CAPRICORN METALS LTD

Annual Report

30 June 2018

ABN 84 121 700 105

Corporate Directory

Directors

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

Joint Company Secretaries

Jonathan Shellabear
Natasha Santi

Registered Office & Principal Place of Business

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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 1 pm on Thursday 15th November 2018.

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

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Chairman's Letter

Dear Shareholders,

It is with great satisfaction we present to you the Capricorn Metals Ltd 2018 Annual Report. This past reporting period has seen many important milestones and achievements by our dedicated team of staff and consultants, as we aimed to continue our rapid progress towards the development of the Karlawinda Gold Project into a successful Australian gold mining operation.

The completion of the Feasibility Study in October 2017 for the proposed open pit mining and stand-alone processing facility at Karlawinda was a major milestone and the culmination of 16 months of hard work. With the decision to proceed through to the project permitting and financing stage, optimisation studies were also initiated, leading to the completion of an Optimised Feasibility Study in June 2018. This enhanced study was based on an updated Ore Reserve estimate for the Bibra deposit, following a 25% increase in estimated Ore Reserves over the previous estimate.

During the year the exploration team increased the Mineral Resource estimate for Karlawinda by 35% to 1.5moz and have also defined the Tramore Prospect, which with further drilling and evaluation will likely add to the current Mineral Resource estimate and ultimately the 8.5 year starting mine life of the Project.

As part of our Optimisation Study a formal tender process for the Process Design and Construct contract was undertaken resulting in significant capital savings and improved operational outcomes over the life of the Project. Significant progress was also made permitting the Project during the year as the Company continued positive engagement with all key stakeholders.

Capricorn took the important step of bolstering its Board as we welcomed Debra Bakker with her considerable experience as a senior international banking executive as a Non-Executive Director of Capricorn.

Despite some challenging markets in 2018 for exploration and development-stage companies in the gold sector, we look forward to further progress at Karlawinda into 2019 with our continued focus on value creation for our investors. So finally, I would like to thank our shareholders, for your ongoing support as we look forward to another year of successful outcomes.

Heath Hellewell
Executive Chairman

HIGHLIGHTS - PROJECT DEVELOPMENT

- Completion of the Feasibility Study on the 100%-owned Karlawinda Gold Project, located near Newman in the Pilbara region of Western Australia. The October 2017 Study outlined a technically and financially robust Project over an initial mine life of 6.5 years with average life of mine production of around 100,000oz per annum.

- Optimisation of the key inputs to the October 2017 Feasibility Study was completed in June 2018, following the 25% increase in the Ore Reserve to 28Mt @ 1.0g/t Au containing 892,000oz.

    - The mine life was increased by 2 years to 8.5 years, with a 25% increase in life of mine (LOM) gold production to 823koz recovered at a LOM AISC of $1,038oz. The LOM strip ratio remained relatively unchanged at 4.8:1.

    - The pre-tax Project $NPV_{(8)}$ has increased by 69% to $243m at an improved IRR of 36%, with Project pay back reduced to 2.5 years (at a gold price assumption of $1,700/oz).

    - Optimisation of the mining schedule resulted in more consistent material movements which materially enhanced the cashflow generation in the first two years of production.

- A formal tender process for Process Design and Construct contract for the Karlawinda Gold Project was finalized as part of the Optimisation Study resulting in significant capital cost savings for the Project.

    - Process plant and associated infrastructure capital savings of $27.7m based on Lump Sum Turnkey Price of $93.1m compared to Feasibility Study estimates of $120.8m for equivalent plant and infrastructure.

    - Total upfront capital costs were reduced by approximately 10% to $132.0m and significant improvements to the process flowsheet were identified, resulting in higher throughput of oxide and laterite ores and lower operating costs.

- Grant of the key Native Vegetation Clearing Permit, and Project Management Plan resulting in significant progress in permitting the Project during the 2017/2018 Financial Year. As at 30 June 2018 all key project permits had been lodged with the relevant Government Departments.

HIGHLIGHTS - EXPLORATION

- The June 2018 Ore Reserve is contained within an updated Measured and Indicated Mineral Resource of 45Mt @ 1.0g/t Au containing 1.4moz. Total Mineral Resources for the Project currently stands at 1.5moz a 35% increase in Mineral Resources over the previous period.

- Significant exploration drilling results over the previous 12 months including:
    - Portrush, a new hanging-wall zone of mineralisation identified within the proposed main Bibra open pit:
        - 25 m @ 2.28g/t Au from 77m (KBRC1038)
        - 28 m @ 1.47g/t Au from 65m (KBRC0953)
        - 14m @ 2.06g/t Au from 2m (KBRC0951)

    - Tramore, an extensive new zone of mineralisation identified immediately south of the proposed main Bibra open pit:
        - 34m @ 1.07 g/t Au from 41m (KBRC1164)
        - 19m @ 1.63 g/t Au from 78m (KBRC1176)
        - 12m @ 2.54g/t Au from 129m (KBRC1187)
        - 19m @ 1.51g/t Au from 119m (KBRC1184)
        - 17m @ 1.27 g/t Au from 59m (KBRC1166)

- Bibra Deeps, down-dip extension to the main Bibra Footwall Lode and a conceptual underground mining target:
  - 33m @ 1.42g/t Au from 697m (KBD089) including higher grades intercepts of:
    - 5m @ 4.5g/t Au from 708m
    - 3m @ 4.6g/t Au from 725m
- Easky Prospect
  - 8m @ 3.74g/t Au from 83m (KBRC0995)
  - 22m @ 1.35g/t Au from 52m (KBRC0978)

HIGHLIGHTS - CORPORATE

- Capricorn strengthened its Board of Directors with the key appointment of former senior international banking executive, Debra Bakker as Non-Executive Director.
- A $9.13m capital raising was completed in December 2017, ensuring the Company was well funded to continue its development and exploration activities.

KARLAWINDA GOLD PROJECT

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

Geology

The Project area is underlain by a largely unexplored and only recently recognised belt of Archaean-aged 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 predominantly granitic basement rocks thought to be part of the Pilbara Craton, are exposed at surface within surrounding younger Proterozoic aged sedimentary basins. Typically, at Karlawinda the bedrock geology is obscured by a thin cover of sandy soil up to 2m thick.

The Bibra deposit is part of a large-scale Archaean 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 the acquisition of the Karlawinda Gold Project, Capricorn immediately initiated a strategy to bring the Project into gold production via an initial large-scale open pit mine and stand-alone ore processing facility. Underpinning this strategy has been an aggressive program of drilling to grow the Project Mineral Resource inventory at the Bibra deposit to the current estimate of 1.5moz (Measured, Indicated and Inferred). This represents over 130% growth in resource inventory for the project since the acquisition of Karlawinda.

Tenure and Permitting

Originally acquired in February 2016, Capricorn assumed 100% control of the key mineral tenements covering an area of 290km2 following the final payment of $1.5m to the previous project owners in August 2016. Since that time Capricorn continued to build its tenement position at Karlawinda to its current total area of 1,765km2. 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.

During the reporting period Capricorn continued to add key operational tenure for the proposed mining project and supporting infrastructure including miscellaneous licenses for the Project water supply borefield, road access and gas pipeline route. Capricorn also added to its regional exploration tenure for the Project.

Key operational permits were obtained during the year including the Native Vegetation Clearing Permit granted by the Department of Environment, and the Mining Proposal and Mine Closure Plan and the Project Management Plan which were approved by the Department of Mines, Industry, Regulation and Safety.

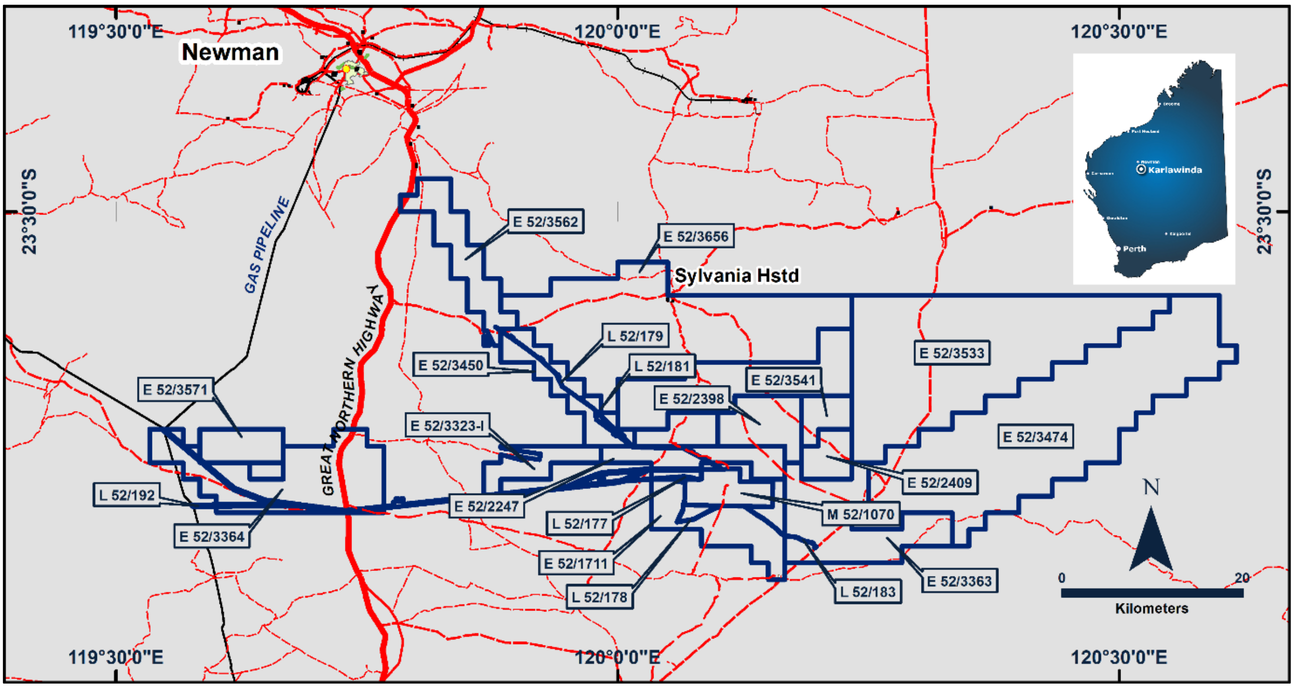

Figure 1: Location map & tenement holdings

Feasibility and Optimisation Studies

Following the positive outcome from the July 2016 Scoping Study, Capricorn commenced a Feasibility Study into the development of the Karlawinda Gold Project. The Feasibility Study was completed in October 2017 and was based on the maiden JORC 2012 compliant Ore Reserve estimate for the Bibra deposit of 713,000oz, the Study outlined a technically and financially robust project over an initial mine life of 6.5 years with average life of mine production of around 100,000oz per annum. The Study was based on a 3Mtpa processing plant using standard "off the shelf" processing technology including single stage crushing, SAG/SABC grinding and gravity recovery along with conventional cyanide leaching and recovery (carbon in leach). Ore is to be sourced via open pit mining, from a single large multi-stage open pit, with contract grade control drilling, contract drill and blast and owner operator load and haul.

Following the delivery of the positive October 2017 Feasibility Study and the decision to proceed through the project permitting and financing stage, the decision was made to undertake, in parallel, several focussed optimisation studies to further enhance the value of the Project. The combined Optimisation Study was completed in June 2018 and delivered a 69% increase in the pre-tax $NPV_{(8)}$ of the Project to \$243m at an IRR of 36%. Key drivers for the improvements were:

- Completion of an updated Ore Reserve estimation which resulted in a 25% increase in the Ore Reserve to 28Mt @ 1.0g/t Au containing 892,000oz.
- Based on the increased Ore Reserve and resultant increase in the life of mine to 8.5 years, an updated mine design and reschedule of material movements over the life of the Project which resulted in significant cashflow improvements.
- Significant savings in upfront capital costs for the Project following the completion of a formal tender process for Process Design and Construct contract and associated trade-off studies.
- Improvements in the process comminution circuit during the initial oxide phase of the project result in higher average annual throughput for approximately the first two years of production.

- Changes to the proposed Project power supply arrangements - whereby onsite power generation is fuelled by gas transported to site via a lateral pipeline connected to the main Goldfields Gas Pipeline – which has resulted in a reduction in processing costs over the life of the Project.

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 again 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 data sets and refined its future exploration targets.

Capricorns active exploration programs continued to build the total Mineral Resource inventory at the project, which now stands at 1.5moz, representing growth of over 130% since project acquisition in 2016.

Importantly during the last 12 months the exploration team identified the Tramore Prospect, which represents the southern extension to the main Bibra lodes located approximately 100m south of the proposed Bibra open pit mine. Tramore is expected to add to resources at Karlawinda and ultimately to the proposed mine life of the Project.

Corporate

In February 2018 Capricorn appointed Ms Debra Bakker to its Board of Directors as a Non-Executive Director. To attract a Director of Debra's caliber and experience was an important step for the Company as it moved into the project permitting and financing stage.

Ms Bakker is an experienced financier with over 25 years' experience in the resource industry internationally, including as a senior banker, financier and advisor to listed mining companies.

Capricorn also appointed Mr Peter Langworthy to the Board as a Non-Executive Director following Peter's transition from a full time executive of the Company. The appointment of Peter followed the retirement of Mr Guy Leclezio.

The Company raised $9.13m in new capital during the year to fund its strategy following the completion of an oversubscribed placement and share purchase plan (SPP) in December 2017.

Madagascar Projects

The Company has an active divestment program for its Madagascan assets, as they are considered non-core.

In January 2018 Blackearth Minerals NL ("BlackEarth") listed on the ASX following the acquisition of most of Capricorns mineral interests in Madagascar. Capricorn retains a shareholding in Blackearth.

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

Bibra Ore Reserve

As at 30 June 2018, and the date of this report, the Company had a JORC 2012 compliant Ore Reserve estimate of 28 million tonnes @ 1.0g/t Au for 892,000 ounces for the Bibra deposit (including the Southern Corridor pit) at the Karlawinda Gold Project, which is based on the Mineral Resource estimate of 45 million tonnes @ 1.0g/t Au for 1.4 million ounces. Both the updated Ore Reserve and the updated Mineral Resource estimate were released in an ASX announcements dated 29 May 2018. The new Ore Reserve is an increase of 180,000 ounces. The reasons for the change in the Ore Reserve ounces, from last year's estimate are:

- The new Ore Reserve is contained within an updated Measured and Indicated Mineral Resource of 45Mt @ 1.0g/t Au containing 1.4Moz. This is an increase of 286,000oz from the April 2017 Mineral Resource which was used to estimate the maiden Ore Reserve.
- The Ore Reserve has been estimated using a gold price assumption of A$1600/ounce and a variable cut-off grade between 0.27g/t and 0.35g/t Au
- Inclusion of Indicted material from the Southern Corridor

- The Ore Reserve final pit shell has increased in size to enable a fourth stage to be included and the final pit depth has changed from 235m deep to 250m below natural surface.

JORC-2012 compliant Ore Reserve as at 30 June 2018:

BIBRA GOLD DEPOSIT JORC OPEN PIT ORE RESERVE STATEMENT *(A$1600/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)
Bibra pit	9.6	1.1	0.3	17	1.0	0.5	27	1.0	0.86
Sth Corridor pit	0.079	0.6	0.002	1.0	0.8	0.026	1.0	0.8	0.03
Total	9.6	1.1	0.3	18	1.0	0.5	28	1.0	0.89

Notes on the May 2018 Ore Reserve estimate:

1. Ore Reserves are a subset of Mineral Resources.
2. Ore Reserves reported in conformance with the JORC 2012 Code definitions.
3. Ore Reserves are calculated using a gold price of A$1600/ounce.
4. Ore Reserves are calculated using a cut-off grade between 0.27g/t and 0.35g/t Au.
5. Mining dilution and recovery, estimated by modelling to a Selective Mining Unit (SMU) with dimensions of 5m x 5m x 2.5m, are 5% and 94% respectively.
6. All figures are rounded to reflect appropriate levels of confidence which may result in apparent errors of summation.

JORC-2012 compliant Ore Reserve as at 30 June 2017:

BIBRA GOLD DEPOSIT JORC OPEN PIT ORE 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)
July 2017	-	-	-	21	1.06	0.71	21	1.06	0.71

Notes on the August 2017 Ore Reserve estimate:

1. Ore Reserves are a subset of Mineral 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 x 6.25m x 2.5m 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

As at 30 June 2018 the Bibra Mineral Resource estimate (inclusive of Ore Reserves) was *50.96 million tonnes @ 0.9 g/t Au for 1,525,000 ounces*. This updated Mineral Resource for the Bibra deposit was estimated in May 2018 and saw 90% of the resource classified in the high confidence Measured and Indicated categories. This is an increase in Mineral Resource of over 400,000 ounces. The reason for the changes from last year's estimate include:

- Mineral Resource model is reported using variable cut-off grades between 0.27g/t and 0.35g/t Au to reflect the cut-off grades determined through the May 2018 Ore Reserve estimation for the different material types.
- Inclusion in the Mineral Resource of further infill and extensional drilling at the Port Rush, Finns, Easky and Southern Corridor prospects
- Use of the A$2,000/oz optimised pit shell to constrain the Inferred mineralisation drilled on a 100m x 100m drill spacing.
- Measured category material has been included in the Mineral Resource based upon increased geological confidence and drill spacing of 25m x 25m.

JORC-2012 compliant Mineral Resource Estimate as at 30 June 2018:

BIBRA GOLD DEPOSIT JORC OPEN PIT MINERAL RESOURCE ESTIMATE												
DATE	MEASURED			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)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
May 2018	10.64	1.1	365	34.2	0.9	1,01	6.16	0.7	150	50.96	0.9	1.525

BIBRA GOLD DEPOSIT JORC OPEN PIT MINERAL RESOURCE ESTIMATE BY DOMAIN			
DOMAIN	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
Laterite	3.1	0.9	0.09
Oxide – Upper Saprolite	3.9	0.8	0.10
Oxide – Lower Saprolite	4.9	0.8	0.13
Transitional	5.5	0.8	0.14
Fresh	33	1.0	1.06
TOTAL	50.96	0.9	1.525

Notes on the May 2018 Mineral Resource estimate:

1. Refer to JORC 2012 Table (1) in Appendix 1 of ASX Release on 29 April 2018 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 estimate has been reported using a cut-off grade of between 0.27g/t and 0.35g/t Au to reflect the cut-off grades determined through the May 2018 Ore Reserve estimation.
4. The Mineral Resource has been constrained by a A$2,050/ounce conceptual optimal pit shell.
5. Ordinary kriging was used for grade estimation utilising Vulcan software
6. Grade estimation was constrained to blocks within each of the mineralised wireframes.
7. See ASX announcement dated 29 April 2018 for Mineral Resource announcement.

JORC-2012 compliant Mineral Resource Estimate as at 30 June 2017:

BIBRA GOLD DEPOSIT JORC OPEN PIT MINERAL RESOURCE ESTIMATE												
DATE	MEASURED			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)	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

BIBRA GOLD DEPOSIT JORC OPEN PIT MINERAL RESOURCE ESTIMATE BY DOMAIN			
DOMAIN	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
Laterite	1.5	1.4	0.07
Oxide – Upper Saprolite	2.3	1.0	0.07
Oxide – Lower Saprolite	3.1	1.0	0.99
Transitional	2.1	1.0	0.07
Fresh	22	1.1	0.80
TOTAL	31.3	1.1	1.11

Notes on the April 2017 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 estimate has been reported above a block grade of 0.5g/t Au.
4. The Mineral 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 10 April 2016 for Mineral 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 Ore Reserves for Bibra deposit is based on information compiled by Mr Daniel Donald. Mr Donald is an employee of Entech Pty Ltd and is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM,

#210032). Mr Donald 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. Donald 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 Mineral 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.

FINANCIAL REVIEW

Financial Position

The consolidated loss for the year was $3,118,429 (2017: $3,293,239). 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 (2017 requirement: $0.1 million).

The cash balance of the Group at 30 June 2018 was $5.58 million.

Corporate Transactions

Blackearth Minerals NL:

In January 2018 the Company concluded the sale committed in February 2017, 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 receipt of $75,000 non-refundable deposit on signing of the agreement, with the balance of the consideration received in January 2018 comprising a further $75,000 cash and the issue of 2,000,000 ordinary shares in Blackearth ($400,000),

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

Future Prospects

The group's cash balance at 30 June 2018 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.

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")("the Company"), together with the financial report for the year ended 30 June 2018 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
Executive Chairman

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 Stuart PETHER
B.E Hons, MAUSIM
Non-Executive Director

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.

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 LANGWORTHY
BSc(Hons), MAusIMM
Non-Executive Director – Appointed 2 February 2018

Previously Mr Langworthy held the following positions within Capricorn:

- Executive General Manger – Geology – 14 March 2017 to 2 February 2018

- Executive Director – From 3 February 2016 – Resigned 14 March 2017
- Non-Executive Director – 24 July 2013 to 2 February 2016

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.

Mr Langworthy is not an Independent Director.

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)
- Managing Director – Gateway Mining Limited (March 2018 to present)

Ms Debra Bakker
M.App.Fin, B.Bus (Fin Acc), Grad Dip FINSIA, GAICD
Non-Executive Director – Appointed 26 February 2018

Ms Bakker is an experienced banker and corporate finance executive with over 25 years of experience dedicated to the mining sector. She started her career in Sydney with Barclays Capital, moving to London where she was responsible for the firm's mining business through the Americas. She moved to Standard Bank London Group in Chicago and assumed responsibility for that group' mining corporate finance business in North America then joining a (now division of) Sunguard Systems in New York where she helped build their on-line derivative risk management platform. Returning to Australia in 2003 she spent 10 years leading and building Commonwealth Bank's natural resources team in WA.

Ms Bakker is an Independent Director.

During the past three years Ms Bakker has held the following other listed company directorships:

- Non-Executive Director of Independence Group NL (December 2016 to present)
- Non-Executive Director of Azumah Resources Limited (July 2018 to present)

Mr Guy LE CLEZIO
BA
Non-Executive Director – Resigned 2 February 2018.

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 was an Independent Director.

2. COMPANY SECRETARIES

Mrs Natasha Santi was appointed as Joint Company Secretary on 30 September 2012.

Mrs N Santi had 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, including Capricorn Metals from July 2012. 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.

Mr Jonathan Shellabear, the Chief Financial Officer was appointed Joint Company Secretary on 11 May 2017.

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.

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 & Risk		Nomination & Remuneration	
Director	A	B	A	B	A	B
H Hellewell	7	7	-	-	-	-
G LeClezio	4	4	-	-	-	-
S Pether	7	7	-	-	-	-
P Langworthy	3	3	-	-	-	-
D Bakker	3	3	-	-	-	-

A = Number eligible to attend
B = Number attended

Committee Membership

On 18 April 2018 the Board formed and Audit & Risk Committee and a Nomination & Remuneration committee with memberships as set out below. Prior to the formation of these committees the Full Board sat as the Audit, Remuneration and Nomination Committees when those responsibilities were required to be fulfilled.

Audit & Risk	*Nomination & Remuneration*
Ms D Bakker - Chair	Mr S Pether - Chair
Mr S Pether	Ms D Bakker
Mr P Langworthy	Mr P Langworthy

4. PRINCIPAL ACTIVITIES

The principal activities of the Group 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 Group after providing for income tax amounted to $3,118,429 (2017: $3,293,239).

6. DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended to be paid during the financial year (2017: Nil).

7. REVIEW OF OPERATIONS

A review of the Group'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 3.

8. FINANCIAL POSITION

The net assets of the Group have increased by $5,876,223 to $35,983,771 during the financial year. This significant increase is largely due to net capital raising proceeds of $8,757,167 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 below and elsewhere in the report, there were no significant changes in the state of affairs.

- 6 December 2017: 137,095,083 shares were issued at a price of $0.052 per share on completion of a placement to sophisticated investors.

- 27 December 2017: 38,461,781 shares were issued at a price of $0.052 per share subsequent to the completion of a shareholder share purchase plan.

10. SUBSEQUENT EVENTS

There were no material events arising subsequent to 30 June 2018, to the date of this report which may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in the future, other than:

- On 24 September 2018 Capricorn made an ASX Announcement confirming media speculation that a confidential, non-binding, indicative acquisition proposal had been received from Regis Resources Limited ("Regis") at a price of 11.4 cents per Capricorn share. As at the date of this report discussions are continuing.

11. FUTURE DEVELOPMENTS

Likely future developments in the operations of the Group 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 programs in Australia, with only low-level activities in Madagascar. There have been no breaches of the Group's obligations under environmental laws.

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	102,969,129	1,000,000
S Pether	355,737	1,000,000
P Langworthy	22,776,676	7,300,000
D Bakker	-	-

14. CORPORATE GOVERNANCE

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

http://capmetals.com.au/wp-content/uploads/2018/09/180928-CMM-Corporate-Governance-Statement.pdf

16. 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 Board 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 Board.

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 Group. 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 Board annually as part of the review of executive remuneration. 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 2018:

Executive Director & Executive Management

At 30 June 2018, 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 by the Executive or six months by the Company. There is no termination fee payable other than during the term of notice.

Name	Mr Heath Hellewell	Mr Jonathan Shellabear	Mr Peter Thompson
Position	Executive Chairman	Chief Financial Officer	Chief Operating Officer
Salary Package per annum	$246,375	$317,550	$317,550
Annual leave days per annum	25	20	20
Options – Granted 20/04/2016	-	-	6,000,000
Options – Granted 25/11/2016	1,000,000	-	2,500,000
Options – Granted 22/09/2017	-	6,000,000	-

Note:

(1) In addition to their contracted remuneration 3,500,000 unlisted Options were issued as incentives during the year ended 30 June 2017, 6,000,000 unlisted Options were issued to the CFO as incentives during the year ended 30 June 2018 (see (b) equity issued as part of remuneration).

(2) The issue of options to Executives is a discretionary form of remuneration that may be offered by the Company from time to time to incentivise the individual. There is no contractual requirement for the offer of options to be made.

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 Stuart Pether was also issued 1,000,000 unlisted options during the year ended 30 June 2018.

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.

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

2018	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 [(1)]	23,333	-	2,217	-	5,707	31,257	18.26%
S Pether	43,800	7,200	-	-	6,578	57,578	11.42%
P Langworthy [(2)]	16,667	-	1,583	-	-	18,250	-
D Bakker [(3)]	13,690	-	1,301	-	-	14,991	-
Executive Directors:							
H Hellewell	226,326	-	20,049	25,001	8,750	280,126	3.12%
	323,816	7,200	25,150	25,001	21,035	402,202	
Management:							
P Thompson	297,501	-	20,049	25,770	144,550	487,870	29.63%
P Langworthy [(2)]	118,966	-	11,695	17,495	120,015	268,171	44.75%
J Shellabear	297,501	-	20,049	25,770	75,757	419,077	18.08%
J L Marquetoux [(4)]	94,653	-	-	-	-	94,653	-
	808,621	-	51,793	69,035	340,322	1,269,771	
Company Secretaries:							
N Santi	135,000	-	12,825	11,997	10,229	170,051	6.02%
Total Key Management Personnel	1,267,437	7,200	89,768	106,033	371,586	1,842,024	

Notes:

(1) Mr G LeClezio resigned as Non-Executive Director on 2 February 2018.

(2) Mr P Langworthy resigned as Executive General Manager – Geology and was appointed as a Non-Executive Director on 2 February 2018.

(3) Ms D Bakker was appointed as a Non-Executive Director on 26 February 2018.

(4) Mr Marquetoux services ceased with the completion of the sale of subsidiary Mada Aust SARL to BlackEarth Minerals NL on 18 January 2018.

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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.

(b) Equity issued as part of remuneration:

Options:

During the year ended 30 June 2018, 7,000,000 (2017: 7,800,000) unlisted options, were issued to Key Management Personnel. The options issued have the following terms and vesting profiles.

- 1,000,000 options exercisable at $0.097 on or before 31 May 2020, subject to the following vesting periods:
  - 333,333 (one third) vest on 23 November 2018;
  - 333,333 (one third) vest on 23 November 2019; and
  - 333,334 (one third) vest on 23 November 2020.
- 6,000,000 options exercisable at $0.15 on or before 5 May 2021, subject to the following vesting periods:
  - 2,000,000 (one third) vest on 11 May 2018;
  - 2,000,000 (one third) vest on 11 May 2019; and
  - 2,000,000 (one third) vest on 11 May 2020.

Details of the options issued are as follows:

Key Management	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	Expiry Date
S Pether	-	1,000,000	23/11/2017	$0.020	$0.097	23/11/2021
J Shellabear	2,000,000	6,000,000	22/09/2017	$0.021	$0.150	05/05/2021
	2,000,000	7,000,000				

(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 Key Management Personnel, including their related parties is as follows:

	Balance 1 July 2017	Granted as Remuneration	Exercised	Expired	Balance 30 June 2018	Vested During the Year	Vested & Exercisable 30 June 2018
Directors:							
H Hellewell	1,000,000	-	-	-	1,000,000	333,333	333,333
G LeClezio (1)	1,000,000	-	-	-	n/a	n/a	n/a
S Pether	-	1,000,000	-	-	1,000,000	-	-
P Langworthy (2)	n/a	-	-	-	7,300,000	2,433,333	4,033,333
D Bakker (3)	n/a	-	-	-	-	-	-
	2,000,000	1,000,000	-	-	9,300,000	2,766,666	4,366,666
Management:							
P Thompson	8,500,000	-	-	-	8,500,000	2,833,333	4,833,333
P Langworthy (2)	7,300,000	-	-	-	n/a	n/a	n/a
J Shellabear	-	6,000,000	-	-	6,000,000	2,000,000	2,000,000
JL Marquetoux	-	-	-	-	-	-	-
	15,800,000	6,000,000	-	-	14.500,000	4,833,333	6,833,333
Company Secretaries:							
N Santi	800,000	-	-	-	800,000	266,666	266,666
	800,000	-	-	-	800,000	266,666	266,666
	18,600,000	7,000,000	-	-	24,600,000	7,866,665	11,466,665

Note:

(1) G LeClezio resigned as a Non-Executive Director 2 February 2018. After his resignation, 1,000,000 unlisted options lapsed per the terms and conditions attached to those options.

(2) P Langworthy resigned his position in Management and was appointed as a Non-Executive Director 2 February 2018. P Langworthy brought forward an opening balance of 7,300,000 unlisted options at the date of his appointment to the position of Non-Executive Director.

(3) D Bakker was appointed as a Non-Executive Director 26 February 2018.

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 Key Management Personnel, including their related parties, is as follows:

	Balance 1 July 2017	Acquired	Options Exercised	Disposed	Balance 30 June 2018
Directors:					
H Hellewell	102,757,655	211,474	-	-	102,969,129
G LeClezio [(1)]	19,444,276	105,737	-	-	n/a
S Pether	250,000	105,737	-	-	355,737
P Langworthy [(2)]	n/a	-	-	-	22,776,576
D Bakker [(3)]	-	-	-	-	-
	122,451,931	422,948	-	-	126,101,442
Management:					
P Thompson	6,668,074	211,474	-	(600,000)	6,279,548
P Langworthy [(2)]	22,776,576	-	-	-	n/a
J Shellabear	-	4,146,154	-	-	4,146,154
JL Marquetoux	-	-	-	-	-
	29,444,650	4,357,628	-	-	10,425,702
Company Secretary					
N Santi	-	-	-	-	-
	-	-	-	-	-
	151,896,581	4,780,579	-	(600,000)	136,527,144

Note:

(1) G LeClezio resigned as a Non-Executive Director 2 February 2018.

(2) P Langworthy resigned his position in Management and was appointed as a Non-Executive Director 2 February 2018. P Langworthy brought forward an opening balance of 22,776,576 shares at the appointment to the position of Non-Executive Director.

(3) D Bakker was appointed as a Non-Executive Director 26 February 2018.

(d) Related Party Transactions with Key Management Personnel:

Apart from details disclosed in this note, no Director has entered into contracts 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 Personnel	Transaction	2018 $	2017 $
P Langworthy [(1)]	Exploration program management	314,364	1,937,760
G Boden [(2)]	Corporate services	-	128,998
		314,364	2,066,758

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 program, 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:

	2018 $	2017 $
Current payables:		
Trade and other payables	35,646	62,611
	35,646	62,611

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:

Group	2014	2015	2016	2017	2018
Revenue	1,831,271	1,334,642	700,637	425,592	241,725
Net Profit/(Loss)	229,752	(602,534)	(3,700,868)	(3,293,239)	(3,118,429)
Share Price at Year End	2.8c	1.8c	15.0c	8.1c	6.6c
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 - -

17. 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 2018 (2017: Nil).

18. 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.

19. 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	$0.100	10,800,000
25 November 2016	31 May 2020	$0.200	6,000,000
9 March 2017	5 May 2021	$0.150	18,284,101
5 May 2017	5 May 2021	$0.150	10,205,927
13 June 2017	5 May 2021	$0.150	3,400,000
22 September 2017	5 May 2021	$0.150	6,000,000
23 November 2017	23 November 2021	$0.097	1,000,000
			55,690,028

No options were exercised during the year ended 30 June 2018. 1,000,000 options at a price of $0.15 per share were exercised during the year ended 30 June 2017.

1,000,000 options lapsed during the year ended 30 June 2018 (2017: Nil).

20. 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.

21. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 21 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 2018

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 2018 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, 2018

CHARTERED ACCOUNTANTS & ADVISORS

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South Perth WA 6151

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2(a)	186,222	189,214
Other Income	2(b)	55,503	236,378
Grant Income		75,678	-
Disposal of subsidiary group	28	(38,304)	-
Fair value loss on other financial assets	4	-	(22,632)
Gain/(loss) on disposal of other financial assets	4	(3,224)	5,357
Employee benefits expense	3	(1,891,664)	(1,593,296)
Depreciation expense	9	(68,369)	(73,727)
Foreign currency gain		45	74
Administration costs		(992,399)	(1,316,337)
Exploration expenditure		(473,946)	(152,479)
Reversal of impairment of receivable		33,447	7,328
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)
Loss before income tax expense		(3,117,011)	(3,289,853)
Income tax expense	5	(1,418)	(3,386)
Net loss attributable to members of the parent entity		(3,118,429)	(3,293,239)
Other Comprehensive Income:			
Items that may be re-classified to profit or loss:			
- Adjustment from translation of foreign controlled entities		42,654	16,357
- Revaluation of listed company shares		(210,000)	-
- Revaluation of property asset		-	16,287
Total comprehensive loss for the year attributable to members of the parent entity		(3,285,775)	(3,260,595)
Earnings per share:			
Basic loss per share (cents per share)	19	(0.47)	(0.65)
Diluted loss per share (cents per share)	19	(0.47)	(0.65)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 $	2017 $
Current Assets			
Cash and cash equivalents	6	5,586,437	5,541,663
Other current receivables	8	235,994	196,169
Other current assets	7	59,862	23,964
Other financial assets	4	-	70,139
		5,882,293	5,831,935
Assets classified as held for sale	10	4,500,000	5,050,000
Total Current Assets		10,382,293	10,881,935
Non-Current Assets			
Property, plant & equipment	9	332,202	373,498
Other financial assets	11	190,000	-
Deferred exploration and evaluation costs	12	26,483,890	20,668,339
Total Non-Current Assets		27,006,092	21,041,837
TOTAL ASSETS		37,388,385	31,923,772
Current Liabilities			
Trade and other payables	13	902,826	1,346,353
Other liability		2,479	2,398
Short-term provisions	14	165,320	89,057
Total Current Liabilities		1,070,625	1,437,808
Non-Current Liabilities			
Trade and other payables	15	333,989	378,416
Total Non-Current Liabilities		333,989	378,416
TOTAL LIABILITIES		1,404,614	1,816,224
NET ASSETS		35,983,771	30,107,548
EQUITY			
Issued capital	16	50,878,673	42,121,506
Reserves	17	2,565,463	2,327,978
Accumulated losses	18	(17,460,365)	(14,341,936)
TOTAL EQUITY		35,983,771	30,107,548

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Investment Revaluation Reserve $	Option Reserve $	Total $
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
Balance at 1 July 2017		42,121,506	(14,341,936)	(717,282)	2,184,021	-	861,239	30,107,548
Loss for the year		-	(3,118,429)	-	-	-	-	(3,118,429)
Other comprehensive income		-	-	42,654	-	(210,000)	-	(167,346)
Total comprehensive income		-	(3,118,429)	42,654	-	(210,000)	-	(3,285,775)
Issue of shares	16	9,128,944	-	-	-	-	-	9,128,944
Cost of capital raised	16	(371,777)	-	-	-	-	-	(371,777)
Share based payments	17	-	-	-	-	-	404,831	404,831
Balance at 30 June 2018		50,878,673	(17,460,365)	(674,628)	2,184,021	(210,000)	1,266,070	35,983,771

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from Operating Activities			
Payments to suppliers and employees		(2,168,134)	(1,916,351)
Payments for exploration expenditure		(458,481)	(121,330)
Payments for stamp duty on acquisition of Greenmount Resources Pty Ltd		(330,584)	-
Interest received		56,700	93,723
Royalties received		69,498	108,929
Grant income received		60,542	-
Other income		99,805	71,127
Net cash used in operating activities	21	(2,670,654)	(1,763,902)
Cash flows from Investing Activities			
Payments for property, plant and equipment		(34,470)	(175,138)
Proceeds on sale of fixed assets		-	17,887
Proceeds on sale of financial assets		66,915	21,330
Payment received for option to purchase exploration permits		-	30,323
Consideration/ deposit received on sale of Subsidiary		75,000	75,000
Payments for capitalised exploration expenditure		(6,103,732)	(12,405,323)
Payment for the acquisition of the Karlawinda tenements		-	(1,500,000)
Net cash used in investing activities		(5,996,287)	(13,935,921)
Cash flows from Financing Activities			
Proceeds received from the issue of shares		9,128,944	10,150,000
Costs of capital raised		(371,777)	(537,617)
Deferred payments under share purchase agreement		(44,427)	(26,162)
Security deposit		-	(98,364)
Net cash flows provided by financing activities		8,712,740	9,487,857
Net increase/(decrease) in cash held		45,799	(6,211,966)
Cash and cash equivalent at the beginning of the year	6	5,541,663	11,755,911
Effect of exchange rates on cash holdings in foreign currencies		(1,025)	336
Cash directly associated with assets classified as held for sale	10	-	(2,618)
Cash and cash equivalents at the end of the year	6	5,586,437	5,541,663

The accompanying notes form part of these financial statements.

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 2018 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 2018 comprises the Company and its subsidiaries (together referred to as the 'Group' or 'Company'). 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 2018 the Group has incurred a loss of $3,118,429 (2017: $3,293,239) and at 30 June 2018 the Group had working capital of $4,811,668, excluding assets held for sale, (30 June 2017: $4,394,127) including a cash and cash equivalents balance of $5,586,437 (30 June 2017: $5,541,663). Net cash used in operating and investing activities in the year to 30 June 2018 was $8,666,941 (2017: $15,699,823).

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 the financial year, through the completion of a successful placement and a fully subscribed shareholder share purchase plan to raise $9.1 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 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.

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

(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 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 Group 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
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.

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

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.

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.

Available for sale financial assets:
Available For Sale financial assets ("AFS") are either designated as AFS or are not classified as loans and receivables, held to maturity investment or financial assets at fair value through profit or loss.

Listed shares held by the Group are traded in an active market and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is classified to profit or loss.

Dividends on AFS instruments are recognised in profit or loss when the Group's right to receive the dividend is established.

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.

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

(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.

(i) 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.

(j) 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.

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

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 (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 reporting 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.

(k) 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.

(l) 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.

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

(m) 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).

(n) 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.

(o) 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.

(p) 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.

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.

(q) 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.

(r) Comparative Figures

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

(s) 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

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

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.

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 from SQNY International 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 next financial year's cash receipts with the remaining balance not expected to be settled in the next financial year treated as non-current.

(t) 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. 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.

(u) 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.

(v) 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 2017.

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 2018 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 Group, 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	Recognition of 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	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	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.

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

	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.	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.	
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 $678,999 at 30 June 2018. 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.

NOTE 2 – REVENUE

	2018 $	2017 $
(a) Revenue:		
- royalties	90,164	113,963
- rental	95,814	65,362
- other	244	9,889
Total Revenue	186,222	189,214
(b) Other Income:		
- net interest received	55,503	87,422
- non-refundable deposit [1]	-	75,000
- option payment	-	56,234
- sale of fixed assets	-	17,722
Total Other Income	55,503	236,378
Total Revenue	241,725	425,592

Note:

[1] 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.

NOTE 3 – EXPENSES

	Note	2018 $	2017 $
(a) Employee benefits expense:			
Australia			
Non-executive directors' fees		104,690	95,545
Executive directors' salary		226,326	335,000
Other salaries		1,282,092	443,417
Superannuation		151,786	76,535
Annual leave entitlements		76,030	78,296
Other employment expenses		93,490	7,737
Share based payments	28	404,831	545,221
Salary capitalised as exploration and evaluation expenditure		(719,722)	(382,641)
		1,619,523	1,199,110
Mauritius			
Directors remuneration		10,500	12,000
		10,500	12,000
Madagascar			
Country manager - J L Marquetoux		94,653	152,031
Payroll		166,988	230,155
		261,641	382,186
Total employee benefits expense		1,891,664	1,593,296

NOTE 4 – OTHER CURRENT FINANCIAL ASSETS

	2018 $	2017 $
Listed Shares in NEXT Source Materials Inc	-	70,139
Unlisted Warrants in NEXT Source Materials Inc	-	-
	-	70,139

Listed shares in NEXT Source Materials Inc:

	2018		2017	
	Number	$	Number	$
At 1 July	1,000,000	70,139	1,237,000	83,369
Fair value increase/(decrease)	-	-	-	2,743
Shares sold	(1,000,000)	(70,139)	(237,000)	(15,973)
At 30 June	-	-	1,000,000	70,139

Financial assets, revalued at fair value through the profit and loss using the closing quoting bid prices at the end of the reporting period represent (30 June 2018: Nil) (30 June 2017: 1,000,000) fully paid ordinary shares in Canadian company, NEXT Source Materials Inc.

Disposal of listed shares:

	2018 $	2017 $
Shares disposed	(70,139)	(15,973)
Proceeds received	66,915	21,330
(Loss)/gain on disposal	3,224	5,357

Fair value of listed shares and assumptions:

	2018	2017
Fair value per listed share	n/a	$0.701
Closing quoting bid price per share	n/a	CAD $0.070
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	n/a	1.00198

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

Unlisted Warrants in NEXT Source Materials Inc:

	2018 $	2017 $
Balance at 1 July	-	92,260
Fair value decrease	-	(25,375)
Fair value decline	-	(66,885)
Balance at 30 June	-	-

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 2018, 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 (30 June 2017: Nil).

Fair value of unlisted warrants and assumptions:

	2018	2017
Fair value per unlisted warrant	$0.017	$0.019
Closing quoting bid price per share	CAD $0.010	CAD $0.070
Foreign exchange rate – Australian Dollar per 1 Canadian Dollar	1.02553	1.00198
Exercise price per warrant	USD $0.14	USD $0.14
Foreign exchange rate – Australian Dollar per 1 US Dollar	1.35366	1.30091
Risk free interest rate	1.910%	1.725%
Expected volatility	100%	100%
Expected life (days)	289	654

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

NOTE 5 - INCOME TAX

	2018 $	2017 $
(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	1,418	1,960
- Deferred Tax – temporary differences	-	1,425
	1,418	3,386
The Prima facie tax on Loss before income tax at 27.50% (2017: 27.50%)	(857,568)	(904,710)
Add/(subtract) the tax effect of:		
- Tax attributable to foreign subsidiary	1,418	3,386
- Other assessable income not included as accounting income	1,571	3,304
- Non-deductible expenses	2,256,832	458,114
- Accounting income not included as assessable income	(131,867)	(22,196)
- Other deductible expenses	(146,279)	(14,995)
- Deferred tax assets / (liabilities) not brought to account	(1,980,257)	(424,227)
Income tax expense / (benefit) attributable to entity	1,418	3,386
(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	7,728,573	5,663,748
- Transaction costs on equity issue	-	-
	7,728,573	5,663,748

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

	2018 $	2017 $
Cash at bank	5,586,437	5,541,663

NOTE 7 – OTHER CURRENT ASSETS

	2018 $	2017 $
Prepayments	58,389	22,963
Other	1,473	1,001
Total Other Current Assets	59,862	23,964

NOTE 8 – OTHER CURRENT RECEIVABLES

	2018 $	2017 $
Interest	4,517	5,714
Other receivables	93,113	52,091
Bank guarantees [1]	138,364	138,364
Total Other Current Receivables	235,994	196,169

Note:

[1] Bank guarantees are made up of the following:
- $40,000 is held as security for the credit card facility and bears 2.35% (2017: 2.20%) interest.
- $98,364 is held as security for the office lease and bears 2.35% (2017: 2.20%) interest.

NOTE 9 – PLANT AND EQUIPMENT

	2018 $	2017 $
Plant & Equipment – At cost	458,447	441,246
Less accumulated depreciation	(216,359)	(167,862)
Total Plant & Equipment	242,088	273,384
Field Equipment – At cost	227,296	218,941
Less accumulated depreciation	(137,182)	(118,827)
Total Field Equipment	90,114	100,114
Motor Vehicles – At cost	29,699	29,699
Less accumulated depreciation	(29,699)	(29,699)
Total Motor Vehicles	-	-
Total Plant and Equipment	332,202	373,498

(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 2016	4,500,000	175,094	142,294	2,319	4,819,707
Additions		159,629	20,443	-	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	-	273,384	100,114	-	373,498
Additions	-	17,201	11,673	-	28,874
Disposals	-	-	(1,801)	-	(1,801)
Depreciation expense	-	(48,497)	(19,872)	-	(68,369)
Carrying amount at 30 June 2018	-	242,088	90,114	-	332,202

Note:

[1] See Note 10.

NOTE 10 – ASSETS HELD FOR SALE

Assets held for sale comprises:

	2018 $	2017 $
Property Asset (1)	4,500,000	4,500,000
	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	4,500,000	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.

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

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

(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 receipt of $75,000 non-refundable deposit on signing of the agreement in February 2017.

The disposal transaction was completed in January 2018 with the receipt of $75,000 cash and the issue of 2,000,000 ordinary shares in BlackEarth ($AUD400,000), and the successful listing of Blackearth on the Australian Securities Exchange. See Note 28.

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

NOTE 11 – OTHER FINANCIAL ASSETS

Part of the consideration for the sale of the subsidiary group comprising Madagascar Graphite Ltd and Mada-Aust SARL was the issue of 2,000,000 fully paid ordinary shares in the capital of BlackEarth Minerals NL. See Note 28.

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

	2018 $	2017
Non-Current:		
At 1 July	-	-
Acquisition of 2,000,000 shares in BlackEarth Minerals NL	400,000	-
Fair value adjustment	(210,000)	-
At 30 June	190,000	-

Financial assets, revalued at fair value through the statement of comprehensive income using the closing quoting bid prices at the end of the reporting period represent 2,000,000 (30 June 2017: Nil) fully paid ordinary shares in Australian company BlackEarth Minerals NL.

Fair value of listed shares and assumptions:

	2018	2017
Fair value per listed share	$0.095	n/a
Closing quoting bid price per share	$0.095	n/a

NOTE 12 – DEFERRED EXPLORATION & EVALUATION COSTS

	2018 $	2017 $
Australia:		
At 1 July	20,668,339	7,598,465
Capitalised exploration expenditure	5,815,551	13,069,874
At 30 June	26,483,890	20,668,339
Madagascar:		
At 1 July	-	967,000
Impairment	-	(417,000)
Reclassified as held for sale asset (1)	-	(550,000)
At 30 June	-	-
Total Deferred Exploration & Evaluation Costs	26,483,890	20,668,339

Note:

(1) See Note 10.

NOTE 13 – CURRENT TRADE & OTHER PAYABLES

	2018 $	2017 $
Unsecured liabilities:		
Trade Payables	792,701	939,466
Accrued Payables – Operating (1)	80,125	376,887
Accrued Payables – World Titane Holdings Ltd (2)	30,000	30,000
Total Current Trade & Other Payables	902,826	1,346,353

Note:

(1) 2017: Includes $330,584 of stamp duty payable in relation to the acquisition of Greenmount Resources Pty Ltd.

(2) Accrued payables include amounts in respect of the Share Purchase Agreement with WTR Holdings Pty Ltd (formerly Madagascar Resources NL) 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 received from the one remaining specified lessee.

NOTE 14 – SHORT TERM PROVISIONS

		2018 $	2017 $
Provision for annual leave:			
Opening 1 July		89,057	25,931
Additional provisions		162,995	128,135
Amounts used		(86,725)	(54,005)
Foreign exchange adjustments		(7)	479
Liabilities directly associated with assets classified as held for sale		-	(11,483)
Closing 30 June		165,320	89,057
Number of employees at year end:	Australia	10	9
	Madagascar	5	15
		15	24

NOTE 15 – NON-CURRENT TRADE & OTHER PAYABLES

	2018 $	2017 $
Unsecured liabilities:		
Accrued Payables (1)	333,989	378,416
Total Non-Current Trade & Other Payables	333,989	378,416

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 from one specified lessee 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

	2018 $	2017 $
572,379,458 fully paid ordinary shares (2016: 485,909,373)	50,873,673	42,121,506
	50,873,673	42,121,506

	2018		2017	
	No.	$	No.	$
Ordinary shares:				
At 1 July	572,379,458	42,121,506	485,909,373	32,509,123
Shares issued during the year:				
- 19 September 2016 (1)	-	-	1,000,000	150,000
- 10 March 2017 (2)	-	-	54,852,304	6,417,720
- 5 May 2017 (3)	-	-	30,617,781	3,582,280
- 6 December 2017 (4)	137,095,083	7,128,944	-	-
- 27 December 2017 (5)	38,461,784	2,000,000	-	-
Costs of capital raised	-	(371,777)	-	(537,617)
At 30 June	747,936,325	50,878,673	572,379,458	42,121,506

There are no preference shares on issue.

Note:

- 19 September 2016: 1,000,000 shares were issued at a price of $0.15 per share on the exercise of unlisted options by Non-Executive Director, Mr G LeClezio.
- 10 March 2017: 54,852,304 shares were issued at a price of $0.117 per share as completion of Tranche 1 of the placement to Hawke's Point Holdings I Limited. In addition, 18,284,101 free attaching options were also issued with an exercise price of $0.15 per share and an expiry date of 5 May 2020.

NOTE 16 – ISSUED CAPITAL *(Cont'd)*

- 5 May 2017: 30,617,781 shares were issued at a price of $0.117 per share as completion of Tranche 2 of the placement to Hawke's Point Holdings I Limited. In addition, 10,205,927 free attaching options were also issued with an exercise price of $0.15 per share and an expiry date of 5 May 2020.
- 6 December 2017: 137,095,083 shares were issued at a price of $0.052 per share on completion of a placement to sophisticated investors.
- 27 December 2017: 38,461,781 shares were issued at a price of $0.052 per share subsequent to the completion of a shareholder share purchase plan.

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 747,936,325 (2017: 572,379,458) shares, of which 747,936,325 (2017: 572,379,458) are listed on the Australian Securities Exchange (ASX) at the date of this report.

Options:

The following unlisted options were on issue during the year:

	2018		2017	
	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
Exercised	-	-	$0.15	(1,000,000)
Lapsed	-	-	$0.15	(6,500,000)
Balance at end of year	-	-	-	-
(b) *Options exercisable at $0.10 on or before 31 May 2020:*				
Balance at beginning of year	$0.10	10,800,000	$0.10	10,800,000
Issued during the year	-	-	-	-
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	$0.20	7,000,000	-	-
Issued during the year	-	-	$0.20	7,000,000
Lapsed	$0.20	(1,000,000)	-	-
Balance at end of year	$0.20	6,000,000	$0.20	7,000,000
(d) *Options exercisable at $0.15 on or before 5 May 2021:*				
Balance at beginning of year	$0.15	31,890,028	-	-
Issued during the year	$0.15	6,000,000	$0.15	31,890,028
Balance at end of year	$0.15	37,890,028	$0.15	31,890,028
(e) Options exercisable at $0.097 on or before 23 November 2021:				
Balance at beginning of year	-	-	-	-
Issued during the year	$0.097	1,000,000	-	-
Balance at end of year	$0.097	1,000,000	-	-

NOTE 16 – ISSUED CAPITAL *(Cont'd)*

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 7,000,000 share options granted during the year ended 30 June 2018 (2017: 38,890,028).

Fair Value of Options & Assumptions:	*Directors*	*Employees*
Grant date	23/11/2017	22/09/2017
Expiry date	23/11/2021	05/05/2021
Number granted	1,000,000	6,000,000
Fair Value at grant date (per option)	$0.020	$0.021
Share Price at grant date	$0.067	$0.091
Exercise price	$0.097	$0.150
Expected share price volatility	50%	50%
Expected life of option (days)	1,461	1,321
Expected dividends	-	-
Risk free interest rate	2.040%	2.205%

NOTE 17 – RESERVES

	2018 $	2017 $
Share based payment reserve:		
Opening balance 1 July	861,239	316,018
Share based payments for the year	404,831	545,221
Closing balance 30 June	1,266,070	861,239

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.

	2018 $	2017 $
Foreign currency translation reserve:		
Opening balance 1 July	(717,282)	(733,639)
Translation movement for the year	42,654	16,357
Closing balance 30 June	(674,628)	(717,282)

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

	2018 $	2017 $
Asset revaluation reserve: Property		
Opening balance 1 July	2,184,021	2,167,734
Revaluation movement for the year	-	16,287
Closing balance 30 June	2,184,021	2,184,021

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

	2018 $	2017 $
Investment revaluation reserve: Shares		
Opening balance 1 July	-	-
Revaluation movement for the year	(210,000)	-
Closing balance 30 June	(210,000)	-

This reserve records fair value re-measurement recorded on 2,000,000 fully paid ordinary shares held in ASX Listed company BlackEarth Minerals NL ("BEM"). The BEM shares are subject to a 24-month escrow period, during which they are restricted from sale by the Company. The escrow period commenced on 18 January 2018.

NOTE 18 – ACCUMULATED LOSSES

	2018 $	2017 $
Opening balance 1 July	(14,341,936)	(11,048,697)
Loss for the year	(3,118,429)	(3,293,239)
Closing balance 30 June	(17,460,365)	(14,341,936)

NOTE 19 – EARNINGS PER SHARE

	2018 $	2017 $
Earnings used in calculating basic and diluted earnings per share:		
- Loss attributable to members of the parent entity	(3,118,429)	(3,293,239)
Basic and diluted loss per share:	Cents	Cents
- cents per share	(0.47)	(0.65)
	Number	Number
Weighted average number of ordinary shares outstanding at 30 June	669,247,998	508,216,370

As at 30 June 2018 there are 55,690,028 (2017: 49,690,028) unlisted options on issue.

As the Group incurred a loss for the year (2017: Loss), the options on issue have no dilutive effect, therefore the diluted earnings per share is equal to the basic earnings per share.

There were 55,690,028 (2017: 49,690,028) 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.

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 2018, 7,000,000 options were granted to Key Management Personnel & employees of the Company (2017: 10,400,000 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 2018:

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 2018
6,000,000 (1)	22/09/2017	05/05/2021	$0.022	$0.150	$0.091	2.20%	50%	2,000,000
1,000,000 (2)	23/11/2017	23/11/2021	$0.020	$0.097	$0.067	2.04%	50%	-

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

(1) 2,000,000 vested on 11 May 2018, 1,133,333 vest on 11 May 2019 and 1,133,334 vest on 11 May 2020.
(2) 333,333 vest on 23 November 2018, 333,333 vest on 23 November 2019 and 333,334 vest on 23 November 2020.

Granted during 2017 and outstanding at 30 June 2018:

Number of Options	Grant Date	Expiry Date	Fair Value per Option	Exercise Price	Share Price on Grant Date	Risk Free Interest Rate (%)	Estimated Volatility (%)	30 Number 2018	
								Number Lapsed	Number Vested
7,000,000 (1)	29/11/2016	31/05/2020	$0.021	$0.200	$0.100	1.97%	60%	1,000,000 (2)	2,000,000
3,400,000 (3)	13/06/2017	31/05/2021	$0.021	$0.150	$0.088	1.84%	50%	-	1,133,333

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

NOTE 20 – SHARE BASED PAYMENTS *(Cont'd)*

(1) 2,333,333 vested on 29 November 2017, 2,333,333 vest on 29 November 2018 and 2,333,334 vest on 29 November 2019.
(2) 1,000,000 options previously granted lapsed and were subsequently cancelled during the year ended 30 June 2018.
(3) 1,133,333 vested on 11 May 2018, 1,133,333 vest on 11 May 2019 and 1,133,334 vest on 11 May 2020.

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 (2017: Nil).

Expenses arising from share-based payment transactions:

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

	2018 $	2017 $
Options	404,831	545,221

NOTE 21 – NOTE TO THE STATEMENT OF CASH FLOWS

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

	2018 $	2017 $
Loss after income tax	(3,118,429)	(3,293,239)
Non-cash flows in result:		
Depreciation	68,369	73,727
Impairment	-	558,885
Fair value gain on financial assets	-	22,632
Foreign currency translation	43,679	(6,965)
Share based payment	404,831	545,221
Loss on disposal of fixed assets	1,802	-
Cash flows in result not classified as cash flows from operations:		
Profit on sale of fixed assets	-	(17,722)
Profit/(Loss) on sale of financial assets	3,224	(5,357)
Option payment received on potential sale of exploration permits	-	(56,234)
Loss on disposal of subsidiary group	38,304	-
Deposit received on sale of Subsidiary	-	(75,000)
Changes in assets and liabilities:		
Increase in income taxes payable	-	1,426
(Increase) in other current assets	91,282	(137,910)
Increase/(Decrease) in payables and accruals	(203,716)	626,634
Cashflow used by Operations	(2,670,654)	(1,763,902)

Non-cash investing and financing activities:

There were no non-cash investing and financing activities during the year ended 30 June 2018 (30 June 2017: Nil)

NOTE 22 – COMMITMENTS

Exploration Commitments

Madagascar

Prior to the disposal of wholly owned subsidiary, Mada Aust SARL on 18 January 2018, the Group had no statutory obligations to perform minimum exploration work on its tenements in Madagascar; 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. Since the disposal of Mada Aust SARL in January 2018 there are no longer any commitments in relation to Madagascan tenements.

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 2018 there are 12 granted tenements with an annual expenditure commitment totalling $617,000 and one granted mining lease with an annual expenditure commitment of $298,000.

Operating Lease Commitments

The Group leases office premises in West Perth, Western Australia under normal commercial lease arrangements. The office lease was entered into for an initial 5-year period commencing 1 May 2017. In addition, the Group entered into a lease arrangement on a printer from 22 May 2017, and a phone system from 9 July 2017, both with lease terms of 5 years.

	2018 $	2017 $
Lease Commitments: Group as lessee		
Operating leases:		
- Within one year	149,651	141,268
- Later than one year but not later than five years	529,348	645,398
Aggregate lease expenditure contracted at reporting date but not recognised as liabilities	678,999	786,666

Other commitments

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

NOTE 23 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 30 June 2018 (2017: Nil).

NOTE 24 – EVENTS SUBSEQUENT TO REPORTING DATE

There were no material events arising subsequent to 30 June 2018 to the date of this report which may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in the future, other than:

- On 24 September 2018 Capricorn made an ASX Announcement confirming media speculation that a confidential, non-binding, indicative acquisition proposal had been received from Regis Resources Limited ("Regis") at a price of 11.4 cents per Capricorn share. As at the date of this report discussions are continuing.

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.

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

(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				
2018	MGA	AUD	USD	EURO	Total AUD
Cash	17,005	5,569,226	-	206	5,586,437
Receivables	75,824	160,170	-	-	235,994
Payables	3,658	(906,484)	-	-	(902,826)
Statement of Financial Position exposure	96,487	4,822,912	-	206	4,919,605

	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

(d) Interest rate risk:

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

	2018 $	2017 $
Variable rate instruments:		
- Financial assets	5,586,437	5,541,663

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 2017.

	2018		2017	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	55,864	(55,864)	55,416	(55,416)

(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:

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

	Carrying Amount $	Contractual Cash Flows $	6 Months or Less $
Trade and other payables:			
- at 30 June 2018	902,826	(902,826)	(902,826)
- at 30 June 2017	1,346,353	(1,346,353)	(1,346,353)

(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.

(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 2018				
Financial assets:				
Available-for-sale financial assets:				
- listed investments (BlackEarth Minerals NL shares)	190,000	-	-	190,000
	190,000	-	-	190,000
30 June 2017				
Financial assets:				
Available-for-sale financial assets:				
- listed investments (NEXT Source Materials shares)	70,139	-	-	70,139
	70,139	-	-	70,139

Included within Level 1 of the hierarchy are the BlackEarth Minerals NL shares listed on the Australian Securities Exchange and in 2017 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.

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.

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

(h) Financial liability and financial asset maturity analysis:

	Within 1 year		1 to 5 years		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Financial liabilities – Due for payment:						
Payables	1,040,625	1,508,307	-	-	1,040,625	1,508,307
Payable for Share Purchase Agreement	30,000	30,000	333,989	378,416	363,989	408,416
Total expected outflows	1,070,625	1,538,307	333,989	378,416	1,404,614	1,916,723
Financial Assets – Cash flows realisable:						
Cash	5,586,437	5,544,281	-	-	5,586,437	5,544,281
Assets	-	70,139	-	-	-	70,139
Receivables	235,994	276,116	-	-	235,994	276,116
Total Inflow on Financial Instruments	5,822,431	5,890,536	-	-	5,822,431	5,890,536

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.

2018	Australia	Madagascar	Elimination	Group
Revenue				
Revenue	-	186,222	-	186,222
Other income	55,442	61	-	55,503
Total segment revenue	55,442	186,283	-	241,725
Result				
Segment Result	(2,930,075)	(473,081)	284,727	(3,118,429)
Profit/(Loss) before Income tax	(2,930,075)	(471,663)	284,727	(3,117,011)
Assets				
Segment Assets	31,592,384	1,783,600	4,012,401	37,388,385
Segment Liabilities	(1,405,435)	(10,194)	11,015	(1,404,614)
Other				
Acquisition of non-current assets	28,874	-	-	28,874
Depreciation expense	39,993	28,376	-	68,369

NOTE 26 – STATEMENT OF OPERATIONS BY SEGMENT *(Cont'd)*

2017	Australia	Madagascar	Elimination	Group
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)	(158,081)	(117,642)	(3,293,239)
Profit/(Loss) before Income tax	(3,017,516)	(154,695)	(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

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. Resigned 2 February 2018.
Mr Stuart Pether	Non-Executive Director	Appointed 14 March 2017.
Mr P Langworthy	Non-Executive Director	Transitioned from Technical Director to Executive General Manager - Geology – 14 March 2017. Resigned Executive General Manager – Geology & appointed Non-Executive Director 2 February 2017.
Ms D Bakker	Non-Executive Director	Appointed 26 February 2017.
Mr P Thompson	Chief Operating Officer	Transitioned from Managing Director to Chief Operating Officer – 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)	Employee of Mada Aust SARL which was disposed of, 18 January 2018.
Mr G Boden	Joint Company Secretary	Resigned as Company Secretary – 11 May 2017.
Mrs N Santi	Joint Company Secretary	Appointed 30 September 2012.

__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:

	2018 $	2017 $
Short term benefits	1,267,437	880,660
Other service fees	7,200	132,998
Post – employment benefits	89,768	63,108
Share Based Payments	371,586	543,804
Annual Leave	106,033	60,945
	1,842,024	1,681,515

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

(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 Personnel	Transaction	2018 $	2017 $
P Langworthy (1)	Exploration program management	314,364	1,937,760
G Boden (2)	Corporate services	-	128,998
		314,364	2,066,758

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 program, 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:

	2018 $	2017 $
Current payables:		
Trade and other payables	35,646	62,611
	35,646	62,611

(c) Controlled Entities:

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

Subsidiaries	Country	Principal activity	% Ownership 2018	% Ownership 2017
Mada-Aust SARL (1)	Madagascar	Exploration	-%	100%
Mazoto Minerals SARL (2)	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 (1)	Mauritius	Investment Holding	-%	100%
MGY Mauritius Ltd	Mauritius	Investment Holding	100%	100%
Malagasy Graphite Holdings Ltd	Australia	Investment Holding	100%	100%
Greenmount Resources Pty Ltd	Australia	Exploration	100%	100%

Note:

(1) Madagascar Graphite Ltd and its wholly owned subsidiary, Mada Aust SARL were sold to BlackEarth Minerals NL with the transaction completing 18 January 2018. See note 28.

(2) A 1% interest is held in trust for Capricorn Metals Ltd.

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 (2017: Nil).

Additional loans were made as follows:
- Madagascan operations: $78,099 (2017: $96,867).
- Australian operations: $6,094,618 (2017: $14,442,874)

At the year end, total net loans from the parent company to these subsidiaries amount to $25,621,053 (2017: $20,076,435). Loans to subsidiaries total $32,789,639 (2017: $27,075,592) with a provision for impairment of $7,168,586 (2017: $6,999,156).

NOTE 28 – DISPOSAL OF SUBSIDARY

On 18 January 2018, the Group disposed of Madagascar Graphite Ltd and its wholly owned subsidiary Mada-Aust SARL which held a number of exploration licences in Madagascar.

Consideration received:

	2018 $	2017 $
Consideration received in cash and cash equivalents	75,000	75,000 [1]
Consideration received in fully paid ordinary shares	400,000	-
	475,000	75,000

Note:

[1] BlackEarth Minerals NL paid a non-refundable deposit on the signing of the Sale & Purchase Agreement in February 2017.

(Loss)/gain on disposal:

	2018 $	2017 $
Total consideration received	475,000	75,000
Net assets disposed of	(510,290)	-
	(35,290)	75,000

Net cash inflow on disposal:

	2018 $	2017 $
Consideration received in cash and cash equivalents	75,000	75,000
Less: cash and cash equivalent balances disposed of	(804)	-
	74,196	75,000

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.

	2018 $	2017 $
Assets:		
Current Assets	5,577,459	5,263,524
Non-Current Assets	31,297,213	25,752,655
Total Assets	37,038,797	31,016,179
Liabilities:		
Current Liabilities	441,011	612,860
Non-Current Liabilities	333,989	378,416
Total Liabilities	775,000	991,276
Shareholders' Equity:		
Issued Capital	50,878,673	42,121,506
Reserves	1,056,070	861,239
Accumulated Losses	(15,670,946)	(12,957,842)
Total Shareholders' Equity	36,263,797	30,024,903
Statement of Comprehensive Income:		
Net loss attributable to members of the parent entity	(2,713,104)	(2,983,126)
Total comprehensive loss for the year attributable to members of the parent entity	(2,713,104)	(2,983,126)

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

NOTE 29 – PARENT ENTITY DISCLOSURES *(Cont'd)*

Guarantees entered into by Parent entity:

As at 30 June 2018, the Group has the following financial guarantees:

- $40,000 is held as security for the credit card facility and bears 2.35% interest
- $98,364 is held as security for the office lease and bears 2.35% interest.

NOTE 30 – AUDITORS REMUNERATION

	2018 $	2017 $
Amount payable to William Buck Audit (WA) Pty Ltd		
- Auditing or reviewing the financial report	27,991	27,050

Amounts payable to other audit firms for the audit and review of the financial reports of subsidiary companies was $4,882 (2017: $6,315)

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 22 to 52 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 2018 and of the performance for the year ended on that date of the Group;

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 2018

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 2018, the consolidated statement of profit or loss and other 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 other explanatory information, 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 2018 and of its financial performance for the year ended on that date; 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.

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

CHARTERED ACCOUNTANTS & ADVISORS

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South Perth WA 6151

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South Perth WA 6951

Telephone: +61 8 6436 2888

williambuck.com

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. These 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 these matters.

<table>
<tr><th colspan="2">CARRYING VALUE OF EXPLORATION COSTS</th></tr>
<tr><th>Area of focus
Refer also to notes 1 (e) and 12</th><th>How our audit addressed it</th></tr>
<tr><td>The Group have incurred exploration costs for the Karlawinda project since December 2015. There is a risk that accounting criteria associated with the capitalisation of exploration and evaluation expenditure 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 mining industry, indicators of impairment applying the value in use model include:
— Significant decrease seen in global mineral prices
— Changes to exploration plans
— Loss of rights to tenements
— Changes to reserve estimates
— Costs of extraction and production</td><td>Our audit procedures included:

— Reviewing the directors’ assessment of the criteria for the capitalisation of exploration expenditure and evaluation of whether there are any indicators of impairment to capitalised costs;
— Assessing the viability of the new tenements and whether there were any indicators of impairment to those costs capitalised in the current period; and
— We assessed the adequacy of the Group’s disclosures in respect of the transactions.</td></tr>
<tr><th colspan="2">SHARE BASED PAYMENTS</th></tr>
<tr><th>Area of focus
Refer also to the Remuneration Report on pages 14 to 19, notes 1(j) and 20</th><th>How our audit addressed it</th></tr>
<tr><td>The Group has entered into several share-based payment arrangements. The options were issued to provide long term incentives for executives and</td><td>Our audit procedures included:
— Evaluating the fair values of the share-based payment arrangement by agreeing assumptions to third</td></tr>
</table>

consultants to deliver long term shareholder returns. Participation in the plan was at the board's discretion. The above arrangement 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; — 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. The results of these share-based payment arrangements materially affect the disclosures.	party evidence. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; — 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 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; and — We also reconciled the vesting of the share-based payment arrangements to disclosures made in note 20.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, 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 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 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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 14 - 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Capricorn Metals Limited, for the year ended 30 June 2018, 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

CM

Conley Manifis
Director
Dated this 28th day of September 2018

ASX Additional Information

1. *Listed Shares*

The shareholder information set out below was applicable as at 26 September 2018.

a) *Distribution of Share Holdings*

Size of Holding	No. of Shareholders	No. of Shares
1 - 1,000	47	7,846
1,001 - 5,000	45	176,070
5,001 - 10,000	198	1,626,216
10,001 - 100,000	688	30,218,942
100,001 and over	518	715,907,251
Total Shareholders	1,496	747,936,325

There are 104 Shareholders with less than a marketable parcel at a price of $0.087, totalling 249,111 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	149,774,961	20.03
CENTREPEAK RESOURCES GROUP PTY LTD	74,327,115	9.94
NEDLANDS NOMINEES PTY LTD	28,642,014	3.83
HARMANIS HOLDINGS PTY LTD	18,233,149	2.44
ELLENBROOK INVESTMENTS PTY LTD	17,671,673	2.36
NERO RESOURCE FUND PTY LTD	17,131,683	2.29
RESOURCE DISCOVERY PTY LTD	14,135,322	1.89
RUNNING WATER LIMITED	13,016,250	1.74
MR JULES LE CLEZIO	11,721,237	1.57
PRECISION OPPORTUNITIES FUND LTD	11,000,233	1.47
TAZGA TWO PTY LTD	10,096,154	1.35
BPM CAPITAL LIMITED	9,000,000	1.20
MR BRADLEY JAMES DRABSCH	8,734,737	1.17
PERSHING AUSTRALIA NOMINEES PTY LTD	8,684,172	1.16
MR GLYN EVANS & MRS THI THU VAN EVANS	8,076,923	1.08
NERO RESOURCE FUND PTY LTD	8,059,129	1.08
THIRD REEF PTY LTD	8,005,737	1.07
ROLLASON PTY LTD	7,692,307	1.03
VONROSS NOMINEES PTY LTD	6,000,000	0.80
MUTUAL INVESTMENTS PTY LTD	5,105,737	0.68
Top Twenty Shareholders	435,108,533	57.17
Total Issued Capital	747,936,325	100.00

d) *Substantial Shareholders*

The names of the substantial shareholders listed in the Company's share register as at 26 September 2018 were:

Shareholder	No. of Shares	%
Hawke's Point Holdings I Limited	141,578,974	18.93
Centrepeak Resources Group Pty Ltd	74,327,115	9.94
Total	215,906,089	28.87

e) *On Market Buy-Back*

There is currently no on-market buy-back in place *f) Top Up Right – Held by Hawke's Point Holdings L. P*

Under a waiver of ASX listing Rule 6.18 approved 7 March 2017, Hawke's Point Holdings L.P are permitted to maintain, by way of a right to participate in any issue of shares or to subscribe for shares, its percentage relevant interest in the issued share capital of the Company (the "Top-Up Right") in respect of a diluting event which occurs on the following conditions:

1. The Top-Up Right lapses on the earlier of:

    1.1 the date on which the Subscriber ceases to hold in aggregate at least a 10% relevant interest in the Company (other than as a result of shares (or equity securities) to which the Top-Up Right applies and in respect of which the Subscriber is still entitled to exercise, or has exercised, the Top-Up Right);

    1.2 the Subscriber's relevant interest in the Company exceeds 25%; or

    1.3 the strategic relationship between the Company and the Subscriber ceasing or changing in such a way that it effectively ceases.

2. The Top-Up Right may only be transferred to an entity which is a wholly owned subsidiary of the Subscriber.

3. Any securities issued under the Top-Up Right are offered to the Subscriber for cash consideration that is:

    3.1 no more favourable than cash consideration paid by third parties (in the case of issues of securities to third parties for cash consideration); or

    3.2 equivalent in value to non-cash consideration offered by third parties (in the case of issues of securities to third parties for non-cash consideration).

4. The number of securities that may be issued to the Subscriber under the Top-Up Right in the case of any diluting event must not be greater than the number required in order for the Subscriber to maintain its percentage holding in the issued share capital of the Company immediately before that diluting event.

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 26 September 2018 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	Exercisable at $0.097 Expiring 23/11/2021
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	-
S J & F M Pether	-	-	-	1,000,000
Holders individually less than 20%	-	1,000,000	9,400,000	-
Total	10,800,000	6,000,000	37,890,028	1,000,000

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
2,000,000	$0.20	25/11/2017	31/05/2020
2,000,000	$0.20	25/11/2018	31/05/2020
2,000,000	$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
333,333	$0.097	23/11/2018	23/11/2021
333,333	$0.097	23/11/2019	23/11/2021
333,334	$0.097	23/11/2020	23/11/2021
55,690,028			

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	Granted	28/03/2018	27/03/2023
E52/3543	Karlawinda	Greenmount	8	Granted	28/03/2018	27/03/2023
E52/3562	Karlawinda	Greenmount	20	Granted	28/03/2018	27/03/2023
E52/3571	Karlawinda	Greenmount	10	Granted	18/09/2018	17/09/2023
E52/3656	Karlawinda	Greenmount	94	Application	24/08/2018	-
Total Blocks			461			
Miscellaneous Licences						
L52/174	Karlawinda	Greenmount	22.17 ha	Application	25/08/2017	17/04/2039
L52/177	Karlawinda	Greenmount	12.20 ha	Granted	08/12/2017	07/12/2038
L52/178	Karlawinda	Greenmount	21.41 ha	Granted	08/12/2017	07/12/2038
L52/179	Karlawinda	Greenmount	127.83 ha	Application	25/08/2017	27/05/2039
L52/181	Karlawinda	Greenmount	1.00 ha	Application	15/09/2017	17/04/2039
L52/183	Karlawinda	Greenmount	28.46 ha	Application	08/12/2017	2/05/2039
L52/189	Karlawinda	Greenmount	1258 ha	Application	10/04/2018	-
L52/192	Karlawinda	Greenmount	220 ha	Application	16/05/2018	-
L52/197	Karlawinda	Greenmount	173 ha	Application	10/07/2018	-
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
25095	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Maniry	48	100%	1
Total Carres						608		

Note:

1. Leased to SQNY – Royalty and partial tenement fees payable.