



CAPRICORN METALS LTD
ACN 121 700 105
NOTICE OF GENERAL MEETING

TIME: 9.30 am AWST
DATE: 28 April 2017
PLACE: William Buck
Level 3
15 Labouchere Road
South Perth WA 6151

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss any of the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9384 3284.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 9.30 am (AWST) on 28 April 2017 at:

William Buck
Level 3
15 Labouchere Road
South Perth WA 6151

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) on 26 April 2017.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance

with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

RESOLUTION 1 – RATIFICATION OF THE ISSUE UNDER LISTING RULE 7.1A OF TRANCHE 1 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 5,930,912 Tranche 1 Shares to Hawke’s Point Holdings I Limited on the terms and conditions described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Hawke’s Point Holdings I Limited and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 2 – RATIFICATION OF THE ISSUE UNDER LISTING RULE 7.1 OF TRANCHE 1 SHARES AND TRANCHE 1 OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 48,921,392 Tranche 1 Shares & 18,284,101 Tranche 1 Options to Hawke’s Point Holdings I Limited on the terms and conditions described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Hawke’s Point Holdings I Limited and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 3 – APPROVAL FOR THE ISSUE OF TRANCHE 2 SHARES & TRANCHE 2 OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 30,617,781 Tranche 2 Shares & 10,205,927 Tranche 2 Options to Hawke’s Point Holdings I Limited on the terms and conditions described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Hawke’s Point Holdings I Limited and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 23rd March 2017

By order of the Board



**Natasha Forde
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. INTRODUCTION

On 10 February 2017, the Company announced that it would enter into a share subscription agreement (the **Agreement**), subsequently executed on 2 March 2017, with Hawke's Point Holdings L.P. (**Hawke's Point**) to raise \$10,000,000 by the issue of 85,470,085 Shares at an issue price of \$0.117 per Share and 28,490,028 attaching options (one free attaching option to acquire a Share for every three Shares issued) (the **Placement**). The Placement is to be completed in two tranches as set out below:

- (a) Tranche 1: 54,852,304 Shares and 18,284,101 Options (**Tranche 1**); and
- (b) Tranche 2: 30,617,781 Shares and 10,205,927 Options (**Tranche 2**).

The Tranche 1 securities were issued to Hawke's Point Holdings I Limited both within the Company's existing placement capacity under Listing Rule 7.1 and its additional placement capacity under Listing Rule 7.1A.

The Tranche 2 securities will be issued to Hawke's Point Holdings I Limited subject to shareholder approval under Listing Rule 7.1.

The Options will be exercisable at \$0.15 each on or before four years from the date of issue of the Tranche 2 securities or, if the Company does not issue the Tranche 2 securities, four years from the date of the Meeting.

Upon completion of the subscription described above, Hawke's Point Holdings I Limited will hold approximately 14.93% of the Shares on issue in the Company (assuming no other Shares are issued prior to completion of Tranche 2). A summary of the Placement is set out below:

	Shares	Options	Funds Raised	Status
Tranche 1 (LR7.1A)	5,930,912	-	\$693,917	Allotted 9 March 2017. To be ratified - Resolution 1.
Tranche 1 (LR7.1)	48,921,392	18,284,101	\$5,723,803	Allotted 9 March 2017. To be ratified - Resolution 2.
Sub-Total Tranche 1	54,852,304	18,284,101	\$6,417,720	
Tranche 2	30,617,781	10,205,927	\$3,582,280	Allotment to be approved - Resolution 3.
Total Placement	85,470,085	28,490,028	\$10,000,000	

The principal terms of the Agreement between the Company and Hawke's Point are summarised in Schedule 1.

The purpose of the Meeting is to seek shareholder approval:

- (a) to ratify the previous issue of Tranche 1 Shares and Options under Listing Rule 7.4 for the purposes of refreshing the Company's placement capacity under Listing Rule 7.1 and Listing Rule 7.1A (Resolutions 1 and 2); and

- (b) for the issue of the Tranche 2 Shares and Options under Listing Rule 7.1 (Resolution 3).

Further detail on the resolutions to be considered at the Meeting is set out in section 2 below.

2. RESOLUTIONS 1 & 2 – RATIFICATION OF ISSUE OF TRANCHE 1 SHARES & TRANCHE 1 OPTIONS

2.1 General

On 9 March 2017, the Company issued to Hawkes Point Holdings I Limited 54,852,304 Shares (**Tranche 1 Shares**) at an issue price of \$0.117 per Share and 18,284,101 Attaching Options (**Tranche 1 Options**) to raise \$6,417,720 before costs of the issue. The Tranche 1 allotments were made without Shareholder approval, with 48,921,392 Tranche 1 Shares & 18,284,101 Tranche 1 Options being issued under Listing Rule 7.1, which allows up to 15% of eligible capital to be issued without shareholder approval, and with 5,930,912 Tranche 1 Shares being issued under Listing Rule 7.1A, which allows up to 10% of eligible capital to be issued under prior approval gained at the preceding annual general meeting.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.1A provides that, in addition to issues permitted without prior shareholder approval under Listing Rule 7.1, an entity which is eligible and obtains approval under ASX Listing Rule 7.1A may, during the period for which the approval is valid, issue a number of securities which represents up to 10% of the number of ordinary fully paid securities on issue at the commencement of that 12 month period, as adjusted in accordance with the formula in ASX Listing Rule 7.1

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue which is the subject of Resolution 2, the Company will retain the flexibility to issue equity securities in the future up to the 15% placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

The issue of securities made relying on ASX Listing Rule 7.1A can, after they have been made, be ratified under ASX Listing Rule 7.4

By ratifying the issue which is the subject of Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 10% placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval. It would also have the effect of increasing the base figure upon which the Company's 15% placement capacity is calculated earlier than would otherwise be the case.

2.2 Resolution 1

Resolution 1 seeks Shareholder approval for the ratification of the issue under ASX Listing Rule 7.1A of 5,930,912 Tranche 1 Shares pursuant to ASX Listing Rule 7.4.

Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 1:

- (a) 5,930,912 Tranche 1 Shares were issued at a price of \$0.117 per Share;
- (b) all Tranche 1 Shares issued were fully paid ordinary shares and rank equally with all other Shares on issue;
- (c) the 5,930,912 Shares were issued to Hawke's Point's nominee, Hawke's Point Holdings I Limited which is not a related party of the Company; and
- (d) this portion of the Tranche 1 placement raised a total \$693,917 and it is proposed the funds raised by the placement will be part of the pool used for further exploration of the Karlawinda gold project, the beginning of infrastructure establishment for the Bibra mine development, the establishment of a management team in a company office and for general working capital purposes.

2.3 Resolution 2

Resolution 2 seeks approval for Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the 48,921,392 Tranche 1 Shares and 18,284,101 Tranche 1 Options which were issued under Listing Rule 7.1

Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 2:

- (a) 48,921,392 Tranche 1 Shares and 18,284,101 Tranche 1 Options were issued;
- (b) the Tranche 1 Shares were issued at a price of \$0.117 per Share and the Tranche 1 Options were issued for nil cash consideration as free attaching Options;
- (c) all Tranche 1 Shares issued were fully paid ordinary shares and rank equally with all other Shares on issue;
- (d) the terms and conditions of the Tranche 1 Options are set out in Schedule 2 to this Notice;
- (e) the Tranche 1 Shares and Tranche 1 Options were issued to Hawke's Point's nominee, Hawke's Point Holdings I Limited. which is not a related party of the Company; and
- (f) this portion of the Tranche 1 placement raised a total \$5,723,803 and it is proposed the funds raised by the placement will be used for further exploration of the Karlawinda gold project, the beginning of

infrastructure establishment for the Bibra mine development, the establishment of a management team in a company office and for general working capital purposes.

2.4 Directors' recommendation and voting intentions

The Directors unanimously recommend that Shareholders vote in favour of Resolutions 1 and 2.

Each of the Directors and Peter Thompson (Chief Operating Officer) and Peter Langworthy (Executive General Manager – Geology) intends to vote in favour of these Resolutions 1 and 2 with all of the Shares which they own or control, being as at the date of this Notice a total of 131,974,908 Shares, or 27.1% of the Shares eligible to be voted on Resolutions 1 and 2.

3. RESOLUTION 3 – APPROVAL OF TRANCHE 2 SHARES AND TRANCHE 2 OPTIONS

3.1 General

Resolution 3 seeks Shareholder approval for the issue to Hawke's Point Holdings I Limited of up to 30,617,781 Shares at an issue price of \$0.117 per Share and 10,205,927 Options to raise up to \$3,582,280 (**Tranche 2 Placement**). This forms Tranche 2 of the Placement detailed, above.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to issue the Shares and Options pursuant to the Tranche 2 Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Tranche 2 Placement:

- (a) the maximum number of Tranche 2 Shares to be issued is 30,617,781 and the maximum number of Tranche 2 Options to be issued is 10,205,927;
- (b) the Tranche 2 Shares and Tranche 2 Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all of the securities will occur on the same date;
- (c) the issue price will be \$0.117 per Share and the Tranche 2 Options will be issued for nil cash consideration as free attaching Options;
- (d) the Tranche 2 Shares and Tranche 2 Options will be issued to Hawke's Point Holdings I Limited which is not a related party of the Company;
- (e) the Tranche 2 Shares issued will be fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's existing Shares;

- (f) the Tranche 2 Options issued will have the terms and conditions set out in Schedule 2 to this Notice; and
- (g) the Company intends to use the funds of up to \$3,582,280 raised by the issue of Tranche 2 Shares for further exploration of the Karlawinda gold project, the beginning of infrastructure establishment for the Bibra mine development, the establishment of a management team in a company office and for general working capital purposes.

3.3 Directors' recommendation and voting intentions

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

Each of the Directors and Peter Thompson (Chief Operating Officer) and Peter Langworthy (Executive General Manager – Geology) intends to vote in favour of this Resolution 3 with all of the Shares which they own or control, being as at the date of this Notice a total of 131,974,908 Shares, or 27.1% of the Shares eligible to be voted on Resolution 3.

GLOSSARY

\$ means Australian dollars.

Attaching Options means Tranche 1 Options and Tranche 2 Options as set out in Resolutions 2 and 3

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

AWST means Australian Western Standard Time as observed in Perth, Western Australia.

Board means the current board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Capricorn Metals Ltd (ACN 121 700 105).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Hawke's Point means Hawke's Point Holdings L.P.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means the right to subscribe for a Share in the Company, under the terms and conditions set out in Schedule 2 to this Notice.

Proxy Form means the proxy form accompanying the Notice.

Resolution means the resolution set out in the Notice.

Section means a section of this Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Tranche 1 Options means 18,284,101 Options issued on 9 March 2017.

Tranche 1 Shares means 54,852,304 Shares issued on 9 March 2017.

Tranche 2 Options means 10,205,927 Options to be issued subsequent to approval by Shareholders at the General Meeting.

Tranche 2 Shares means 30,617,781 Shares to be issued subsequent to approval by Shareholders at the General Meeting.

SCHEDULE 1 – PRINCIPAL TERMS OF AGREEMENT

The following are the principal terms of the Agreement between the Company and Hawke's Point dated 2 March 2017. For the avoidance of doubt, shareholders are not being asked to approve the entry into the Agreement at the Meeting.

(a) **Subscription:**

On 9 March 2017, Hawke's Point's nominee, Hawke's Point Holdings I Limited subscribed for 54,852,304 Shares at a price of \$0.117 per Share and 18,284,101 free attaching Options under Tranche 1 which gives Hawke's Point Holdings I Limited a holding of 10.12% of the Shares on issue in the Company.

If shareholders approve Resolution 3, Hawke's Point Holdings I Limited will subscribe for an additional 30,617,781 Shares at a price of \$0.117 per Share and 10,205,927 free attaching Options under Tranche 2. On the issue of the Tranche 2 Shares, Hawke's Point Holdings I Limited will hold 14.93% of the Shares on issue in the Company (assuming no other Shares are issued prior to completion of Tranche 2).

(b) **Participation rights:**

The Company has granted to Hawke's Point the right to participate in future issues of securities by the Company on a pro rata basis in proportion to its shareholding in the Company, provided that Hawke's Point and its associates hold (in aggregate) at least 10% of the Shares then on issue in the Company (excluding any Shares issued through the exercise of options on issue as at the date of the Subscription Agreement or through share option plans) (**10% Shareholding**). The Company has obtained a waiver of Listing Rule 6.18 to grant the participation right to Hawke's Point as described above on the following conditions:

- (i) the participation right lapses in the event that Hawke's Point's relevant interest in the Company exceeds 25%;
- (ii) the participation right may only be transferred by Hawke's Point to an entity which is a wholly owned subsidiary of Hawke's Point;
- (iii) any securities issued under the participation right are offered to Hawke's Point for cash consideration that is:
 - (A) no more favourable than cash consideration paid by third parties (in the case of issues of securities to third parties for cash consideration); or
 - (B) equivalent in value to non-cash consideration offered by third parties (in the case of issues of securities to third parties for non-cash consideration); and
- (iv) in the case of any diluting event, the number of securities that may be issued to Hawke's Point under the participation right must not be greater than the number required in order for Hawke's Point to maintain its percentage holding in the issued share capital of the Company immediately before that diluting event.

The Company has also granted Hawke's Point the right to participate to the extent of 50% in any future debt issue, royalty or streaming arrangement

proposed by the Company, excluding any debt facility in respect of the construction of the Karlawinda mine and associated processing and other facilities.

(c) **Technical Steering Committee:**

The Company will establish a technical steering committee to oversee the development of the Karlawinda Gold Project. Hawke's Point will be entitled to appoint and maintain one representative on the technical steering committee. The primary purpose of the technical steering committee is to monitor and guide the Company's project development team in respect of the advancement of the Karlawinda Gold Project and the technical steering committee will also be charged with the oversight of any mining tenement acquisitions and relinquishments for the Company.

(d) **Board nominee:**

For so long as Hawke's Point and its associates hold (in aggregate) at least a 10% Shareholding, Hawke's Point has the right to nominate for appointment, and maintain, a director on the board of directors of the Company.

(e) **Consent rights:**

For so long as Hawke's Point and its associates hold (in aggregate) at least a 10% Shareholding, the Company is required to obtain the consent of Hawke's Point to:

- an increase in the number of directors of the Company beyond six;
- the Company's annual operating budget (unless approved unanimously by the independent directors of the Company);
- the incurrence or issue of debt by the Company in excess of \$2 million prior to completion of the definitive feasibility study for the Karlawinda Gold Project;
- a transaction between the Company and any of its related parties (unless approved unanimously by the independent directors of the Company); and
- payment of a dividend or distribution by the Company (unless approved unanimously by the independent directors of the Company).

SCHEDULE 2 – TERMS AND CONDITIONS OF ATTACHING OPTIONS

The following terms and conditions apply to the Options:

- (a) **Option entitlement:** each Option issued entitles the holder to subscribe for one Share upon receipt by the Company of an Option Notice duly executed by the holder and payment of the Option Price at any time following issue of the Option but before the fourth anniversary date of Tranche 2 completion, or if Tranche 2 completion does not occur, the fourth anniversary date of the General Meeting (**Option Exercise Period**).
- (b) **Transferability:** the Options are assignable and transferable without the Company's consent.
- (c) **Method of exercising Options:** Options may be exercised by:
 - (i) the holder delivering to the Company (including by email or fax) before 5:00pm on last day of the Option Exercise Period an Option Notice duly executed by the holder specifying the number of Options being exercised; and
 - (ii) the holder paying to the Company in Immediately Available Funds an amount equal to \$0.15 per Shares multiplied by the number of Options being exercised.
- (d) **Issue of Shares by Company:** the Company must, within 2 Business Days of receiving a duly executed Option Notice and payment of the applicable Option Price in accordance with paragraph (c) above from the holder:
 - (i) issue, or cause to be issued, to the holder the number of Capricorn Shares corresponding to the number of Options specified in the holder's Option Notice; and
 - (ii) issue, or cause to be issued, to the holder a holding statement for the number of shares.
- (e) **Quotation:** as soon as practicable and, in any event, within 2 Business Days following the issue of Shares on exercise of the Options, the Company must:
 - (i) apply to ASX for official quotation of the Shares; and
 - (ii) give to ASX a notice under section 708A(5)(e) of the Corporations Act, unless it cannot meet the criteria in "case 1" of section 708A of the Corporations Act, in which case the Company will comply with the criteria in "case 2" of section 708A of the Corporations Act and issue a disclosure document under chapter 6D.2 of the Corporations Act as soon as reasonably practicable after the date of exercise of the Options and in any event within 20 Business Days of that date (and until the Company has issued the disclosure document, the holder may only transfer the relevant Shares to a person satisfying the requirements of section 708(8), (10) or (11) of the Corporations Act.
- (f) **Corporations Act:** the holder acknowledges and must comply with Chapter 6 of the Corporations Act in respect of the exercise of any Options.
- (g) **Constitution:** on issue of Shares on exercise of the Options, the holder agrees to be bound by the Constitution.

- (h) **Ranking of Capricorn Shares:** all Capricorn Shares issued on exercise of Options will be issued as fully paid and will rank equally in all respects with the other Shares on issue in the capital of the Company as at the date of issue.
- (i) **No dividends:** an Option does not confer any rights to dividends.
- (j) **Participation in new issues:** an Option does not confer any right on the holder to participate in a new issue unless the holder exercises the Option before the record date for the issue.
- (k) **Bonus issues:** if there is a bonus issue to holders of Shares, then the number of Shares over which any outstanding Options is exercisable will be adjusted in the manner provided for in the ASX Listing Rules.
- (l) **Pro rata issues:** if there is a pro rata issue (other than a bonus issue) to the holders of Shares where the subscription price for a security under the pro rata issue is at a discount of 15% (or greater) to the volume weighted average market price per security of the underlying securities, calculated over the 5 trading days ending on the day before the ex rights date or ex entitlement date, then the Option Price of any outstanding Option will be adjusted in the manner provided for in the ASX Listing Rules.
- (m) **Reorganisation of capital:** if the Company reorganises its capital, the rights attaching to the Options will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (n) **Variation of terms:** subject to the ASX Listing Rules, these terms and conditions of the Options may be varied at any time by written agreement between the Company and the holder.
- (o) **Definitions from ASX Listing Rules:** in this Schedule 2, a term defined in or for the purposes of the ASX Listing Rules which is not otherwise defined in this Notice has the same meaning as in the ASX Listing Rules.
- (p) **Governing law:** these terms and conditions of the Options are governed by the laws of Western Australia.

SCHEDULE 3 – VALUATION OF ATTACHING OPTIONS

The Attaching Options to be issued pursuant to Resolutions 2 and 3 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, including two valuation dates, the Attaching Options have the theoretical values shown below. The valuation dates are the date of signing the binding heads of agreement for the placement and the date immediately prior to the preparation of this Notice.

Assumptions:	Attaching Options	
Valuation date	3 February 2017	7 March 2017
Market price of Shares	10.0 cents	11.0 cents
Exercise price	15.0 cents	15.0 cents
Vesting conditions	Not applicable	Not applicable
Expiry date	20 April 2021	20 April 2021
Risk free interest rate	2.12 %	2.18%
Volatility	50 %	50%
Indicative value per Option at present market price:	3.0 cents	3.5 cents
Value of 18,284,101 Tranche 1 Options issued:	\$548,523	\$639,944
Value of 10,205,927 Tranche 2 Options to be issued	\$306,178	\$357,207

The Options were issued on the basis of one Option for every three Shares subscribed, so at the time of the agreement for the placement, the Option valuation would have amounted to \$0.010 per Share subscribed. Immediately prior to the preparation of this Notice, the valuation would have represented \$0.012 per Share subscribed.

PROXY FORM

**CAPRICORN METALS LTD ACN 121 700 105
GENERAL MEETING**I/We of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name: **OR:** the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 9:30 am AWST, on 28 April 2017 at William Buck, Level 3, 15 Labouchere Road, South Perth WA 6151, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of the Resolution. In exceptional circumstances the Chair may change his/her voting intention. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of the Issue under Listing Rule 7.1A of Tranche 1 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of the issue under Listing Rule 7.1 of Tranche 1 Shares & Tranche 1 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval for the issue of Tranche 2 Shares and Tranche 2 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for the Resolution, you are directing your proxy not to vote on the Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Signature of Shareholder(s):**Individual or Shareholder 1**

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail
in relation to this Proxy Form: YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Capricorn Metals Ltd, 15 Lovegrove Close, Mount Claremont WA 6010; or
 - (b) facsimile to the Company on facsimile number +61 (0)8 9284 3801; or
 - (c) email to the Company at nforde@capmet.com.au,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.