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CAPRICORN METALS LTD

ABN 84 121 700 105

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2019

Corporate Directory

Directors

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

Company Secretary

Tammie Dixon

Registered Office & Principal Place of Business

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WEST PERTH WA 6005

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Share Registry

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PERTH WA 6000
Telephone: +61 2 9698 5414
Or 1300 288 664

Auditor

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

Securities Exchange Listing

Australian Securities Exchange
ASX Code: CMM

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

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Directors' Report

The Directors submit the financial report of the Consolidated Group ("the Group" or "Capricorn") consisting of Capricorn Metals Ltd and the entities it controlled for the half year ended 31 December 2019, made in accordance with a resolution of the Board.

DIRECTORS

The names of Directors who held office during or since the end of the half year, for the whole period unless otherwise stated:

Mr Mark Clark	(Executive Chairman).....	Appointed 8 July 2019
Mr Mark Okeby	(Non-Executive Director).....	Appointed 8 July 2019
Mr Myles Ertzen	(Non-Executive Director).....	Appointed 13 September 2019
Mr Douglas Jendry	(Non-Executive Chair).....	Resigned 13 September 2019
Mr Timothy Kestell	(Non-Executive Director).....	Resigned 13 September 2019
Mr Stuart Pether	(Non-Executive Director).....	Resigned 13 September 2019

REVIEW OF OPERATIONS

Financial Review

The Group incurred a loss from ordinary activities after income tax of \$8,873,625 for the half year (half year ended 31 December 2018: \$1,831,316). Components of this performance were:

	31 December 2019	31 December 2018
	\$	\$
Income:		
Revenue	70,387	74,252
Other income	421,724	22,121
Expenses:		
Personnel costs	(1,753,698)	(807,317)
Personnel costs - Share-based payments expense	(6,970,973)	(98,290)
Exploration expenditure	(43,783)	(300,331)
Other operating expenses	(597,282)	(721,751)
Net Loss after tax	(8,873,625)	(1,831,316)

The Group had a cash balance of \$77,377,665 at 31 December 2019 (30 June 2019: \$9,039,767).

Corporate

During the period, the Group successfully completed two capital raisings for a combined total of \$83.26 million. This included a July 2019 placement of 280,922,429 new shares at an issue price of \$0.065 per share and a further placement in August 2019 of 406,250,000 new shares at an issue price of \$0.16 per share. The funds will be used for the development of the Karlawinda Gold Project ("KGP") and to provide funding for ongoing exploration activities and working capital.

In the period to 31 December 2019, a number of significant Board and management appointments were made, including:

- Mr Mark Clark as Executive Chairman and Mr Mark Okeby as Non-Executive Director effective 8 July 2019;
- Mr Myles Ertzen as Non-Executive Director effective 13 September 2019;
- Mr Kim Massey as Chief Executive Officer, Mr Paul Thomas as Chief Operating Officer and Mr Stephen Evans as General Manager of Operations; and
- Ms Tammie Dixon as Chief Financial Officer and Company Secretary.

Debt and bank guarantee facility agreements were executed with Macquarie Bank Limited ("MBL") for the development of the Karlawinda Gold Project on 18 December 2019. The terms of the facility include:

- A Project Loan Facility of \$80 million and Bank Guarantee of \$20 million;
- First ranking security over the assets of Greenmount Resources Pty Ltd (a wholly owned operating subsidiary) and corporate guarantee;
- Competitive margin above BBSY;
- Loan covenants customary for a facility of this type;
- Four and a half year tenor with a repayment schedule over the term; and
- The Facility can be repaid early at any time without penalty.

The Group are in the process of satisfying a number of conditions precedent before draw down can commence.

As a pre-condition to the financing facility with MBL, the Group completed 200,000 ounces of gold hedging contracts at a flat forward price of \$2,250 per ounce. The hedges have been rolled into a flat forward structure with a delivery schedule covering 10,000 to 12,000 ounces of gold production per quarter from June 2021 to September 2025 at a flat forward price of \$2,250 per ounce.

Operations Review – Karlawinda Gold Project

During the six months to 31 December 2019, Capricorn progressed the development and operating parameters for the KGP. Work continued on the installation of the 306-room accommodation village with the establishment of a batching plant and pouring of concrete footings. It is expected that the village will be ready for occupation by the end of the March 2020 quarter.



Concrete Batching Plant

Mintrex and ECG Engineering have been appointed to undertake engineering, plant design and electrical works for the KGP. The major change to the plant design from the 2018 study has been a move to a three stage crushing circuit and single ball mill, which is designed to achieve a throughput in the order of 3.5-4.0mtpa in fresh ore. The expected average gold production range is between 105,000 to 120,000 ounces per annum, representing significant upside to the average life of mine production estimate of 100,000 ounces per annum reported in the 2018 study.



Installation of accommodation village

The capital cost of the project is expected to be within a range of \$145 to \$155 million. This estimate includes pre-production mining costs and the incremental cost of changing to the tertiary crushing/ball mill configuration that provides the throughput upside. The life of mine all in sustaining cost of gold production is expected to be within the range of \$1,140 to \$1,190 per ounce.

Development activities are expected to accelerate in the March 2020 quarter with the following key work streams to progress:

- Ordering of long-lead items for the development of the KGP processing plant and associated infrastructure;
- Tender and award of major operating contracts including mining services, power generation and gas transmission and supply;
- Completion of installation, facilitating occupation of the 306-room accommodation village; and
- Commencement of construction of the access road and plant site preparation and earthworks.

Exploration

Capricorn wholly owns a 2,042km² tenement package at Karlawinda which includes the greenstone belt hosting the 1.5 million ounce Bibra gold deposit and significant further greenstone areas where little or no drilling has been undertaken.

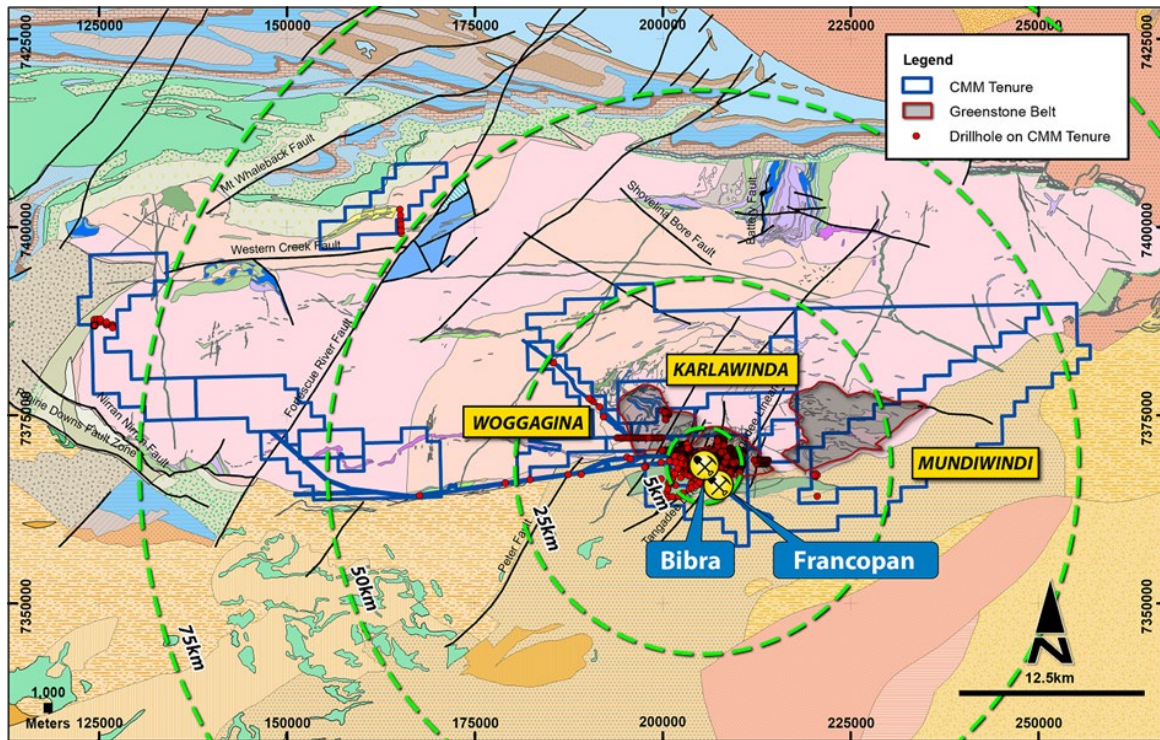


Figure 1: Capricorn Tenure and historic drilling on CMM tenements

The magnitude of the exploration opportunity at Karlawinda is clear through a breakdown of the total of 267,000 metres of drilling that has been completed to date. Of this drilling, 259,000 metres has been in the 50km² area covering the immediate Bibra area and only 8,000 metres has been on the remaining 1,992km² area.

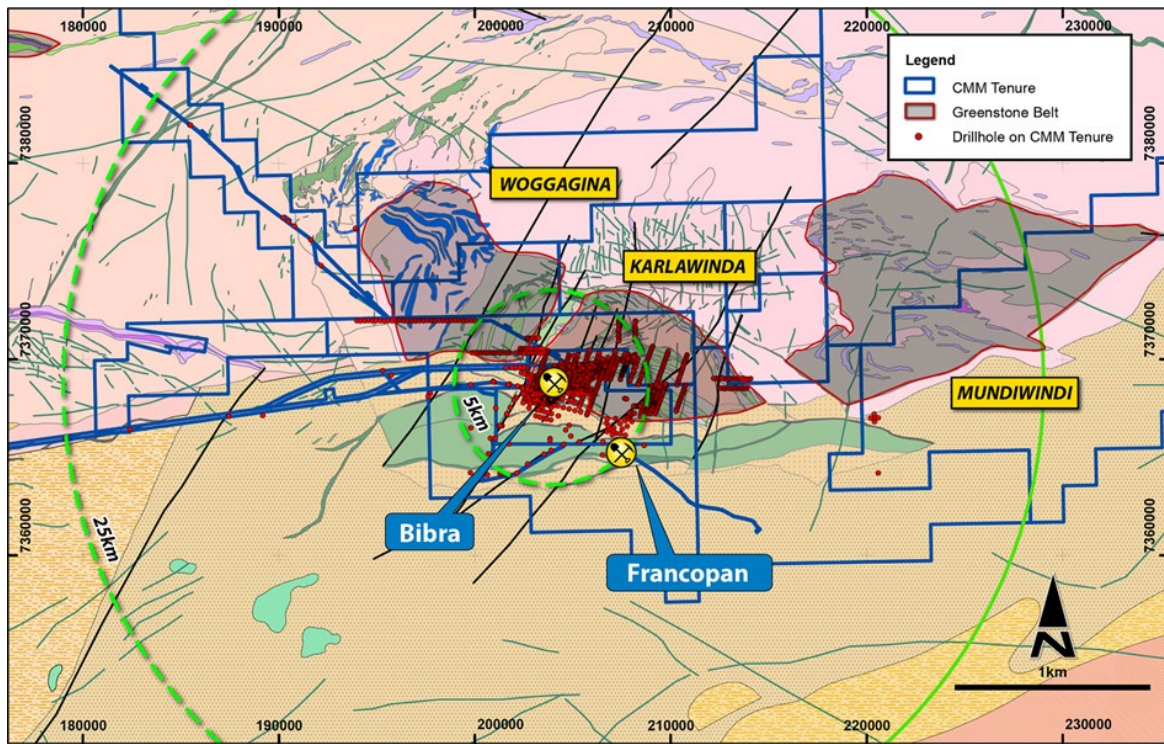


Figure 2: Capricorn drilling on CMM tenements surrounding the Bibra deposit

A review of the geological database is underway and will be completed in the March 2020 quarter. Following this review, the Board will approve the exploration programme and budget for 2020, expected to be in the order of \$5 million, which will target resource development drilling, the definition of new and high value resource ounces from near mine drilling and soil sampling and first pass aircore drilling of priority targets on greenfields exploration.

Tramore Prospect

The Tramore Prospect is located immediately south of the proposed Bibra open pit and is interpreted as an along strike extension of the Bibra deposit. Gold mineralisation is defined over a strike length of approximately 450 metres and ranges in thickness between 10 metres and 20 metres with the deposit open at depth.

During the half year, a reverse circulation ("RC") drilling programme continued across the Tramore Prospect completing a RC programme that commenced in May 2019. This programme brings the density of drilling at Tramore to 25 metres by 25 metres which provides sufficient drill density for an Indicated Resource estimation. It is expected these results will form part of the Group's Resource and Reserve update in the March 2020 quarter.

Events After Balance Date

Subsequent to 31 December 2019, 1,929,334 shares have been issued as a result of the exercise of employee options for proceeds of \$1,272,001.

On 6 January 2020, the Group entered into a call option contract of 16,700 ounces with a delivery price of \$2,260 per ounce with Macquarie Bank Limited.

On 15 January 2020, the Group committed to purchasing a ball mill for \$7,975,098 with CITIC HIC Australia Pty Ltd. The Group has also committed to purchasing screen tanks for the mill from Kemix Pty Ltd for \$1,354,860.

On 28 February 2020, Ms Natasha Santi resigned from the position of Joint Company Secretary.

Except as disclosed above, there have been no other events subsequent to balance date that would significantly affect the amounts reported in the consolidated financial statements as at and for the half-year ended 31 December 2019.

Auditors' Independence Declaration

The lead auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out on the following page and forms part of the Directors' Report for the half-year ended 31 December 2019.

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



Mr Mark Clark

Executive Chairman
Perth, Western Australia

12 March 2020

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

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2019 there have been:

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

William Buck

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

A handwritten signature in black ink, appearing to read 'Robin Judd'.

Robin Judd
Director

Dated this 12th day of March 2020

ACCOUNTANTS & ADVISORS

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Note	Consolidated	
		31 December 2019	31 December 2018
		\$	\$
Revenue	2 (a)	70,387	74,252
Other income	2 (b)	421,724	22,121
(Loss) / gain on disposal of other financial assets		(5,620)	-
Fair value loss on financial assets	5	(30,000)	(10,000)
Personnel costs		(1,753,698)	(807,317)
Personnel costs - Share-based payment expense	9	(6,970,973)	(98,290)
Depreciation expense		(85,576)	(29,241)
Administration costs		(438,779)	(686,751)
Exploration expenditure		(43,783)	(300,331)
Finance costs		(38,357)	-
Reversal of impairment of receivable		1,658	4,917
Loss before income tax expense		(8,873,017)	(1,830,640)
Income tax expense		(608)	(676)
Net Loss attributable to members of the parent entity		(8,873,625)	(1,831,316)
Other Comprehensive Income:			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
- Adjustment from translation of foreign controlled entities		(1,419)	(43,940)
Total comprehensive loss for the period		(8,875,044)	(1,875,256)
Earnings per share:			
Basic loss per share (cents per share)		(0.75)	(0.24)
Diluted loss per share (cents per share)		(0.75)	(0.24)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	Consolidated	
		31 December 2019	30 June 2019
		\$	\$
Current Assets			
Cash and cash equivalents		77,377,665	9,039,767
Other current receivables		340,667	270,262
Other financial assets	5	98,000	128,000
Other current assets		91,064	64,280
		77,907,396	9,502,309
Assets classified as held for sale	7	2,900,000	2,900,000
Total Current Assets		80,807,396	12,402,309
Non-Current Assets			
Property, plant & equipment		395,906	1,803,042
Right-of-use assets	1(d)	276,757	-
Mine properties under development	6	23,297,793	-
Deferred exploration and evaluation costs	3	378,750	12,078,608
Total Non-Current Assets		24,349,206	13,881,650
TOTAL ASSETS		105,156,602	26,283,959
Current Liabilities			
Trade and other payables		1,463,343	2,028,152
Lease liabilities	1(d)	44,047	-
Other liabilities		1,997	3,086
Provisions		104,075	134,672
Total Current Liabilities		1,613,462	2,165,910
Non-Current Liabilities			
Trade and other payables		300,713	300,713
Lease liabilities	1(d)	252,794	-
Provisions		13,268	-
Total Non-Current Liabilities		566,775	300,713
TOTAL LIABILITIES		2,180,237	2,466,623
NET ASSETS		102,976,365	23,817,336
EQUITY			
Issued capital	8	143,696,117	62,633,017
Reserves		7,457,495	487,941
Accumulated losses		(48,177,247)	(39,303,622)
TOTAL EQUITY		102,976,365	23,817,336

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

	Issued capital \$	Accumulated losses \$	Foreign currency translation reserve \$	Asset revaluation reserve \$	Investment revaluation reserve \$	Share-based payments reserve \$	Total \$
Balance at 1 July 2018	50,878,673	(17,460,365)	(674,628)	2,184,021	(210,000)	1,266,070	35,983,771
New accounting standards adjustment to opening balances	-	(210,000)	-	-	210,000	-	-
Restated at 1 July 2018	50,878,673	(17,670,365)	(674,628)	2,184,021	-	1,266,070	35,983,771
Loss for the period	-	(1,831,316)	-	-	-	-	(1,831,316)
Other comprehensive income	-	-	(43,940)	-	-	-	(43,940)
Total comprehensive income	-	(1,831,316)	(43,940)	-	-	-	(1,875,256)
Share based payments	-	-	-	-	-	98,290	98,290
Balance at 31 December 2018	50,878,673	(19,501,681)	(718,568)	2,184,021	-	1,364,360	34,206,805
Balance at 1 July 2019	62,633,017	(39,303,622)	(696,952)	-	-	1,184,893	23,817,336
Loss for the period	-	(8,873,625)	-	-	-	-	(8,873,625)
Other comprehensive income	-	-	(1,419)	-	-	-	(1,419)
Total comprehensive income	-	(8,873,625)	(1,419)	-	-	-	(8,875,044)
Issue of shares	83,277,956	-	-	-	-	-	83,277,956
Costs of capital raised	(2,214,856)	-	-	-	-	-	(2,214,856)
Share based payments	-	-	-	-	-	6,970,973	6,970,973
Balance at 31 December 2019	143,696,117	(48,177,247)	(698,371)	-	-	8,155,866	102,976,365

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the half year ended 31 December 2019

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Cash flows from Operating Activities		
Payments to suppliers and employees	(2,498,664)	(1,468,552)
Payments for exploration and evaluation expenditure	(43,605)	(288,432)
Interest received (net)	337,960	24,684
Royalties received/paid	(1,314)	28,933
Grant income received	72,113	15,136
Rental income received	57,640	53,141
	<hr/>	<hr/>
Net cash used in operating activities	(2,075,870)	(1,635,090)
Cash flows from Investing Activities		
Payments for purchase of plant & equipment	(127,366)	(13,507)
Payments for mine development	(6,697,504)	(150,000)
Payments for capitalised exploration expenditure	(2,219,404)	(2,545,449)
	<hr/>	<hr/>
Net cash used in investing activities	(9,044,274)	(2,708,956)
Cash flows from Financing Activities		
Proceeds received from the issue of shares	83,277,956	-
Costs of capital raised	(2,214,855)	-
Payment of transaction costs	(1,605,000)	-
Deferred payments under share purchase agreement	-	(33,276)
	<hr/>	<hr/>
Net cash (used in) / provided by financing activities	79,458,101	(33,276)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents held	68,337,957	(4,377,322)
Cash and cash equivalents at beginning of the period	9,039,767	5,586,437
Effect of Foreign exchange rates on cash in foreign currencies	(59)	(112)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	77,377,665	1,209,003

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2019 (Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Standards and Interpretations adopted in the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 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.

(d) New and revised Standards adopted by the Group

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019 using the modified retrospective method of adoption. The Group has not restated comparatives for the reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The impact on the statement of financial position as at 1 July 2019 on the adoption of AASB 16 are noted below:

	As at 1 July 2019 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	540,237
Operating lease commitments discount based on the weighted average Incremental borrowing rate of 3.55% (AASB 16)	(19,442)
Commitments not recognised as a lease (AASB 16)	(185,020)
Right-of-use assets	335,775

	As at 31 December 2019 \$	As at 1 July 2019 \$
Lease liabilities		
Lease liability - Current	44,047	93,880
Lease liability - Non-current	252,794	252,794
Total Lease liabilities	296,841	335,775

	As at 31 December 2019 \$	As at 1 July 2019 \$
Right-of-use assets		
Right-of-use asset - Equipment	18,441	22,106
Right-of-use asset - Buildings	258,316	313,669
Total right-of-use assets	276,757	335,775

The nature of the Group's leasing activities includes office equipment and an office lease.

Accounting Policy

Prior to adoption of AASB 16 Leases, the Group recognised leases as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight line basis over the period of the lease. From 1 July 2019, a lease will arise when the

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2019 (Continued)

Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

Lease assets and liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made before commencement date. Lease assets are depreciated using the straight-line method over the lease term.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities at 1 July 2019 was 3.55%.

Short term leases (lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense in the consolidated profit or loss and other comprehensive income statement.

Mine properties under development

Mine properties under development represents the costs incurred in preparing the mines for production and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent that they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs will be amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Amortisation of mine properties development expenditure will commence at the point when production from the geological area of interest commences.

(e) Going Concern

The Group has incurred a loss of \$8,873,625 and a net cash inflow of \$68,337,957 during the half year ended 31 December 2019. The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. The ability of the Group to continue to adopt the going concern assumption will be contingent on the successful construction and development of the Karlawinda Gold Project and subsequent revenue from this operation.

NOTE 2 – REVENUE

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

	Consolidated	
	Half Year ended 31 December 2019	Half Year ended 31 December 2018
	\$	\$
<i>(a) Revenue:</i>		
- Royalties	11,091	21,505
- Rental	59,292	52,723
- Other	4	24
Total Revenue	<u>70,387</u>	<u>74,252</u>
<i>(b) Other Income:</i>		
- Net Interest received	349,611	22,121
- Grant income	72,113	-
Total Other Income	<u>421,724</u>	<u>22,121</u>

NOTE 3 – DEFERRED EXPLORATION & EVALUATION COSTS

Australia

At 1 July	12,078,608	26,483,890
Capitalised exploration expenditure	2,291,574	2,797,963
Transferred to Mine properties under development	(13,991,432)	-
Impairment	-	(17,203,245)
Total Deferred Exploration & Evaluation costs at 31 December/ 30 June	<u>378,750</u>	<u>12,078,608</u>

Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2019 (Continued)

NOTE 4 – DIVIDENDS

No dividend has been paid or proposed.

NOTE 5 – OTHER FINANCIAL ASSETS

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

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

	Consolidated	
	As at 31 December 2019 \$	As at 30 June 2019 \$
Current:		
At 1 July	128,000	190,000
Fair value adjustment	(30,000)	(62,000)
At 31 December/ 30 June	98,000	128,000

Financial assets, revalued at fair value through the profit or loss using the closing quoting bid prices at the end of the reporting period represent 2,000,000 (30 June 2019: 2,000,000) fully paid ordinary shares in Australian company BlackEarth Minerals NL.

Fair value of listed shares and assumptions:

	31 December 2019	30 June 2019
Fair value per listed share	\$0.049	\$0.064
Closing quoting bid price per share	\$0.049	\$0.064

NOTE 6 – MINE PROPERTIES UNDER DEVELOPMENT

	As at 31 December 2019 \$	As at 30 June 2019 \$
Balance at the beginning of the period	-	-
Transferred from Plant and equipment	1,500,000	-
Transferred from Exploration and evaluation	13,991,432	-
Expenditure for the period	7,806,361	-
Balance at the end of the period	23,297,793	-

NOTE 7 – ASSETS HELD FOR SALE

Assets held for sale comprises:

	Consolidated	
	As at 31 December 2019 \$	As at 30 June 2019 \$
Property Asset	2,900,000	2,900,000
	2,900,000	2,900,000

The Group intends to dispose of a freely held property asset located in Antanarirvo, Madagascar within the next 12 months. This property of 19,373m² containing a number of buildings, including offices, warehouses and villa accommodation, is a unique asset with limited potential buyers.

In September 2019, a valuation was completed by Messrs Cabinet D'Expertise Audit Techniques Et Conseils Qualities of 7,435,591,258 Ariary (AUD \$2,962,597).

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

Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2019 (Continued)

NOTE 8 – ISSUED CAPITAL

	As at 31 December 2019 \$	As at 30 June 2019 \$
324,765,473 fully paid ordinary shares (30 June 2019: 936,533,344)	143,696,117	62,633,017

Ordinary shares:

	Number of shares	Number of shares
Balance at the beginning of the period / year	936,533,344	747,936,325
Shares issued during the period / year:		
- 27 February 2019 ⁽¹⁾	-	32,508,128
- 16 April 2019 ⁽²⁾	-	32,716,703
- 7 May 2019 ⁽³⁾	-	123,372,188
- 5 July 2019 ⁽⁴⁾	108,707,208	-
- 20 August 2019 ⁽⁵⁾	125,426,127	-
- 30 August 2019 ⁽⁶⁾	172,215,221	-
- 30 September 2019 ⁽⁷⁾	280,823,873	-
- 2 December 2019 ⁽⁸⁾	(1,298,964,300)	-
- 18 December 2019 ⁽⁹⁾	24,000	-
Balance at the end of the period / year	324,765,473	936,533,344

There are no preference shares on issue.

Notes:

- 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.
- 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.
- 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.
- 5 July 2019: 108,707,208 shares were issued at a price of \$0.065 per share subsequent to the completion of a placement to shareholders.
- 20 August 2019: 125,426,127 shares were issued at a price of \$0.16 per share subsequent to the completion of a placement to shareholders.
- 30 August 2019: 172,215,221 shares were issued at a price of \$0.065 per share subsequent to the completion of a placement to shareholders.
- 30 September 2019: 280,823,873 shares were issued at a price of \$0.16 per share subsequent to the completion of a placement to shareholders.
- 2 December 2019: Shareholders approved a resolution to consolidate the Group's issued capital through the conversion of every five existing shares into one share.
- 18 December 2019: 24,000 shares were issued at a price of \$0.75 per share subsequent to the exercise of employee options.

The Group has no maximum authorised share capital. Ordinary shares do not have a par value.

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

Securities Exchange Listing

Total Issued Capital is 324,765,473 shares, all of which were listed on the ASX at 31 December 2019.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2019 (Continued)

NOTE 9 – PERSONNEL COSTS - SHARE-BASED PAYMENTS

Options

On 2 July 2019, the board recommended the issue of 40,000,000 options (8,000,000 after share consolidation) to Mr Mark Clark (Executive Chairman) and 10,000,000 options (2,000,000 after share consolidation) to Mr Mark Okeby (Non-Executive Director) under the Group's Incentive Option Plan subject to shareholder approval, which was obtained on 27 August 2019 at the Group's extraordinary general meeting.

The fair value at grant date of the options has been estimated using the Black-Scholes option pricing formula, taking into account the terms and conditions upon which the options were granted. The options vest immediately upon issue and the contractual life of each option is 3 years. The inputs used to calculate the fair value of these options are set out below.

Grant date	27 August 2019
Share price at grant date	\$1.225
Exercise price	\$0.60
Expected dividends	0%
Risk free rate	0.73%
Expected volatility	77.04%
Expected life	3 years
Fair value per option at grant date	\$0.6884

The fair value of the Options granted and expensed during the half year was \$6,884,000.

Performance Rights

In December 2019, 4,000,000 Performance Rights were granted to key management personnel, Mr Kim Massey and Mr Paul Thomas under the Group's Performance Rights Plan. 50% of the rights will vest on 17 September 2021 and the remaining rights will vest on 17 September 2022.

The fair value at the grant date was estimated using a Black Scholes option pricing model. The below table details the terms and conditions of the grant and the assumptions used in estimating the fair value:

Grant date	17 December 2019
Share price at grant date	\$1.18
Exercise price	nil
Dividend yield	0%
Risk free rate	0.73% - 0.80%
Volatility	105% - 126%
Performance period	3 years

The fair value of the Performance Rights granted during the half-year was \$4,720,000. The Group recognised an expense of \$77,926 for the period ended 31 December 2019.

In the half-year ended 31 December 2019, the Group has recognised total share-based payments expense (for new and existing grants) of \$6,970,973 in the statement of comprehensive income (2018: \$98,290).

At the Group's annual general meeting held on 20 November 2019, shareholders approved a resolution to consolidate the Group's issued capital through the conversion of every five existing shares into one share. This consolidation prompted a change in the exercise price and number of any outstanding options granted under the Group's Incentive Option Plan.

The number of options and outstanding and the related exercise price before and after the share consolidation are set out below:

Maturity Date	Before Share Consolidation		After Share Consolidation	
	Exercise Price	Number outstanding	Exercise Price	Number outstanding
Expiring 31 May 2020	\$0.10	6,000,000	\$0.50	1,200,000
Expiring 31 May 2020	\$0.20	2,500,000	\$1.00	500,000
Expiring 5 May 2021	\$0.147	28,490,028	\$0.735	5,698,006
Expiring 5 May 2021	\$0.15	3,400,000	\$0.75	680,000
Expiring 23 November 2021	\$0.097	1,000,000	\$0.485	200,000
Expiring 30 August 2022	\$0.12	50,000,000	\$0.60	10,000,000
Total options granted		91,390,028		18,278,006

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2019 (Continued)

NOTE 10 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 31 December 2019 (30 June 2019: Nil).

NOTE 11 – COMMITMENTS

Exploration Commitments

The Group is obligated to meet the minimum expenditure commitments on its tenements held in Western Australia or may face forced relinquishment of all or part of the tenement.

As at 31 December 2019 there are 14 granted tenements and 1 granted mining lease, with a total annual expenditure commitment of \$1,060,000 (June 2019: \$1,197,363). 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 payable.

Physical Gold Delivery Commitments

As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financier Macquarie Bank Limited ("MBL"), the Group has entered into a gold forward contract to manage the gold price of a proportion of anticipated sales of gold. The contracts are accounted for as sale contracts with revenue recognised once gold has been delivered to MBL or its agent. The physical gold delivery contracts are considered a contract to sell a non-financial item and therefore do not fall within the scope of AASB 9 *Financial Instruments*. Hence no derivatives are recognised. The contracted sales price is rounded to the nearest dollar.

	Gold for physical delivery ounces	Contracted gold sale price \$	Value of committed sales \$'000
Between one and five years Fixed forward contracts	200,000	\$2,250	\$450,000

The Group has no other gold sale commitments (June 2019: nil).

Other commitments

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

NOTE 12 – EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2019, 1,929,334 shares have been issued as a result of the exercise of employee options for proceeds of \$1,272,001.

On 6 January 2020, the Group entered into a call option contract of 16,700 ounces with a delivery price of \$2,260 per ounce with Macquarie Bank Limited.

On 15 January 2020, the Group committed to purchase a ball mill for \$7,975,098 with CITIC HIC Australia Pty Ltd. The Group has also committed to purchasing screen tanks for the mill from Kemix Pty Ltd for \$1,354,860.

On 28 February 2020, Ms Natasha Santi resigned from the position of Joint Company Secretary.

Except as disclosed above, there have been no other events subsequent to balance date that would significantly affect the amounts reported in the consolidated financial statements as at and for the half-year ended 31 December 2019.

Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2019 (Continued)

The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 8 to 17, are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



Mr Mark Clark
Executive Chairman

Perth, Western Australia
12 March 2020

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Capricorn Metals Ltd

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Capricorn Metals Ltd (the company) and the entities it controlled at the half-year's end or from time to time during the half-year (the consolidated entity) on pages 8 to 18, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capricorn Metals Ltd on pages 8 to 18 is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Responsibilities of the Directors for the Half-Year Financial Report

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

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ACCOUNTANTS & ADVISORS

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

As the auditor of Capricorn Metals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

William Buck

William Buck Audit (WA) Pty Ltd

ABN: 67 125 012 124



Robin Judd

Director

Dated this 12th day of March 2020

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