CAPRICORN METALS LTD

Annual Report

30 June 2019

ABN 84 121 700 105

Corporate Directory

Directors

Mark Clark – Executive Chairman
Mark Okeby – Non-Executive Director
Myles Ertzen – Non-Executive Director

Company Secretary

Natasha Santi

Registered Office & Principal Place of Business

Level 1, 28 Ord Street
WEST PERTH WA 6005

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Facsimile: +61 8 9212 4699
Email: enquiries@capmet.com.au
Website: capmetals.com.au

Share Registry

Automic Pty Ltd
Level 2, 267 St Georges Terrace
PERTH WA 6000
Telephone: +61 2 9698 5414
Or 1300 288 664

Auditor

William Buck Audit (WA) Pty Ltd
Level 3, 15 Labouchere Road
SOUTH PERTH WA 6151

Securities Exchange Listing

Australian Securities Exchange
ASX Code: CMM

Annual General Meeting

The Annual General Meeting of Capricorn Metals Ltd will be held at the Country Women's Association, 1176 Hay Street, West Perth, Australia at 11am on Wednesday 20th November 2019.

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

Contents

Operations Review

The Directors of Capricorn metals Ltd ("Capricorn" or the "Company") provide the following operations review.

HIGHLIGHTS - PROJECT DEVELOPMENT

- Mining Proposal and other key approvals obtained during the year for the Karlawinda Gold Project.
- Completion of the acquisition of the Karlawinda accommodation village and mining services infrastructure with its relocation and the installation of construction accommodation completed subsequent to the end of the financial year.
- Subsequent to the end of the financial year, key appointments made to development and operational management team to facilitate development of the Karlawinda Gold Project.

HIGHLIGHTS - EXPLORATION

- Significant exploration drilling results received from the Tramore Prospect during the year confirms a significant zone of shallow mineralisation immediately south of the proposed main Bibra open pit with new intercepts including:
    - 12m @ 2.54g/t Au from 129m (KBRC1187)
    - 19m @ 1.51g/t Au from 119m (KBRC1184)
    - 20m @ 1.30g/t Au from 97m (KBRC1240)
    - 12m @ 3.13g/t Au from 106m including 1m @ 22.35g/t (KBRC1274)
- Approximately 120 square kilometres of interpreted new Archean greenstone stratigraphy known as the Mundiwindi Greenstone Belt has been identified.

HIGHLIGHTS - CORPORATE

- Cash position at 30 June 2019 was $9.04 million and following year end has increased to $92 million through two capital raisings via placements to institutional and sophisticated investors which raised a total of $83.26 million. This funding is expected to satisfy the equity component of the combined equity/project finance funding of the development of the Karlawinda Gold Project.
- After a series of changes at board level during the year, following year end, a new board was appointed who are focused on the development the Karlawinda Gold project. In July 2019 two mining professionals were appointed to the board, Mark Clark as Executive Chairman and Mark Okeby as Non-Executive Director. In September 2019 another mining professional Myles Ertzen was appointed to the board, and at this time Non-Executive Directors Timothy Kestell, Douglas Jendry and Stuart Pether resigned.
- Following year end, in August 2019 Peter Thompson resigned as Chief Operating Officer, and in September 2019 Kim Massey was appointed Chief Executive Officer and Paul Thomas was appointed Chief Operating Officer of the Company.

OUTLOOK

- The immediate focus of the board is on the development of the Karlawinda Gold Project which will see Capricorn transition from explorer to gold producer.

KARLAWINDA GOLD PROJECT

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

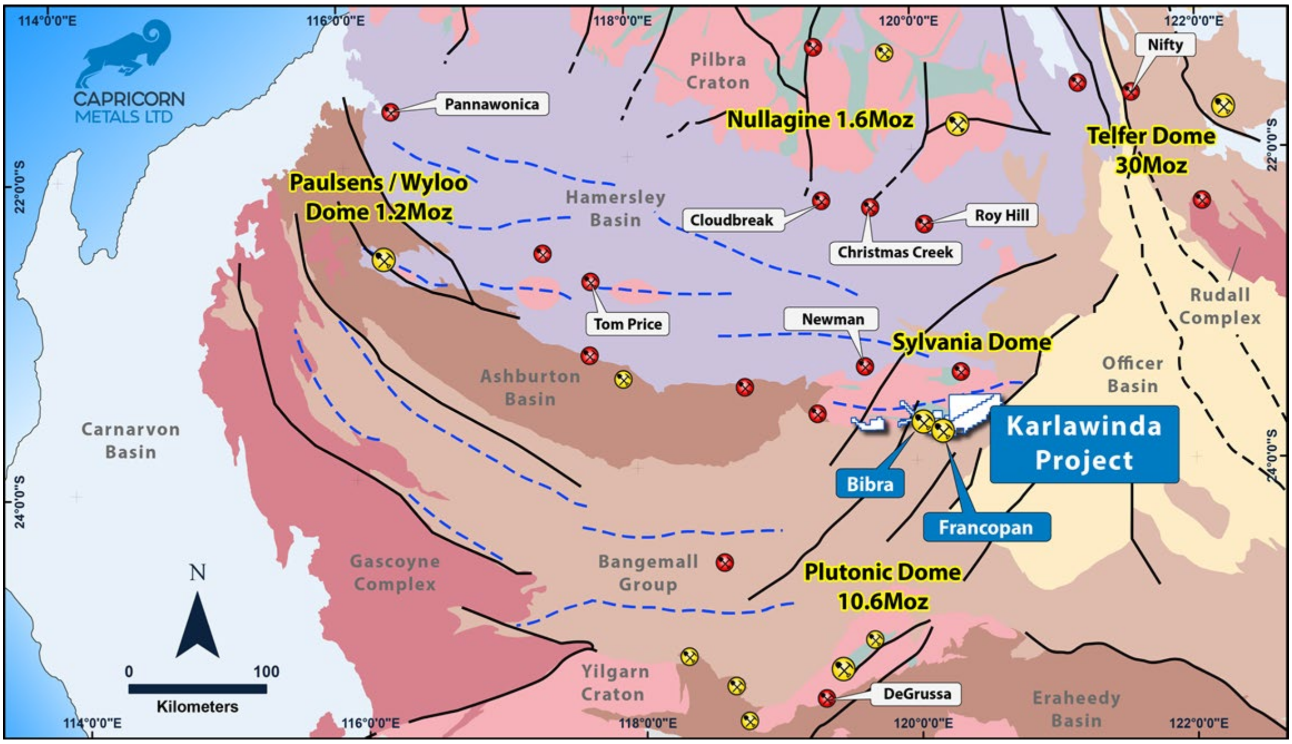


Figure 1: Location of the Karlawinda Gold Project

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 with mineralisation 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 initiated a strategy to develop the Project as a large-scale open pit mine and stand-alone ore processing facility. Underpinning this strategy was a programme 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.

The Company completed a Feasibility Study in October 2017 which 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. In June 2018 an Optimisation Study was completed utilising the updated Ore Reserve estimation of 892,000 which delivered a significant increase to the projects pre-tax NPV.

In March 2019 the Company completed the purchase of a 306 room accommodation village and associated mining services infrastructure for the Karlawinda Gold Project. The village was successfully relocated to Karlawinda in August

2019 and the installation of construction accommodation completed subsequent to the end of the financial year. The Company has now established a construction and operational management team who are optimising the components of the Feasibility and Optimisation Studies ahead of development commencing.

Figure 2: Karlawinda Gold Project Infrastructure Layout

Tenure and Permitting

Originally acquired in February 2016, Capricorn assumed 100% control of the key mineral tenements covering an area of 290km^2 following the final payment of $1.5m to the previous project owners in August 2016. Since that time Capricorn continued to build its tenement position at Karlawinda to its current total area of 2,042km^2. A Land Access agreement was executed with the single traditional claimant group, the Nyiyaparli, in November 2016.

Key operational licences and approvals were obtained during the year including the Works Approval, 5C Water Extraction Licence, Gas Pipeline Licence and Mining Proposal and Closure Plan.

Exploration

During the year the Company completed a reverse circulation (RC) drilling programme at the Tramore Prospect as well as regional exploration work over the 110km length of the Karlawinda Gold Project. This work consisted of systematic soil sampling and geological mapping programmes.

Tramore Prospect

Further RC drilling at the Tramore Prospect, was completed during the year. Tramore, located immediately south of the 1.5Moz Bibra Mineral Resource, has a strike length of approximately 450m. The deposit ranges in thickness between 10m and 20m, dips at approximately 25° and is open at depth.

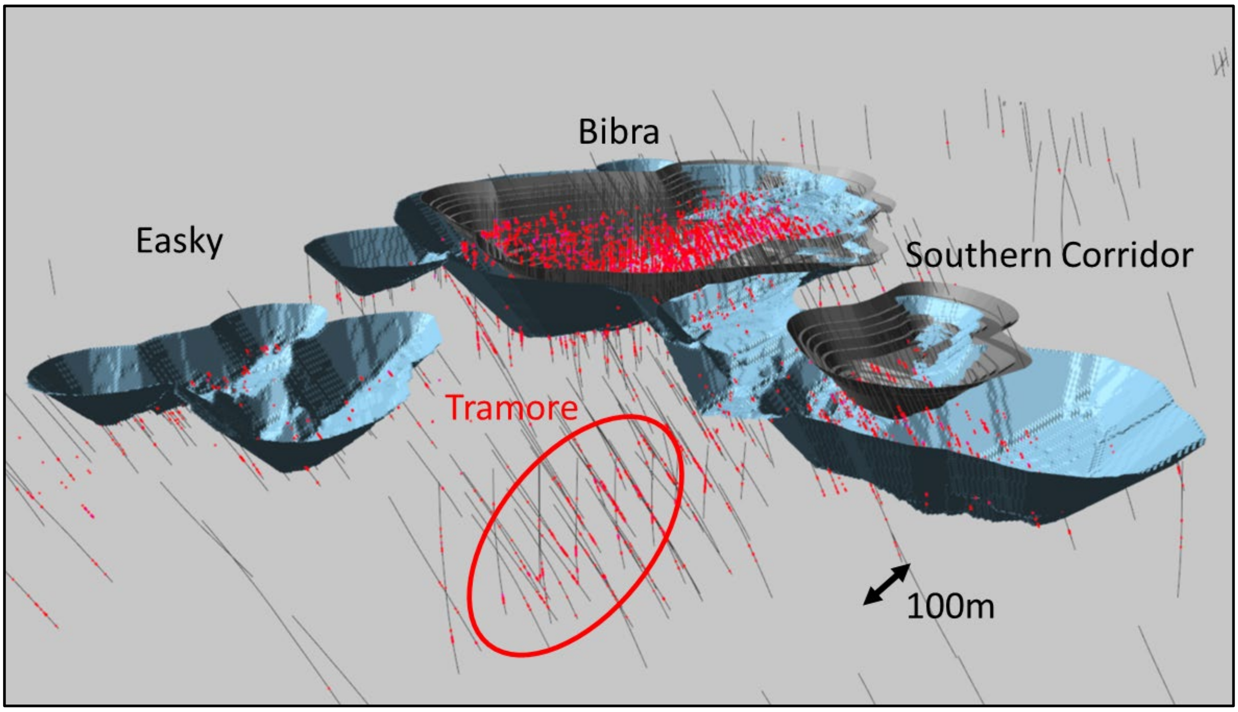


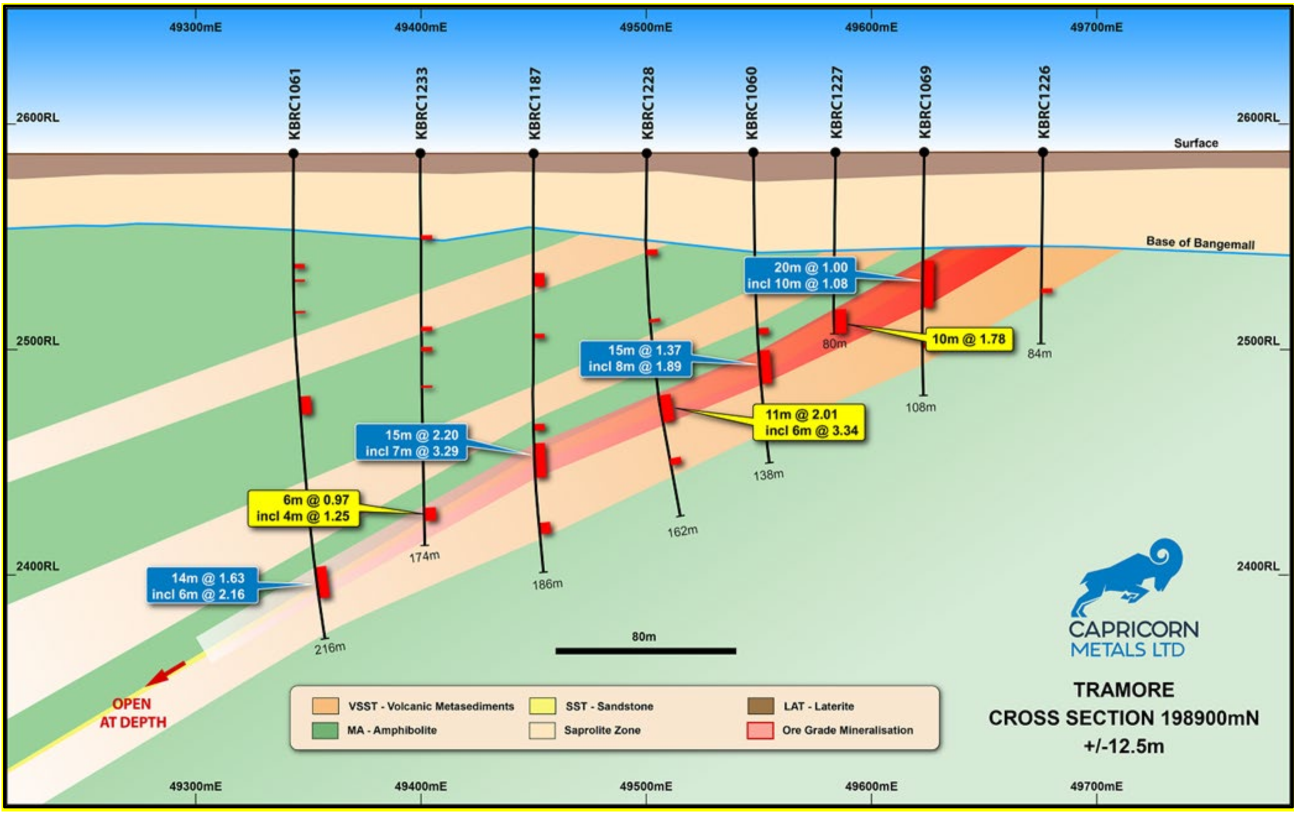
Figure 3: Location of the Tramore Deposit

Final results from this programme confirmed a significant zone of shallow mineralisation, with intercepts including:

- ***12m @ 2.54g/t from 129m (KBRC1187)***
- ***19m @ 1.51g/t from 119m (KBRC1184)***
- ***34m @ 1.07 g/t from 41m (KBRC1164)***
- ***19m @ 1.63 g/t from 78m (KBRC1176)***
- ***20m @ 1.3g/t from 97m (KBRC1240)***
- ***21m @ 1.01g/t from 156m (KBRC1251)***
- ***22m @ 1.37g/t from 155m (KBRC1270)***
- ***19m @ 1.22g/t from 139m (KBRC1241)***
- ***12m @ 3.13g/t from 106m including 1m @ 22.35g/t (KBRC1274)***
- ***18m @ 1.10g/t Au from 159m (KBRC1186)***
- ***14m @ 1.02 g/t from 56m (KBRC1224)***
- ***11m @ 0.83g/t from 123m (KBRC1275)***
- ***10m @ 1.78g/t from 70m (KBRC1227)***
- ***5m @ 0.69g/t from 73m (KBRC1261)***
- ***2m @ 1.88g/t from 85m (KBRC1249)***
- ***6m @ 0.97g/t from 159m (KBRC1233)***
- ***8m @ 1.94g/t from 139m (KBRC1269)***
- ***12m@ 1.01g/t from 70m(KBRC1244)***

The Tramore mineralisation is hosted in both Archaean amphibolite and garnet-rich volcanoclastic sandstone. The higher-grade assays received define two high grade plunging shoots, associated with silica, carbonate, magnetite alteration and pyrite mineralisation (up to 5% pyrite). These shoots are approximately 50m to 75m in dimension along strike, plunge west parallel with the dip direction and are believed to be located in a similar structural position as the gold mineralisation at Bibra.

Tramore is the most advanced prospect not currently in the Karlawinda Gold Project resource inventory. These encouraging results will be included in a resource update for Karlawinda in due course.



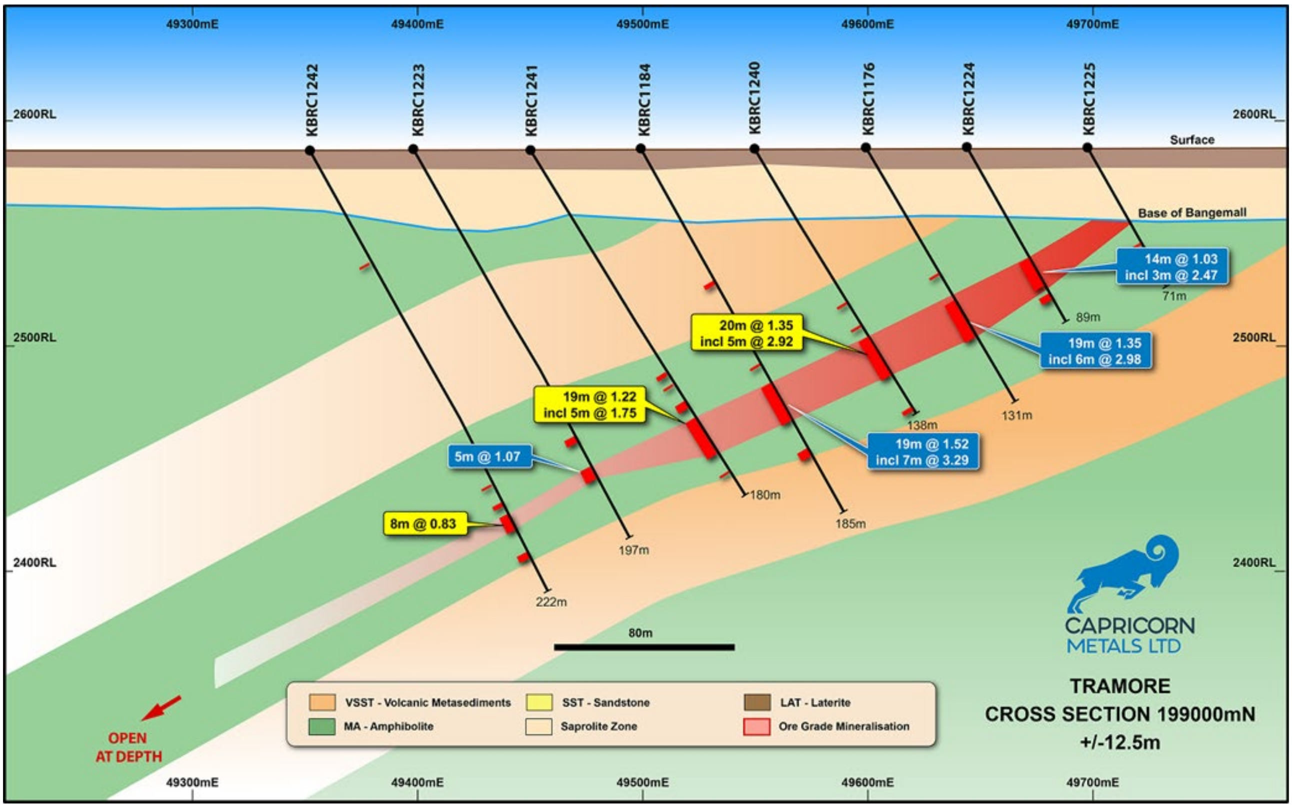


Figure 4: Tramore Prospect Cross Section 198900 and 199000

New Greenstone Region

Approximately 120km^2 of interpreted new Archean greenstone stratigraphy known as the Mundiwindi Greenstone Belt has been identified approximately 10 kilometres to the east of the 1.5Moz Bibra gold deposit (Figure 2).

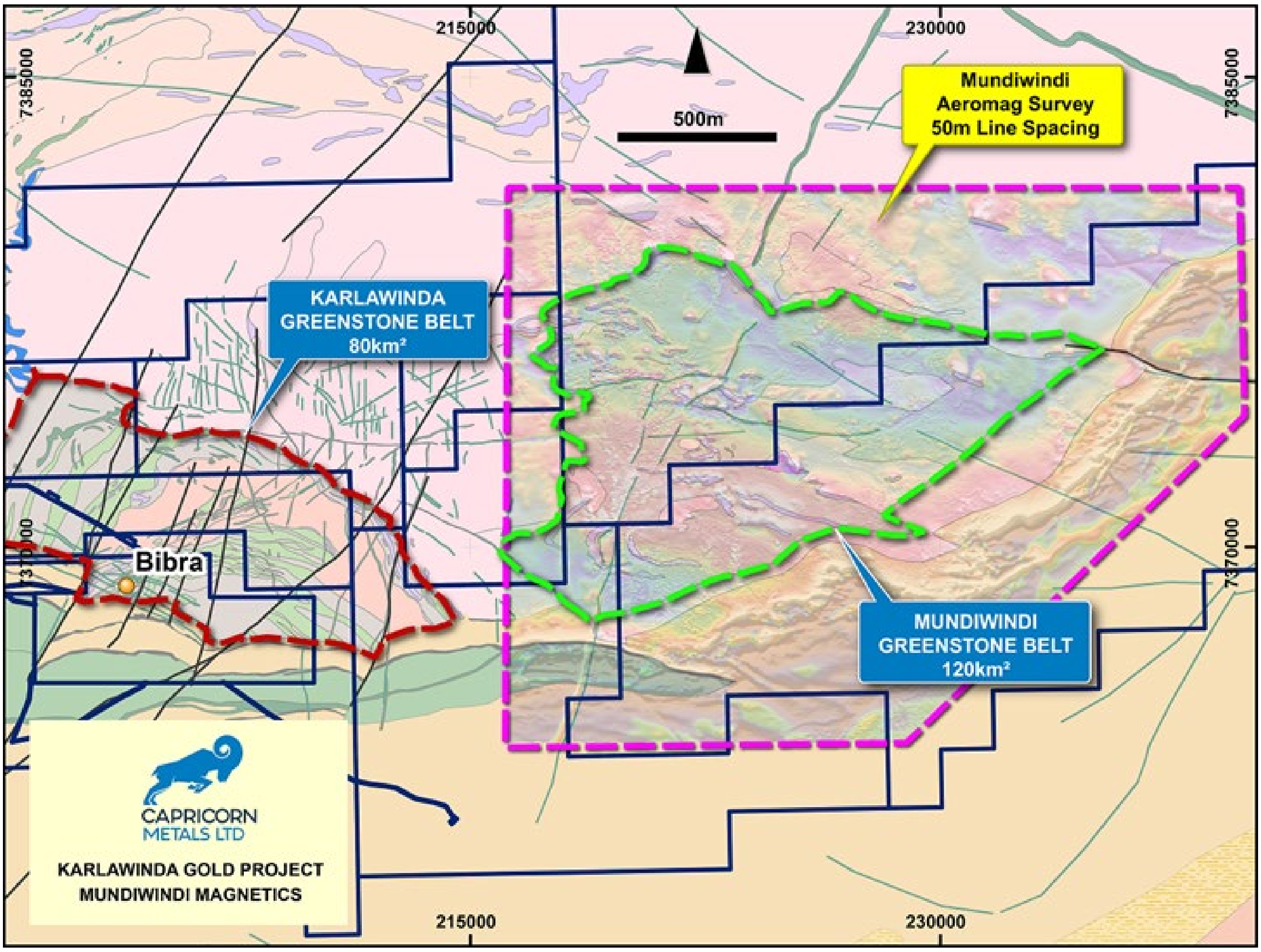


Figure 5: Location of the recently identified extension to the Karlawinda Greenstone Belt

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

A detailed aeromagnetic survey of the newly identified Mundiwindi greenstone region was flown in May 2019.

The purpose of the survey was to identify regions with similar geological and structural features consistent with the known Bibra gold deposit and Francopan gold prospect to aid in focusing surface exploration. 7,843-line kilometres were flown on 50 metre line spacing at a height of 30 metres, covering an area of 350km^2.

This survey, along with geochemical soil sampling has been successful in determining prospective areas of the Mundiwindi greenstone region (Figure 6). Processing and interpretation of the new magnetic data is ongoing and is expected to generate new drilling targets in this area.

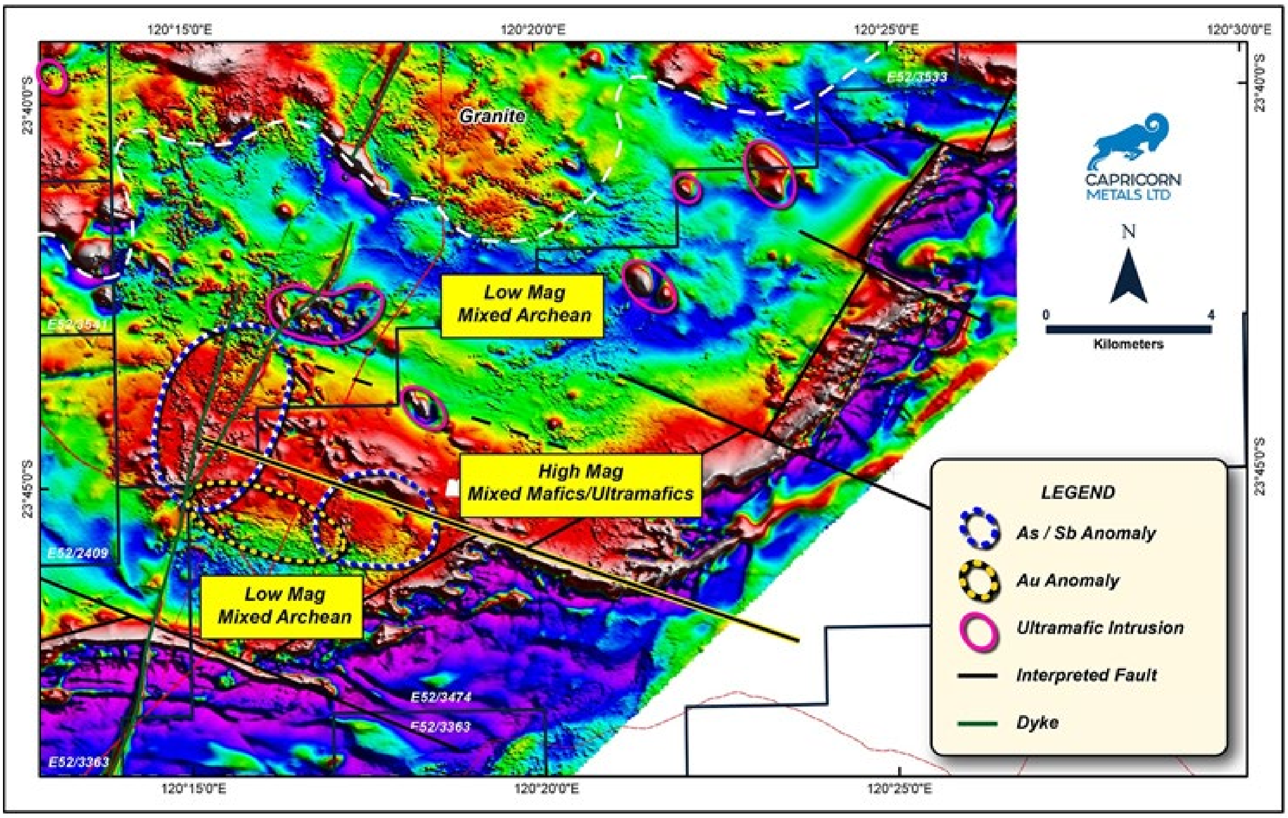


Figure 6: TMI Aeromagnetic image of Mundiwindi Greenstone belt, in the Eastern part of Karlawinda.

Regional Soil Geochemistry

An extensive programme of regional geochemistry was conducted across approximately 450km^2 of the tenement package during the year. This programme has highlighted the potential for new areas of gold mineralisation with the identification of several priority geochemical targets and confirms the prospectivity and scale of the exploration opportunities at Karlawinda. The new targets identified including Jim's Find, Woggagina and Jigalong are all located within 50km of the proposed Karlawinda Gold Project processing facility and, in the case of the western prospects, are located close to the proposed Karlawinda Gold Project access road.

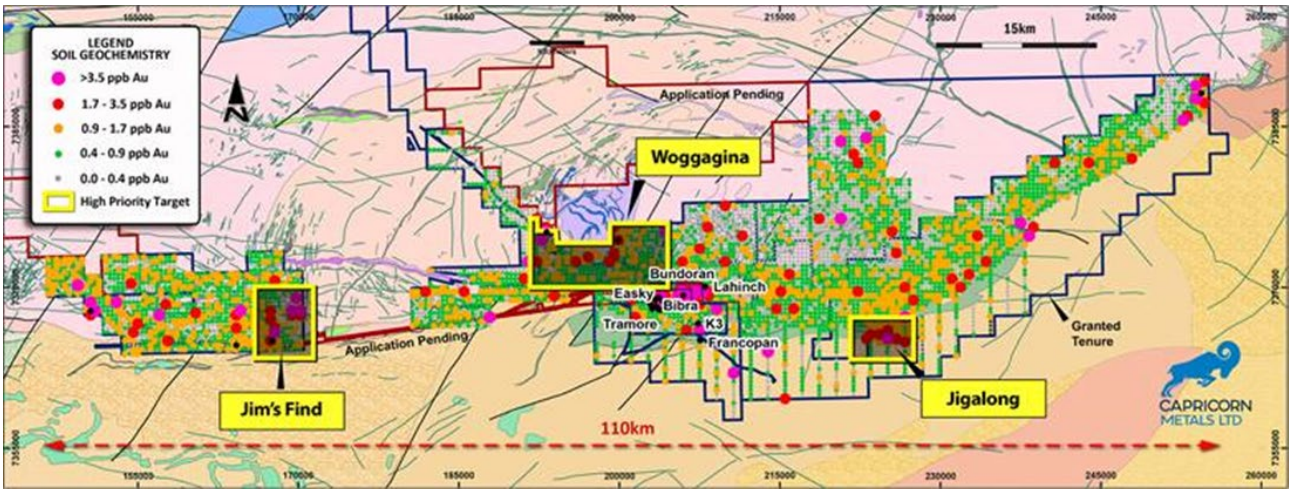


Figure 7: Soil sampling coverage at the Karlawinda Gold Project and priority one targets highlighted in yellow

CORPORATE

During the year the Company negotiated debt financing for the Karlawinda Gold Project but was not able to raise the required equity funding for the development of the project. In January 2019 the Company received a notice from two shareholders, holding more than a 5% interest in the Company, requisitioning a meeting of shareholders to remove three Capricorn directors from the board. At that meeting of shareholders in March 2019 Ms Debra Bakker, Mr Geoff Rogers and Mr Peter Benjamin were removed from the Board, Mr Warren Hallam resigned and Mr Doug Jendry and Mr Tim Kestell were appointed to the board.

The board subsequently evaluated selling the Karlawinda Gold Project but decided that developing the project was the preferred course of action and initiated a process to achieve that objective. In July 2019, the Company appointed Mr Mark Clark and Mr Mark Okeby to the Board as Executive Chairman and a Non-Executive Director respectively. Both directors have significant experience and knowledge of gold project development and operation. At the same time the Company announced a placement to raise $18.26 million to pave the way for the development of the Karlawinda Gold Project. This placement and a subsequent placement announced in August to raise a further $65 million were successfully completed.

As part of the process of strengthening the depth of the Company's gold project development and operational management, in September 2019 another mining professional, Mr Myles Ertzen was appointed to the board, with Mr Timothy Kestell, Mr Douglas Jendry and Mr Stuart Pether resigning as Non-Executive Directors. In the same month Mr Kim Massey was appointed Chief Executive Officer and Mr Paul Thomas appointed Chief Operating Officer of the Company. Previously, in August 2019, Peter Thompson resigned as Chief Operating Officer. Additional management appointments have also been made including Mr Steve Evans as General Manager of Operations and executives to head the project development team.

Subsequent to the end of the financial year the Company also completed security and related documentation with Macquarie to enable it to enter into 200,000 ounces of gold hedging at an average delivery price of A$2,249 per ounce. The hedge has a maturity date of 31 December 2019, by which time it is expected that a project loan facility will have been finalised and the gold hedging will be rolled into a delivery programme matching debt quantum and amortisation and life of mine production plans.

FINANCIAL REVIEW

Financial Position

The net loss attributable to members of the parent entity for the year was $23,817,278 (2018: $3,118,429).

The cash balance of the Group at 30 June 2019 was $9.04 million.

Future Prospects

The group's cash balance at 30 June 2019, in conjunction with the additional $83.26m raised subsequent to year end is expected to be sufficient to see the group through the process of reaching a final decision to mine and commencing development activities 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 2019 and the audit report thereon.

1. DIRECTORS

The Directors of the Company at any time during and 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 Mark Clark
B.Bus CA
Executive Chairman – Appointed 8 July 2019

Mr Clark has 28 years' experience in corporate advisory and public company management.

He was a director of successful Australian gold miner Equigold from April 2003 and was Managing Director from December 2005 until Equigold's $1.2 billion merger with Lihir Gold in June 2008. He was closely involved in the development and operation of Equigold's gold mines in both Australia and Ivory Coast.

Mr Clark was appointed Managing Director of Regis Resources in May 2009 and Executive Chairman in November 2016. He retired as an executive of Regis in October 2018. Mr Clark oversaw the development of Regis' three operating gold mines at the Duketon Gold Project, which culminated in the project producing well over 300,000 ounces of gold per annum.

In Mark's time at Regis, the company grew from a small explorer with a market capitalisation of around $40 million to the significant gold producer it is today with a market capitalisation in the order of $2.5 billion. Mr Clark is well known in the industry for his strong financial stewardship and focus on delivering shareholder returns.

Mr Clark is a member of the Chartered Accountants Australia and New Zealand.

Mr Clark is not an independent director.

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

- Executive Director of Regis Resources Limited (May 2009 to October 2018)

Mr Donald Mark Okeby
LLM
Non-Executive Director – Appointed 8 July 2019.

Mr Okeby began his career in the resources industry in the 1980s as a corporate lawyer advising companies on resource project acquisitions, financing and development. He has a Masters of Law (LLM) and over 30 years experience as a director of ASX listed mining and exploration companies.

He is currently a director of Red Hill Iron Ltd (appointed in 2016) and previously has been a director of Hill 50 Ltd, Abelle Limited, Metals X Limited, Westgold Resources Limited, Lynas Corporation Ltd and Regis Resources Limited.

Mr Okeby joined the board of Regis Resources in July 2009 as a non-executive director and was a major contributor on the board that transformed Regis from a small gold explorer to one of Australia's largest gold producers as it is today.

Mr Okeby has a deep knowledge of the Australian resources landscape and the regulatory regimes around mine development and operation. He also has significant experience in the commercial and legal aspects of project development, financing and corporate transactions.

Mr Okeby is an independent director.

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

- Non-Executive Director of Red Hill Iron Limited (August 2015 to present)
- Non-Executive Director of Regis Resources Limited (July 2009 to February 2019)

Mr Myles Ertzen
B.Sc Grad Dip App Fin
Non-Executive Director – Appointed 13 September 2019.

Mr Ertzen was from 2009 until December 2018 a senior executive at Regis having had project and business development roles, culminating in the role of Executive General Manager – Growth from which he resigned in December 2018. Prior to Regis, Myles held a number of senior operations roles for gold mining and development companies and has significant experience in the permitting, development and operations of gold projects in Western Australia. Myles has various regulatory and technical qualifications in mining, management and finance.

Mr Ertzen is an independent director.

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

Mr Stuart Pether
B.E Hons, MAUSIM
Non-Executive Director – Resigned 13 September 2019.

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 to this 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 was not an independent director, as he was 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 Timothy Kestell
B.Comm
Non-Executive Director – Appointed 5 March 2019; resigned 13 September 2019.

Mr Kestell has over 20 years' experience in capital markets including working for Australian stockbrokers Euroz Securities Limited and Patersons. In the past decade, Mr Kestell has played a key role in forming and/or re capitalising publicly listed companies, helping raise over $70m in the process.

Mr Kestell holds a Bachelor of Commerce degree and is currently a director of Blue Capital Limited.

Mr Kestell was an independent director.

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

- Non-Executive Directors of Hylea Metals Limited (formerly Riva Resources Limited) (September 2017 to present).
- Non-Executive Director of Neon Capital Limited (delisted from the ASX on 24 February 2017) (December 2014 to present).

Mr Douglas Jendry
AAppGeol
Non-Executive Director – Appointed 5 March 2019; resigned 13 September 2019.

Mr Jendry is a qualified geologist and a member of the Australian Institute of Mining and Metallurgy with over 40 years of onshore and offshore oil and gas experience. He has significant international experience, primarily in the Czech Republic, USA, Papua New Guinea and Colombia.

Mr Jendry was an independent director.

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

Mr Geoffrey Rogers
B Juris LLB
Non-Executive Director – Appointed 8 November 2018; removed at a general meeting of shareholders held 5 March 2019.

Mr Rogers is a corporate and resources lawyer with over 35 years' experience advising both Australian and international clients involved in the resources industry.

Mr Rogers was a corporate and resources partner at the law firm Mallesons Stephen Jaques (now King & Wood Mallesons) for 27 years until his retirement in 2012. Mr Rogers has considerable experience in joint ventures, mergers and acquisitions, fund raising, project acquisition and development and regulatory issues in the resources industry.

During the period since 2012, Mr Rogers has run his own private practice as well as being in-house counsel for Panoramic Resources Limited.

Mr Rogers was an independent director.

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

Mr Peter Benjamin
B.Sc. (Hons), Grad Dip (Exploration), Dip Bus Admin, GAICD, MAusIMM, FAIM
Non-Executive Director – Appointed 8 November 2018; removed at a general meeting of shareholders held 5 March 2019.

Mr Benjamin is a geologist with over 40 years' experience in senior exploration, project, operational and executive management roles for both junior and mid-tier resources companies. These roles have included significant experience in the development and subsequent operations for open pit and underground precious, base metal and bulk mineral mines throughout Australia. He is a competent person for gold, copper, silver, lead and zinc and mineral sands.

Mr Benjamin was an independent director.

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

- Managing Director – Kalamazoo Resources Limited (February 2013 to July 2018)

Mr Warren Hallam
B.App Sci (Metallurgy), M.Sc (Min Econ)
Managing Director – Appointed 19 February 2019; resigned 5 March 2019.

Mr Hallam is a Metallurgist and has worked in various technical, managerial and financial roles across a broad range of commodities predominately copper, nickel, tin, gold and iron ore. Mr Hallam has held previous Directorships with Westgold Resources Limited, Aziana Limited and was the Managing Director of Metals Exploration Limited and Metals X Limited.

Mr Hallam was not an independent director.

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

- Westgold Resources Limited (March 2010 to February 2017)
- Managing Director - Metals X Limited (December 2016 to November 2018)
- Managing Director and Chief Executive Officer – Millennium Minerals Limited (August 2019 to present).

Mr Heath Hellewell
B.Sc(Hons), MAIG
Executive Chairman – Resigned 8 November 2018.

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 has previously held senior exploration positions with a number of successful mining and exploration groups including DeBeers Australia Pty Ltd, Resolute Mining Limited, Independence Group NL and Doray Minerals Limited.

Mr Hellewell was not an independent director.

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

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

Mr Peter Langworthy
BS.c(Hons), MAusIMM
Non-Executive Director – Resigned 8 November 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. His industry experience includes 12 years in senior management roles with WMC Resources, four years with PacMIn Mining as Exploration Manager, and Jubilee Mines.

Mr Langworthy was 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 – Removed at a general meeting of shareholders held 5 March 2019.

Ms Bakker is an experienced banker and corporate finance executive with over 25 years of experience dedicated to the mining sector. She held senior positions with Barclays Capital, Standard Bank London Group and Commonwealth Bank's natural resources team in WA.

Ms Bakker was 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)

2. COMPANY SECRETARIES

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

Mrs 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 Santi became a full-time employee of Capricorn Metals and ceased arrangements with Boden Corporate Services.

Mr Jonathan Shellabear, the Chief Financial Officer was appointed Joint Company Secretary on 11 May 2017 and resigned on 5 March 2019.

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.

3. MEETINGS OF DIRECTORS

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

	Directors' Meetings	
Director	**A**	**B**
H Hellewell	2	2
S Pether	12	11
P Langworthy	2	2
D Bakker	6	6
G Rogers	4	4
P Benjamin	4	4
W Hallam	1	1
T Kestell	6	6
D Jendry	6	6

A = Number eligible to attend
B = Number attended

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 net loss attributable to members of the parent entity after providing for income tax amounted to $23,817,336 (2018: $3,118,429).

6. DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended to be paid during the financial year (2018: 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 Operations Review section of this Annual Report from page 2.

8. FINANCIAL POSITION

The net assets of the Group have decreased by $12,166,435 to $23,817,336 during the financial year. This significant decrease is largely due to the impairment of capitalised exploration expenditure totalling $17,203,245, impairment to held for sale assets totalling $1,600,000 and offset by net capital raising proceeds of $11,754,344 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.

- 27 February 2019: 32,508,128 shares were issued at a price of $0.063 per share on completion of a shareholder share purchase plan.
- 16 April 2019: 32,716,703 shares were issued at a price of $0.065 per share on completion of the institutional component of a shareholder entitlement offer.
- 7 May 2019: 123,372,188 shares were issued at a price of $0.065 per share on completion of the shareholder entitlement offer.

10. SUBSEQUENT EVENTS

There were no material events arising subsequent to 30 June 2019, 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 3 July 2019 a placement to raise up to $18.26m by the issue of 280,922,429 new shares at a price of $0.065 per share was announced. The placement was completed in two tranches with 108,707,208 new shares raising $7.07m completed on 5 July 2019 and 172,215,221 new shares to raise $11.19m completed on 30 August 2019.
- On 8 July 2019 Mr Mark Clark was appointed to the Board as Executive Chairman and Mr Mark Okeby appointed as a Non-Executive Director.
- On 13 August 2019 a placement to raise up to $65.00m by the issue of 406,250,000 new shares at an issue price of $0.16 per share was announced. The placement was to be completed in two tranches with tranche one completed on 20 August 2019 by the issue of 125,426,127 new shares to raise $20.07m. A shareholder meeting held on 24 September 2019 has approved the completion of tranche two of the placement which will see the issue of a further 280,823,873 new shares to raise a further $44.93m. Tranche two settled on 27 September 2019, with shares quoted from Monday 30 September 2019.
- On 14 August 2019 Capricorn announced the completion of 200,000 ounces of gold hedging with a 31 December 2019 maturity and a price of A$2,249 per ounce. The hedge has a maturity of 31 December 2019, by which time it is expected that a project debt facility will have been finalised and the gold hedging will be rolled into a delivery programme matching debt quantum and amortisation and life of mine production plans.

  Hedging of 200,000 ounces represents coverage of approximately 2 years of anticipated gold production out of a current mine life of 8.5 years on the current Ore Reserve of 892,000 ounces of gold (Ore Reserve estimated using an A$1,600/oz gold price).
- On 30 August 2019 50,000,000 unquoted options, exercisable at $0.12 per share, with an expiry date of 30 August 2022 were issued to Directors, Mr Mark Clark (40,000,000 options) and Mr Mark Okeby (10,000,000 options) subsequent to shareholder approval received on 27 August 2019.
- On 13 September 2019 a number of Board and management changes occurred, which include:
  - Appointment of Mr Myles Ertzen as a Non-Executive Director.
  - Resignations of Mr Timothy Kestell, Mr Douglas Jendry and Mr Stuart Pether as Non-Executive Directors of the Company.
  - Appointment of Mr Kim Massey as Chief Executive Officer.
  - Appointment of Mr Paul Thomas as Chief Operating Officer, commencing 1 October 2019.
  - Appointment of Mr Stephen Evans as General Manager of Operations.

11. FUTURE DEVELOPMENTS

Likely future developments in the operations of the Group are referred to in the Operations Review section of this Annual Report.

12. ENVIRONMENTAL ISSUES

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

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 Unquoted Options
M Clark	69,230,770	40,000,000
D M Okeby	23,076,924	10,000,000
M Ertzen	18,057,692	-

14. 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 unquoted share options or performance rights 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 2019

Executive Director & Executive Management

During the year ended 30 June 2019, the senior executives of the Company 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. Mr Peter Thompson resigned as Chief Operating Officer on 9 August 2019.

Name	Mr Heath Hellewell	Mr Warren Hallam	Mr Jonathan Shellabear	Mr Peter Thompson
Position	Executive Chairman	Managing Director	Chief Financial Officer	Chief Operating Officer
Total Salary Package per annum	$246,375	$470,531	$317,550	$317,550
Annual leave days per annum	25	20	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	-
Bonus Paid (2)	-	-	-	$11,908
Appointed	14 March 2017	19 February 2019	14 March 2017	14 March 2017
Resigned	8 November 2018	5 March 2019	5 March 2019	9 August 2019

Note

(1) 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.

(2) In May 2019 the board resolved to pay a bonus equal to 3.75% of each employee's total remuneration package. The bonus was paid as recognition for each employee's continued support of the Company through the various corporate changes which took place throughout the year and further, to incentivise employees for the coming year.

Non-Executive Directors

The base fee for a Non-Executive Director is $43,600 per annum, this is inclusive of any contributions to superannuation funds nominated by Directors.

In addition to the base Non-Executive Director fee, Mr Stuart Pether was also issued 1,000,000 unquoted options during the year ended 30 June 2018. No unquoted options were issued to Non-Executive Directors during the year ended 30 June 2019.

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

2019	Short Term Benefits Salary & Director Fees $	Other Service Fees [11] $	Post-Employment Benefits Superannuation $	Annual Leave $	Share Based Expense Value of Options $	Total $	Performance related %
Non-Executive Directors:							
S Pether	43,800	-	-	-	8,561	52,361	16.35
P Langworthy [1]	14,222	-	1,351	-	(121,663)	(106,090)	114.68
D Bakker [2]	39,167	37,500	3,721	-	-	80,388	-
P Benjamin [3]	13,748	-	-	-	-	13,748	-
G Rogers [4]	13,748	15,000	-	-	-	28,748	-
T Kestell [5]	8,871	-	-	-	-	8,871	-
D Jendry [6]	8,871	-	-	-	-	8,871	-
Executive Directors:							
H Hellewell [7]	141,876	-	11,977	8,331	(9,035)	153,149	(5.90)
W Hallam [8]	133,437	-	12,534	-	-	153,853	-
	417,740	52,500	29,583	8,331	(122,137)	**386,017**	
Management:							
P Thompson [9]	308,927	-	20,531	25,770	54,383	409,611	13.28
J Shellabear [10]	330,575	-	14,067	17,527	(31,997)	394,169	(9.69)
	639,502	-	34,598	43,297	22,386	**739,783**	
Company Secretaries:							
N Santi	135,000	-	12,825	11,997	4,639	164,461	2.82
Total Key Management Personnel	**1,192,242**	**52,500**	**77,006**	**63,625**	**(95,112)**	**1,290,261**	

Note

(1) P Langworthy ceased as a Non-Executive Director on 8 November 2018.

(2) D Bakker ceased as a Non-Executive Director on 5 March 2019.

(3) P Benjamin was appointed as a Non-Executive Director on 8 November 2018 and ceased on 5 March 2019.

(4) G Rogers was appointed as a Non-Executive Director on 8 November 2018 and ceased on 5 March 2019.

(5) T Kestell was appointed as a Non-Executive Director on 5 March 2019 and resigned 13 September 2019.

(6) D Jendry was appointed as a Non-Executive Director on 5 March 2019 and resigned 13 September 2019.

(7) H Hellewell ceased as Executive Chairman on 8 November 2018.

(8) W Hallam was appointed as Managing Director on 19 February 2019 and ceased on 5 March 2019.

(9) P Thompson received a bonus of $11,908 paid during the year, included in Short Term Benefits. P Thompson resigned 9 August 2019.

(10) J Shellabear ceased as Chief Financial Officer and Joint Company Secretary 5 March 2019.

(11) Other services fees cover additional professional services provided by Mr Rogers and Ms Bakker during their appointment as Non-Executive Directors assisting the Company executives with activities during the time which there was no Managing Director of Chief Executive Officer appointed.

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**	

Note

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

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

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

(4) J L 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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(b) Equity issued as part of remuneration

Options

During the year ended 30 June 2019 no (2018: 7,000,000) options were issued to Key Management Personnel.

(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 2018	Granted as Remuneration	Forfeited [11]	Lapsed [12]	Balance 30 June 2019	Vested During the Year	Vested & Exercisable 30 June 2019
Directors:							
H Hellewell [1]	1,000,000	-	(666,667)	(333,333)	-	-	-
W Hallam [2]	-	-	-	-	-	-	-
S Pether [3]	1,000,000	-	-	-	1,000,000	333,333	666,666
P Langworthy [4]	7,300,000	-	(3,266,667)	(4,033,333)	-	-	-
D Bakker [5]	-	-	-	-	-	-	-
P Benjamin [6]	-	-	-	-	-	-	-
G Rogers [7]	-	-	-	-	-	-	-
T Kestell [8]	-	-	-	-	-	-	-
D Jendry [9]	-	-	-	-	-	-	-
	9,300,000	-	(3,933,333)	(4,366,666)	1,000,000	333,333	666,666
Management:							
P Thompson	8,500,000	-	-	-	8,500,000	2,833,333	7,666,666
J Shellabear [10]	6,000,000	-	(4,000,000)	(2,000,000)	-	-	-
	14,500,000	-	(4,000,000)	(2,000,000)	8,500,000	2,833,333	7,666,666
Company Secretaries:							
N Santi	800,000	-	-	-	800,000	266,667	533,334
	800,000	-	-	-	800,000	266,667	533,334
	24,600,000	**-**	**(7,933,333)**	**(6,366,666)**	**10,300,000**	**3,433,333**	**8,866,666**

Note

(1) H Hellewell ceased to be a director on 8 November 2018.
(2) W Hallam was appointed a director on 19 February 2019 and subsequently ceased to be a director on 5 March 2019.
(3) S Pether resigned 13 September 2019.
(4) P Langworthy ceased to be a director on 8 November 2018.
(5) D Bakker ceased to be a director on 5 March 2019.
(6) P Benjamin was appointed a director on 8 November 2018 and subsequently ceased to be a director on 5 March 2019.
(7) G Rogers was appointed a director on 8 November 2018 and subsequently ceased to be a director on 5 March 2019.
(8) T Kestell was appointed a director on 5 March 2019 and resigned 13 September 2019.
(9) D Jendry was appointed a director on 5 March 2019 and resigned 13 September 2019.
(10) J Shellabear ceased as Chief Financial Officer and Company Secretary on 5 March 2019.
(11) Unvested options are forfeited immediately on cessation of employment.
(12) Vested options lapse 30 days after the cessation of employment, if they options have not been exercised prior.

Movements in Share Holdings

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by Key Management Personnel, including their related parties, is as follows:

	Balance 1 July 2018	Acquired	Options Exercised	Disposed	Balance 30 June 2019
Directors:					
H Hellewell (1)	102,969,129	-	-	-	n/a
W Hallam (2)	n/a	-	-	-	n/a
S Pether	355,737	71,148	-	-	426,885
P Langworthy (3)	22,776,576	-	-	-	n/a
D Bakker (4)	-	-	-	-	n/a
P Benjamin (5)	n/a	-	-	-	n/a
G Rogers (6)	n/a	-	-	-	n/a
T Kestell (7)	n/a	22,191,935	-	-	31,461,935
D Jendry (8)	n/a	-	-	-	-
	126,101,442	22,263,083	-	-	31,888,820
Management:					
P Thompson	6,279,548	865,667	-	-	7,145,215
J Shellabear (9)	4,146,154	238,096	-	-	n/a
	10,425,702	1,103,763	-	-	7,145,215
Company Secretary					
N Santi	-	-	-	-	-
	-	-	-	-	-
	136,527,144	**23,366,846**	**-**	**-**	**39,034,035**

Note

(1) H Hellewell ceased to be a director on 8 November 2018.
(2) W Hallam was appointed a director on 19 February 2019 and subsequently ceased to be a director on 5 March 2019.
(3) P Langworthy ceased to be a director on 8 November 2018.
(4) D Bakker ceased to be a director on 5 March 2019.
(5) P Benjamin was appointed a director on 8 November 2018 and subsequently ceased to be a director on 5 March 2019.
(6) G Rogers was appointed a director on 8 November 2018 and subsequently ceased to be a director on 5 March 2019.
(7) T Kestell was appointed a director on 5 March 2019.
(8) D Jendry was appointed a director on 5 March 2019.
(9) J Shellabear ceased as Chief Financial Officer and Company Secretary on 5 March 2019.

(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 on 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	2019 $	2018 $
P Langworthy (1)	Exploration programme management	27,005	314,364
		27,005	314,364

Note:

(1) OMNI GeoX Pty Ltd, of which Mr P Langworthy is a Director and shareholder, provides services in relation to the management and execution of the exploration programme, for which fees were billed on hourly rates the same as for other clients, as were due and payable under normal terms. The agreement may be terminated by one months' notice.
P Langworthy ceased to be a key management person and related party on 8 November 2018.

Amounts payable to Key Management Personnel at the reporting date, arising from these contract services were as set out below:

	2019 $	2018 $
Current payables		
Trade and other payables	-	35,646
	-	35,646

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	2015	2016	2017	2018	2019
Revenue	1,334,642	700,637	425,592	241,770	207,158
Net Profit/(Loss)	(602,534)	(3,700,868)	(3,293,239)	(3,118,429)	(23,817,278)
Share Price at Year End	1.8c	15.0c	8.1c	6.6c	8.9c
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 - -

15. 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 2019 (2018: Nil).

16. 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.

17. 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	6,000,000
25 November 2016	31 May 2020	$0.200	2,500,000
9 March 2017	5 May 2021	$0.147	18,284,101
5 May 2017	5 May 2021	$0.147	10,205,927
13 June 2017	5 May 2021	$0.150	3,400,000
23 November 2017	23 November 2021	$0.097	1,000,000
27 August 2019	30 August 2022	$0.120	50,000,000
			91,390,028

No options were exercised during the year ended 30 June 2019 (2018: Nil)

A total of 7,936,666 options were forfeited and 6,366,666 options lapsed during the year ended 30 June 2019 (2018: 1,000,000).

18. 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.

19. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 23 of the annual report.

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

Mr M Clark
Executive Chairman
Perth, Western Australia
30 September 2019

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 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

Robin Judd
Director

Dated this 30th day of September 2019

ACCOUNTANTS & ADVISORS

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	2(a)	159,794	186,222
Other Income	2(b)	47,364	55,548
Grant Income		-	75,678
Disposal of subsidiary group	27	-	(38,304)
Gain/(loss) on disposal of other financial assets		-	(3,224)
Fair value loss on financial assets	10	(62,000)	-
Employee benefits expense	3	(1,605,062)	(1,891,664)
Depreciation expense	8	(54,973)	(68,369)
Administration costs		(1,311,114)	(992,399)
Finance costs		(1,605,000)	-
Exploration expenditure		(596,113)	(473,946)
Reversal of impairment of receivable		14,132	33,447
Impairment of held for sale asset	9	(1,600,000)	-
Impairment of capitalised exploration expenditure	11	(17,203,245)	-
Loss before income tax expense		**(23,816,217)**	**(3,117,011)**
Income tax expense	5	(1,061)	(1,418)
Net loss attributable to members of the parent entity		**(23,817,278)**	**(3,118,429)**
Other Comprehensive Income:			
Items that may be re-classified to profit or loss:			
- Adjustment from translation of foreign controlled entities		(22,324)	42,654
- Revaluation of listed company shares		-	(210,000)
Total comprehensive loss for the year attributable to members of the parent entity		**(23,839,602)**	**(3,285,775)**
Earnings per share:			
Basic loss per share (cents per share)	18	(3.04)	(0.47)
Diluted loss per share (cents per share)	18	(3.04)	(0.47)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
Current Assets			
Cash and cash equivalents	5	9,039,767	5,586,437
Other current receivables	7	270,262	235,994
Other current assets	6	64,280	59,862
		9,374,309	**5,882,293**
Assets classified as held for sale	9	2,900,000	4,500,000
Total Current Assets		**12,274,309**	**10,382,293**
Non-Current Assets			
Property, plant & equipment	8	1,803,042	332,202
Other financial assets	10	128,000	190,000
Deferred exploration and evaluation costs	11	12,078,608	26,483,890
Total Non-Current Assets		**14,009,650**	**27,006,092**
TOTAL ASSETS		**26,283,959**	**37,388,385**
Current Liabilities			
Trade and other payables	12	2,028,152	902,826
Other liability		3,086	2,479
Employee benefits	13	134,672	165,320
Total Current Liabilities		**2,165,910**	**1,070,625**
Non-Current Liabilities			
Trade and other payables	14	300,713	333,989
Total Non-Current Liabilities		**300,713**	**333,989**
TOTAL LIABILITIES		**2,466,623**	**1,404,614**
NET ASSETS		**23,817,336**	**35,983,771**
EQUITY			
Issued capital	15	62,633,017	50,878,673
Reserves	16	487,941	381,442
Accumulated losses	17	(39,303,622)	(15,276,344)
TOTAL EQUITY		**23,817,336**	**35,983,771**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Investment Revaluation Reserve $	Option Reserve $	Total $
Balance at 1 July 2017		**42,121,506**	**(14,341,936)**	**(717,282)**	**2,184,021**	**-**	**861,239**	**30,107,548**
Re-classification to Assets Held for Sale	16	-	2,184,021	-	(2,184,021)	-	-	-
Restated at 1 July 2017		**42,121,506**	**(12,157,915)**	**(717,282)**	**-**	**-**	**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	15	9,128,944	-	-	-	-	-	9,128,944
Cost of capital raised	15	(371,777)	-	-	-	-	-	(371,777)
Share based payments	16	-	-	-	-	-	404,831	404,831
Balance at 30 June 2018		**50,878,673**	**(15,276,344)**	**(674,628)**	**-**	**(210,000)**	**1,266,070**	**35,983,771**
Balance at 1 July 2018		**50,878,673**	**(15,276,344)**	**(674,628)**	**-**	**(210,000)**	**1,266,070**	**35,983,771**
New accounting standards adjustment to opening balances	1(v)	-	(210,000)	-	-	210,000	-	-
Restated at 1 July 2018		**50,878,673**	**(15,486,344)**	**(674,628)**	**-**	**-**	**1,266,070**	**35,983,771**
Loss for the year		-	(23,817,278)	-	-	-	-	(23,817,278)
Other comprehensive income		-	-	(22,324)	-	-	-	(22,324)
Total comprehensive income		-	(23,817,278)	(22,324)	-	-	-	(23,839,602)
Issue of shares	15	12,193,778	-	-	-	-	-	12,193,778
Cost of capital raised	15	(439,434)	-	-	-	-	-	(439,434)
Share based payments	16	-	-	-	-	-	(81,177)	(81,177)
Balance at 30 June 2019		**62,633,017**	**(39,303,622)**	**(696,952)**	**-**	**-**	**1,184,893**	**23,817,336**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from Operating Activities			
Payments to suppliers and employees		(3,076,039)	(2,168,134)
Payments for exploration expenditure		(636,626)	(458,481)
Payments for stamp duty on acquisition of Greenmount Resources Pty Ltd		-	(330,584)
Interest received		45,132	56,700
Royalties received		67,869	69,498
Grant income received		15,136	60,542
Other income		112,957	99,805
Net cash used in operating activities	20	**(3,471,571)**	**(2,670,654)**
Cash flows from Investing Activities			
Payments for property, plant and equipment		(28,153)	(34,470)
Payments for acquisition of accommodation village & mining infrastructure		(1,500,000)	-
Proceeds on sale of financial assets		-	66,915
Consideration/ deposit received on sale of Subsidiary		-	75,000
Payments for capitalised exploration expenditure		(3,260,316)	(6,103,732)
Net cash used in investing activities		**(4,788,469)**	**(5,996,287)**
Cash flows from Financing Activities			
Proceeds received from the issue of shares		12,193,778	9,128,944
Costs of capital raised		(439,434)	(371,777)
Payments under share purchase agreement		(40,721)	(44,427)
Net cash flows provided by financing activities		**11,713,623**	**8,712,740**
Net increase/(decrease) in cash held		**3,453,583**	**45,799**
Cash and cash equivalent at the beginning of the year	5	5,586,437	5,541,663
Effect of exchange rates on cash holdings in foreign currencies		(253)	(1,025)
Cash and cash equivalents at the end of the year	6	**9,039,767**	**5,586,437**

The accompanying notes form part of these financial statements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 30 June 2019, comprises Capricorn Metals Ltd (referred to in these financial statements as "Parent" or "Capricorn") and its wholly owned subsidiaries ("the Group")("the 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.

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 30 September 2019 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.

Basis of Preparation:

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 and Entities controlled by the Parent (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 26.

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

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

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

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

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

(b) Income Tax

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

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

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

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.

Buildings and infrastructure

The value of property, plant and equipment is measured as the cost of the asset, less accumulated depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, the cost of major inspections and an initial estimate of the cost of dismantling and removing the item from site at the end of its useful life.

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 depreciation rate for the recently acquired second-hand accommodation village and mining infrastructure buildings, relocated to Group tenure during September 2019, have not yet been assessed. The appropriate depreciation rate which will be applicable after the installation (when the asset is ready for use), including the expected life of the asset is expected to be determined at the time of installation. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(d) Assets held for sale

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

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

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

(e) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is capitalised only when that expenditure is attributable to a defined area of interest for which the Group has the rights to explore, evaluate and develop. 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.

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

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

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

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

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

(f) Financial Instruments

Financial instruments are initially measured at fair value plus transaction costs, except where the instruments is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Classification and Subsequent Measurement Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment. The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

(i) Financial assets at fair value through profit and loss or through other comprehensive Income

Financial assets are classified at 'fair value through profit or loss' or 'fair value through other comprehensive Income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'fair value through other comprehensive income'.

(ii) Financial Liabilities

The Group's financial liabilities include trade and other payables, provisions for cash bonus and other liabilities. All financial liabilities are recognised initially at fair value and, in the case payables, net of directly attributable transaction costs. Such liabilities are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'fair Value through other comprehensive income'.

Fair value

Fair value is determined based on current bid prices for all quoted investments.

Derecognition

Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial Liabilities are recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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

(g) Impairment of Debtors

The company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(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, being activities outside of Australia, 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.

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.

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

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.

As at 30 June 2019 the Company does not have any employees entitled to long service leave, or a pro-rata entitlement to long service leave.

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 19.

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. 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.

Other revenue is recognised when it is received or when the right to receive payment is established. 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

<u>*Impairment*</u>
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.

<u>*Share-Based Payments*</u>
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 19. 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.

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

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 a defined area of interest for which the Group has the rights to explore, evaluate and develop, the sale of the respective areas of interest or where activities in the area of interest 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 on peripheral exploration tenements, outside of the defined mining lease should be written off at the reporting date as there are no immediate plans to develop outside of the mining lease.

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.

Deferred Tax Assets

The Directors have considered it prudent not to bring to account the deferred tax asset of income tax losses until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.

Held for Sale Assets

The held for sale property asset, reclassified from property, plant and equipment at 30 June 2017, remains unsold as at 30 June 2019. An annual valuation prepared by an expert is used by the directors in the assessment of the carrying amount of the held for sale asset and the requirement to impair the carrying value.

(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) Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the income or loss attributable to the members of the Company for reporting period, after exclusion of any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half year, adjusted for any bonus elements.

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after-tax effect of interest recognised associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares adjusted for any bonus elements.

(w) Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the year ended 30 June 2019.

There have been no new and revised standards that have had a significant impact on the measurement or disclosure requirements of the Group, except as noted below.

New and revised Standards adopted by the Group

AASB 9 Financial Instruments

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

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

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

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

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

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

A summary of the key impacts of adopting AASB 9 follows:

Classification and measurement

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

Equity investments

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

Impact on statement of financial position

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

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

Accumulated Losses	**$**
Closing balance under AASB 139 (30 June 2018)	(15,276,344)
Equity instruments reclassified as financial assets at FVTPL	(210,000)
Opening balance under AASB 9 (1 July 2018)	**(15,486,344)**

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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 2019 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 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 $540,237 at 30 June 2019. 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

	Australia $	Madagascar $	2019 $
(a) Revenue			
- royalties	-	43,246	43,246
- rental	-	116,085	116,085
- other	-	463	463
Total Revenue	-	159,794	159,794
(b) Other Income			
- net interest received	47,213	139	47,352
- foreign currency gain	-	12	12
Total Other Income	47,213	151	47,364
Total Revenue	47,213	159,945	207,158

	Australia $	Madagascar $	2018 $
(a) Revenue			
- royalties	-	90,164	90,164
- rental	-	95,814	95,814
- other	-	244	244
Total Revenue	-	186,222	186,222
(b) Other Income			
- net interest received	55,442	61	55,503
- foreign currency gain	-	45	45
Total Other Income	55,442	106	55,548
Total Revenue	55,442	186,283	241,770

NOTE 3 – EXPENSES

	Note	2019 $	2018 $
(a) Employee benefits expense			
Australia			
Non-executive directors' fees		194,929	104,690
Executive directors' salary		275,864	226,326
Other salaries		1,583,915	1,282,092
Superannuation		153,958	151,786
Net reduction to annual leave entitlements		(30,529)	76,030
Other employment expenses		262,962	93,490
Share based payments	19	(81,177)	404,831
Salary capitalised as exploration and evaluation expenditure		(779,456)	(719,722)
		1,580,466	1,619,523
Mauritius			
Directors remuneration		6,000	10,500
		6,000	10,500
Madagascar			
Country manager - J L Marquetoux		-	94,653
Payroll		18,596	166,988
		18,596	261,641
Total employee benefits expense		1,605,062	1,891,664

NOTE 4 - INCOME TAX

	2019 $	2018 $
(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	1,061	1,418
- Deferred Tax – temporary differences	-	-
	1,061	1,418
The Prima facie tax on Loss before income tax at 27.50% (2018: 27.50%)	(6,549,460)	(857,568)
Add/(subtract) the tax effect of:		
- Tax attributable to foreign subsidiary	1,061	1,418
- Other assessable income not included as accounting income	1,242	1,571
- Non-deductible expenses	505,890	2,256,832
- Accounting income not included as assessable income	(1,853)	(131,867)
- Other deductible expenses	(83,249)	(146,279)
- Deferred tax assets / (liabilities) not brought to account	(422,030)	(1,980,257)
Income tax expense / (benefit) attributable to entity	1,061	1,418
(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	13,914,405	7,728,573
- Transaction costs on equity issue	-	-
	13,914,405	7,728,573

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 5 – CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank	9,039,767	5,586,437

NOTE 6 – OTHER CURRENT ASSETS

	2019 $	2018 $
Prepayments	68,927	58,389
Other	(4,647)	1,473
Total Other Current Assets	64,280	59,862

NOTE 7 – OTHER CURRENT RECEIVABLES

	2019 $	2018 $
Interest	6,737	4,517
Other receivables	125,161	93,113
Bank guarantees [1]	138,364	138,364
Total Other Current Receivables	270,262	235,994

Note

(1) Deposits held for bank guarantees are made up of the following:

- $40,000 is held as security for the credit card facility and bears 2.35% (2018: 2.35%) interest.
- $98,364 is held as security for the office lease and bears 2.35% (2018: 2.35%) interest.

NOTE 8 – PLANT AND EQUIPMENT

	2019 $	2018 $
Plant & Equipment – At cost	462,369	458,447
Less accumulated depreciation	(257,780)	(216,359)
Total Plant & Equipment	204,589	242,088
Field Equipment – At cost	248,346	227,296
Less accumulated depreciation	(149,893)	(137,182)
Total Field Equipment	98,453	90,114
Motor Vehicles – At cost	29,699	29,699
Less accumulated depreciation	(29,699)	(29,699)
Total Motor Vehicles	-	-
Buildings & Infrastructure – At cost [1]	1,500,000	-
Less accumulated depreciation	-	-
Total Buildings & Infrastructure	1,500,000	-
Total Plant and Equipment	1,803,042	332,202

Note

(1) Used accommodation village and some mining infrastructure, acquired on 31 March 2019, has not yet come into use by the Group. Depreciation expense for these assets will commence once these assets are utilised.

(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:

	Plant & Equipment $	Field Equipment $	Motor Vehicles $	Buildings & Infrastructure $	Total $
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
Additions	6,649	21,050	-	1,500,000	1,527,699
Disposals	(1,886)	-	-	-	(1,886)
Depreciation expense	(42,262)	(12,711)	-	-	(54,973)
Carrying amount at 30 June 2019	204,589	98,453	-	1,500,000	1,803,042

NOTE 9 – ASSETS HELD FOR SALE

	2019 $	2018 $
Property Asset	4,500,000	4,500,000
Impairment	(1,600,000)	-
Total Assets Held for Sale	2,900,000	4,500,000

The Company intends to dispose of a freely held property asset located in Antanarirvo, Madagascar within the next 12 months. This property of 19,373m^2 containing a number of buildings, including offices, warehouses and villa accommodation, is a unique asset with limited potential buyers.

At the time the property was classified as a held for sale asset the Board of Directors had 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 of the carrying value of the asset, a new valuation was completed by Messrs Cabinet D'Expertise Audit Techniques Et Conseils Qualities in September 2019 of 7,435,591,258 Ariary (AUD $2,962,597). On the basis of the current valuation, and consideration for the unique nature of the property, the Directors considered it prudent to impair the carrying value of this asset by $1,600,000 (2018: Nil).

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

NOTE 10 – 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 29.

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).

	2019 $	2018
Non-Current		
At 1 July	190,000	-
Acquisition of 2,000,000 shares in BlackEarth Minerals NL	-	400,000
Fair value adjustment	(62,000)	(210,000)
At 30 June	128,000	190,000

Financial assets, revalued at fair value through profit or loss (2018: classified as Available-For-Sale financial assets and revalued at fair value through other comprehensive income (reclassified 1 July 2018 see Note 1(w))) using the closing quoting bid prices at the end of the reporting period represent 2,000,000 (30 June 2018: 2,000,000) fully paid ordinary shares in Australian company, BlackEarth Minerals NL.

Fair value of listed shares and assumptions

	2019	2018
Fair value per listed share	$0.064	$0.095
Closing quoting bid price per share	$0.064	$0.095

NOTE 11 – DEFERRED EXPLORATION & EVALUATION COSTS

	2019 $	2018 $
At 1 July	26,483,890	20,668,339
Capitalised exploration expenditure	2,797,963	5,815,551
Impairment (1)	(17,203,245)	-
At 30 June	12,078,608	26,483,890

Note

(1) The Board has made a decision to impair the value of exploration expenditure capitalised on the peripheral exploration tenements of the Karlawinda Gold Project. The Board believes it prudent to write-off all capitalised exploration expenditure on the Karlawinda Gold Project that has not been incurred post acquisition on mining lease M52/1070. The Board has formed this view as the current resource estimate, ore reserves and completed feasibility and optimization study are all contained within the boundary of M52/1070. The Board has no immediate plans to develop outside of this tenement.

NOTE 12 – CURRENT TRADE & OTHER PAYABLES

	2019 $	2018 $
Unsecured liabilities		
Trade Payables	345,209	792,701
Accrued Payables – Operating (1)	1,660,388	80,125
Accrued Payables – World Titane Holdings Ltd (2)	22,555	30,000
Total Current Trade & Other Payables	2,028,152	902,826

Note

(1) Includes a facility fee of $1,605,000 payable to Macquarie Bank. This liability was incurred with the signing of the Macquarie Bank term sheet in December 2018 and is payable in the half year ended December 2019.

(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. The liability owed to WTH is only repayable from 70% of the labradorite royalty cash receipts received from the one remaining specified lessee.

NOTE 13 – EMPLOYEE BENEFITS

		2019 $	2018 $
Provision for annual leave			
Opening 1 July		165,320	89,057
Additional provisions		127,742	162,995
Amounts used		(158,381)	(86,725)
Foreign exchange adjustments		(9)	(7)
Closing 30 June		134,672	165,320
Number of employees at year end	Australia	7	10
	Madagascar	5	5
		12	15

NOTE 14 – NON-CURRENT TRADE & OTHER PAYABLES

	2019 $	2018 $
Unsecured liabilities		
Accrued Payables (1)	300,713	333,989
Total Non-Current Trade & Other Payables	300,713	333,989

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.

NOTE 15 – ISSUED CAPITAL

	2019 $	2018 $
936,533,344 fully paid ordinary shares (2018: 747,936,325)	62,633,017	50,873,673
	62,633,017	50,873,673

	2019 No.	2019 $	2018 No.	2018 $
Ordinary shares				
At 1 July	747,936,325	50,878,673	572,379,458	42,121,506
Shares issued during the year:				
- 6 December 2017 (1)	-	-	137,095,083	7,128,944
- 27 December 2017 (2)	-	-	38,461,784	2,000,000
- 27 February 2019 (3)	32,508,128	2,048,000	-	-
- 16 April 2019 (4)	32,716,703	3,182,170	-	-
- 7 May 2019 (5)	123,372,188	6,963,608	-	-
Costs of capital raised	-	(439,434)	-	(371,777)
At 30 June	936,533,344	62,633,017	747,936,325	50,878,673

There are no preference shares on issue.

Note

(1) 6 December 2017: 137,095,083 shares were issued at a price of $0.052 per share on completion of a placement to sophisticated investors.

(2) 27 December 2017: 38,461,781 shares were issued at a price of $0.052 per share subsequent to the completion of a shareholder share purchase plan.

(3) 27 February 2019: 32,508,128 shares were issued at a price of $0.063 per share subsequent to the completion of a shareholder share purchase plan.

(4) 16 April 2019: 32,716,703 shares were issued at a price of $0.065 per share subsequent to the completion of the institutional portion of a 1 for 5 shareholder entitlement offer to shareholders.

(5) 7 May 2019: 123,372,188 shares were issued at a price of $0.065 per share subsequent to the completion of the retail portion of a 1 for 5 shareholder entitlement offer to shareholders.

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 936,533,344 (2018: 747,936,325) shares, of which all are listed on the Australian Securities Exchange (ASX) at 30 June 2019.

Options

The following unquoted options were on issue during the year:

	Number of Options					As at 30 June 2019		
	Balance 1 July 2018	Issued	Forfeited	Lapsed	Balance 30 June 2019	Number Vested	Number to Vest	Contractual life remaining (days)
(a) Exercisable at $0.10 on or before 31 May 2020	10,800,000	-	(1,600,000)	(3,200,000)	6,000,000	6,000,000	-	336
(b) Exercisable at $0.20 on or before 31 May 2020	6,000,000	-	(2,333,334)	(1,166,666)	2,500,000	1,666,666	833,334	336
(c) Exercisable at $0.15 on or before 5 May 2021	37,890,028	-	(4,000,000)	(2,000,000)	31,890,028	30,756,694	1,133,334	675
(d) Exercisable at $0.097 on or before 23 November 2021	1,000,000	-	-	-	1,000,000	333,333	666,667	877
	55,690,028	-	(7,933,334)	(6,366,666)	41,390,028	38,756,693	2,633,335	

NOTE 15 – ISSUED CAPITAL *(Cont'd)*

	Number of Options					As at 30 June 2018		
	Balance 1 July 2017	Issued	Forfeited	Lapsed	Balance 30 June 2018	Number Vested	Number to Vest	Contractual life remaining (days)
(a) Exercisable at $0.10 on or before 31 May 2020	10,800,000	-	-	-	10,800,000	7,200,000	3,600,000	701
(b) Exercisable at $0.20 on or before 31 May 2020	6,000,000	-	-	-	6,000,000	1,999,999	4,000,001	701
(c) Exercisable at $0.15 on or before 5 May 2021	37,890,028	-	-	-	37,890,028	31,623,361	6,266,667	1,040
(d) Exercisable at $0.097 on or before 23 November 2021	-	1,000,000	-	-	1,000,000	-	1,000,000	1,242
	54,690,028	1,000,000	-	-	55,690,028	38,823,360	9,866,668	

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 no share options granted during the year ended 30 June 2019 (2018: 7,000,000).

NOTE 16 – RESERVES

	2019 $	2018 $
Share based payment reserve		
Opening balance 1 July	1,266,070	861,239
Share based payments for the year	140,534	404,831
Options forfeited during the year	(221,711)	-
Closing balance 30 June	1,184,893	1,266,070

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 19 and the Remuneration Report for further details.

	2019 $	2018 $
Foreign currency translation reserve		
Opening balance 1 July	(674,628)	(717,282)
Translation movement for the year	(22,324)	42,654
Closing balance 30 June	(696,952)	(674,628)

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

	2019 $	2018 $
Asset revaluation reserve		
Opening balance 1 July	-	2,184,021
Re-classification to asset held for sale (1)	-	(2,184,021)
Restated at 1 July	-	-
Revaluation movement for the year	-	-
Closing balance 30 June	-	-

Note

(1) Refer to Note 9.

NOTE 16 – RESERVES *(Cont'd)*

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

	2019 $	2018 $
Investment revaluation reserve		
Opening balance 1 July	(210,000)	-
New accounting standards adjustment to opening balance (Note 1(w))	210,000	(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 17 – ACCUMULATED LOSSES

	2019 $	2018 $
Opening balance 1 July	(17,460,365)	(14,341,936)
Re-classification to asset held for sale (1)	-	2,184,021
Restated at 1 July	-	(12,157,915)
New accounting standards adjustment to opening balance (Note 1(w))	(210,000)	-
Loss for the year	(23,817,278)	(3,118,429)
Closing balance 30 June	(39,303,622)	(15,276,344)

Note

(1) Refer to Note 9.

NOTE 18 – EARNINGS PER SHARE

	2019 $	2018 $
Earnings used in calculating basic and diluted earnings per share		
- Loss attributable to members of the parent entity	(23,817,278)	(3,118,429)
Basic and diluted loss per share	**Cents**	**Cents**
- cents per share	(3.04)	(0.47)
	Number	**Number**
Weighted average number of ordinary shares outstanding at 30 June	783,866,053	669,247,998

As at 30 June 2019 there are 41,390,028 (2018: 55,690,028) unquoted options on issue.

As the Group incurred a loss for the year (2018: Loss), the options on issue have no dilutive effect, therefore the diluted earnings per share is equal to the basic earnings per share.

NOTE 19 – 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 2019, no options were granted to Key Management Personnel & employees of the Company (2018: 7,000,000 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 and outstanding at 30 June 2019:

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 June 2019	
								Number Lapsed/ Forfeited (3)	Number Vested
6,000,000 (1)	22/09/2017	05/05/2021	$0.022	$0.150	$0.091	2.20%	50%	6,000,000	-
1,000,000 (2)	23/11/2017	23/11/2021	$0.020	$0.097	$0.067	2.04%	50%	-	333,333

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

(1) 2,000,000 vest on 11 May 2018, 2,000,000 vest on 11 May 2019 and 2,000,000 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.
(3) The unvested options (4,000,000) were forfeited on cessation of employment and vested options (2,000,000) lapsed 30 days after cessation of employment as they were not exercised.

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 (2018: Nil).

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

	2019 $	2018 $
Options	(81,177)	404,831

NOTE 20 – NOTE TO THE STATEMENT OF CASH FLOWS

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

	2019 $	2018 $
Loss after income tax	(23,817,278)	(3,118,429)
Non-cash flows in result		
Depreciation	54,973	68,369
Impairment of assets held for sale	1,600,000	-
Impairment of capitalised exploration expenditure	17,203,245	-
Fair value loss on financial assets	62,000	-
Foreign currency translation	(22,071)	43,679
Share based payment	(81,177)	404,831
Loss on disposal of fixed assets	1,886	1,802
Cash flows in result not classified as cash flows from operations		
Profit/(Loss) on sale of financial assets	-	3,224
Loss on disposal of subsidiary group	-	38,304
Changes in assets and liabilities		
(Increase) in other current assets	27,302	91,282
Increase/(Decrease) in payables and accruals	1,499,549	(203,716)
Cashflow used by Operations	(3,471,571)	(2,670,654)

Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year ended 30 June 2019 (30 June 2018: Nil)

NOTE 21 – COMMITMENTS

Planned Exploration Expenditure

Exploration expenditure commitments represent tenement rentals and expenditure requirements that may be required to be met under the relevant legislation should the Group wish to retain tenure on all current tenements in which the Group has an interest.

As at 30 June 2019 there are 13 granted tenements and 1 granted mining lease. In addition, there are 3 applications not yet granted and 9 granted miscellaneous licences which do not have an annual minimum expenditure commitment but do have an annual rent payment applicable.

	2019 $	2018 $
Planned Exploration Expenditure		
- Within one year	1,197,363	1,050,208
Aggregate exploration commitments contracted at reporting date but not recognised as liabilities	1,197,363	1,050,208

Annual exploration expenditure after one year will be a similar commitment to that within one year, however this amount is increased if new exploration tenements are added to the Group's portfolio or reduced, if exploration tenements are removed from the Group's portfolio.

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 has 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.

	2019 $	2018 $
Lease Commitments: Group as lessee		
Operating leases:		
- Within one year	160,752	149,651
- Later than one year but not later than five years	379,485	529,348
Aggregate lease expenditure contracted at reporting date but not recognised as liabilities	540,237	678,999

NOTE 22 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities at 30 June 2019 (2018: Nil).

As 30 June 2019 Capricorn Metals Ltd has bank guarantees totalling $138,364 (2018: $138,364). Refer Note 7.

NOTE 23 – EVENTS SUBSEQUENT TO REPORTING DATE

There were no material events arising subsequent to 30 June 2019, 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 3 July 2019 a placement to raise up to $18.26m by the issue of 280,922,429 new shares at a price of $0.065 per share was announced. The placement was completed in two tranches with 108,707,208 new shares raising $7.07m completed on 5 July 2019 and 172,215,221 new shares to raise $11.19m completed on 30 August 2019.
- On 8 July 2019 Mr Mark Clark was appointed to the Board as Executive Chairman and Mr Mark Okeby appointed as a Non-Executive Director.
- On 13 August 2019 a placement to raise up to $65.00m by the issue of 406,250,000 new shares at an issue price of $0.16 per share was announced. The placement is to be completed in two tranches with tranche one completed on 20 August 2019 by the issue of 125,426,127 new shares to raise $20.07m. A shareholder meeting held on 24 September 2019 has approved the completion of tranche two of the placement which will see the issue of a further 280,823,873 new shares to raise a further $44.93m. Tranche two settled on 27 September 2019, with shares quoted from Monday 30 September 2019.
- On 14 August 2019 Capricorn announced the completion of 200,000 ounces of gold hedging with a 31 December 2019 maturity and a price of A$2,249 per ounce.

  The hedge has a maturity of 31 December 2019, by which time it is expected that a project debt facility will have been finalised and the gold hedging will be rolled into a delivery programme matching debt quantum and amortisation and life of mine production plans.

NOTE 23 – EVENTS SUBSEQUENT TO REPORTING DATE *(Cont'd)*

Hedging of 200,000 ounces represents coverage of approximately 2 years of anticipated gold production out of a current mine life of 8.5 years on the current Ore Reserve of 892,000 ounces of gold (Ore Reserve estimated using an A$1,600/oz gold price).

- On 30 August 2019 50,000,000 unquoted options, exercisable at $0.12 per share, with an expiry date of 30 August 2022 were issued to Directors, Mr Mark Clark (40,000,000 options) and Mr Mark Okeby (10,000,000 options) subsequent to shareholder approval received on 27 August 2019.
- On 13 September 2019 a number of Board and management changes occurred, which include:
  - Appointment of Mr Myles Ertzen as a Non-Executive Director.
  - Resignations of Mr Timothy Kestell, Mr Douglas Jendry and Mr Stuart Pether as Non-Executive Directors of the Company.
  - Appointment of Mr Kim Massey as Chief Executive Officer.
  - Appointment of Mr Paul Thomas as Chief Operating Officer, commencing 1 October 2019.
  - Appointment of Mr Stephen Evans as General Manager of Operations.

NOTE 24 – FINANCIAL INSTRUMENTS

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Company's key financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's risk management policies and objectives are designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

(a) Capital risk management

The Board controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. As at 30 June 2019, under the Company's ASX listing Rule 7.1 Capacity, the Company could issue up to 15% of it is previously approved issued capital as new shares, therefore Capricorn could issue up to 140,480,001 new shares without requiring shareholder approval.

There are no externally imposed capital requirements.

The Board 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 the Board to control the capital of the Group since the prior year.

(b) Market risk

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable. As disclosed in Note 23 Subsequent Events, on 14 August 2019 Capricorn announced the completion of 200,000 ounces of gold hedging with a 31 December 2019 maturity and a price of A$2,249 per ounce.

The hedge has a maturity of 31 December 2019, by which time it is expected that a project debt facility will have been finalised and the gold hedging will be rolled into a delivery programme matching debt quantum and amortisation and life of mine production plans.

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.

NOTE 24 – FINANCIAL INSTRUMENTS *(Cont'd)*

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.

(d) Financial risk management

The Group's management, co-ordinates access to banking facilities, and monitors and manages the financial risks relating to the operations, comprising mainly access to cash, and the level of trade and other payables in accordance with the decisions of the directors.

In the reporting period, the Group was not exposed to material financial risks of changes in foreign currency exchange rates. Accordingly, the Group did not employ derivative financial instruments to hedge currency risk exposures.

	Net Financial Assets/(liabilities) in AUD			
2019	**AUD**	**MGA**	**EURO**	**Total AUD**
Cash	9,032,042	7,609	116	9,039,767
Receivables	145,736	124,526	-	270,262
Payables	(2,004,031)	(24,121)	-	(2,028,152)
Statement of Financial Position exposure	7,173,747	108,014	116	7,281,877

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

(e) Interest rate risk

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

	2019 $	2018 $
Variable rate instruments:		
- Financial assets	9,039,767	5,586,437

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 2018.

	2019		2018	
	100 bp Increase $	100 bp Decrease $	100 bp Increase $	100 bp Decrease $
Variable rate instruments	90,398	(90,398)	55,864	(55,864)

(f) 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.

(g) 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.

NOTE 24 – FINANCIAL INSTRUMENTS *(Cont'd)*

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.

(h) 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 2019				
Financial assets				
- listed investments (BlackEarth Minerals NL shares)	128,000	-	-	128,000
	128,000	-	-	128,000
30 June 2018				
Financial assets				
- listed investments (BlackEarth Minerals NL shares)	190,000	-	-	190,000
	190,000	-	-	190,000

Included within Level 1 of the hierarchy are the BlackEarth Minerals NL shares listed on the Australian Securities Exchange. The fair value of this financial asset has 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.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Financial liabilities – Due for payment						
Trade & Other Payables	2,028,152	902.826	300,713	333.989	2,328,865	1,236,815
Total expected outflows	2,028,152	902.826	300,713	333.989	2,328,865	1,236,815

NOTE 25 – 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 and Madagascar.

Basis for accounting for purpose of reporting by operating segments

Accounting policies adopted

Unless otherwise stated, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group 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.

2019	Australia $	Madagascar $	Elimination $	Group $
Revenue				
Revenue	-	159,794	-	159,794
Other income	47,213	151	-	47,364
Total segment revenue	47,213	159,945	-	207,158
Result				
Segment Result	(19,167,985)	(181,474)	(4,467,819)	(23,817,278)
Profit/(Loss) before Income tax	(19,167,985)	(180,413)	(4,467,819)	(23,816,217)
Assets/ Liabilities				
Segment Assets	24,961,879	295,768	1,026,312	26,283,959
Segment Liabilities	(2,439,177)	(4,066)	(23,308)	(2,466,623)
Other				
Acquisition of non-current assets	1,527,699	-	-	1,527,699
Depreciation expense	38,411	16,562	-	54,973

2018	Australia $	Madagascar $	Elimination $	Group $
Revenue				
Revenue	-	186,222	-	186,222
Other income	55,442	106	-	55,548
Total segment revenue	55,442	186,328	-	241,770
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/ Liabilities				
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	1,528,874	-	-	28,874
Depreciation expense	39,993	28,376	-	68,369

NOTE 26 – RELATED PARTY DISCLOSURES

(a) Key Management Personnel during the year ended 30 June 2019

Name	Position	Movements during the year to 30 June 2019
Mr T Kestell	Non-Executive Director	Appointed 5 March 2019.
Mr D Jendry	Non-Executive Director	Appointed 5 March 2019.
Mr S Pether	Non-Executive Director	
Mr P Thompson	Chief Operating Officer	
Ms D Bakker	Non-Executive Director Non-Executive Chair	Transitioned to Non-Executive Chair on 8 November 2018, ceased 5 March 2019.
Mr G Rogers	Non-Executive Director	Appointed 8 November 2018, ceased 5 March 2019.
Mr P Benjamin	Non-Executive Director	Appointed 8 November 2018, ceased 5 March 2019.
Mr P Langworthy	Non-Executive Director	Resigned 8 November 2018.
Mr W Hallam	Managing Director	Appointed 19 February 2019, resigned 5 March 2019.
Mr H Hellewell	Executive Chairman	Resigned 8 November 2018.
Mr J Shellabear	Chief Financial Officer Joint Company Secretary	Resigned 5 March 2019.
Mrs N Santi	Joint Company Secretary	

Key Management Personnel Remuneration

Key Management Personnel remuneration has been included in the Remuneration Report section of the Directors Report.

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

	2019 $	2018 $
Short term benefits	1,192,242	1,267,437
Other service fees	52,500	7,200
Post – employment benefits	77,006	89,768
Share Based Payments	126,599	371,586
Annual Leave	63,625	106,033
	1,511,972	1,842,024

(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 on 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	2019 $	2018 $
P Langworthy [(1)]	Exploration programme management	27,005	314,364
		27,005	314,364

Note

(1) OMNI GeoX Pty Ltd, of which Mr P Langworthy is a Director and shareholder, provides services in relation to the management and execution of the exploration programme, for which fees were billed on hourly rates the same as for other clients, as were due and payable under normal terms. The agreement may be terminated by one months' notice.
P Langworthy ceased to be a key management person and related party on 8 November 2018.

NOTE 26 – RELATED PARTY DISCLOSURES *(Cont'd)*

Amounts payable to Key Management Personnel at the reporting date arising from these contract services were as set out below:

	2019 $	2018 $
Current payables		
Trade and other payables	-	35,646
	-	35,646

(c) Controlled Entities

The consolidated financial statements include the financial statements of the Parent and the subsidiaries set out in the following table.

Subsidiaries	Country	Principal activity	% Ownership 2018	2017
Mazoto Minerals SARL	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%
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%

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

During the year $119,668 loans were capitalised as investment (2018: Nil).

Additional loans were made as follows:
- Madagascan operations: $18,234 (2018: $78,099)
- Australian operations: $5,312,249 (2018: $6,094,618)

At the year end, total net loans from the parent company to these subsidiaries amount to $30,813,634 (2018: $25,621,053). Loans to subsidiaries total $38,000,456 (2018: $32,789,639) with a provision for impairment of $7,186,822 (2018: $7,168,586).

NOTE 27 – 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

	2019 $	2018 $
Consideration received in cash and cash equivalents [1]	-	75,000
Consideration received in fully paid ordinary shares	-	400,000
	-	475,000

Note

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

(Loss)/gain on disposal

	2019 $	2018 $
Total consideration received	-	475,000
Net assets disposed of	-	(510,290)
	-	(35,290)

Net cash inflow on disposal

	2019 $	2018 $
Consideration received in cash and cash equivalents	-	75,000
Less: cash and cash equivalent balances disposed of	-	(804)
	-	74,196

NOTE 28 – 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.

	2019 $	2018 $
Assets		
Current Assets	9,171,650	5,577,459
Non-Current Assets	36,689,364	31,297,213
Total Assets	45,861,014	37,038,797
Liabilities		
Current Liabilities	279,224	441,011
Non-Current Liabilities	300,713	333,989
Total Liabilities	579,937	775,000
Shareholders' Equity		
Issued Capital	62,633,017	50,878,673
Reserves	1,184,893	1,056,070
Accumulated Losses	(18,536,833)	(15,670,946)
Total Shareholders' Equity	45,281,077	36,263,797
Statement of Comprehensive Income		
Net loss attributable to members of the parent entity	(2,655,887)	(2,713,104)
Total comprehensive loss for the year attributable to members of the parent entity	(2,655,887)	(2,713,104)

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

Guarantees entered into by Parent entity

As at 30 June 2019, 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 29 – AUDITORS REMUNERATION

	2019 $	2018 $
Amount payable to William Buck Audit (WA) Pty Ltd		
- Auditing or reviewing the financial report	28,541	27,991

Amounts payable to other audit firms for the audit and review of the financial reports of subsidiary companies was $4,970 (2018: $4,882)

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 24 to 53 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 2019 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 M Clark
Executive Chairman

Perth, Western Australia
30 September 2019

Capricorn Metals Ltd

Independent auditor’s report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Capricorn Metals Ltd (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. 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.

ACCOUNTANTS & ADVISORS

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Independent auditor's report to members (continued)

<table>
<tr><th colspan="2">CARRYING VALUE OF EXPLORATION COSTS</th></tr>
<tr><th>Area of focus
Refer also to notes 1 (e) and 11</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>
</table>

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 2019 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.

Independent auditor's report to members (continued)

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 in pages 16 to 21 of the directors' report for the year ended 30 June 2019.

Independent auditor's report to members (continued)

In our opinion, the Remuneration Report of Capricorn Metals Ltd, for the year ended 30 June 2019, 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

Robin Judd
Director
Dated this 30th day of September 2019

ASX Additional Information

1. *Quoted Securities - Fully Paid Ordinary Shares*

The shareholder information set out below was applicable as at 17 September 2019.

a) *Distribution of Share Holdings*

Size of Holding	No. of Shareholders	No. of Shares
1 - 1,000	63	8,863
1,001 - 5,000	153	565,100
5,001 - 10,000	261	2,109,051
10,001 - 100,000	1,005	44,112,696
100,001 and over	671	1,296,086,190
Total Shareholders	**2,153**	**1,342,881,900**

There are 80 Shareholders with less than a marketable parcel at a price of $0.235, totalling 41,698 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	289,936,045	21.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	77,652,271	5.78
SAMOZ PTY LTD <CLARK FAMILY A/C>	69,230,770	5.16
CENTREPEAK RESOURCES GROUP PTY LTD	39,327,115	2.93
NATIONAL NOMINEES LIMITED	34,602,056	2.58
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	33,350,826	2.48
NEDLANDS NOMINEES PTY LTD <WINDANDSEA INVESTMENTS A/C>	31,600,417	2.35
LIBERTY MANAGEMENT PTY LTD <THE LIBERTY SUPER FUND A/C>	23,076,924	1.72
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	23,032,616	1.72
PORTBARB PTY LTD	21,538,461	1.60
NEON CAPITAL LTD	18,939,999	1.41
ROLLASON PTY LTD <THE GIORGETTA S/PLAN A/C>	15,384,615	1.15
TOPAZ HOLDINGS PTY LTD <MYLES K ERTZEN FAMILY A/C>	14,307,692	1.07
NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	13,461,539	1.00
MUTUAL INVESTMENTS PTY LTD <MITCHELL FAMILY A/C>	13,036,141	0.97
NEON CAPITAL LTD	12,521,936	0.93
MR KIM ANDREW MASSEY <MASSEY FAMILY A/C>	10,769,231	0.80
NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	10,667,936	0.79
THIRD REEF PTY LTD	10,222,956	0.76
RUNNING WATER LIMITED	10,100,000	0.75
Top Twenty Shareholders	**772,759,546**	**57.54**
Total Issued Capital	**1,342,881,900**	**100.00**

d) *Substantial Shareholders*

The names of the substantial shareholders listed in the Company's share register as at 17 September 2019 were:

Shareholder	No. of Shares	%
Hawke's Point Holdings I Limited	245,749,840	18.30
Paradice Investment Management Pty Ltd	93,119,950	6.93
Samoz Pty Ltd	69,230,770	5.16
Total	**408,100,560**	**30.39**

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*

Pursuant to a Subscription Agreement made in February 2017 and subject to a waiver of ASX listing Rule 6.18 granted by the ASX on 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	10	91,390,028
Total Optionholders	**10**	**91,390,028**

b) *Voting Rights*

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

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

As at 17 September 2019 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	Exercisable at $0.12 Expiring 30/08/2022
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	-
Samoz Pty Ltd	-	-	-	-	40,000,000
Liberty Management Pty Ltd	-	-	-	-	10,000,000
Holders individually less than 20%	-	-	3,400,000	-	-
Total	**6,000,000**	**2,500,000**	**31,890,028**	**1,000,000**	**50,000,000**

d) *Details of options on issue*

The following Unquoted Options are on issue:

No. of Options	Exercise Price	Vesting Date	Expiry Date
2,000,000	$0.10	20/04/2017	31/05/2020
2,000,000	$0.10	20/04/2018	31/05/2020
2,000,000	$0.10	20/04/2019	31/05/2020
833,333	$0.20	25/11/2017	31/05/2020
833,333	$0.20	25/11/2018	31/05/2020
833,334	$0.20	25/11/2019	31/05/2020
18,284,101	$0.15	09/03/2017	05/05/2021
10,205,927	$0.15	05/05/2017	05/05/2021
1,133,333	$0.15	11/05/2018	05/05/2021
1,133,333	$0.15	11/05/2019	05/05/2021
1,133,334	$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
50,000,000	$0.12	30/08/2019	30/08/2022
91,390,028			

3. Corporate Governance

The Company's corporate governance statement can be found at the following URL:
http://capmetals.com.au/wp-content/uploads/2019/09/CMM-Corporate-Governance-Statement-2019-FINAL.pdf

4. Mineral Resources & Reserves

Bibra Ore Reserve

As at 30 June 2019, 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 current Ore Reserve and the current Mineral Resource estimate were released in an ASX announcement dated 29 May 2018. There has been no change to the Ore Reserve estimate from that reported at 30 June 2018.

JORC-2012 compliant Ore Reserve as at 30 June 2018 and 30 June 2019:

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.

Bibra Mineral Resource

As at 30 June 2019, and the date of this report 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 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. There has been no change to the Minerals Resource estimate since the estimate reported at 30 June 2018.

JORC-2012 compliant Mineral Resource Estimate as at 30 June 2018 and 30 June 2019:

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.

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.

Tenement Schedule

Australia:

Lease	Project	Company	Blocks [1]	Status	Date of Grant/ Application	Expiry
Tenements						
E52/1711	Karlawinda	Greenmount	33	Granted	05/08/2004	04/08/2019
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	Granted	06/11/2018	05/11/2023
E52/3541	Karlawinda	Greenmount	7	Granted	28/03/2018	27/03/2023
E52/3543	Karlawinda	Greenmount	8	Granted	28/03/2018	27/03/2023
E52/3571	Karlawinda	Greenmount	10	Granted	18/09/2018	17/09/2023
E52/3656	Karlawinda	Greenmount	94	Granted	24/08/2018	-
E52/3671	Karlawinda	Greenmount	26	Granted	02/07/2019	01/072024
E52/3677	Karlawinda	Greenmount	31	Application	07/12/2018	-
E52/3729	Karlawinda	Greenmount	51	Application	05/07/2019	-
Total Blocks			**643**			
Miscellaneous Licences						
L52/174	Karlawinda	Greenmount	22.17 ha	Granted	18/04/2018	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	Granted	28/05/2018	27/05/2039
L52/181	Karlawinda	Greenmount	1.00 ha	Granted	18/04/2018	17/04/2039
L52/183	Karlawinda	Greenmount	28.46 ha	Granted	03/05/2018	2/05/2039
L52/189	Karlawinda	Greenmount	1258 ha	Granted	10/04/2019	10/04/2019-
L52/192	Karlawinda	Greenmount	220 ha	Granted	16/05/2018	28/09/2018-
L52/197	Karlawinda	Greenmount	173ha	Granted	10/04/2019	10/04/2019-
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.