



KARLAWINDA EXPLORATION UPDATE

NEW GOLD TARGETS IDENTIFIED AT KARLAWINDA

Recent field exploration doubles the interpreted extent of the Karlawinda Greenstone Belt and identifies extensive new priority gold-in-soil anomalies

ASX ANNOUNCEMENT

2 November 2018

ASX Code: CMM

ABN: 84 121 700 105

Board of Directors:

Ms Debra Bakker
Non-Executive Chair

Mr Heath Hellewell
Managing Director

Mr Peter Langworthy
Non-Executive Director

Mr Stuart Pether
Non-Executive Director

Issued Capital:

Shares 747.9M
Options 55.7M
Share Price A\$0.064
Market Cap. A\$47.8M

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HIGHLIGHTS

- Highly encouraging results received from ongoing first-pass regional exploration programs over the 100%-owned Karlawinda Gold Project, which are being undertaken in parallel with project funding and pre-development activities.
- Capricorn has identified an additional 120km² of tenure interpreted to be underlain by prospective Karlawinda-type Archean greenstone rocks.
- This new area hosts interpreted extensions to the Karlawinda Greenstone Belt, which itself was only discovered in 2007 and hosts the 1.5Moz Bibra gold deposit, increasing the known extent of prospective greenstone rocks to around 200km².
- The newly-identified target area is located approximately 10km to the east of the Bibra deposit and approximately 5km east of the previously interpreted extent of the Karlawinda Greenstone Belt.
- The area has geochemical, geological and structural features consistent with the known Bibra deposit host stratigraphy.
- Geochemical sampling by Capricorn has now been completed over an area of approximately 450km² resulting in the identification of several priority gold-in-soil anomalies ranging up to 3km by 2.5km in size.
- Work currently underway to further prioritise and advance the prospects by fully integrating the new information with Capricorn's current geological, geophysical and geochemical datasets.

Capricorn's Managing Director, Heath Hellewell, said: "Thanks to some wonderful work by our exploration team the regional exploration opportunity at Karlawinda continues to grow. Whilst it is still early days, the delineation of a further 120km² of prospective Karlawinda greenstone and the identification of new gold-in-soil anomalies demonstrates the exploration potential of the greater Karlawinda Gold Project area."

Capricorn Metals Ltd (ASX: CMM) is pleased to advise that it has significantly expanded the regional exploration potential of its 100%-owned **Karlawinda Gold Project** in WA's Pilbara after receiving initial results from an ongoing mapping and sampling program which has dramatically expanded the prospective exploration search space within its broader tenement holdings.

The Company has delineated a new area of prospective Archean greenstone stratigraphy, including several priority gold-in-soil geochemical anomalies, from recent systematic sampling and geological mapping programs. This regional exploration work has been completed in conjunction with ongoing targeting programs in and around its flagship 1.5Moz Bibra gold deposit.

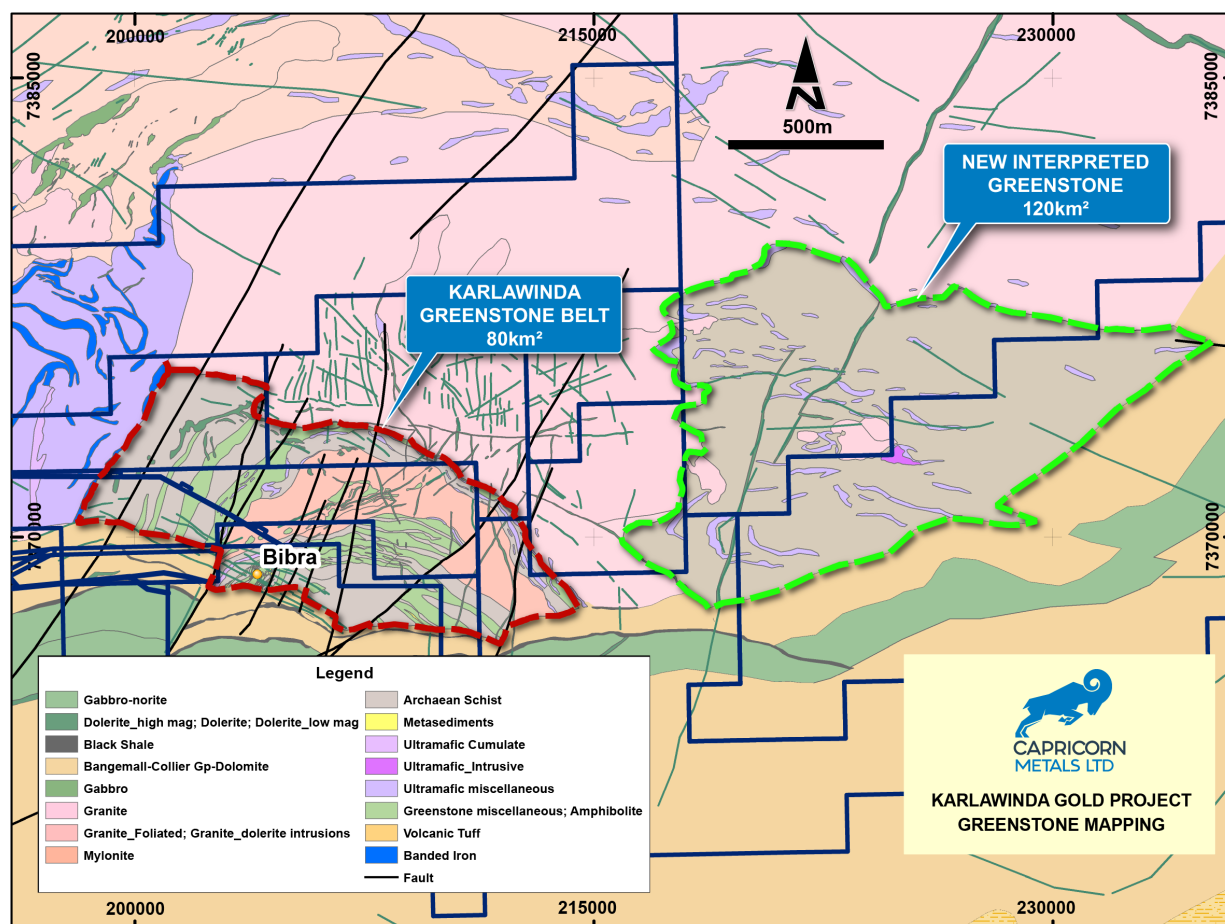


Figure 1: Location of the recently identified extension to the Karlawinda Greenstone Belt

KEY POINTS

New Greenstone Region

- Approximately 120km² of interpreted new Archean greenstone stratigraphy has been identified in an area located approximately 10km to the east from the 1.5Moz Bibra gold deposit within the Karlawinda Gold Project.
- This newly-identified extension to the greenstone belt doubles the known extent of greenstone lithologies at the Karlawinda Gold Project and is considered highly prospective for gold mineralisation.
- The recently defined extension of the prospective belt has not been subject to any previous dedicated on-ground gold exploration and the rock types observed are interpreted to be similar to those which is seen within the host stratigraphy for Bibra gold deposit. A similar metamorphic

grade to the known area of Karlawinda greenstones is also observed suggesting rocks from both areas are the same age.

- Soil geochemistry confirms the similarities between the two areas with the presence of the key elements which define the Bibra stratigraphy of Cu, Ni, Cr and As (Figure 2). Additionally, the new greenstone area has similar structural deformation characteristics to the Bibra sequence, with obvious crenulation cleavages and lineations observed in mapping.
- Results from geochemical sampling of the new greenstone area also produced several gold-in-soil anomalies, located along the boundary of the older Archaean rocks and the younger Proterozoic-aged Bangemall formation, suggesting possible NE-SW trending structures/geological contacts or possible “leakage” along the contact from a hidden gold source lying below the cover rocks of the Bangemall formation (Figure 3).
- Further work is required in this new greenstone target area to incorporate the geochemical and geophysical data and detailed field mapping into a litho-geochemical model to further discriminate the key geological units. Additional soil sampling is also required to extend the coverage over the entire area prospective geology.

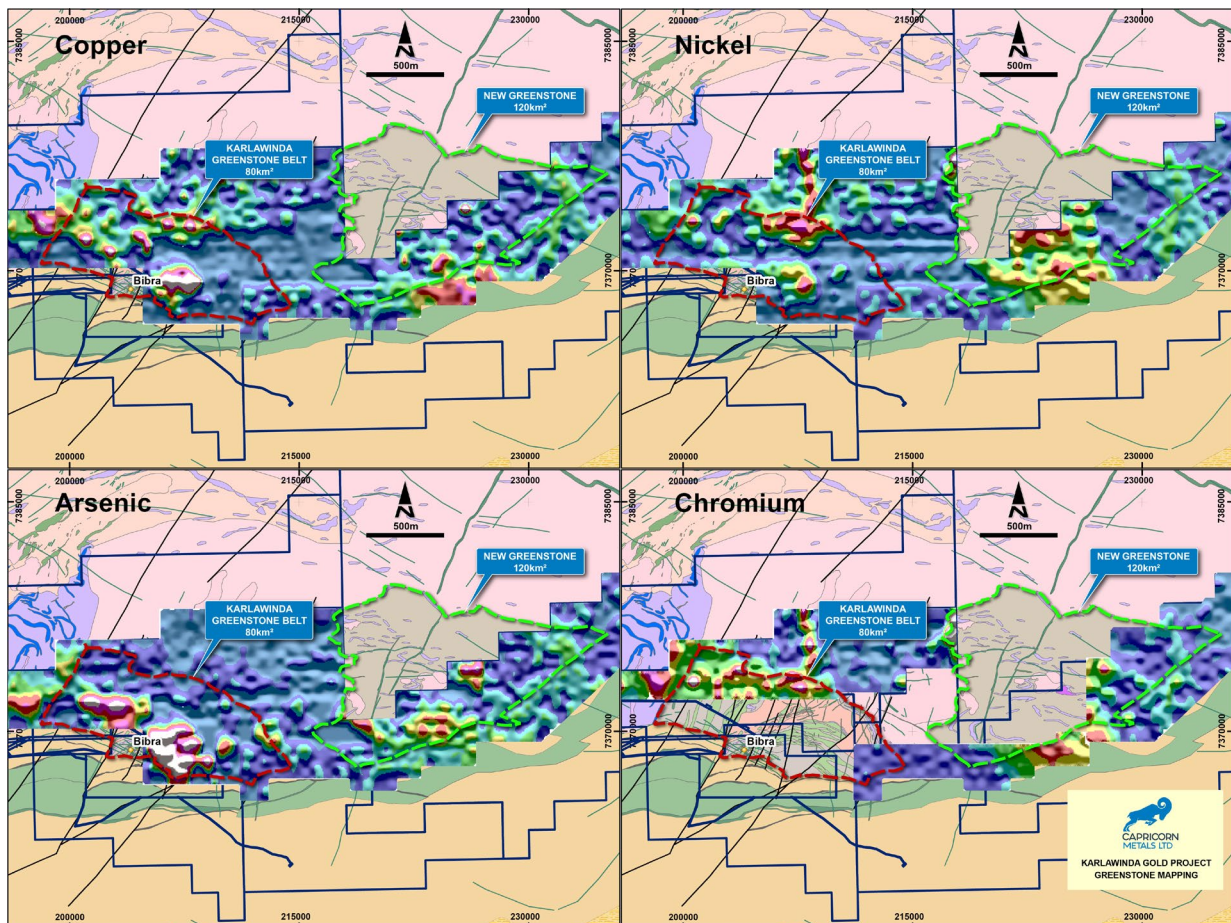


Figure 2: Litho-geochemical gridded images showing the similarities between the two greenstone areas using the four key elements, which defines part of the Bibra stratigraphy. Clockwise from right Cu, Ni, As and Cr.

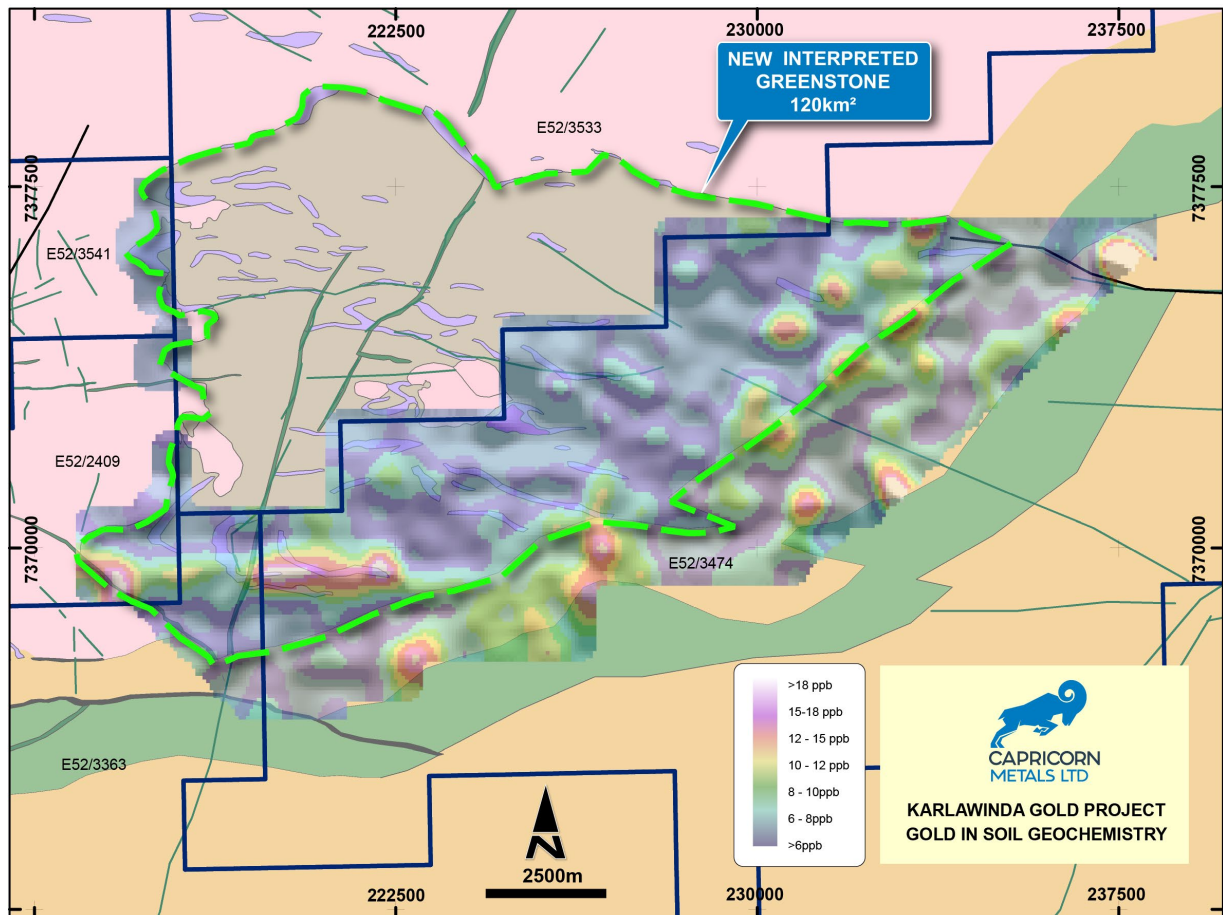


Figure 3: New greenstone occurrence with associated gold-in-soils anomalism.

Regional Soil Geochemistry

- A total of 3,200 samples were collected as part of a regional soil geochemical sampling program spaced on a 400m x 400m grid and covering a total area of approximately 450km² of the Karlawinda Gold Project. The program has highlighted the potential for new areas of gold mineralisation with the identification of several priority geochemical targets.
- The identification of new targets along the entire 110km length of the Project confirms the prospectivity of the greater Karlawinda Gold Project and the scale of the exploration opportunity at Karlawinda.

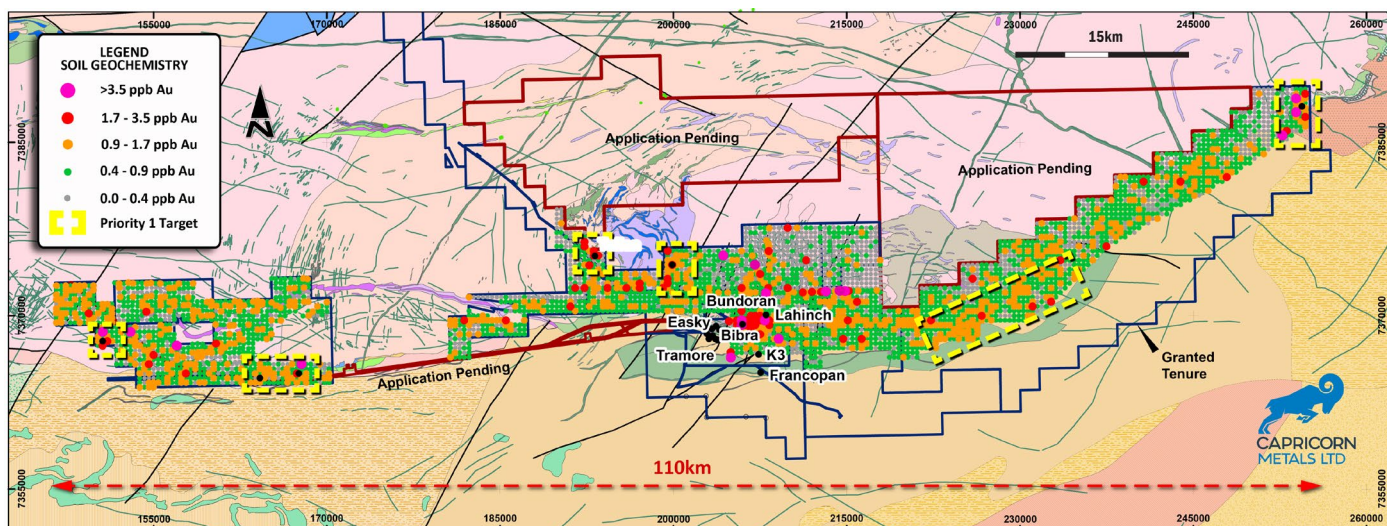


Figure 4: Soil sampling coverage at the Karlawinda Gold Project and priority one targets highlighted in yellow

- The regolith is variable across the entire Project area with several types of regolith observed including, in places, a significant component of transported material. From previous exploration programs, the footprint of soil anomalies can be limited by the regolith type and the magnitude of the anomaly can be suppressed particularly in areas dominated by transported regolith.
- Due to the regolith characteristics, gold-in-soil anomalism at Karlawinda is commonly very low level (>1.5ppb). Based on previous soil programs in the Bibra area, bedrock gold mineralisation at prospects such as Bundoran and Lahinch have been delineated with gold-in-soils results of between 2ppb and 5ppb Au. No previous orientation soil sampling has been completed over Bibra due to surface contamination from early exploration drilling.
- Based on this understanding of regolith and anomaly characteristics, multiple new soil anomalies have been identified. These targets have been ranked, based on scale and amplitude, regional geological setting and geological features identified during field reconnaissance.
- Six anomalies have been ranked as high-priority. The targets have strike lengths of up to 3km and consist of multiple contiguous anomalous gold-in-soil results and are located either within a prospective lithological host, along a major geological contact and/or within structurally complex area. The varying nature of the geological setting for the different anomalies provides an indication that several different styles of gold mineralisation may occur in the Karlawinda Gold Project area.
- Several lower order, more discrete anomalies, consisting of one to two anomalous contiguous gold assays within broader lower grade halos, have also been identified. Systematic follow-up of these anomalies will occur during the next few months to gain a greater understanding of the geological setting.
- The new targets identified are all located within 50km of the Bibra gold deposit and, in the case of the western prospects, are located close to the proposed Karlawinda Gold Project access road.

NEXT STEPS

An additional program of soil geochemical sampling is currently underway to more accurately define the dimensions and orientation of the existing anomalies. This is being coupled with ground-truthing of anomalies to gain a greater understanding of the geological and regolith control at the local scale.

Assessment of all targets through the integration and interpretation of all exploration datasets, including a lithogeochemical, geological and geophysical interpretation, will enable the planning and design of follow-up exploration work at Karlawinda.

For and on behalf of the Board



Heath Hellewell
Managing Director

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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 is a full-time employee of Capricorn Metals Ltd in the role of Chief Geologist 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

JORC Code, 2012 Edition Table 1

Section 1 Sampling Techniques and Data (Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<p>Soil sampling conducted between April and October 2018. Samples were collected on a 400x400m grid and consisted of removing approximately 3.0kg of soil material from between 10cm and 30cm below surface. Samples were sieved to -250 microns to create a fine fraction sample generally 100g to 250g in weight for assay and dispatched to Intertek Genalysis Laboratory.</p> <p>Capricorn Metals inserts field duplicates at a ratio of 1:50 and are collected as a separate sample in close proximity to the original sample. OREAS certified reference material (CRM) was inserted at a ratio of 1:50 through sample population. The grade ranges of the CRM's were selected based on typical anomalous soil geochemical levels.</p> <p>Fine fraction soil samples were dispatched in 100g to 250g samples to Intertek Genalysis Laboratories in Perth. Samples were directly analysed without sample preparation. The determination of gold was by 0.5g aqua regia Ultima 53 element package with a 0.1ppb Au detection limit (AR005/MS53Au).</p>
Drilling techniques	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.). 	No drilling results reported.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	No drilling results reported.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. The total length and percentage of the relevant intersections logged. 	Comments on lithology and regolith features. Electronic recorded logging has been captured. Logging is qualitative in nature and captured regolith environment comments
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size 	<p>Samples were collected by removing approximately 3.0kg of soil material from between 10cm and 30cm below surface. Samples were sieved to -250 microns to create a fine fraction sample generally 100g to 250g in weight for assay. Samples were dry.</p> <p>Fine fraction soil samples were sent to an accredited laboratory for analysis. No sample preparation was completed to minimise contamination.</p> <p>Field duplicates were submitted to the laboratory at a rate of 1: 50 and were collected as a separate sample in close proximity to the original.</p> <p>The sample sizes are believed to be appropriate to correctly</p>

Criteria	JORC Code explanation	Commentary
	of the material being sampled.	represent the style of gold mineralisation present in the regolith profile in the Sylvania Inlier.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	<p>0.5g aqua regia ultima 53 Element Package is considered appropriate assay for multielement assay for the Karlawinda Project.</p> <p>Capricorn Metals sampling, OREAS certified reference material (CRM) was inserted at a ratio of 1:50. The grade ranges of the CRM's were selected based on historical grade populations for soil samples in the region.</p>
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>Assay results when received were plotted on plan and were verified by Capricorn Metals employees.</p> <p>Capricorn Metals sampling, data collection in field is captured in an electronic logging system for geological, regolith, sample id, assay and surveying information.</p>
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	Sample locations were established and verified using hand held GPS.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	Regional soil sample locations on a nominal 400m by 400m grid.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	Not applicable
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	For the Capricorn Metals sampling, sample packets are sealed into cardboard boxes and then packaged in green plastic bags and taped up. The samples were dispatched by third party contractor. Box and sample delivery is matched between company data and laboratory assay returns
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	No audits or reviews have been undertaken. Program and results reviewed by senior Company personnel.

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a 	<p>The Karlawinda Project is located in tenements M52/1070, E52/1711, E52/2247, E52/2398, E52/2409, E52/3323, E52/3363, E52/3364, E52/3450, E52/3474, E52/3541, E52/3543, E52/3562, M52/1070 and held by Greenmount Resources Pty Ltd, a wholly owned subsidiary of Capricorn Metals.</p> <p>E52/1711 exploration tenement in the Pilbara region of Western Australia. E52/1711 was acquired from South32</p>

Criteria	JORC Code explanation	Commentary
	<i>licence to operate in the area.</i>	in 2008. South32 retain a 2% NSR and a claw-back provision whereby South32 can elect to acquire a 70% equity in the project only if JORC compliant reported resources of 5,000,000 ounces of gold and/or 120,000 tonnes of contained nickel have been delineated. The Nyiyaparli group are Native Title claimants covering an area including E52/1711. There is no known heritage or environmental impediments over the lease. No other known impediments exist to operate in the area.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	Prior to Capricorn Metals, the tenement was held by the Independence group (IGO) who undertook exploration between 2008 & 2014. Prior to Independence group, WMC (BHP) explored the area from 2004 to 2008
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	Bibra is part of a large-scale Archaean aged gold mineralized system. The resource is hosted within a package of deformed meta-sediments which has developed on at least two parallel, shallow dipping structures; supergene oxide mineralization has developed over the structures close to surface. The primary mineralization is strata-bound with lineation's identified as controlling higher-grade shoots. The deposit is oxidized to average depths of 50-70m.
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	Not applicable
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	Not applicable.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	Not applicable
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	The diagrams in the report provide sufficient information to understand the context of the soil sampling results.

Criteria	JORC Code explanation	Commentary
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	The accompanying document is a balanced report with a suitable cautionary note.
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	The diagrams in the report provide sufficient information to understand the context of the soil sampling results.
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	Follow up infill soil sampling programs have been designed to follow up the current results to further define the mineralised zone.