unquoted Options over ordinary shares. The names of security holders holding more that 20% of a class of Unquoted Option are listed below.

Optionholder	Exercisable at $0.10 Expiring 31/05/2020	Exercisable at $0.20 Expiring 31/05/2020	Exercisable at $0.15 Expiring 05/05/2021
Jericho Exploration Pty Ltd	4,800,000	2,500,000	-
Peter Robert Thompson	6,000,000	2,500,000	-
Hawke's Point Holdings I Limited	-	-	28,490,028
Holders individually less than 20%	-	2,000,000	9,400,000
Total	10,800,000	7,000,000	37,890,028

d) Details of options on issue

The following Unquoted Options are on issue:

No. of Options	Exercise Price	Vesting Date	Expiry Date
3,600,000	$0.10	20/04/2017	31/05/2020
3,600,000	$0.10	20/04/2018	31/05/2020
3,600,000	$0.10	20/04/2019	31/05/2020
2,333,333	$0.20	25/11/2017	31/05/2020
2,333,333	$0.20	25/11/2018	31/05/2020
2,333,334	$0.20	25/11/2019	31/05/2020
18,284,101	$0.15	09/03/2017	05/05/2021
10,205,927	$0.15	05/05/2017	05/05/2021
3,133,333	$0.15	11/05/2018	05/05/2021
3,133,333	$0.15	11/05/2019	05/05/2021
3,133,334	$0.15	11/05/2020	05/05/2021
55,690,028			

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Tenement Schedule

Australia:

Lease	Project	Company	Blocks [1]	Status	Date of Grant/ Application	Expiry
Tenements						
E52/1711	Karlawinda	Greenmount	33	Granted	05/08/2004	04/08/2018
E52/2247	Karlawinda	Greenmount	16	Granted	21/07/2009	20/07/2019
E52/2398	Karlawinda	Greenmount	15	Granted	28/04/2010	27/04/2020
E52/2409	Karlawinda	Greenmount	8	Granted	15/06/2010	14/06/2020
E52/3323	Karlawinda	Greenmount	11	Granted	11/03/2016	10/03/2021
E52/3363	Karlawinda	Greenmount	36	Granted	13/01/2017	12/01/2022
E52/3364	Karlawinda	Greenmount	44	Granted	07/03/2017	06/03/2022
E52/3450	Karlawinda	Greenmount	16	Granted	13/01/2017	12/01/2022
E52/3474	Karlawinda	Greenmount	128	Granted	03/07/2017	02/07/2022
E52/3533	Karlawinda	Greenmount	109	Application	23/03/2017	-
E52/3541	Karlawinda	Greenmount	7	Application	19/04/2017	-
E52/3543	Karlawinda	Greenmount	8	Application	20/04/2017	-
E52/3554	Karlawinda	Greenmount	19	Application	29/05/2017	-
E52/3562	Karlawinda	Greenmount	20	Application	16/06/2017	-
E52/3571	Karlawinda	Greenmount	10	Application	10/08/2017	-
Total Blocks			480			
Miscellaneous Licences						
L52/174	Karlawinda	Greenmount	22.17 ha	Application	25/08/17	-
L52/175	Karlawinda	Greenmount	39.07 ha	Application	25/08/17	-
L52/177	Karlawinda	Greenmount	12.20 ha	Application	25/08/17	-
L52/178	Karlawinda	Greenmount	21.41 ha	Application	25/08/17	-
L52/179	Karlawinda	Greenmount	127.83 ha	Application	25/08/17	-
L52/180	Karlawinda	Greenmount	20.63 ha	Application	14/09/17	-
L52/181	Karlawinda	Greenmount	1.00 ha	Application	15/09/17	-
Mining Lease						
M52/1070	Karlawinda	Greenmount	2975.07 ha	Granted	23/11/2016	22/11/2037

Note:

1. The area measurement for one block can vary between 2.8 – 3.2 km^2

Madagascar:

Title Number	Permit Type	Grant Date	Expiry Date	Term (Years)	Project Name	Total Carres (New - 0.391km2)	Interest %	Note
3432	PR	21-Sep-15	20-Sep-18	3	Ampanihy - Central (Big 'S')	48	100%	5
5391	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	5
5392	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	4,5
5393	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	5
5394	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Maniry	48	100%	3,5
19932	PE	10-Mar-06	09-Mar-46	40	Ampanihy - Maniry	112	100%	
25093	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	5
25094	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	5
25095	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Maniry	48	100%	2
25605	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	80	100%	1,5
25606	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	16	100%	1,5
39750	PR	21-Sep-15	20-Sep-18	3	Ampanihy - Central (Big 'S')	16	100%	5
39751	PR	21-Sep-15	20-Sep-18	3	Ampanihy - Central (Big 'S')	160	100%	5
Total Carres						608		

Note:

1. Renewal awaiting confirmation from BCMM. All annual fees have been paid up to 31 December 2017.
2. Leased to SQNY – Royalty and partial tenement fees payable to subsidiary Mada-Aust SARL.
3. Leased to Jupiter Mines and Minerals – Royalty and annual tenement fees payable to MDA.
4. Leased to Hery Lala Alain Raharinavio – Royalty on small blocks.
5. Subject to sale to Blackearth Minerals NL upon the completion of the sale of Madagascar Graphite Ltd under the Share Sale & Purchase Agreement.

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