



ACTIVITIES REPORT MARCH QUARTER 2017

Pivotal period ahead with Bibra deposit Mineral Resource upgrade completed and maiden reserve and Karlawinda DFS on schedule

HIGHLIGHTS

- Updated Mineral Resource estimation of 31 million tonnes @ 1.1g/t Au for 1,114,000 ounces of gold at Bibra deposit
- Ongoing results from drilling at the main Bibra deposit demonstrate strong continuity and consistency of mineralisation
- Drilling results reported during the March quarter include:
 - KBRC720 6m @ 3.3 g/t Au from 134m & 10m @ 1.1 g/t Au from 156m
 - KBRC719 6m @ 5.4 g/t Au from 126m & 9m @ 1.5 g/t Au from 148m
 - KBRC718 6m @ 2.4 g/t Au from 118m & 14m @ 1.3 g/t Au from 135m
 - KBRC768 21m @ 1.3 g/t Au from 9m incl. 5m @ 2.9 g/t Au from 14m
 - KBRC751 16m @ 1.5 g/t Au from 8m incl. 5m @ 3.9 g/t Au from 9m
 - KBRC752 21m @ 1.1 g/t Au from 8m incl. 5m @ 2.5 g/t Au from 9m
- De-risking of Karlawinda Gold Project continues with positive results from metallurgical and environmental studies
- Karlawinda DFS on track for completion by September quarter 2017, paving the way for financing in the second half of 2017 and for commencement of construction in the first half of 2018
- Board and Management restructure positions the Company for its next phase of growth

ASX ANNOUNCEMENT

26 APRIL 2017

Australian Securities
Exchange Code: CMM

ABN: 84 121 700 105

Board of Directors:

Mr Heath Hellewell
Executive Chairman

Mr Guy LeClezio
Non-Executive Director

Mr Stuart Pether
Non-Executive Director

Issued Capital:

Shares 541.8M
Options 36.1M
Share Price A\$0.115
Market Cap. A\$62.3M

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KARLAWINDA GOLD PROJECT

The Karlawinda Gold Project, located in the Pilbara region of Western Australia, is 65km south-east of the town of Newman. Karlawinda is an advanced gold project which includes the Bibra deposit and numerous outstanding exploration targets including the Francopan prospect. The total Project area covers approximately 1,353km².

Capricorn completed a positive Scoping Study in July 2016 which was based on a single large open pit mine at the Bibra deposit feeding a 3Mtpa standalone CIL (carbon-in-leach) processing facility on site.

In the second half of 2016, Capricorn commenced a Definitive Feasibility Study (DFS) into the development of the Karlawinda Gold Project. This study is underpinned by a major 75,000m infill drilling program completed in December 2016. The aim the program was to upgrade the confidence level in the previous Inferred Mineral Resource at Bibra to the higher confidence Indicated category. This drilling program was one of the largest drilling campaigns undertaken by the Australian gold sector in 2016.

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

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

This represents a 22% increase (200,000oz) from Capricorn's July 2016 resource and a 70% increase (463,200oz) from the February 2016 resource. Refer to the ASX announcement released by the Company on the 10th of April 2017 for further details on this resource estimation.

The DFS is scheduled for completion in the September quarter 2017. Capricorn maintains an aggressive exploration program at Karlawinda.

RESOURCE SUMMARY

TABLE (1): BIBRA DEPOSIT JORC OPEN PIT RESOURCE ESTIMATE (as of April 2017)									
DATE	INDICATED			INFERRED			TOTAL		
	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
April 2017	28.9	1.10	1.03	2.4	1.06	0.084	31.3	1.10	1.114
July 2016	---	---	---	25.5	1.10	0.914	25.5	1.10	0.914

TABLE (2): BIBRA DEPOSIT JORC OPEN PIT RESOURCE ESTIMATE BY DOMAIN (as of April 2017)			
DOMAIN	Tonnes	Grade (g/t Au)	Ounces
Laterite	1,544,000	1.4	67,600
Oxide – upper saprolite	2,318,000	1.0	73,000
Lower saprolite	3,075,000	1.0	99,850
Transitional	2,071,600	1.0	65,270
Fresh	22,322,500	1.1	808,380
TOTAL	31,331,100	1.1	1,114,000

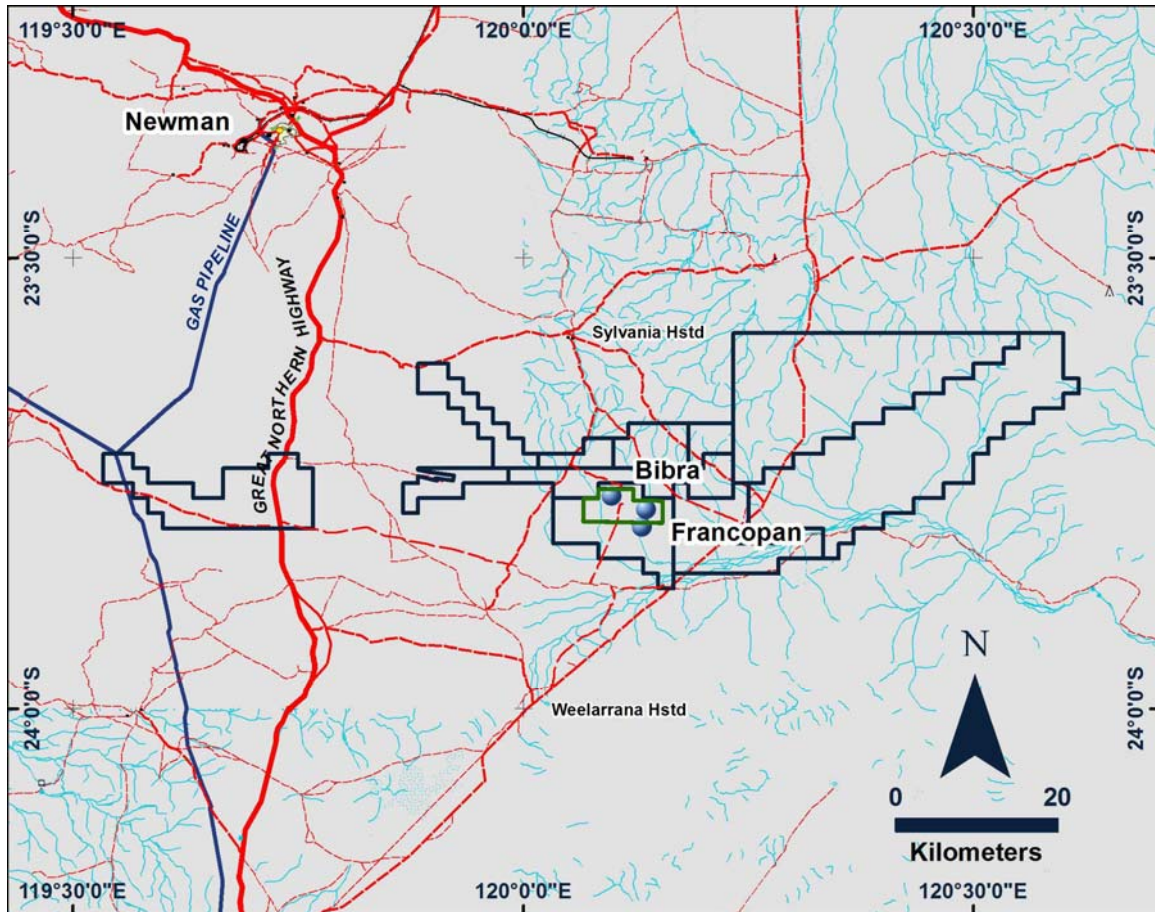


Figure 1: Location Map: Karlawinda Gold Project

MARCH QUARTER ACTIVITIES

The focus of activity in the March quarter was principally on progressing key activities associated with the Karlawinda Gold Project Definitive Feasibility Study. These activities included:

- Compilation of drilling and assaying information to upgrade the Inferred Mineral Resource to an Indicated Mineral Resource category;
- Ongoing detailed metallurgical test work;
- Ongoing detailed review of alternative comminution circuit designs;
- Tailings dam design review; and
- Ongoing environmental baseline sampling.

Highlights from the quarter are provided below.

BIBRA DEPOSIT IN-FILL AND EXTENSIONAL DRILLING

During the March quarter the Company released a series of high grade gold drill results. These results came from the southern end of the deposit within a high-grade extension to the Main Hanging Wall Lode and included:

- **KBRC0720: 6m @ 3.3g/t Au from 134m and 10m @ 1.1g/t Au from 156m**
- **KBRC0719: 6m @ 5.4g/t Au from 126m and 9m @ 1.5g/t Au from 148m**
- **KBRC0718: 6m @ 2.4g/t Au from 118m and 14m @ 1.3g/t Au from 135m**

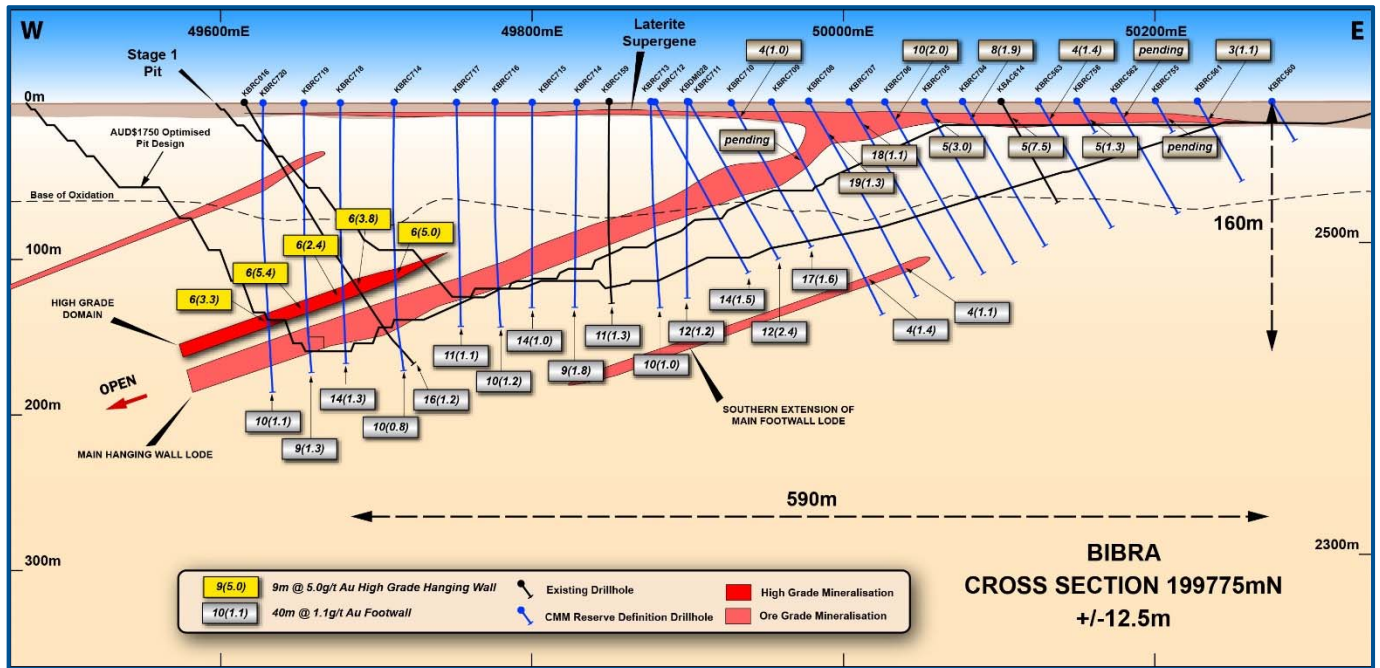


Figure 2: Bibra Cross Section 199,775mN (2016 pit designs shown)

The results confirmed the potential and excellent continuity and predictability of a number of higher-grade zones that are prominent throughout the broader lower-grade parts of the deposit.

A series of strong results from within the near surface laterite zone, for which mineralisation has been delineated over at least a 1.1km strike length and up to 500m wide, was also released during the quarter. The laterite mineralisation starts within 1-15m of surface and is generally covered by a thin veneer of sand. The high quality laterite mineralisation should provide robust, early cashflow from the proposed Project.

- **KBRC0768: 21m @ 1.3g/t Au (includes 5m @ 2.9g/t Au)**
- **KBRC0767: 15m @ 1.2g/t Au (includes 11m @ 1.5g/t Au)**
- **KBRC0751: 16m @ 1.5g/t Au (includes 5m @ 3.9g/t Au)**
- **KBRC0752: 21m @ 1.1g/t Au (includes 5m @ 2.5g/t Au)**
- **KBRC0404: 6m @ 1.7g/t Au (includes 5m @ 2.0g/t Au)**
- **KBRC0492: 7m @ 2.7g/t Au (includes 4m @ 4.3g/t Au)**
- **KBD033: 12m @ 1.5g/t Au (includes 7m @ 2.2g/t Au)**

The drilling program reduced the drill-hole density at Bibra to 25m x 25m spacing (critical areas) and 50m x 50m spacing (non-critical areas) and generated large volumes of sample material for further detailed metallurgical testwork. The program also outlined a series of smaller hangingwall zones of mineralisation from areas previously considered waste material and discovered new mineralisation in peripheral gold targets including at the Easky, Portrush and Southern Corridor prospects.

Overall the drilling program has confirmed the strong continuity and consistency of mineralisation in all directions.

RESOURCE RE-ESTIMATION

Final assay results from all of 2016 Resource drilling were received, validated and compiled, and an updated resource estimate announced on 10th April 2017 of 31 million tonnes @ 1.1g/t containing 1.114 million ounces of gold, of which 92% is classified as Indicated, and 8% Inferred. This expanded Mineral Resource, represents material within an optimisation shell at a gold price of A\$1750/oz and will form the basis for detailed pit designs, mining schedule and reserve calculations to be completed in the June 2017 quarter.

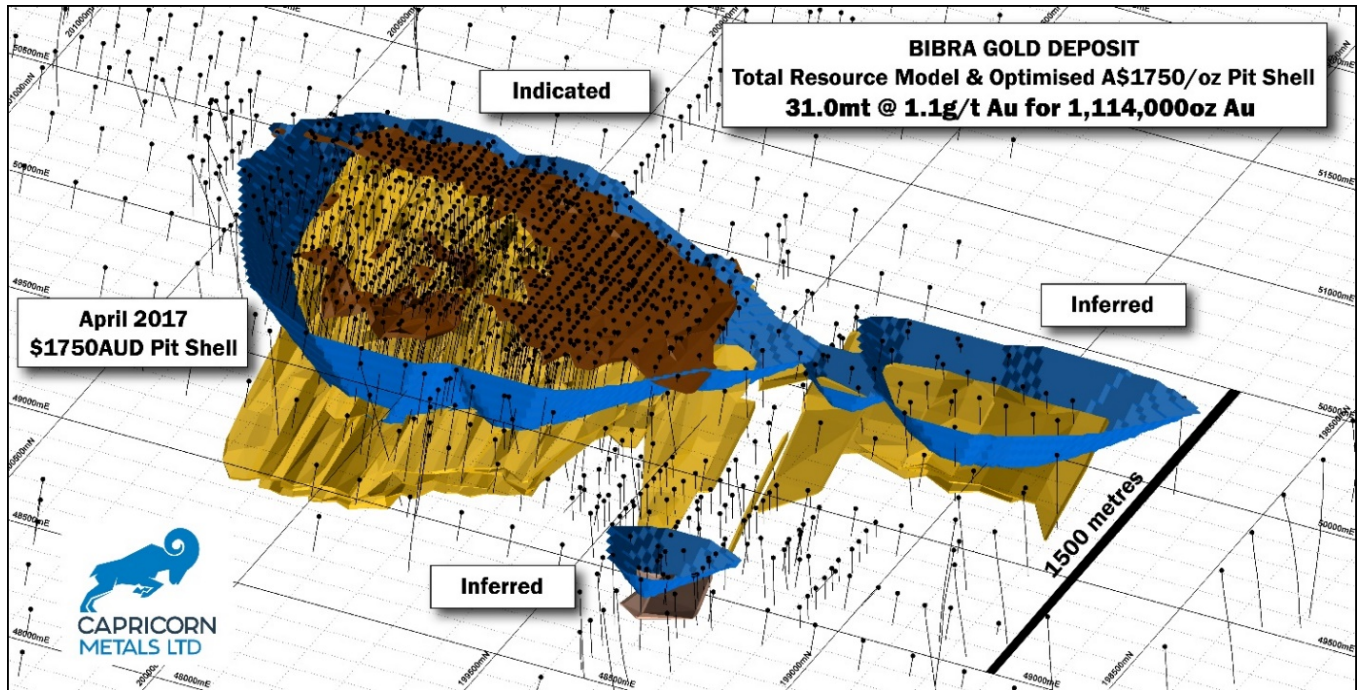


Figure 3: Bibra Resource and Optimised Pit Shells

METALLURGICAL

A program of 16 composite samples from diamond drill-hole samples were selected from across the Bibra deposit, representing all geological domains during the December quarter. Samples were sent to ALS Metallurgy for cyanide leaching, and to Gekko for gravity recoverable gold test work. Residues from this test work were used for geotechnical and environmental testing of tailings to assist with tailings dam design.

Most results from metallurgical test work have been received and are being used to optimise the gold plant design. Key outcomes from test work to date are summarised as follows:

Grind size: Optimum grind sizes are 150 microns (Oxide material) and 106 microns (Fresh material). This represents an increase in the Oxide grind size from 125 microns in scoping studies.

Gravity recovery of gold: Laterite <10%; Oxide 25-50%; Fresh 50-75%. These gravity recoveries are increased from scoping study levels, and represent a greater effort in recovering fine gold through Knelson concentrators. Significant benefits flow from a greater gravity gold extraction, including:

- Potential for greater overall gold recovery (lower residual gold in tailings);
- Faster cyanide leaching time (indicatively reducing from 33 to 24 hours) resulting in less leaching tankage; and,
- Lower cyanide and lime consumption, resulting in lower operating costs.

Total gold recovery following cyanide leach is still being determined, with some test work results awaited, and indications that total recovery will be similar to the 91% used in the 2016 Scoping Study.

ENVIRONMENTAL

Environmental surveys by 360 Environmental build on previous surveys and continue to de-risk the Project and the mine permitting process. During the quarter, a further survey to investigate Subterranean Fauna in the proposed borefield found no evidence of stygofauna or troglifauna. Subterranean species have now been ruled out from being present in both the open pit and borefield areas.

A second seasonal survey for Terrestrial Invertebrates is scheduled for the current quarter. This survey is the only incomplete area of environmental surveying in advance of an environmental permitting process.

HYDROGEOLOGY

As previously announced, significant flows of low-salinity, sub-potable water to the west and south of and within 8km of the Bibra deposit have been identified. A 48 hour pump-testing program was planned for the March quarter on 5 sites followed by three-dimensional modelling of the aquifer.

This pump-testing in the proposed borefield was delayed due to high rainfall in the Pilbara region and is now scheduled to be completed in the June quarter.

JUNE QUARTER – PLANNED ACTIVITIES

During the June 2017 quarter, the following activities are planned for Karlawinda:

- Calculation of a maiden reserve for the Bibra deposit;
- Exploration drilling of targets to east and south of Bibra deposit;
- Pump-testing of proposed process water borefield;
- Completion of laboratory metallurgical test work, leading to process engineering design; and
- Completion of base line environmental surveys.

CORPORATE

FINANCIAL POSITION

On the 6th of February 2017, Capricorn announced execution of a binding agreement with Hawke's Point Holdings L.P. to raise a total of A\$10 million in new equity through the issue of shares at a price of 11.7c per share. The investment by Hawke's Point, which followed an extensive due diligence process, is a strong endorsement for the Karlawinda Gold Project and resulted in Capricorn being fully funded through to a formal decision to mine. The investment, which will be completed in two tranches, also enables Capricorn to maintain an aggressive ongoing exploration program at Karlawinda.

The Company's cash position at 31st March was A\$5.2 million, an increase of A\$3.5 million for the quarter, reflecting the receipt of proceeds from Tranche 1 of the A\$10 million placement to Hawke's Point, less ongoing costs associated with ongoing exploration, development, and corporate activities.

DIVESTMENTS

Consistent with the Company's strategy, a number of graphite exploration properties in Madagascar were divested. The properties were acquired by Blackearth Minerals NL, a subsidiary of Lithium Australia NL (ASX: LIT).

BOARD AND MANAGEMENT RESTRUCTURE

To ensure that Capricorn has the appropriate balance and blend of skills and experience between the Board and executive management an organizational restructuring was undertaken during the quarter. Mr Heath Hellewell was appointed as Executive Chairman and Mr Stuart Pether joined the board as a Non-Executive Director. Mr Peter Thompson, Mr Peter Langworthy and Mr Jonathan Shellabear stepped down from the Board and have taken up full-time executive positions

This restructure lays the foundation for the Company to move forward and deliver on its strategy to become a significant Australian gold producer.

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:

- Tenement E52/1711 was granted an extension of term with the expiry date extended to 4th August 2017 on 6th January 2017.

- Tenement Applications E52/3363 and E52/3450 were converted to Granted tenements on 13th January 2017.
- Tenement Application E52/3533 was lodged on 23rd March 2017.

Subsequent to the end of the quarter the following changes have occurred:

- Tenement Applications E52/3541 & E52/3543 have been lodged on 19th & 20th April 2017 respectively.

For and on behalf of the Board



***Heath Hellewell
Executive Chairman***

For further information, please contact:

Mr Heath Hellewell, Executive Chairman
Email: enquiries@capmet.com.au
Phone: (08) 9384 3284

Mr Nicholas Read
Read Corporate
Phone: 0419 929 046

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 at Capricorn Metals Ltd and is a current Member of the Australian Institute of Geoscientists. Mr. Michael Martin has sufficient experience, which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Martin consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Exploration Results or Mineral Resources is based on information reviewed by Mr. Peter Langworthy, Executive General Manager - Geology, who is a current Member of the Australian Institute of Mining and Metallurgy. Mr. Peter Langworthy is a full-time Executive employee of Capricorn Metals Ltd and has sufficient experience, which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Langworthy consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

APPENDIX 1 – TENEMENT SCHEDULE

Australia

Tenement	Project	Company	Blocks ¹	Status	Date of Grant/ Application	Expiry
E52/1711	Karlawinda	Greenmount	35	Granted	05/08/2004	04/08/2017
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	16/06/2010	16/06/2020
E52/3323	Karlawinda	Greenmount	11	Granted	11/03/2016	10/03/2021
E52/3363	Karlawinda	Greenmount	36	Granted	13/01/2017	12/01/2022
E52/3450	Karlawinda	Greenmount	16	Granted	13/01/2017	12/01/2022
E52/3474	Karlawinda	Greenmount	128	Application	16/09/2016	-
E52/3533	Karlawinda	Greenmount	109	Application	23/03/2017	-
E52/3541	Karlawinda	Greenmount	7	Application	19/04/2017	-
E52/3543	Karlawinda	Greenmount	8	Application	20/04/2017	-
Total Blocks			389			
M52/1070	Karlawinda	Greenmount	2975 ha	Granted	23/11/2016	22/11/2037

Note:

1. 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 %	Notes
3432	PR	21-Sep-15	20-Sep-18	3	Ampanihy - Central (Big 'S')	48	100%	
5391	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	
5392	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	
5393	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	4
5394	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Maniry	48	100%	3
19932	PE	10-Mar-06	09-Mar-46	40	Ampanihy - Maniry	112	100%	
25093	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	
25094	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	
25095	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Maniry	48	100%	2
25605	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	80	100%	1
25606	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	16	100%	1
39750	PR	21-Sep-15	20-Sep-18	03	Ampanihy - Central (Big 'S')	16	100%	
39751	PR	21-Sep-15	20-Sep-18	03	Ampanihy - Central (Big 'S')	160	100%	
Total Carres						608		

NOTES

1. Renewal awaiting confirmation from BCM. All annual fees have been paid up to 31 December 2017.
2. Leased to SQNY – Royalty and partial tenement fees payable to Mada-Aust SARL, A subsidiary of CMM.
3. Leased to Jupiter Mines and Minerals – Royalty and annual tenement fees payable to Mada-Aust SARL, A subsidiary of CMM.
4. Leased to Hery Lala Alain Raharinavio – Royalty on small blocks

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")

31 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	20	62
1.2 Payments for		
(a) exploration & evaluation	(2,531)	(10,252)
(b) development	-	-
(c) production	-	-
(d) staff costs	(226)	(595)
(e) administration and corporate costs	(303)	(656)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	78
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other: GST (Paid)/ Refunded	223	(98)
1.9 Net cash from / (used in) operating activities	(2,809)	(11,461)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(21)
(b) tenements (see item 10)	-	(1,500)
(c) investments	-	(26)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	1
	(b) tenements (see item 10)	-	-
	(c) investments	75	96
	(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	71	(1,450)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,418	6,418
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	150
3.4	Transaction costs related to issues of shares, convertible notes or options	(222)	(222)
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	6,196	6,346

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,732	11,755
4.2	Net cash used in operating activities (item 1.9 above)	(2,809)	(11,461)
4.3	Net cash from/ (used) in investing activities (item 2.6 above)	71	(1,450)
4.4	Net cash from financing activities (item 3.10 above)	6,196	6,346
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,190	5,190

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	5,190	1,732
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)	5,190	1,732

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
156
-

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
434

Payments to OMNI GeoX Pty Ltd ("OMNI"), of which Mr Langworthy is a director and shareholder. OMNI provide services in relation to the management and execution of the exploration programme. Mr Langworthy ceased to be a director of Capricorn Metals on 14th March 2017.

Mining exploration entity and oil and gas exploration entity quarterly report

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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	3,300
9.2 Development	-
9.3 Production	-
9.4 Staff costs	279
9.5 Administration and corporate costs	300
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	3,879

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: 26th April 2017

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.