

## ACTIVITIES REPORT – MARCH QUARTER 2016

Highly successful quarter for Capricorn as it embarks on strategy to become a low-cost open pit gold producer at the Karlawinda Gold Project in Western Australia

---

### HIGHLIGHTS

- **Purchase of Karlawinda Gold Project in WA completed via the acquisition of unlisted company Greenmount Resources Pty Ltd for the issue of 171,636,476 shares following a shareholder General Meeting held on 3 February 2016 which also approved:**
  - *A \$1.5M share placement, completed on 5<sup>th</sup> February 2016, to underpin initial exploration activities at Karlawinda;*
  - *The appointment of two new directors, highly experienced mining executives Mr Heath Hellewell and Mr Peter Thompson to help spearhead the Company's new growth strategy in the gold sector; and*
  - *A change of company name from Malagasy Minerals Limited to Capricorn Metals Ltd, and ASX code to CMM.*
- **Successful development and implementation of a fast-track programme for the evaluation and development of the Karlawinda Gold Project, located 65km south-east of Newman in WA (ASX announcement: 4<sup>th</sup> February 2016).**
- **Commencement of an in-fill and extensional drilling programme at Karlawinda to upgrade and extend the existing Inferred Resource of 18Mt grading 1.1g/t Au for 650,800oz (cut-off grade of 0.5g/t Au) (ASX announcement: 1<sup>st</sup> March 2016).**
- **Appointment of Mr Neville Bergin as Project Manager for the Karlawinda Gold Project.**

Highlights subsequent to the end of the March 2016 quarter:

- **Initial drilling results from Bibra deposit, Karlawinda. These results were from 11 holes and included intersections of 9m @ 5.1 g/t gold, 19m @ 1.37 g/t gold and 9m @ 3.32 g/t gold (ASX announcement: 13<sup>th</sup> April 2016).**
- **Further drilling results and completion of drilling programme at Karlawinda. Results from 4 holes were reported and included intersections of 5m @ 3.71 g/t gold, 19m @ 1.35 g/t gold and 22m @ 1.58 g/t gold (ASX announcement: 22<sup>nd</sup> April 2016).**
- **\$12.6m Capital Raising at a price of \$0.13 per share and Investor Presentation (ASX announcements: 29th April 2016).**

# KARLAWINDA GOLD PROJECT

Following the acquisition of Greenmount in February, Capricorn took control of the Karlawinda Gold Project, and immediately embarked on a strategy to fast-track its development, with the key elements of this program including:

- Compilation and validation of all drill-hole information into a Datashed database;
- Establishment of strict QA/QC protocols, planning for, tendering and commencement of a 10,000m RC drilling programme designed to extend the Bibra resource: **JORC 2012 Inferred Resource of 18mt @ 1.1g/t Au for 650,800oz Au (COG 0.5g/t)** (Appendix 1); and
- The appointment of Mr Neville Bergin as a dedicated Project Manager for a Scoping Study of the Bibra deposit (*ASX announcement: 18<sup>th</sup> February*). Strong progress has been made on this Scoping Study, building on the excellent work by the previous project owners. The Scoping Study is planned to be complete by July 2016.

The Karlawinda Gold Project, is located in the Pilbara 65km south-east of Newman, W.A., within the Archaean aged Sylvania Dome Inlier (Figure 1). Karlawinda is an advanced gold project which includes the Bibra deposit and numerous outstanding exploration targets including the Francopan prospect.

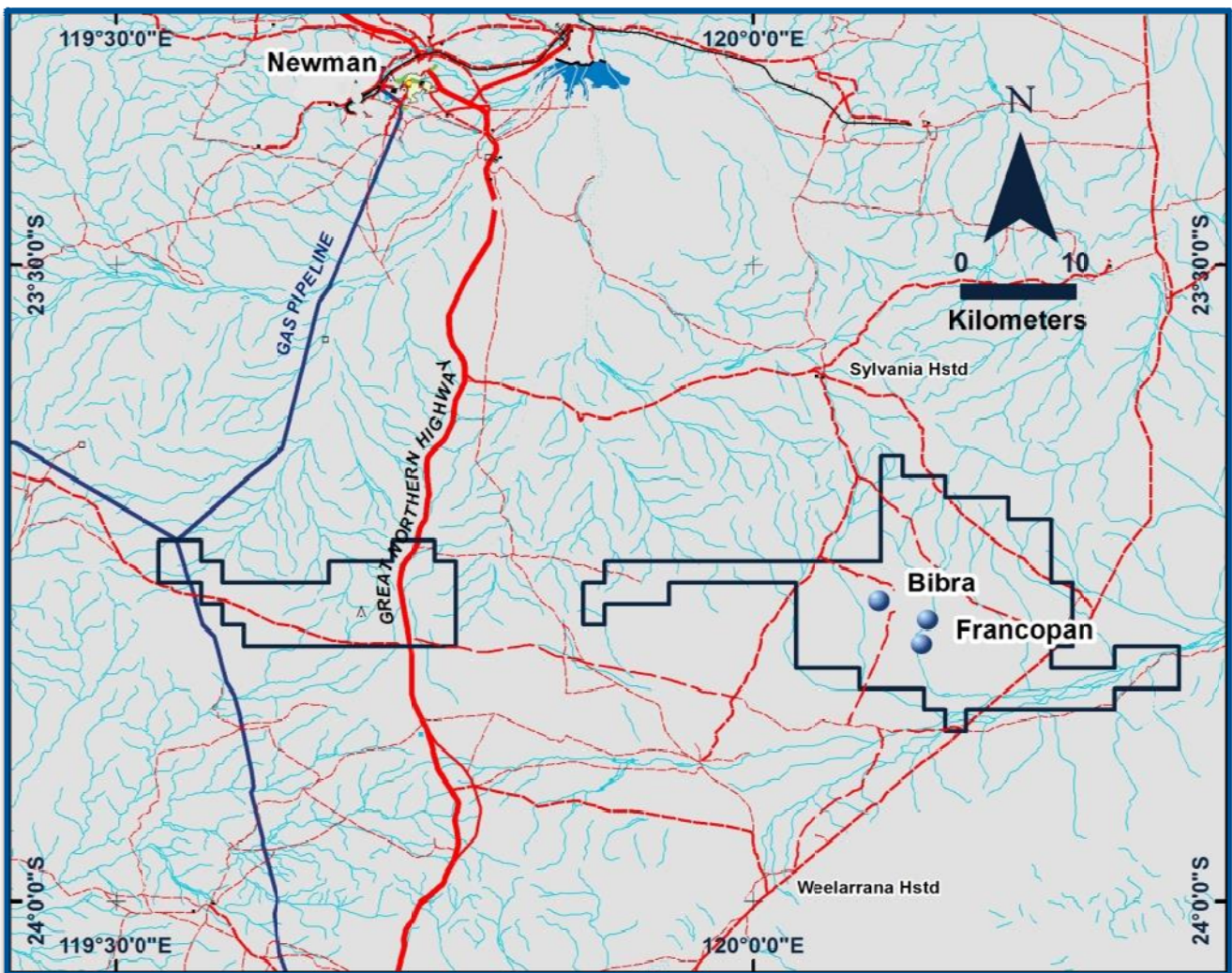


Figure 1: Location Map: Karlawinda Gold Project

## BIBRA RC DRILLING PROGRAMME

The maiden drilling program was completed ahead of time and on budget (total 47 holes for 9,642 metres) with results from 14 holes already reported; assays for a further 33 holes are awaited. Drilling and sampling practices are regarded as best practice and QA/QC benchmarks are consistently being met.

Results continue to match the anticipated widths and grades predicted by previously completed wide-spaced drilling, and are expected to add significantly to the existing Inferred Resource.

Bibra drill-hole results (*ASX announcement: 13<sup>th</sup> & 22<sup>nd</sup> April 2016*) include:

- **KBRC 295:**           **6 metres @ 1.36g/t Au** from 111m  
                          **14 metres @ 0.66g/t Au** from 167m  
                          **17 metres @ 1.14g/t Au** from 183m
- **KBRC 296:**           **5 metres @ 3.71g/t Au** from 89m  
                          **16 metres @ 0.87g/t Au** from 138m  
                          **19 metres @ 1.35g/t Au** from 160m
- **KBRC 297:**           **10 metres @ 1.09g/t Au** from 160m  
                          **22 metres @ 1.58g/t Au** from 171m
- **KBRC 285:**           **9 metres @ 5.10g/t Au** from 169m  
                          **21 metres @ 1.33g/t Au** from 190m
- **KBRC 284:**           **12 metres @ 1.00g/t Au** from 162m  
                          **13 metres @ 1.02g/t Au** from 176m
- **KBRC 286:**           **15 metres @ 1.07g/t Au** from 203m
- **KBRC 290:**           **19 metres @ 1.37g/t Au** from 200m  
                          **9 metres @ 3.32 g/t Au** from 126m
- **KBRC 294:**           **23 metres @ 1.13g/t Au** from 160m

The majority of holes in the current programme are aimed at extending the known mineralisation at Bibra down-dip and are expected to increase the currently reported Inferred Resource.

Gold mineralisation at Bibra is observed in the RC drill chips and are typically hosted by a sheared pyritic meta-sandstone unit interbedded with minor amphibolite. The sulphide alteration (2-3% pyrite) is visually distinctive and this mineralisation has been observed in all 47 drillholes.

This initial RC drilling has been focused on the "Main Lode" in the northern area of the optimised open pit (Figure 2). These initial results indicate that there is strong continuity of mineralisation outside of the currently reported Inferred Resource and that the mineralised shear zone remains consistent at depth (Figures 3a-b). The drilling remains wide spaced on a 50 metre by 50 metre grid.

A series of narrower, but potentially significant, mineralised lodes have also been intersected in shallower, hanging wall positions.

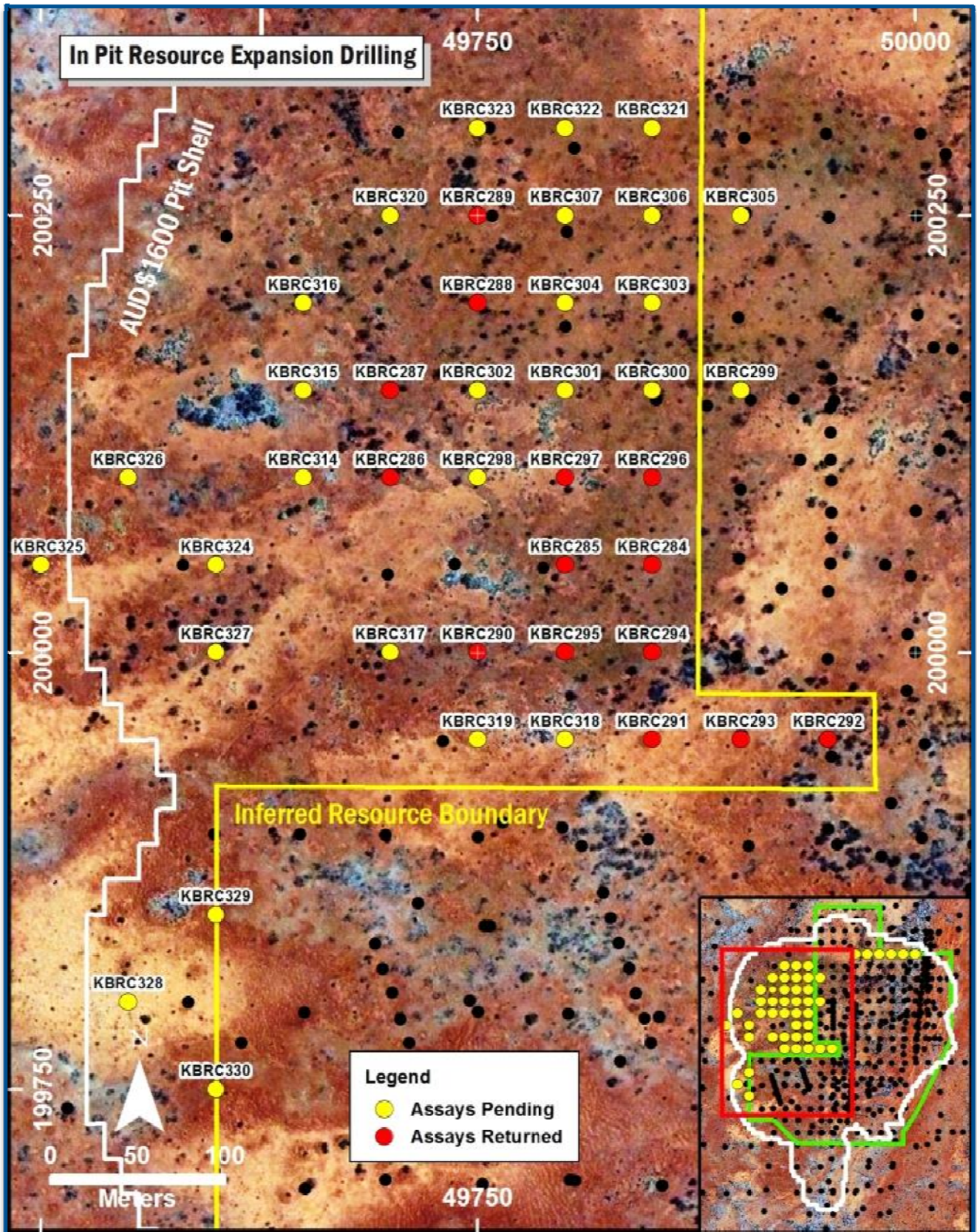


Figure 2: Plan of March quarter drilling, Bibra deposit, Karlawinda Gold Project

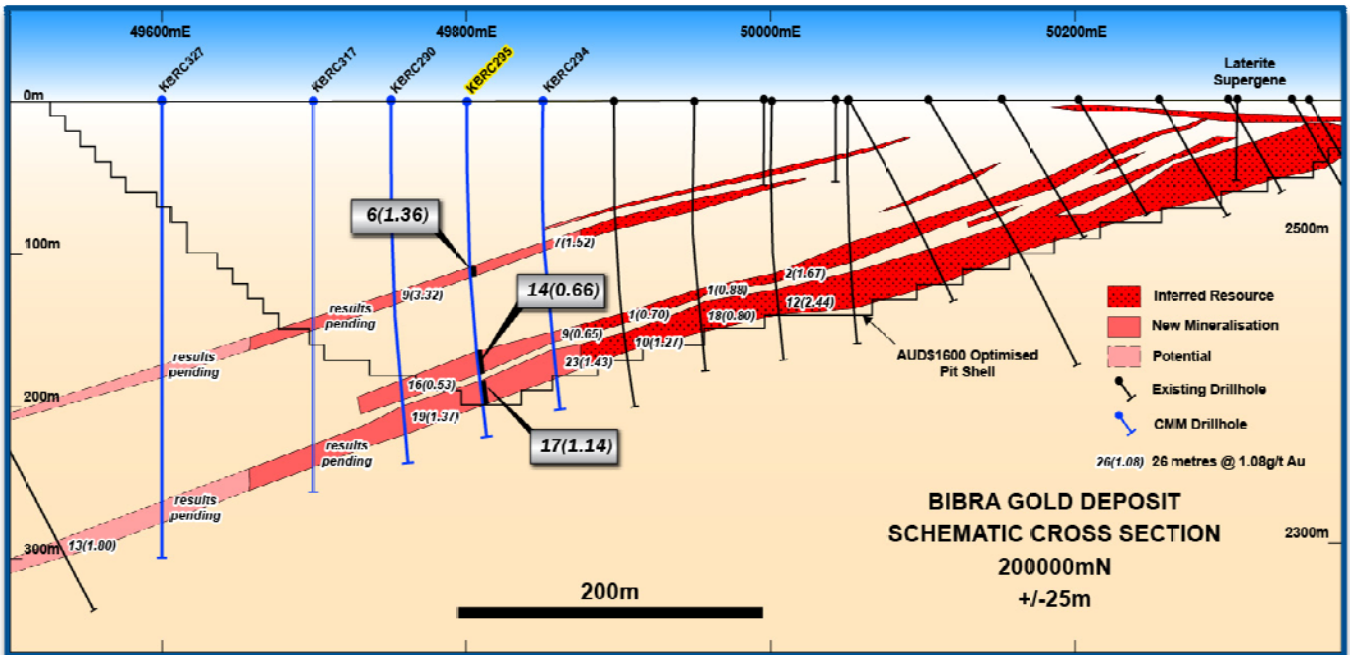


Figure 3a: BIBRA GOLD DEPOSIT SCHEMATIC CROSS SECTION (200000N)

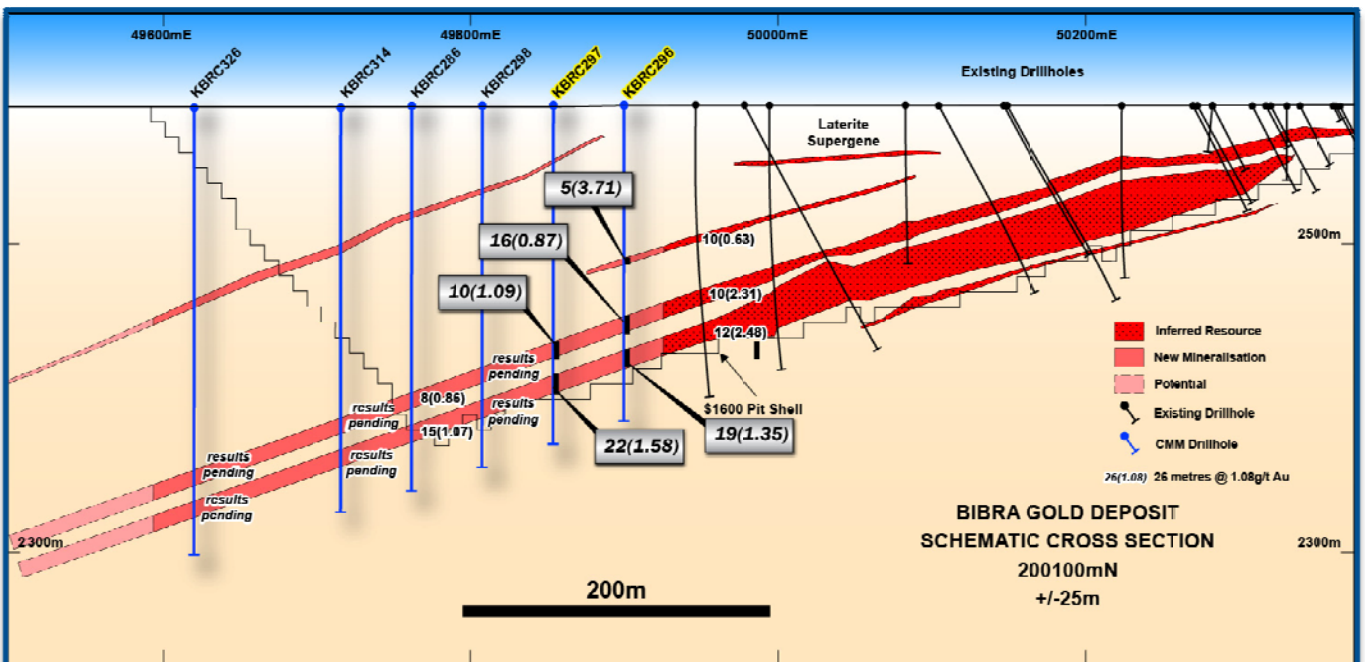


Figure 3b: BIBRA GOLD DEPOSIT SCHEMATIC CROSS SECTION (200100N)

## JUNE QUARTER PLANNED ACTIVITIES

During the June Quarter, the following activities are planned for Karlawinda:

- Completion and reporting of first phase (10,000m) of Bibra drilling;
- Bibra Resource Upgrade, incorporating data from of the 47 new drill-holes;
- Submission of Mining Lease application at Bibra;
- Scoping Study activities including Environmental, Metallurgical, Hydrological, Plant Design, Project Costing, Tailings Dam design, Site Access design and Community engagement. It is intended that the Scoping study will be completed in July;
- Development of new gold exploration targets in the near-Bibra area; and
- Planning for drilling to improve the Bibra resource status for Feasibility Study.

---

## MADAGASCAR PROJECTS

As previously announced, the Company has decided to divest its Madagascar assets in an orderly manner, as they are considered non-core, with the focus moving to Karlawinda.

This process has commenced with the marketing of the Company's Maniry graphite project, the downsizing of its Malagasy workforce, tenement rationalisation and planning to monetize other Madagascar assets during 2016. Holding costs for the Madagascar assets are low, with revenues almost matching expenses.

---

## CORPORATE

### FINANCIAL POSITION

The Company's cash position at 31<sup>st</sup> March was \$1.37 million, an increase of \$0.72 million for the quarter.

During the quarter, the Company sold 500,000 shares in TSX-listed Energizer Resources Inc. to raise \$44,000 for working capital. At 31<sup>st</sup> March the Company held a balance of 500,000 Energizer shares which are available for sale.

### ACQUISITION OF GREENMOUNT RESOURCES PTY LTD

As announced on 3<sup>rd</sup> February, the Company has completed the acquisition of Greenmount Resources Pty Ltd with the issue of 171,636,476 fully paid ordinary shares. The total issued capital of the Company at the end of the March quarter was 388,727,498 shares.

### BOARD AND MANAGEMENT

Following the acquisition of Greenmount in February, Malagasy directors Dr Peter Woods and Mr Graeme Boden resigned and two Greenmount directors Mr Heath Hellewell and Mr Peter Thompson joined the board.

Mr Thompson was appointed as Managing Director, Mr Peter Langworthy as Technical Director and existing company secretaries Mr. Graeme Boden and Ms. Natasha Forde were retained.

---

## TENEMENTS

A full listing of the company's current tenement holdings is included as Appendix 2.

During the quarter, the acquisition of Greenmount included the following tenements:

Tenement	Project	Company	Area (km <sup>2</sup> )	Status	Date of Grant/ Application	Expiry
E52/1711	Karlawinda	Greenmount	105	Granted	05/08/2004	04/08/2016
E52/2247	Karlawinda	Greenmount	48	Granted	21/07/2009	20/07/2019
E52/2398	Karlawinda	Greenmount	45	Granted	28/04/2010	27/04/2020
E52/2409	Karlawinda	Greenmount	24	Granted	16/06/2010	16/06/2020
E52/3323	Karlawinda	Greenmount	33	Granted	11/03/2016	10/03/2021
E52/3363	Karlawinda	Greenmount	108	Application	29/10/2015	-
<b>Total Area</b>			<b>363</b>			

The following application was acquired by Greenmount, subsequent to its acquisition by Capricorn:

Tenement	Project	Company	Area (km <sup>2</sup> )	Status	Date of Grant/ Application	Expiry
E52/3364	Karlawinda	Greenmount	138	Applications	04/11/2015	-
<b>Total Area</b>			<b>138</b>			

**For and on behalf of the Board**

**Peter Thompson**  
**Managing Director**

For further information, please contact:

Mr Peter Thompson, Managing Director  
Email: pthompson@capmet.com.au  
Phone: 0417 979 169

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. Peter Langworthy, Technical Director, who is a Member of the Australian Institute of Mining and Metallurgy. Mr. Peter Langworthy is a full time Director of Capricorn Metals Limited 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. Peter 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**

### **Karlawinda Gold Project – Bibra Gold Deposit – June 2014 Resource Table**

<b>Mineral Resource 30 June 2014* - Reported at a 0.5g/t Au cut off grade</b>			
<b>Classification</b>	<b>Tonnes (Mt)</b>	<b>Au g/t</b>	<b>Contained Au (Oz)</b>
Measured	--	--	--
Indicated	--	--	--
Inferred	18	1.1	650,800
<b>GRAND TOTAL</b>	<b>18</b>	<b>1.1</b>	<b>650,800</b>

**Notes:**

1. The Mineral Resource estimate was estimated within a conceptual A\$1,600/oz Au pit shell completed in 2012 and for the area of drill coverage at 100m x 50m spacing or less. Contained gold (oz) figures have been rounded to the nearest one hundred ounces.
2. The Mineral Resource has been unchanged since 2013.
3. Mostly RC drilling with 1m cone split samples analysed by 50g fire assay.
4. Mineralisation was wireframed at a cut-off grade of 0.3g/t Au and Mineral Resources were reported above a cut-off grade of 0.5g/t Au.
5. Block modeling used ordinary kriging grade interpolation methods for composites that were top-cut to 10g/t Au in the supergene zone and 16g/t Au for the remaining mineralization. Top cuts are not severe, trimming no greater than 0.5% of the samples.
6. There are no Ore Reserves for Karlawinda.

## APPENDIX 2

### Tenement Schedule

#### Australia

Tenement	Project	Company	Area (km <sup>2</sup> )	Status	Date of Grant/ Application	Expiry
E52/1711	Karlawinda	Greenmount	105	Granted	05/08/2004	04/08/2016
E52/2247	Karlawinda	Greenmount	48	Granted	21/07/2009	20/07/2019
E52/2398	Karlawinda	Greenmount	45	Granted	28/04/2010	27/04/2020
E52/2409	Karlawinda	Greenmount	24	Granted	16/06/2010	16/06/2020
E52/3323	Karlawinda	Greenmount	33	Granted	11/03/2016	10/03/2021
E52/3363	Karlawinda	Greenmount	108	Application	29/10/2015	-
E52/3364	Karlawinda	Greenmount	138	Applications	04/11/2015	-
<b>Total Area</b>			<b>501</b>			

#### Madagascar

Title Number	Permit Type	Grant Date	Expiry Date	Term (Years)	Project Name	Total Carres (New - 0.391km <sup>2</sup> )	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%	5
5394	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Maniry	48	100%	1, 4
19932	PE	10-Mar-06	09-Mar-46	40	Ampanihy - Maniry	112	100%	1
25093	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	3
25094	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	3
25095	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Maniry	48	100%	3
25605	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	80	100%	1,2
25606	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	16	100%	1,2
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%	
<b>Total Carres</b>						<b>608</b>		

#### Notes:

1. Renewal awaiting confirmation from BCMM. All annual fees have been paid up to 31 December 2016.
2. Leased to SQNY – Royalty and partial tenement fees payable to MDA.
3. Leased to Jupiter Mines and Minerals – Royalty and annual tenement fees payable to MDA.
4. Leased to Hery Lala Alain Raharinavio – Royalty on small blocks



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

CAPRICORN METALS LTD

ABN

84 121 700 105

Quarter ended ("current quarter")

31 MARCH 2016

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 Months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	16	94
1.2 Payments for (a) exploration & evaluation	(330)	(519)
(b) development	-	-
(c) production	-	-
(d) administration (net)	(269)	(624)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (TVA recoverable)	-	-
<b>Net Operating Cash Flows</b>	<b>(579)</b>	<b>(1,039)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments (deferred)	(9)	(37)
(c) other fixed assets	(7)	(7)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	44	175
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>28</b>	<b>131</b>
1.13 Total operating and investing cash flows (carried forward)	(551)	(908)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Current quarter \$A'000	Year to date (9 Months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	<b>(551)</b>	<b>(908)</b>
<b>Cash flows related to financing activities</b>		
1.14 Net Proceeds from issues of shares, options, etc	1,270	1,500
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>1,270</b>	<b>1,500</b>
<b>Net increase (decrease) in cash held</b>		
1.20 Cash at beginning of quarter/year to date	651	778
1.21 Exchange rate adjustments to item 1.20	-	-
<b>1.22 Cash at end of quarter</b>	<b>1,370</b>	<b>1,370</b>

**Note:** On 29<sup>th</sup> April 2016, the Company has announced the completion of a placement to raise \$12.6m by the issue of 97.2m shares at an issue price of \$0.13 per share. Settlement of the placement is expected to occur on 5<sup>th</sup> May 2016.

**Payments to directors of the entity and associates of the directors & Payments to related entities of the entity and associates of the related entities.**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	292
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
	<u>\$A'000</u>
Directors Fees and superannuation	47
Exploration management services	207
Company secretarial, accounting & administration services	38
	292

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,390)
4.2 Development	-
4.3 Production	-
4.4 Administration (Net)	(300)
<b>Total</b>	<b>(1,690)</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	113	396
5.2 Term Deposit	1,257	255
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,370</b>	<b>651</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer to Covering Quarterly Activity Report attached hereto		
6.2	Interests in mining tenements acquired or increased	Refer to Covering Quarterly Activity Report attached hereto		

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b>	Nil	Nil	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.3	<b>*Ordinary securities</b>	388,727,498	217,091,022	Various	Fully Paid
7.4	Changes during quarter				
	(a) Increases through issues	171,636,476	-	\$0.02416	\$0.02416
	(b) Decreases through returns of capital, buy-backs	45,454,546	45,454,546	\$0.033	\$0.033
7.5	<b>*Convertible debt securities</b>	Nil	Nil	-	-
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>Unlisted</i>	7,500,000	-	15c Options	Expiry: 30/11/2016
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	375,000	-	50c Options	Expiry: 31/03/2016
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: (Company Secretary)  
 Print name: Natasha Forde

Date: 30 April 2016

**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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.