DEEP DRILLING COMMENCES TO TEST FOR EXTENSIONS OF 1.3Moz BIBRA DEPOSIT

Landmark deep diamond drill-hole underway to test for extensions of Bibra mineralised system 800m down-dip from deepest known mineralisation

HIGHLIGHTS

- The deep diamond drill-hole is co-funded by the WA State Government Exploration Incentive Scheme (EIS).
- Drilling will test a further 800m down-dip from the deepest previous drilling and test a conceptual target at a vertical depth of approximately 600m below surface.
- The 1.3Moz Bibra Gold System is currently 2.5km long, 1km wide and remains open down-dip.
- Drilling is designed to:
    - Intersect the conceptual position where the Main Footwall and Main Hangingwall mineralisation converge down-dip;
    - Determine the potential for higher grade mineralisation in a conceptual fold closure structural position;
    - Test the association between the crustal-scale western bounding fault and gold mineralisation at Bibra; and
    - Improve the overall understanding of the geological architecture and stratigraphy of the Bibra deposit at depth.
- Drilling is expected to take three weeks to complete.

Capricorn's Executive Chairman, Heath Hellewell, said: "This is a bold and exciting step-out hole designed to test the ultimate potential of the large-scale gold system at Bibra. It is targeting a position which is backed up by some cutting-edge geological and technical work undertaken by our team. It has the potential to be a real game-changer for the project on a number of levels.

"I would like to acknowledge the important role played by the WA Government's Exploration Incentive Scheme in supporting frontier-style exploration initiatives such as this – which will help to unlock the next major discoveries which are so urgently needed in the gold sector in Australia."

ASX ANNOUNCMENT

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Issued Capital:

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Options 56.7M
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CO-FUNDED EIS DRILLING

Capricorn Metals Ltd (ASX: CMM) is pleased to advise that it has commenced drilling an 800m deep diamond hole designed to test potential down-dip extensions of the 1.3Moz Bibra deposit[1], part of its 100%-owned Karlawinda Gold Project, located 65km south-east of Newman in WA.

The drillhole will target extensions of the mineralised system up to 800m down-dip from the deepest known gold mineralisation which forms part of the proposed initial open pit mining operation targeted for development at Karlawinda later this year.

The drillhole is partly funded through co-funding assistance provided by the State Government of Western Australia's Exploration Incentive Scheme (EIS), where 50% of the direct drilling cost is covered by the scheme.

DRILLING OBJECTIVES

The main objective of the EIS drill-hole is to identify major extensions to known mineralisation and scope out the ultimate size potential of the large Bibra mineralised system at depth.

At Bibra, the mineralising event is currently thought to be relatively early in the geological evolution of the deposit, and the current interpretation suggests that mineralisation may be folded in a series of isoclinal folds. The EIS drillhole will test a conceptual fold closure and the potential for large tonnage zones of higher grade gold mineralisation at depth in this structural position.

The hole is planned to target the Main Bibra mineralisation 600m below surface and 800m down-dip from the deepest mineralisation intersected by drilling to date (see Figure 1).

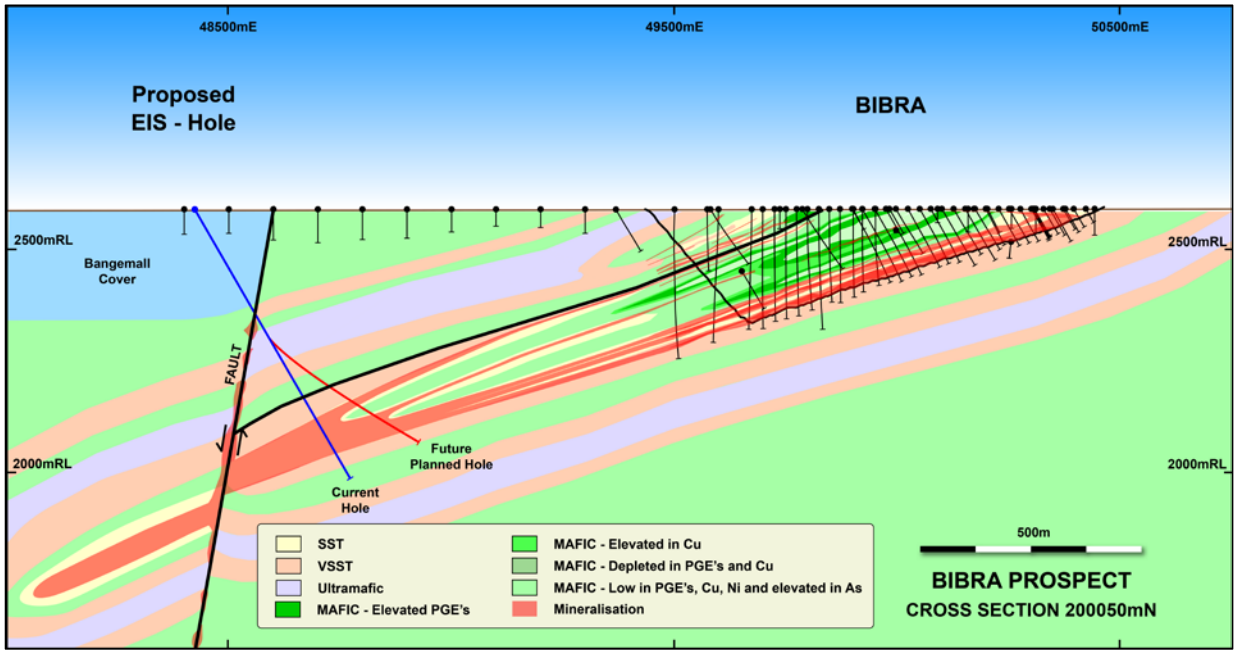

Figure 1: Section 200050mN conceptual cross-section showing EIS hole target.

The secondary objectives of the hole are to test the relationship between a series of major crustal scale faults and the gold mineralisation and to gain a greater understanding of the host stratigraphy, lithogeochemistry and structure at depth.

[1] Capricorn report that it is not aware of any new information or data that materially affects the information included in the Resource update announcement dated 17th November 2017 and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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GEOLOGICAL CONCEPTS

This conceptual exploration target has been developed by Capricorn in the course of the Company's recent resource drill programs, through detailed geological logging and investigation of the multi-element geochemistry to identify key lithological marker horizons.

This has enabled the identification of individual volcanic flows, volcanoclastic rocks and sedimentary units and provided "way-up" indicators – all of which has resulted in an improved understanding of the stratigraphy and the potential structural architecture of the Bibra mineralised system. Compilation of this information has identified a series of overturned isoclinal folds which are currently thought to post-date mineralisation.

The identification of the overturned isoclinal folding and its relationship to mineralisation has been a key breakthrough in understanding the geometry of the deposit, generating new ideas in relation to deposit formation, and identifying new areas to target for potential mineralisation. Knowledge on the plunge of fold axes, fold wavelengths and location of gold mineralisation have been used in building the conceptual target for the EIS drill-hole. The drill-hole is targeted on the convergence of the Main Hanging wall and Footwall lodes, which are within the limbs of a large synformal fold structure. The closure of this fold potentially creates a zone of thickened mineralisation and potential higher grade mineralisation (Figure 1).

Regionally, a series of crustal scale, north-south trending faults also occur in spatial association with gold mineralisation. This association can be seen at both the Bibra deposit and the Francopan prospect within the Karlawinda Project area. The EIS drill-hole will test one of these fault structures at depth and provide a greater understanding of the implications of these long-lived structures in the main mineralisation event.

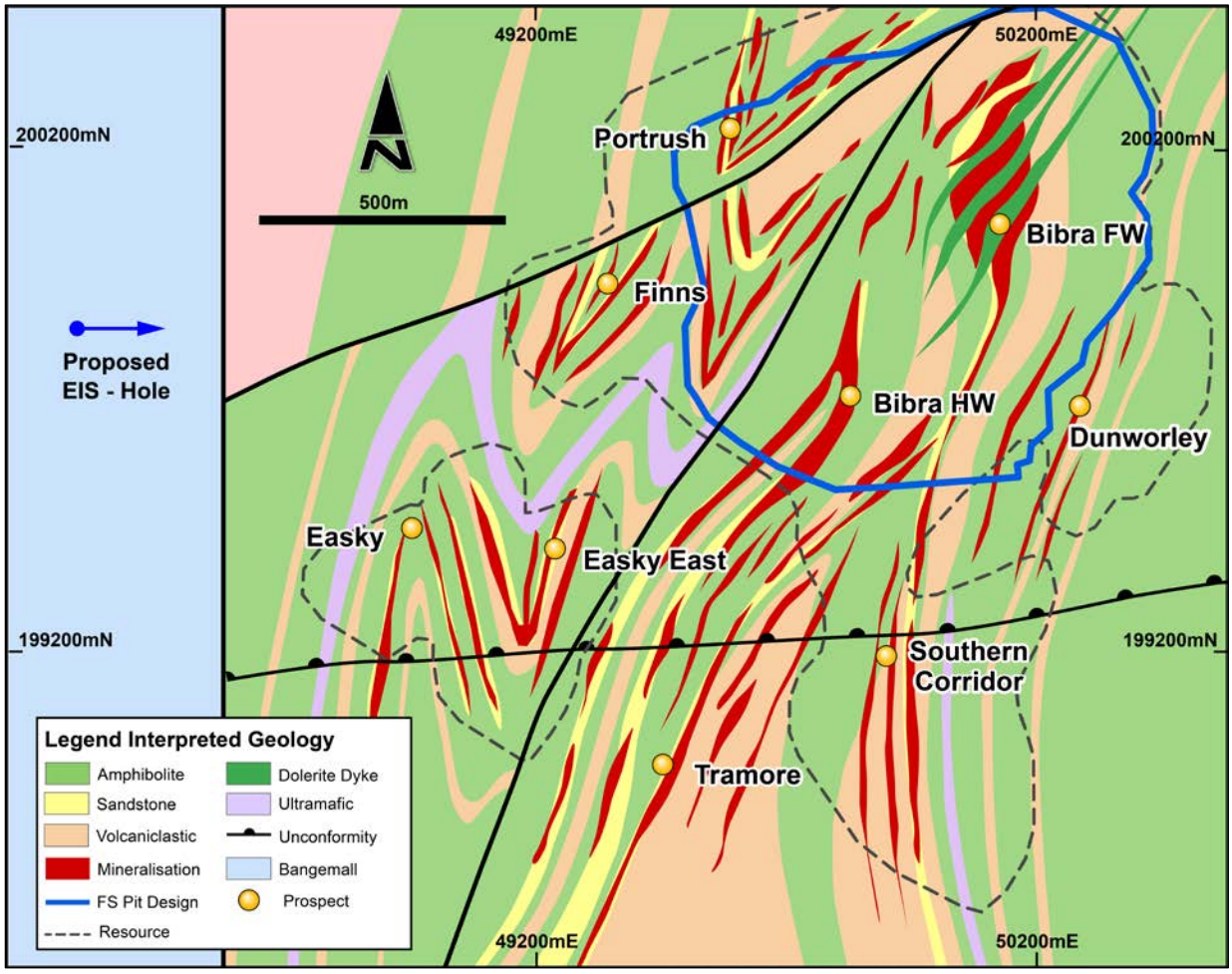

Figure 2: Drill-hole location plan on interpreted geology.

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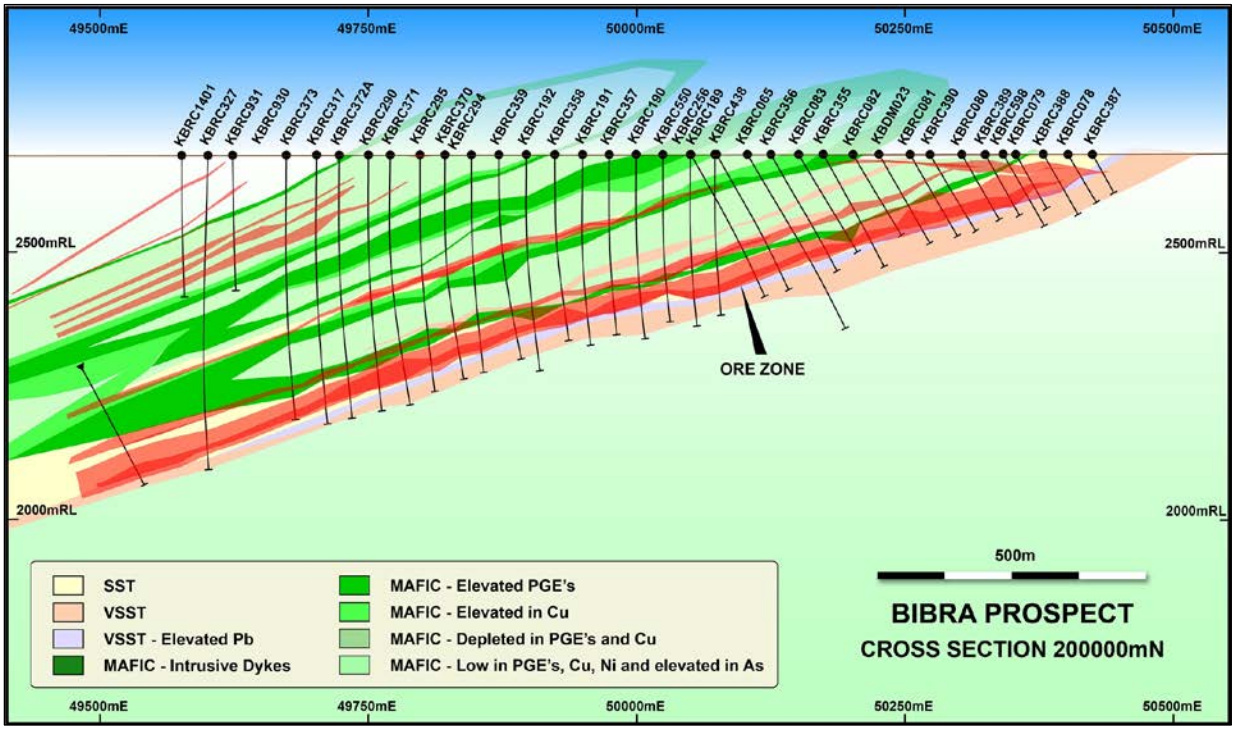

Figure 3: Cross-Section 200000mN, litho-geochemical interpretation.

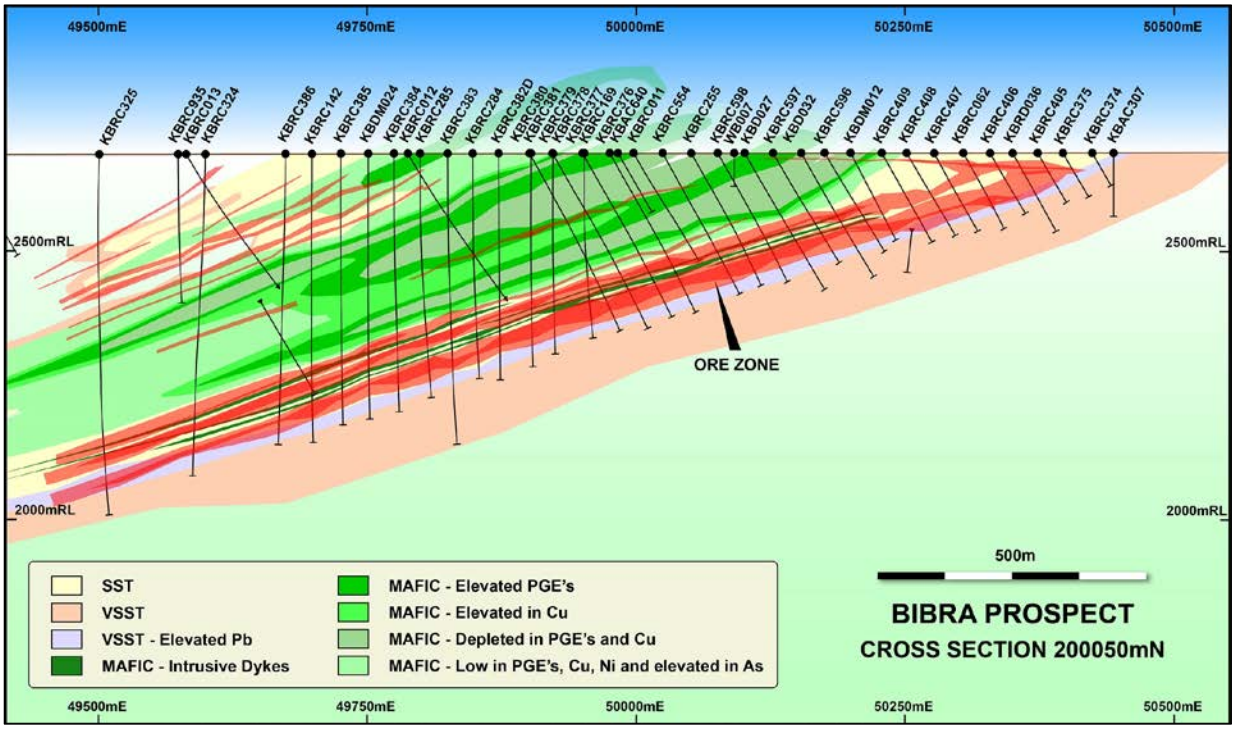

Figure 4: Cross-section 200050mN, litho-geochemical interpretation.

NEXT STEPS

The EIS drill-hole will provide Capricorn with important additional geological information and a much greater understanding of the continuity and potential distribution of gold mineralisation at depth.

Based on the results of this drilling, it is likely that further deep drilling will be undertaken to scope the ultimate scale and gold distribution within the large mineralised systems at Karlawinda.

For and on behalf of the Board

Heath Hellewell
Executive Chairman

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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 a full-time employee of Capricorn Metals Ltd in the role of Chief Geology 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.

APPENDIX 1 – KARLAWINDA GOLD PROJECT RESOURCES

TABLE 1: BIBRA GOLD DEPOSIT JORC OPEN PIT RESOURCE ESTIMATE
(as of November 2017)

Date	MEASURED			INDICATED			INFERRED			TOTAL		
	Tonnes (Mt)	Grade (g/t)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t)	Ounces (Moz)
Nov 2017	8.3	1.25	334	22.6	1.05	765	7.3	1.0	227	38.3	1.1	1.326

Notes on the November 2017 Mineral Resource Estimate:

1. Refer to JORC 2012 Table (1) in Appendix 2 of the announcement dated 17th November 2017 for full details.
2. Discrepancy in summation may occur due to rounding.
3. The mineralisation has been wireframe modelled using a 0.3g/t Au assay cut-off grade. The Mineral Resource estimate has been reported above a block grade of 0.5g/t Au.
4. The Mineral Resource has been constrained by a A$1750/ounce optimised pit shell for indicated and A$2000/ounce for Inferred.
5. Ordinary kriging was used for grade estimation utilising Surpac software v6.6.2.
6. Grade estimation was constrained to blocks within each of the mineralised wireframes.
7. See ASX announcements dated 4th July 2016 and 10th April 2017 for previous resource announcements.