

ACTIVITIES REPORT JUNE QUARTER 2016

Karlawinda resource upgrade, \$12.6m capital raising
and Scoping Study caps highly successful quarter for
Capricorn

ASX ANNOUNCEMENT

26 July 2016

Australian Securities
Exchange Code: CMM

ABN: 84 121 700 105

Board of Directors:

Mr Guy LeClezio
Non-Executive Chairman

Mr Peter Thompson
Managing Director

Mr Peter Langworthy
Technical Director

Mr Heath Hellewell
Non-Executive Director

Issued Capital:

Shares 485.9M
Options 18.7M
Share Price A\$0.14
Market Cap. A\$68M

EXPLORATION OFFICE:

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HIGHLIGHTS

- 40% increase in the Mineral Resource for the flagship Bibra deposit to 25.5Mt @ 1.1g/t for 914,000oz (ASX announcement: 4th July 2016).
- Maiden 47-hole in-fill and extensional drilling programme completed on time and on budget with mineralisation intersected in every drillhole.
- Priority near-mine exploration targets identified at Bibra (ASX announcement: 25th July 2016).
- Scoping Study on development of Bibra advancing to schedule with positive outcomes achieved in all areas.
- Mining Lease Application lodged for Bibra deposit.
- Divestment process in Madagascar progressing to schedule.
- \$12.6m raised from new and existing investors in share placement, April 2016.



Bibra Resource drilling, May 2016

KARLAWINDA GOLD PROJECT

Following the acquisition of Greenmount Resources 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 a maiden in-fill and extensional resource drilling program, commencement of a Scoping Study and other pre-development activities including permitting, and finalization of a Mineral Resource upgrade for the key Bibra deposit.

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.

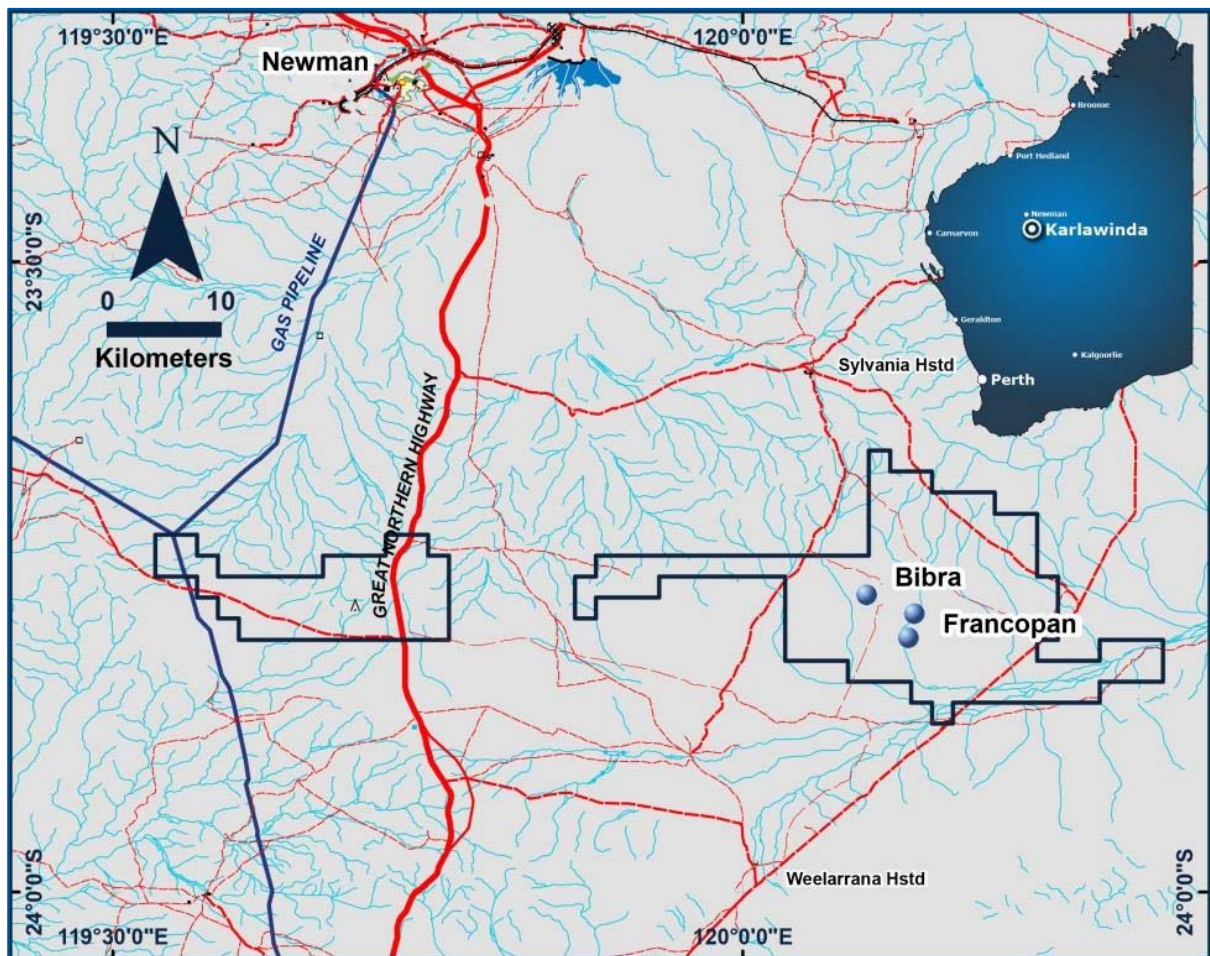


Figure 1: Location Map: Karlawinda Gold Project

BIBRA RESOURCE UPDATE

An Updated Inferred Resource for the Bibra deposit was announced on 4th July 2016, following completion of RC drilling in May. The updated 914,000 ounce Bibra Inferred Resource – which represents a 40% increase over the previously published (2013) Inferred Resource estimate for Bibra of 18Mt at 1.1g/t for 650,800oz – is based on a Whittle optimised open pit using a gold price of A\$1750/ounce. This reflects the success of the Company's maiden 47-hole (9,642m) drill program at Karlawinda, completed during the Quarter.

The June 2016 Inferred Resource for the Bibra gold deposit now reports at **25,500,000 tonnes @ 1.1g/t for 914,000 ounces of contained gold**. The resource is reported at a 0.5g/t Au cut-off grade and is constrained within an optimized open pit shell using a gold price of A\$1750/oz. Details of the resource are provided in Table (1) of the July 4th ASX announcement.

Key points identified from this work include:

- The gold content of the Inferred Resource has increased by 263,000oz (or 40%) from the previous estimation.
- When directly compared with the previous Inferred Resource of 650,000oz, reported at a A\$1600/oz gold price, the resource has increased by approximately 154,000oz. The additional 109,000oz has come from outside the A\$1600/oz pit shell and is a product of the higher gold price environment expanding the optimised pit shell.
- The laterite, saprolite and transition zones have increased to a total of 285,000oz. This is **an increase of 45,000oz in a near-surface** position.
- The modelled mineralized zones that form the basis of the resource show good continuity and are based on data from **43 diamond holes (5,373m)** and **313 Reverse Circulation holes (52,202m)**. This includes the 47-hole (9,642m) program completed by Capricorn earlier in the year. Drill spacing is now on a 50m x 50m spacing or closer.

A breakdown of the components of the resource is shown below in Table 1.

TABLE (1): Bibra Gold JORC Open Pit Inferred Resource Estimate (as at June 30, 2016)			
Domain	Tonnes	Grade (g/t Au)	Ounces
Laterite	2,100,000	1.3	85,000
Saprolite	4,300,000	1.0	142,000
Transition	1,500,000	1.2	58,000
Fresh	17,600,000	1.1	629,000
Total	25,500,000	1.1	914,000

Notes on the Inferred Mineral Resource:

1. Refer to JORC 2012 Table (1) in Appendix 1 of the 4th July 2016 ASX release for full details.
2. Discrepancy in summation may occur due to rounding.
3. Mineralisation has been wireframe modelled using a 0.3g/t Au assay cut-off grade. The resource estimate has been reported above a block grade of 0.5g/t Au.
4. The resource has been constrained by a A\$1750/ounce conceptual optimal pit shell using Whittle software.
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 mineralisation wireframes.

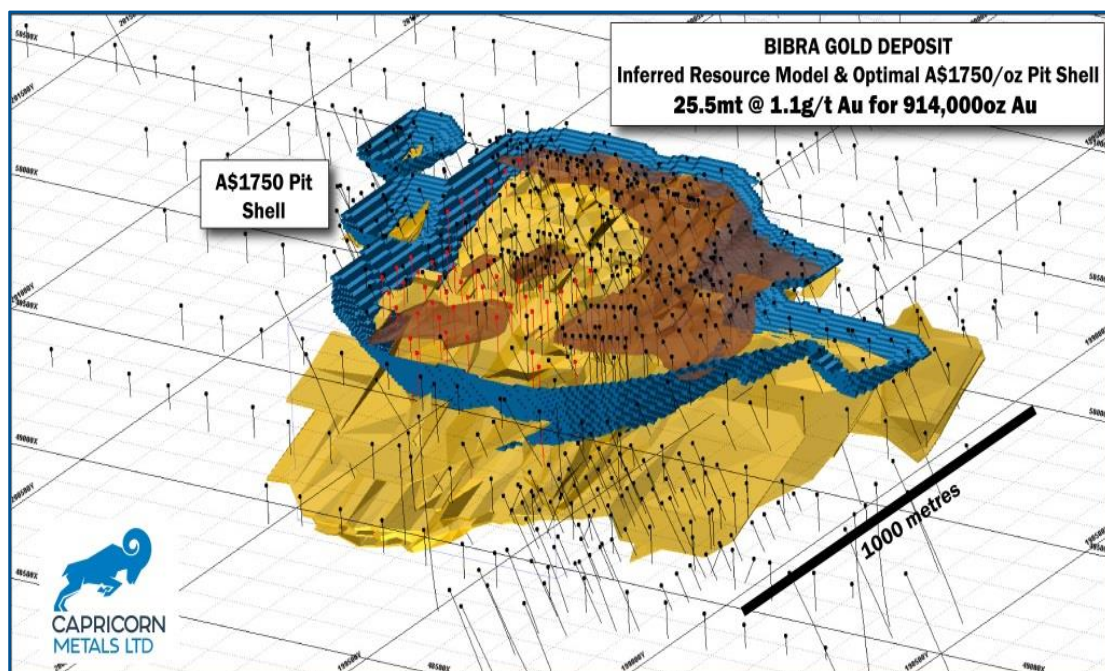


Figure 2: Bibra Gold Deposit – Resource Block Model
(Blue: \$A1750 optimal pit shell, Brown: Laterite resource, Yellow: Saprolite and Fresh resource)

BIBRA RC DRILLING PROGRAMME

Extensional RC drilling on a 50 x 50m grid was completed at Bibra on 31st May, and all remaining drill-hole results reported during the quarter. In total, 47 holes for a total of 9.642m were completed, with ore-grade intersections reported from all holes. Bibra drill-hole results (ASX announcements: 13th May, 31st May, 10th June) include:

- KBRC 299: 18 metres @ 1.10g/t Au from 129m
3 metres @ 6.21g/t Au from 163m (EOH)
- KBRC 300: 11 metres @ 1.12g/t Au from 152m
2 metres @ 7.45g/t Au from 177m (EOH)
- KBRC 305: 18 metres @ 1.06g/t Au from 146m
- KBRC 306: 15 metres @ 1.01g/t Au from 146m
- KBRC 307: 16 metres @ 1.15g/t Au from 157m
- KBRC 311: 24 metres @ 1.01g/t Au from 52m
- KBRC 315: 11 metres @ 1.21g/t Au from 212m
- KBRC 317: 23 metres @ 1.08g/t Au from 213m
- KBRC 319: 12 metres @ 1.64g/t Au from 206m
- KBRC 320: 18 metres @ 1.01g/t Au from 183m
- KBRC 316: 19 metres @ 1.33g/t Au from 20m
26 metres @ 1.48g/t Au from 231m;
6 metres @ 2.49g/t Au from 270m
- KBRC 324: 25 metres @ 1.05g/t Au from 264m;
14 metres @ 1.12g/t Au from 296m
- KBRC 328: 13 metres @ 1.63g/t Au from 171m
- KBRC 326: 22 metres @ 1.10g/t Au from 236m
- KBRC 330: 22 metres @ 1.36g/t Au from 178m

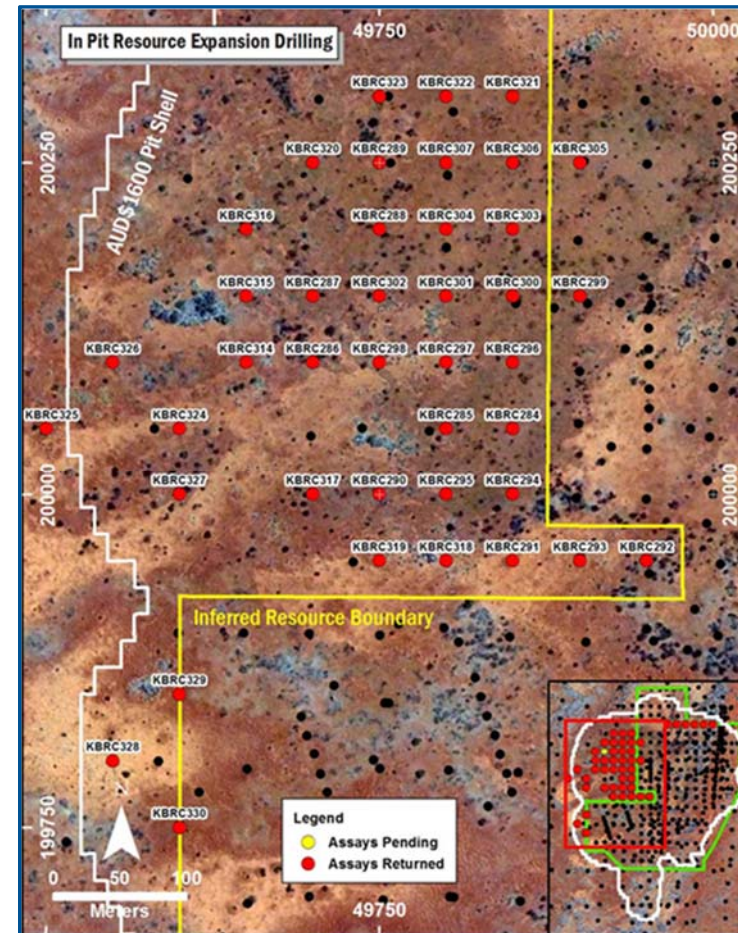


Figure 3: Plan of completed drilling, Bibra deposit, Karlawinda Gold Project

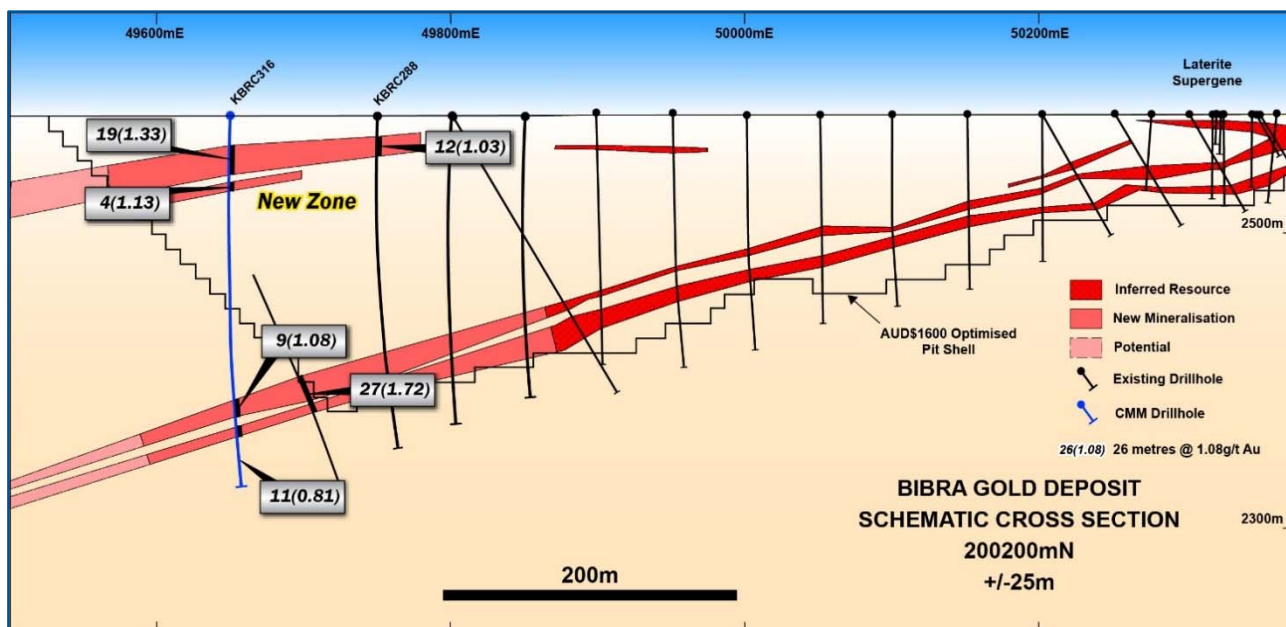


Figure 4a: BIBRA GOLD DEPOSIT SCHEMATIC CROSS SECTION (200000N), RECENT INTERSECTIONS LABELLED

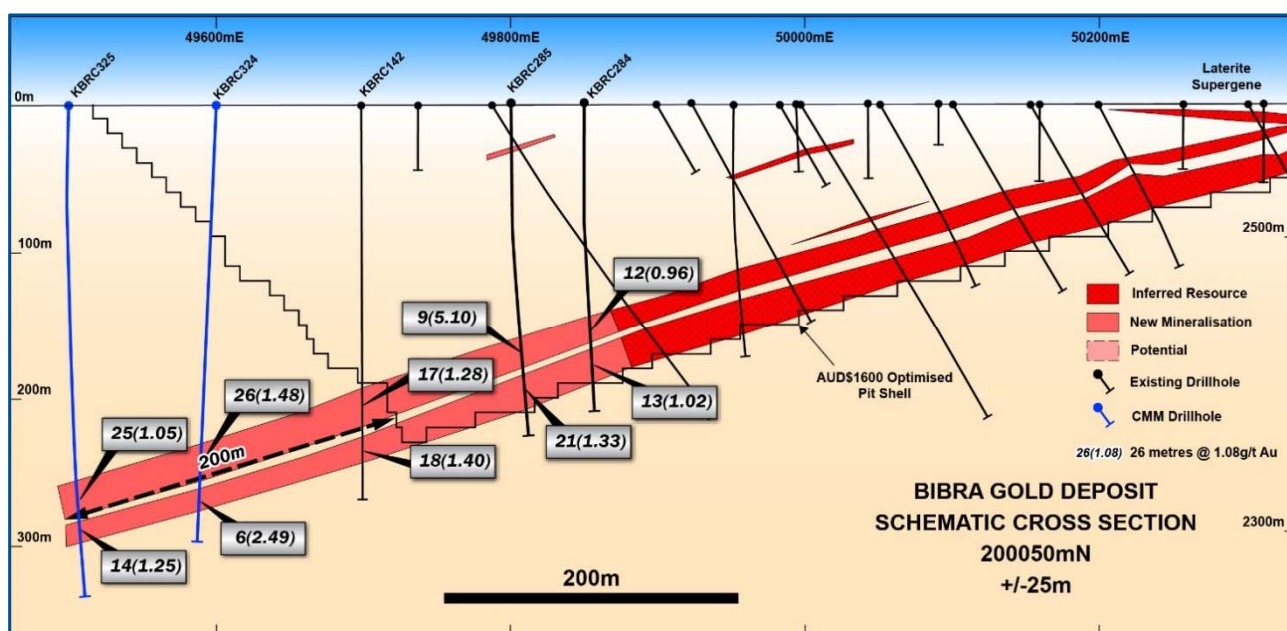


Figure 4b: BIBRA GOLD DEPOSIT SCHEMATIC CROSS SECTION (200050N), RECENT INTERSECTIONS LABELLED

MAJOR DRILLING PROGRAMME AT BIBRA AND NEAR-BIBRA TARGETS

A significant program of up to 60,000m of in-fill drilling to upgrade the resource to Indicated status to underpin a Definitive Feasibility Study (DFS) is scheduled to commence at Karlawinda, initially with three RC drill rigs.

This upcoming program will also target potential extensions of the deposit which were identified in the recent drill program. Due to heavy rainfall in the Pilbara during July, the commencement of this programme has been delayed, and is now expected to commence in late July.

The identification of mineralisation in shallow, wide-spaced drilling close to Bibra suggests the opportunity to discover further gold deposits. These targets have been identified in presentations on 24th May and in an ASX release subsequent to the Quarter on 25th July 2016.

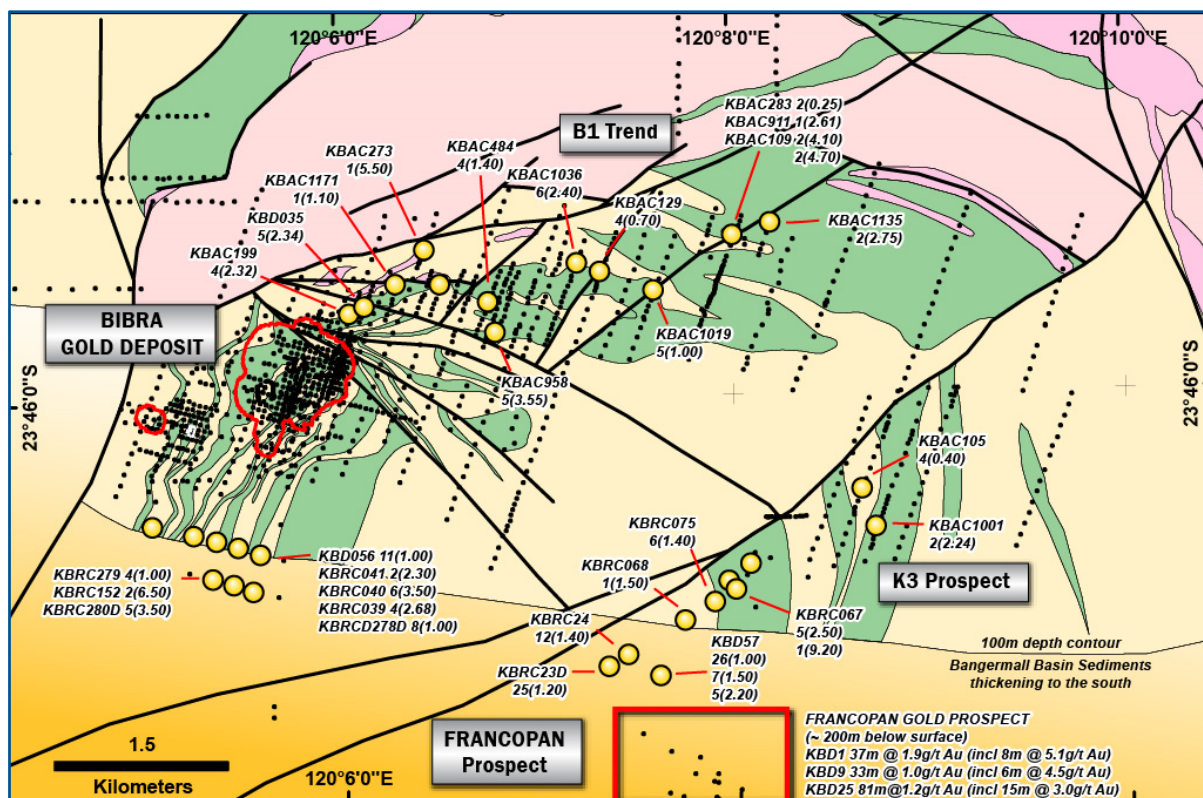


Figure 5: KARLAWINDA GOLD TARGETS

BIBRA MINING LEASE APPLICATION

A Mining Lease application for the Bibra deposit was submitted during the quarter, and positive discussions held with the registered Native Title party, the Nyiyaparli. At this time, no significant heritage issues have been identified which could delay a mine development.

SCOPING STUDY¹ ACTIVITIES, JUNE QUARTER

Various Scoping Study activities were progressed during the quarter by external consultants, including the following:

- Open pit optimisations by Cube Consulting to determine the updated Inferred Resource;
- CIL and Gravity Plant designs by Mintrex;
- Groundwater targeting by Groundwater Resource Management;
- Environmental (flora) surveying by 360 Environmental;
- Metallurgical testwork review and planning by Minelogix;
- Tailings Dam Design by Galt Geotechnics; and
- Comminution (crushing/grinding) testwork by Orway Mineral Consultants.

Results from these studies are scheduled to be reported at the end of July.

¹ The Scoping Study will be based on the updated Inferred Resource announced on 4th July 2015, which is 100% Inferred, based on 50 x 50m spaced drill-holes. As such, following ASIC Information Sheet 214 (April 2016), the Company is unable to discuss any Production Targets or Financial Forecasts based on that Resource. A priority for the Company is to establish Measured and Indicated Resources at Bibra, and to then release full project information on the Bibra development project.

SEPTEMBER QUARTER - PLANNED ACTIVITIES

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

- Commence drill testing of exploration targets, near-Bibra;
- Complete Scoping Study¹ and Commence Definitive Feasibility Study ('DFS') for the Bibra open pit development;
- Commence in-fill drill programme at Bibra to establish Indicated Resources;
- Complete hydrogeological drilling and testwork to establish process water borefield position;
- Complete diamond drilling for geotechnical and metallurgical testwork;
- Continue environmental surveys, Bibra area; and
- Complete new Bibra access road planning and associated heritage surveys.

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 sole focus now on the development of the Karlawinda Gold Project.

During the June Quarter, the Company received A\$370,000 from the following divestments in Madagascar:

- Sale of potential royalty at Molo graphite deposit (ASX announcement 11th May 2016) for A\$306,000 (C\$300,000) with a further C\$2.0m payable upon commencement of commercial production;
- Sale of drilling equipment and vehicles for A\$39,000; and
- Sale of shares in Energizer Resources Inc. for A\$25,000.

Planning for the sale of the Maniry graphite project and other Madagascan assets continues to progress well.

CORPORATE

FINANCIAL POSITION

The Company's cash position at 30th June was \$11.7 million, an increase of \$10.3 million for the quarter. A capital raising in April raised \$12.6 million. The placement, comprising 97.2 million fully paid ordinary shares, was undertaken to institutional and sophisticated investors at an issue price of 13 cents per share. This represented an 8.5% discount to the 5-day volume weighted average price (VWAP) of 14.2 cents per share.

During the quarter, the Company sold 263,000 shares in TSX-listed Energizer Resources Inc. to raise \$25,000. At 30th June, the Company held a balance of 1,237,000 Energizer shares which are available for sale, after the release of 1,000,000 shares from escrow during May.


TENEMENTS

A full listing of the company's current tenement holdings is included as Appendix 1.

During the quarter, two tenement applications were lodged:

Tenement	Project	Company	Blocks/Area	Status	Date of Grant/ Application	Expiry
E52/3450	Karlawinda	Greenmount	16	Application	24/05/2016	-
M52/1070	Karlawinda	Greenmount	2975 ha	Application	21/04/2016	

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 – TENEMENT SCHEDULE

Australia

Tenement	Project	Company	Blocks ¹	Status	Date of Grant/ Application	Expiry
E52/1711	Karlawinda	Greenmount	35	Granted	05/08/2004	04/08/2016
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	Application	29/10/2015	-
E52/3364	Karlawinda	Greenmount	46	Application	04/11/2015	-
E52/3450	Karlawinda	Greenmount	16	Application	24/05/2016	-
M52/1070	Karlawinda	Greenmount		Application	21/04/2016	-
Total Blocks			183			

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%	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%	
Total Carres						608		

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")

30 JUNE 2016

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 Months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	33	127
1.2	Payments for (a) exploration & evaluation	(1,368)	(1,887)
	(b) development	-	-
	(c) production	-	-
	(d) administration (net)	(492)	(1,116)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	24	34
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (TVA recoverable)	-	-
Net Operating Cash Flows		(1,803)	(2,842)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	(136)	(136)
	(b) equity investments (deferred)	(11)	(48)
	(c) other fixed assets	(32)	(39)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	25	200
	(c) other fixed assets	39	39
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Sale of third party royalty)	306	306
Net investing cash flows		191	322
1.13	Total operating and investing cash flows (carried forward)	(1,612)	(2,520)

Note:

Included in 'administration' at item 1.2 (d) are costs associated to the redundancy of employees in Madagascar.

Appendix 5B
Mining exploration entity quarterly report

		Current quarter \$A'000	Year to date (12 Months) \$A'000
1.13	Total operating and investing cash flows (brought forward)	(1,612)	(2,520)
	Cash flows related to financing activities		
1.14	Net Proceeds from issues of shares, options, etc	12,634	14,134
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 (capital raising costs)	(636)	(636)
	Net financing cash flows	11,998	13,498
	Net increase (decrease) in cash held	10,386	10,978
1.20	Cash at beginning of quarter/year to date	1,370	778
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	11,756	11,756

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	498
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>
	Executive Wages and Superannuation	106
	Directors Fees and Superannuation	58
	Exploration management services	296
	Company secretarial, accounting & administration services	38
		498

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

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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(5,000)
4.2 Development	-
4.3 Production	-
4.4 Administration (Net)	(300)
Total	(5,300)

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	4,656	113
5.2 Term Deposit	7,100	1,257
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	11,756	1,370

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 Preference *securities	Nil	Nil	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions	-	-	-	-
7.3 *Ordinary securities	485,909,373	314,272,897	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs	97,181,875	97,181,875	\$0.13	\$0.13

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

7.5	*Convertible debt securities	Nil	Nil	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options <i>Unlisted</i>	7,500,000	-	15c Options	Expiry: 30/11/2016
7.8	Issued during quarter	10,800,000	-	10c Options	Expiry 31/05/2020
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)	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: 26 July 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.