



ACTIVITIES REPORT SEPTEMBER QUARTER 2018

ASX ANNOUNCEMENT

25 October 2018

ASX Code: CMM

ABN: 84 121 700 105

Board of Directors:

Ms Debra Bakker
Non-Executive Chair

Mr Heath Hellewell
Managing Director

Mr Peter Langworthy
Non-Executive Director

Mr Stuart Pether
Non-Executive Director

Issued Capital:

Shares 747.9M
Options 55.7M
Share Price A\$0.069
Market Cap. A\$51.6M

REGISTERED OFFICE:

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HIGHLIGHTS

- Following the receipt of several key approvals during the Quarter, the Karlawinda Gold Project is now fully permitted.
- Debt financing discussions with banks are now in the final stage and credit-approved term sheets are now expected to be received in mid-November 2018.
- SMS Mining Services nominated as preferred mining contractor, subject to final investment decision.
- Latest results from follow-up RC drilling at the Tramore Prospect, located immediately south of the 1.5Moz¹ Bibra Mineral Resource, confirm a significant zone of shallow mineralisation, with new intercepts including:
 - 12m @ 2.54g/t from 129m (KBRC1187)
 - 19m @ 1.51g/t from 119m (KBRC1184)
 - 18m @ 1.1g/t from 159m (KBRC1186)
 - 14m @ 1.03g/t from 56m (KBRC1224)
- The Tramore Prospect is interpreted to be the southern extension of the Main Footwall Lode at the Bibra deposit with a current footprint of 450m along strike, up to 20m thick and 250m in the downdip direction.

1. Capricorn report that it is not aware of any new information or data that materially affects the information included in the Reserve and Resource announcement dated 29th May 2018 and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and there have been no adverse material changes

SEPTEMBER QUARTER ACTIVITIES SUMMARY

During the Quarter the Company continued to progress the Karlawinda Gold Project towards a final investment decision. The permitting process continued, with all key permits for the Project now approved by the relevant Western Australian government departments, including key Native Vegetation Clearing Proposals, the 5C Water Extraction Permit, Works Approval, Mining Proposal, Mine Closure Plan and Project Management Plan.

The Company also continued discussions in relation to the proposed debt component of the Project financing. The process is being undertaken by the Company and involves several short-listed banks. Credit-approved term sheets are now expected to be received in mid-November with facility agreements expected to be executed shortly thereafter.

The formal competitive tender process for the key Load & Haul and Drill & Blast contract was finalised with SMS Mining Services formally advised of their preferred contractor status.

The Company also reached an agreement with Fortescue Metals Group to secure key accommodation and mining infrastructure facilities, including a 306-person accommodation camp.

Exploration activities continued during the Quarter with the completion of follow-up drilling of the resource extension target at the Tramore Prospect. Results from this program confirmed the significant zone of shallow mineralisation defined over a strike length of 450m.

In late September, it was necessary for the Company to respond to press speculation about an indicative acquisition proposal from Regis Resources Limited. The Company confirmed it had received a confidential, non-binding, indicative acquisition proposal from Regis at a price of 11.4 ¢ per Capricorn share, the proposal was subject to several conditions including the support of a number of key Capricorn shareholders. Subsequently Regis notified Capricorn that it could not gain the support of one of the key shareholders and withdrew the offer. In formally advising Capricorn and the market of its withdrawal, Regis reserved the right to make a further proposal in relation to Capricorn in the future.

The Company maintains an active business development strategy and will continue to consider transactions and opportunities that are consistent with this strategy and are considered to be in the interests of all shareholders.

Karlawinda Gold Project Development

PERMITTING AND APPROVALS

All key permits for the Karlawinda Gold Project have now been finalised. These permits are a critical part of Project development, and their grant reflects the quality of work completed to date and the measured and responsible approach to the Project's development adopted by Capricorn and its consultants.

In all cases, the permits have been applied for by and issued to Greenmount Resources Pty Ltd, a wholly-owned subsidiary of Capricorn Metals Ltd.

Native Vegetation Clearing Proposal. This licence, which allows for vegetation clearing of mining and infrastructure areas on the Karlawinda Mining Lease, M52/1070, was granted on 27th January 2018 by the Department of Water and Environmental Regulation.

Project Management Plan. This document was approved on 22nd June 2018 by the Department of Mines, Industry, Regulation and Safety (DMIRS). It details the geology, hydrogeology, geotechnical, processing plant design, tailings dam design, emergency response, safety and risk management strategies for the Project.

Mining Proposal and Mine Closure Plan. This document was approved on 30th July 2018 by DMIRS. It details all key activities to be undertaken at Karlawinda, including mining, mineral processing, environmental management and a mine closure plan.

5C Water Extraction Licence (Rights in Water & Irrigation Act 1914). This licence, which was issued on 19th July 2018 by the Department of Water and Environmental Regulation, allows for the extraction of groundwater from the Karlawinda borefield and open pit at a rate of up to 4 giga-litres per year. It is expected that once the tailings dam is fully commissioned, and recirculation of water back to the process plant is optimised, the volume of water extraction will be significantly lower.

Works Approval. This licence is issued by the Department of Water and Environmental Regulation and covers all possible emissions to the environment by a proposed development. Approval was received on 20th August.

KEY CONTRACTS

During the Quarter, and following an extensive tender process, SMS Mining Services was formally advised of their preferred contractor status for the combined key load & haul and drill & blast contract, subject to Project financing. It is proposed that should the final decision be made to proceed with contractor mining, the drill & blast component of the contract will be undertaken by Rock on Ground under a subcontractor arrangement.

Capricorn executed a Letter of Intent with Catercare for the catering and camp services contract subject to project financing, following the completion of a tender process.

PROJECT FINANCING

During the Quarter discussions continued with several short-listed banks who are currently part of a formal process. Following the completion of the Independent Technical Experts report during the Quarter the banks have all the information required to complete the credit approval process, which is now expected to be finalised in mid-November.

The Company currently expects the debt component of the Project financing to be approximately 60% of the total funding requirement and it is envisaged that the debt funding syndicate will comprise two to three banks.

Exploration

BIBRA RESOURCE EXTENSION DRILLING

Further RC drilling at the Tramore Prospect, located south of the main Bibra open pit, was completed during the Quarter. This drilling defined the Tramore Prospect, located immediately south of the 1.5Moz Bibra Mineral Resource, over a strike length of approximately 450m. Final results from this program confirmed a significant zone of shallow mineralisation, with new intercepts including (see ASX Announcement dated 14 August 2018):

- 12m @ 2.54g/t from 129m (KBRC1187)
- 19m @ 1.51g/t from 119m (KBRC1184)
- 18m @ 1.1g/t from 159m (KBRC1186)
- 14m @ 1.03g/t from 56m (KBRC1224)

The Tramore Prospect is interpreted to be the southern extension of the Main Footwall Lode at the Bibra deposit with a current footprint of 450m along strike, up to 20m thick and 250m in the downdip direction. The Tramore Prospect remains open at depth.

The mineralised zone at Tramore is interpreted to be the southern continuation of the zone hosting the Main Footwall Lode at the Bibra deposit, which hosts the bulk of the current open pit Ore Reserves.

Consistent with the large Bibra mineralised system, the Tramore mineralisation is hosted in both Archaean amphibolite and garnet-rich volcanoclastic sandstone with higher grade intercepts associated with silica, carbonate, magnetite alteration and pyrite mineralisation (up to 5% pyrite). At Tramore, the Archaean greenstones are unconformably overlain by Proterozoic aged cover rocks of the Bangemall Group up to 50m thick at the southern end of the Prospect.

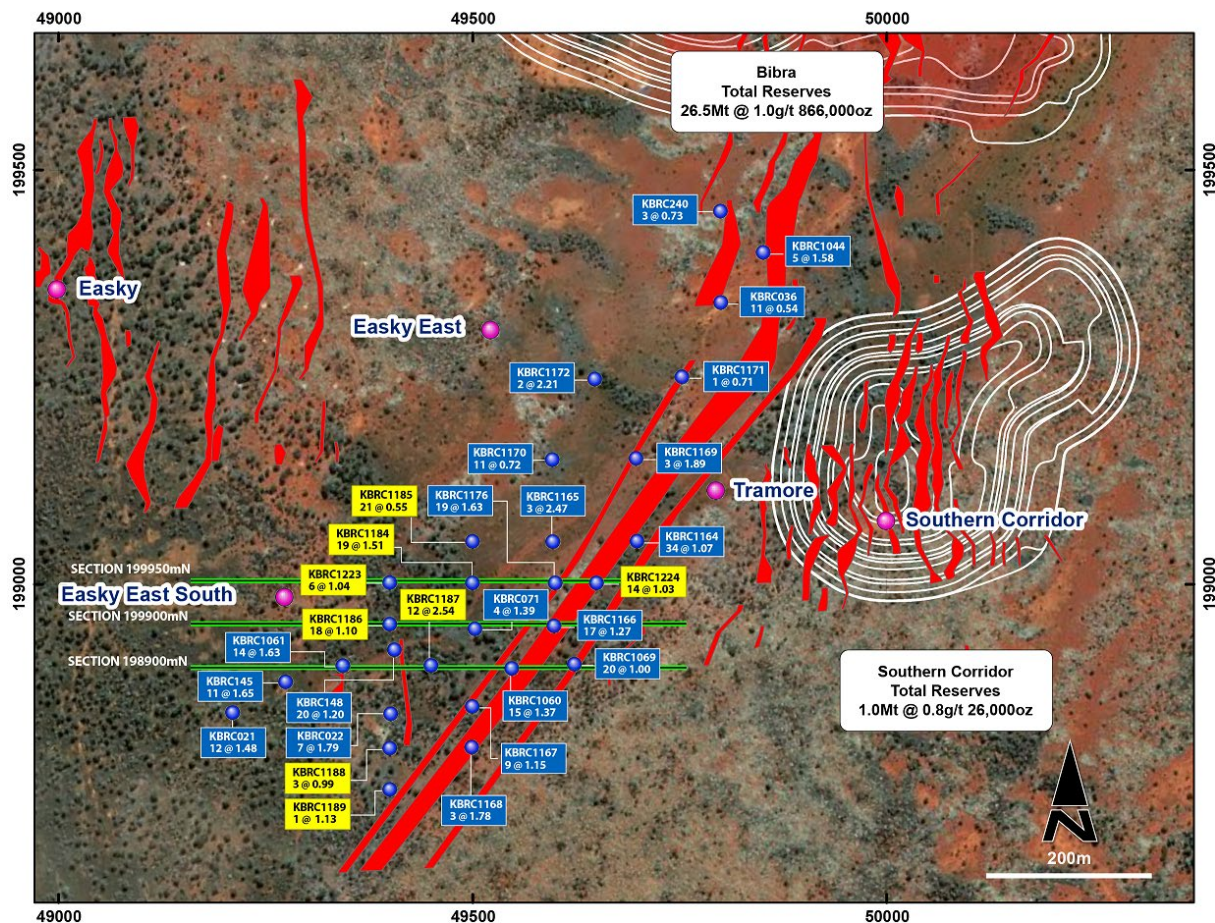


Figure 1: Tramore Prospect plan with new drillhole intercepts (yellow) and previously reported intercepts (blue) with section lines (green).

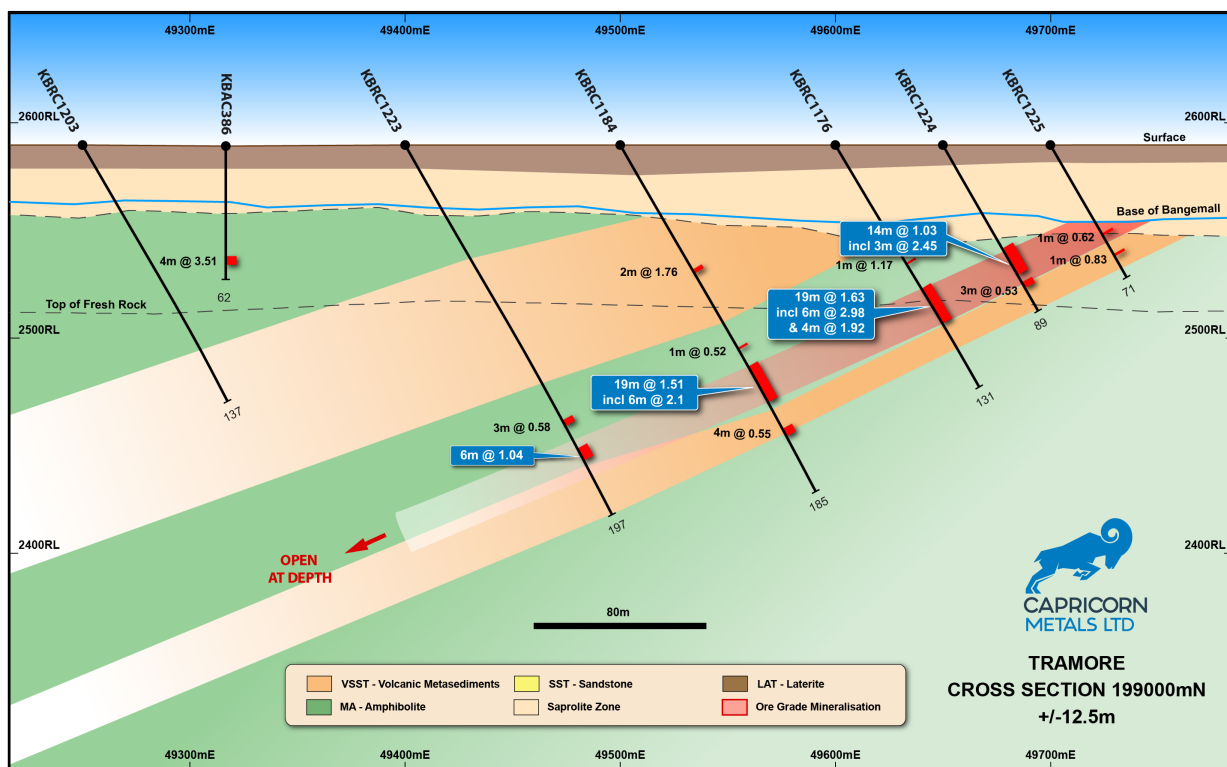


Figure 2: Section 199,000mN cross-section showing Tramore Prospect mineralisation.

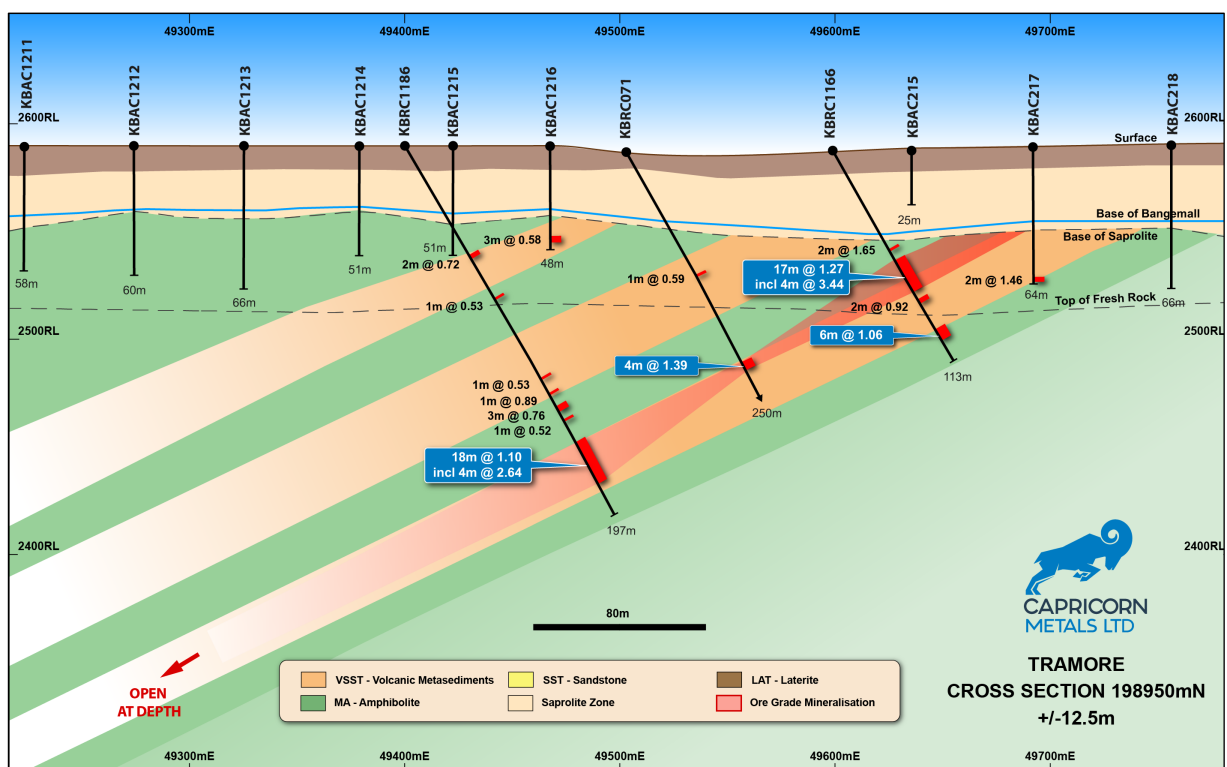


Figure 3: Section 198,950mN cross-section showing Tramore Prospect mineralisation.

REGIONAL EXPLORATION

A program of regional soil geochemical sampling comprising 3,200 samples was completed during the Quarter. Samples were collected on a 400m x 400m grid over a total area of approximately 450km². Results are currently being compiled and assessed in the context of a new program of regional geological and regolith mapping.

Corporate

Cash balance at the end of the Quarter was \$2.7 million.

In late September following media speculation, Capricorn confirmed that it had received a confidential, non-binding, indicative acquisition proposal ("Proposal") from Regis Resources Limited ("Regis") in relation to a scrip acquisition of 100% of Capricorn by Regis. The Proposal was at a price of 11.4¢ per Capricorn share, which was a premium of around 93% to Capricorn's share price at the time of 5.9¢.

The Proposal was subject to several conditions including a Capricorn Board Recommendation along with the support of key Capricorn shareholders and the execution of a binding implementation agreement. While the Proposal received unanimous support from the Capricorn Board, not all of the conditions were satisfied such that there was a transaction that could be put to shareholders.

On the 1st of October Regis notified Capricorn that one of Capricorn's key shareholders had advised that it did not support Regis' Proposal and, accordingly, Regis decided to withdraw the Proposal and cease discussions with Capricorn. Regis also advised at the time that, while it has no intention to initiate further discussions, it reserves its right to make a further proposal in relation to Capricorn in the future.

Immediately after the end of the Quarter, Mr Heath Hellewell stepped down as Chairman of the Capricorn Board of Directors effective from 3rd of October 2018.

Mr Hellewell will continue in the role of Managing Director of the Company. Ms Debra Bakker an independent Non-Executive Director of Capricorn assumed the role of Non-Executive Chair.

DECEMBER QUARTER PLANNED ACTIVITIES

Activities planned for the December Quarter include:

- Completion of financing discussions with short-listed debt financiers
- Final interpretation of regional soil geochemical surveys and mapping programs

TENEMENTS

A full listing of the Company's current tenement holdings, as at the date of this release, is included as Appendix 1.

During the Quarter, the following changes have occurred:

- Miscellaneous License Application L52/197 was lodged on the 10/07/2018
- E52/1711 was renewed for a further 12 months until 4/08/2019
- E52/3571 was granted on the 18/09/2018
- E52/3656 application for exploration license was lodged on the 24/08/2018

For and on behalf of the Board



Heath Hellewell
Managing Director

For further information, please contact:

Mr Heath Hellewell,
Managing Director
Email: enquiries@capmet.com.au
Phone: (08) 9212 4600

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 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 (29/05/2018), Metallurgy (19/6/2017) and Ore Reserves (29/05/2018) 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.

Forward Looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation of belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. The detailed reasons for that conclusion are outlined throughout this announcement and all Material Assumptions are disclosed.

However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Such risks include, but are not limited to resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as governmental regulation and judicial outcomes.

For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

The Company has concluded it has a reasonable basis for providing the forward-looking statements that relate to the Karlawinda Feasibility Study that are included in this announcement and which has been prepared in accordance with the JORC code (2012) and ASX Listing Rules.

APPENDIX 1 – 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	Application	23/03/2017	-
E52/3541	Karlawinda	Greenmount	7	Granted	28/03/2018	27/03/2023
E52/3543	Karlawinda	Greenmount	8	Granted	28/03/2018	27/03/2023
E52/3562	Karlawinda	Greenmount	20	Granted	28/03/2018	27/03/2023
E52/3571	Karlawinda	Greenmount	10	Granted	18/09/2017	17/09/2023
E52/3656	Karlawinda	Greenmount	94	Application	24/08/2018	-
Total Blocks			555			
Miscellaneous Licences						
L52/174	Karlawinda	Greenmount	22.17 ha	Granted	25/08/2017	17/04/2039
L52/177	Karlawinda	Greenmount	12.20 ha	Granted	08/12/2017	07/12/2038
L52/178	Karlawinda	Greenmount	21.41 ha	Granted	08/12/2017	07/12/2038
L52/179	Karlawinda	Greenmount	127.83 ha	Granted	25/08/2017	27/05/2039
L52/181	Karlawinda	Greenmount	1.00 ha	Granted	15/09/2017	17/04/2039
L52/183	Karlawinda	Greenmount	28.46 ha	Granted	08/12/2017	2/05/2039
L52/189	Karlawinda	Greenmount	1258 ha	Application	10/04/2018	-
L52/192	Karlawinda	Greenmount	220 ha	Application	16/05/2018	-
L52/197	Karlawinda	Greenmount	173 ha	Application	10/07/2018	-
Mining Lease						
M52/1070	Karlawinda	Greenmount	2975.07 ha	Granted	23/11/2016	22/11/2037

Note:

- The area measurement for one block can vary between 2.8 – 3.2 km²

Madagascar:

Title Number	Permit Type	Grant Date	Expiry Date	Term (Years)	Project Name	Total Carres (New - 0.391km ²)	Interest %	Note
25095	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Maniry	48	100%	1
Total Carres						608		

Note:

- Leased to SQNY – Royalty and partial tenement fees payable to subsidiary Mada-Aust SARL.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

CAPRICORN METALS LTD

ABN

84 121 700 105

Quarter ended ("current quarter")

30 SEPTEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18	18
1.2 Payments for		
(a) exploration & evaluation	(1,870)	(1,870)
(b) development	-	-
(c) production	-	-
(d) staff costs	(379)	(379)
(e) administration and corporate costs	(430)	(430)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Grant Income	15	15
1.8 Other: GST (Paid)/ Refunded	(87)	(87)
1.9 Net cash from / (used in) operating activities	(2,718)	(2,718)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(160)	(160)
(b) tenements (see item 10)	-	-
(c) investments (deferred instalments)	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(160)	(160)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,586	5,586
4.2	Net cash used in operating activities (item 1.9 above)	(2,718)	(2,718)
4.3	Net cash from/ (used) in investing activities (item 2.6 above)	(160)	(160)
4.4	Net cash from financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,708	2,708

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,708	5,586
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,708	5,586

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
122
-

Directors remuneration	95
Exploration personnel services	27

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	550
9.2 Development	-
9.3 Production	-
9.4 Staff costs	320
9.5 Administration and corporate costs	200
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,070

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Refer to Covering Quarterly Activity Report attached hereto		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		Refer to Covering Quarterly Activity Report attached hereto		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 25 October 2018

Print name: Natasha Santi

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.