



30 January 2019

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## NOTICE OF MEETING AND STATEMENT OF DIRECTORS

Capricorn Metals Ltd ("**Capricorn**" or the "**Company**") (ASX: CMM) advises that, further to the Company's 10 January announcement that it had received a notice under section 249D of the Corporations Act 2001 (Cth) from two shareholders, Neon Capital Ltd and Nero Resource Fund Pty Ltd (who state that they collectively hold at least 5% of the votes that may be cast at a general meeting) requesting the Company call and arrange to hold a general meeting, the Company hereby calls a meeting of shareholders to consider the following resolutions:

- the appointment of new director Mr Timothy Kestell;
- the appointment of new director Mr Peter Pynes;
- the appointment of new director Mr Douglas Jendry;
- the removal of current director, Ms Debra Bakker;
- the removal of current director, Mr Geoffrey Rogers; and
- the removal of current director, Mr Peter Benjamin.

The meeting of shareholders is to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 5 March 2019 commencing at 2:00 pm Western Standard Time.

All shareholders are welcome to attend.

**Your Directors the subject of removal resolutions – Ms Bakker, and Messrs Rogers and Benjamin – as well as Mr Stuart Pether, who is not the subject of a removal resolution, are unanimously of the view that shareholders should vote AGAINST each of the six resolutions.**

Attached to this announcement are:

- A Statement from your Directors the subject of removal resolutions, which sets out why the Board is unanimously of this view; and
- The Notice of Meeting, which includes the statement provided under section 249P of the Corporations Act by the requisitionists.

You should read these documents in full before deciding how to vote.

You can vote by completing the proxy form enclosed with the Notice of Meeting.

Every single vote is important, no matter how big or how small your shareholding.

***For and on behalf of the Board***

**Ms Debra Bakker**  
**Chair**

***For further information, please contact:***

Ms Debra Bakker  
Non-Executive Chair  
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**NOTICE OF MEETING BOOKLET**  
**INCORPORATING DIRECTORS' STATEMENT, NOTICE OF MEETING,**  
**EXPLANATORY MEMORANDUM, MEMBERS' STATEMENT AND PROXY FORM**

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Meeting to be held at

**The Celtic Club**  
**48 Ord Street**  
**West Perth, Western Australia**

on

**Tuesday, 5 March 2019**

at

**2:00 pm (WST)**

**The Board of Capricorn Metals Ltd recommends that all  
Shareholders vote, and will be voting all the Shares they hold:**

**AGAINST all six resolutions**

**This is an important document that requires your immediate attention.**

You should read this document in its entirety before deciding whether or not to vote for or against any resolution at the Meeting. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

If you have questions about the Meeting or the resolutions to be voted on, please call the Company Information Line on 1300 648 874 within Australia or +61 2 8355 1000 from outside of Australia.

## DIRECTORS' STATEMENT

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The following statement is provided by Ms Debra Bakker, Mr Geoffrey Rogers and Mr Peter Benjamin in response to the Members' Statement.

29 January 2019

Dear Shareholder

Capricorn Metals Ltd ("**Capricorn**" or the "**Company**") has received a request from two shareholders – Neon Capital Limited and Nero Resource Fund Pty Ltd who together hold approximately 5.5% of the Company's capital (the "**Requisitionists**") – that Capricorn call a meeting of shareholders to consider resolutions to reconstitute the Board. Those resolutions are that we – Non-Executive Chair, Debra Bakker and Non-Executive Directors Geoffrey Rogers and Peter Benjamin – be removed from the Board, and that Timothy Kestell and Peter Pynes, both directors of Neon, and Mr Douglas Jendry (together, the "**Requisitionists' Nominee Directors**") be elected to the Board. These resolutions have been proposed by the Requisitionists and are not endorsed or supported by your Board.

Capricorn's only other Director, Stuart Pether who is the nominee of the Company's largest shareholder, Hawke's Point Holdings Limited, is not the subject of a removal resolution.

The Shareholders' Meeting will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 5 March 2019 commencing at 2:00 pm Western Standard Time.

If each resolution is passed, the Board of Capricorn would be comprised of (and therefore able to be controlled by) the Requisitionists' Nominee Directors – Messrs Kestell, Pynes and Jendry, as well as Mr Pether. Alternatively, if each resolution is not passed, the Board of Capricorn will remain unchanged – and comprise Ms Bakker, and Messrs Rogers, Benjamin and Pether.

We write this letter to you to seek your support so we may continue with the important task of running your Company in the best interests of all shareholders. You can achieve this outcome by voting **AGAINST** each of the six resolutions proposed by the Requisitionists at the Shareholders' Meeting. We strongly consider it is in the best interests of the Company and all shareholders (other than, perhaps, the Requisitionists) to vote **AGAINST** the six resolutions for the following key reasons:

- **The current and predecessor Boards have made significant progress in advancing and de-risking the Karlawinda Project to a "shovel-ready" status, including obtaining:**
  - ✓ Permitting and regulatory approvals for the Project;
  - ✓ Agreement with GR Engineering in relation to material terms for project design and construction;
  - ✓ Agreement with Santos with respect to material terms for the supply of gas;
  - ✓ Agreement with APA Group with respect to the material terms for the transmission of gas and construction and operation of the gas lateral to site;
  - ✓ Agreement with SMS in relation to material terms for the mining contract; and
  - ✓ Commitment from Macquarie Bank for a project finance facility on attractive terms.

Each of the above were awarded following a rigorous and competitive tendering process.

Furthermore, continued exploration activities at Karlawinda have delivered significant increases in Mineral Resources and Ore Reserves, as well as significant regional exploration success. The recent discovery at Tramore has the potential to add meaningfully to the Project's mine life and demonstrates the endowment potential of Karlawinda, which remains untested and further exploration success is, in our opinion, likely.

Finally, the current Board is also undertaking an appropriate and rigorous search process to select and appoint a suitably qualified person as Managing Director or Chief Executive Officer of the Company.

- **The current and predecessor Boards have always been (and remain) open to consideration of attractive corporate opportunities.** Despite its best efforts, the predecessor Board was not able to complete a recommended

acquisition of the Company by Regis Resources Limited (“Regis”) due to a significant shareholder’s rejection of the proposal (as was their right) and the unwillingness of Regis to proceed without support from that shareholder - a matter beyond the Board’s control. The Board remains receptive to an attractive value-adding corporate transaction and continues to actively explore corporate opportunities that may maximise value for shareholders. However, in the absence of any such transaction, the Board will, in due course and with shareholder support, commence development of the Karlawinda Project, which would see the Company transition from gold explorer to producer. In either case, shareholders should be careful about giving up effective control of the Board and, as a consequence, the Project, to the Requisitionists without obtaining any premium for such control.

- **The proposed resolutions are in our view opportunistic and your Board has concerns about the outcome for minority shareholders given previous transactions that two of the Requisitionists’ Nominee Directors have been involved in.** Two of the Requisitionists’ Nominee Directors, Messrs Kestell and Pynes, have been involved in proxy fights for board control on multiple previous occasions and your Board is concerned about the possible outcome for minority shareholders should the Requisitionists acquire Board control. Those prior dealings suggest that there is a risk, once they have board control, and notwithstanding their minority stake, they may pursue asset sales, use company cash to fund share buy-backs (possibly at a discount to net tangible asset backing and with a likely consequential reduction in share liquidity), significantly increase management remuneration and/or ultimately seek to delist the Company (whether or not it has remaining minority shareholders). We believe that shareholders need to carefully consider these risks and our concerns.
- **The current Board is, in our view, properly aligned with all shareholders and well credentialed to govern Capricorn.** The Requisitionists state that the relevant Directors are not “properly” aligned with shareholders because they don’t hold any shares. We do not agree.

It is true that the relevant Directors do not currently hold any shares in Capricorn. This is because, since the relevant Directors were appointed, there has been no time when they have been permitted to purchase shares because they have been in possession of price sensitive information. All three relevant Directors intend to acquire shares when circumstances permit.

The current Board is very well aware that its duty is to act in the best interests of all shareholders. The Directors that the Requisitionists seek to remove are all independent. By contrast, Messrs Kestell, Pynes and Jendry are not independent – they are nominees of two shareholders holding approximately 5.5% of the shares in the Company.

It is concerning to us that the Requisitionists are proposing to remove **all** independent non-executive directors from your Board. Taken to its extreme, the Requisitionists seem to be suggesting that persons who hold no shares personally (as we understand is the position of Messrs Kestell, Pynes and Jendry) but who are nominees of shareholders, are in some way better aligned with “shareholders” than persons who hold no shares (Ms Bakker and Messrs Rogers and Benjamin) but who are independent. This is a curious suggestion. With respect, we disagree.

Ms Bakker and Messrs Rogers and Benjamin have considerable experience at the highest level in the gold industry and resource sector in the key disciplines of corporate finance, law, project development and geology.

- If all resolutions are passed at the Shareholders’ Meeting, the Board would be able to be controlled by Directors appointed by the Requisitionists - even though those shareholders would collectively hold only about 5.5% of the shares in the Company. **There would be no independent voice to represent the interests of other shareholders.** Further such a Board structure would be inconsistent with principles of good governance.
- **The Requisitionists’ grievances with the current Board are baseless.** The Board is not solely intent on pushing Karlawinda into production to the detriment of other alternatives as suggested by the Requisitionists. In fact, the previous Board did everything it could to see the proposed transaction with Regis proceed. It could not control the fact that a significant Capricorn shareholder was not willing to accept the proposal (as the value of the proposed consideration was deemed by that shareholder to be insufficient) or that this was a prerequisite for Regis.

The Board has been and remains receptive to an attractive value-adding corporate transaction. Further, the Board is currently in discussion with various parties regarding potential corporate transactions and will, if an attractive offer is tabled that is fair and reasonable to all shareholders, seek to put that offer before shareholders.

Accordingly, the Requisitionists’ statement that the Board is not interested in considering alternatives other than development is simply false, disingenuous and self-serving.

Part of the Requisitionists' stated plan – to pursue corporate transactions and, failing that, to develop Karlawinda – is no different to the plan of the current Board except for the fact that the current Board:

- is already much further along the path of progressing potential corporate transactions, whereas the Requisitionists' Nominee Directors would likely be going over old ground; and
- already has the relevant background, corporate and stakeholder knowledge, and gold project development and corporate skills (if the Company goes down the path of developing the Project), whereas the Requisitionists state that they would need to build a team (losing valuable project and corporate knowledge, and spending Company money, in doing so).
- **The Requisitionists appear to be seeking control without paying you anything.** In the view of the Board, the Requisitionists are seeking to take effective control of Capricorn (through taking control of the Capricorn Board) for no financial outlay by them. A more usual approach would be by way of a 100% share acquisition transaction that would see all other shareholders receive fair and reasonable value for their shares, including an appropriate control premium. With the Requisitionists holding only approximately 5.5% of the Company's shares, their action is in our view opportunistic, and their request for three of four seats on the Board is out of all proportion to their holding and contrary to principles of good corporate governance.

Further information in support of these reasons is set out as Attachment 1 which we urge you to read carefully. For these and other reasons, we seek your support by voting **AGAINST** each of the six resolutions at the Company's forthcoming General Meeting.

You can vote **AGAINST** the resolutions by simply completing and returning the **green proxy form** which is enclosed with this booklet. Every single vote is important, no matter how big or how small your shareholding.

We are pleased that this matter, which is a distraction and has come at a significant cost to Capricorn, will soon be over so we can get on with the important task of running your Company and maximising value for all shareholders.

We thank you for your ongoing support.

Yours sincerely



**Debra Bakker**  
Non-Executive Chair



**Geoffrey Rogers**  
Non-Executive Director



**Peter Benjamin**  
Non-Executive Director

This statement is provided by Directors Debra Bakker, Geoffrey Rogers and Peter Benjamin for circulation to you and accompanies the Notice of General Meeting in respect of the forthcoming General Meeting of the Company to be held on 5 March 2019.

## ATTACHMENT 1

### 1. YOUR BOARD HAS MADE SIGNIFICANT PROGRESS IN ADVANCING AND DE-RISKING THE KARLAWINDA PROJECT - AND HAS STRONG PLANS FOR THE FUTURE

The three Directors that the Requisitionists are seeking to remove have all been in office for a relatively short period of time. Ms Bakker was appointed in February 2018 and Messrs Rogers and Benjamin were only appointed on 8 November 2018 as part of a Board renewal process, a process supported by the then retiring directors. All three were re-elected as Directors on 15 November 2018 with a very significant percentage of votes in their favour.

We believe it relevant to consider the progress made by Capricorn since the date of Ms Bakker's appointment (noting that the various achievements are attributable to many, both present and past, and not just the three Directors in question).

In that period much has been achieved at the Karlawinda Project including:

- On 23 April 2018, the Company announced reaching agreement with GR Engineering as to the terms of a fixed price design and construct contract;
- On 29 May 2018, the Company announced an increase in Mineral Resources and Ore Reserves, and a forecast increase in life-of-mine gold production;
- On 20 June 2018, the Company announced an increase in the pre-tax project NPV;
- On 13 August 2018, the Company announced significant progress on a number of key permits, the acquisition of an accommodation camp and closing of a contract mining tender;
- On 20 August 2018, the Company announced the results of an RC drilling programme at the Tramore Prospect which confirmed the presence of a significant zone of shallow gold mineralisation;
- On 25 October 2018, the Company announced the award of the mining contract to SMS;
- On 2 November 2018, the Company announced highly encouraging first-pass regional exploration results, noting that the exploration endowment potential of the Karlawinda Project remains untested and further success is considered likely; and
- On 15 January 2019, the Company announced it had agreed material contract terms with Santos in respect of the supply of gas and with APA Group in respect of the transmission of gas by way of pipeline.

Further, on 13 December 2018, the Company announced that it had received and executed a committed credit approved letter of offer from Macquarie Bank on attractive terms for project finance facilities at Karlawinda totalling A\$107 million including a senior project finance facility of \$81 million, a bank guarantee facility of \$19 million and a working capital facility of \$7 million.

Ms Bakker, Non-Executive Chair, stated at the time: *"This is a significant milestone for the project and a major step forward in the development of the Karlawinda Gold Project. The Macquarie Bank funding package reflects the quality of the project and the significant work undertaken by the Capricorn team over the last twelve months following completion of the feasibility study in October 2017 and Optimisation Study in June 2018. This outstanding result removes a significant impediment to the development of the project and we can now push ahead to become Australia's newest gold producer".*

Taken together, the achievements mentioned above have, we believe, added considerable value to Capricorn.

The current Board is also conducting an appropriate and rigorous search process to select and appoint a suitably qualified person as Managing Director or Chief Executive Officer of the Company.

For all these reasons, the Capricorn Board considers much has been achieved recently and it has a strong plan for the Company's future.

## **2. YOUR BOARD HAS ALWAYS BEEN (AND REMAINS) OPEN TO CONSIDERATION OF ATTRACTIVE CORPORATE OPPORTUNITIES**

Notwithstanding that Capricorn is now in a position to develop Karlawinda, the Company is (and has always been) receptive to an attractive value-adding corporate transaction that would benefit all shareholders.

To this end, in September 2018, after a number of months of confidential discussions, Capricorn announced that it was in receipt of a non-binding, indicative proposal from Regis Resources Ltd (ASX:RRL) (“**Regis**”) to acquire all the shares in the Company at a price of 11.4 cents per share payable in Regis shares. That proposal was subject to a number of conditions including a Capricorn Board recommendation and receipt of the support of two significant shareholders.

**The Capricorn Board subsequently gave unanimous support to the Regis proposal.**

However, on 1 October 2018, with one of Capricorn’s significant shareholders advising that it would not support the proposal (as was its right), Regis withdrew the proposal, stating that it had no intention to initiate further discussions with Capricorn.

Nevertheless, the Capricorn Board did continue to engage with Regis, putting forward other options by which a transaction between the two companies could potentially be achieved. However, it proved to be to no avail.

**The Board did everything in its power to achieve a transaction with Regis.**

Moreover, the Board remains receptive to a corporate transaction provided that Capricorn shareholders receive fair and reasonable value for their shares. To this end, other opportunities continue to be explored. Otherwise (and in the absence of any such transaction), with the support of shareholders, and with Karlawinda shovel-ready, Capricorn will in due course progress towards development, seeing the Company transition from gold explorer to producer.

## **3. YOUR BOARD BELIEVES THE PROPOSED RESOLUTIONS ARE OPPORTUNISTIC AND HAS CONCERNS ABOUT THE OUTCOMES FOR MINORITY SHAREHOLDERS GIVEN PREVIOUS TRANSACTIONS THAT TWO OF THE REQUISITIONISTS’ NOMINEE DIRECTORS HAVE BEEN INVOLVED IN**

The Requisitionists’ Members’ Statement states that it is with reluctance that the Requisitionists have initiated the shareholder requisition process.

They state that they firmly believe the proposed changes they are seeking are both necessary and timely to protect and optimise shareholder value.

**What the Requisitionists don't reveal, however, is that Messrs Kestell and Pynes have been involved in proxy fights for board control on multiple occasions.** They have previously been involved with proposals to seek board appointments in respect of (and some level of control of) a number of companies including:

- Emerald Oil & Gas NL;
- GoldLink IncomePlus Limited (now Blue Capital Limited);
- Indago Resources Limited; and, most recently,
- Neon Energy Limited (now Neon Capital). In the Neon transaction they were referred to in the press as “Raiders”<sup>1</sup>.

Your Board suspects that the end result for at least some of the minority shareholders of those companies is likely to have been seen as less than satisfactory. For example, Messrs Kestell and Pynes’ prior dealings suggest that there is a risk, once they have board control, and notwithstanding their minority stake, they may pursue asset sales, use company cash to fund share buy-backs (possibly at a discount to net tangible asset backing and with a likely consequential reduction in share liquidity), significantly increase management remuneration, and/or ultimately seek to delist the Company (whether or not it has remaining minority shareholders).

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<sup>1</sup> “Raiders take aim at Neon”, *The West Australian*, Thursday 11 September 2014 – referring to Tim Kestell, Peter Pynes and fellow Neon Capital director, Ross Williams.

As such, your Board is concerned that minority shareholders in Capricorn have sufficient information to enable them to make their own informed decision about the risk, if any, of a similar outcome for minority Capricorn shareholders should Messrs Kestell and Pynes be appointed to the Board.

The following summary in relation to two of the companies mentioned above is provided to assist shareholders to further understand the concerns of the Board and has been prepared on the basis of public information available on ASX and elsewhere.

### **Indago Resources Limited**

In relation to Indago, in June 2009 GoldLink (an entity associated with Messrs Kestell and Pynes) served a section 249D requisition (seeking to remove Indago directors) together with a proportional takeover offer (seeking to acquire a mere 10% of those shares not already held by GoldLink). The GoldLink nominee directors were approved by Indago shareholders in August 2009. GoldLink subsequently withdrew its proportional takeover offer also in August. Messrs Kestell and Pynes were appointed to the Indago board (in addition to GoldLink's other nominees) very shortly thereafter.

In an article dated 2 December 2010 in WA Business News (discussing executive and director remuneration), it was stated (in relation to the financial year ended 30 June 2010) that:

*"Few would probably recognise the fourth and fifth highest-paid executives on the list, both of whom pocketed more than \$6 million following their ascent to the board, and subsequent restructure, of Perth explorer Indago Resources. Former stockbroker Tim Kestell and former merchant banker Peter Pynes successfully secured board seats at Indago in early 2009, shortly after the one time uranium and base metals explorer had acquired the big Tusker gold project in Tanzania....According to Indago's annual accounts, Messrs Kestell and Pynes each received just less than \$6.05 million for the year, notwithstanding Indago's negative one-year TSR of 25 per cent".*

As noted, this aggregate compensation (of approximately \$12.1 million) resulted in Messrs Kestell and Pynes being ranked as the fourth and fifth highest paid executives in the WA Business News survey in respect of that year. Indago's market capitalisation at 30 June 2010 was \$40.3 million.

Within 8 months of receipt of the section 249D notice, Indago had:

- spun out a Tanzanian gold project by way of an IPO of Tusker Gold (which proposal was not put to Indago shareholders for approval; and the consideration for which went to Indago and not Indago shareholders) – this is despite GoldLink having stated in its bidder's statement that it intended to develop and retain the company's key assets<sup>2</sup>;
- sold the Snowbird and Mid-Continent projects;
- sold the Tanzanian uranium assets; and
- with shareholder approval, changed the nature of Indago's activities to an ASX listed "alternative investment company".

Indago used company funds to undertake on-market share buy backs (which may, the directors stated, decrease liquidity). In a notice of meeting seeking approval for the buy back it was noted that Indago would only buy back shares where they were trading at a discount to the net tangible asset backing per share. In circumstances where there is already low liquidity, further compounded by a 1:10 share consolidation in November 2010, the inevitable result of this is that those seeking an exit would receive a discount to net tangible asset backing, thereby further increasing value to those remaining as shareholders of the company (including entities apparently associated with Messrs Kestell and Pynes).

Indago was delisted from ASX on 29 August 2011 citing a lack of liquidity and cost considerations. After de-listing, remaining shareholders (who could no longer sell on ASX) were asked to approve a share buy-back at a discount to the last reported fully diluted net tangible asset per share of the company.

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<sup>2</sup> Messrs Kestell and Pynes also received (for no cash consideration) 10 million options to subscribe for shares in Tusker Gold as part of the IPO. These options were later cancelled as part of a takeover by Barrick Gold for Tusker (which takeover was made six weeks after completion of the Tusker IPO). Messrs Kestell and Pynes received a total of \$5 million from Barrick Gold for the cancellation of these options.



**Neon Energy Limited**

Similarly, with Neon, a shareholder requisition request was received from substantial shareholder (and Kestell and Pynes associated) Evoworld Corporation (seeking the appointment of, amongst others, Messrs Kestell and Pynes to the Neon board). While those resolutions were not passed, Evoworld made a proportional takeover offer for Neon and a number of directors (including Messrs Kestell and Pynes) were subsequently appointed to the Neon board in late 2014 and early 2015. At the end of Evoworld's proportional offer (in April 2015), it held 37% of the shares in Neon.

Following the close of Evoworld's offer, Neon:

- divested its energy interests;
- conducted on-market buy backs for "capital management purposes" (using company funds to acquire shares – which would decrease liquidity); and
- in early 2016, with shareholder approval, changed the nature of Neon's activities to an ASX listed investment company ("in order to maintain its ASX listing and maximise returns to Neon shareholders").

In late 2016 Neon announced an intention to delist from ASX citing cost considerations and a lack of liquidity which was further compounded by a 1:10 share consolidation in February 2016. The announcement stated that the delisting had the support of Neon's largest shareholder, Evoworld (who at that time held 41.6%).

Since delisting from ASX, Neon has operated as an unlisted public company and has sought remaining shareholder approval to use company funds to buy-back shares (the last offer was at \$0.28 per share which was below the stated net tangible asset backing per share which was reported as \$0.4313). Capricorn notes that Neon is now being used by Messrs Kestell and Pynes as their vehicle to make this requisition.

Your Board encourages shareholders to carefully consider the information about the above transactions as set out above, in order that shareholders can make their own informed decisions about the possible intentions of Messrs Pynes and Kestell and/or the Requisitionists' with respect to Capricorn and the concerns and risks, if any, that the Board has raised.

For further information regarding the above transactions, and others, in which Messrs Kestell and Pynes were previously involved shareholders might also wish to consider the notice of general meeting released by Neon Energy Limited to ASX on 3 October 2014 and in particular pages 13 to 17 of that document<sup>3</sup>.

**Having regards to the above, your Directors consider that shareholders should seriously consider your Directors' concerns about possible potential outcomes for minority holders if the Resolutions are approved.**

#### **4. THE CURRENT BOARD IS PROPERLY ALIGNED WITH ALL SHAREHOLDERS AND WELL CREDENTIALLED TO GOVERN CAPRICORN**

The Requisitionists state that the relevant Directors are not "properly" aligned with shareholders because they don't hold any shares. We do not agree.

It is true that the relevant Directors do not currently hold any shares in Capricorn. This is because, since the relevant Directors were appointed, there has been no time when they have been permitted to purchase shares because they have been in possession of price sensitive information. All three relevant Directors intend to acquire shares when circumstances permit.

The current Board is very well aware that its duty is to act in the best interests of all shareholders. The Directors that the Requisitionists seek to remove are all independent. By contrast, Messrs Kestell, Pynes and Jendry are **not** independent – they are nominees of two shareholders holding approximately 5.5% of the shares in the Company.

It is concerning to us that the Requisitionists are proposing to remove **all** independent non-executive directors from your Board. Taken to its extreme, the Requisitionists seem to be suggesting that persons who hold no shares personally (as we understand is the position of Messrs Kestell, Pynes and Jendry) but who are nominees of shareholders, are in some way better aligned with "shareholders" than persons who hold no shares (Ms Bakker and Messrs Rogers and Benjamin) but who are independent. This is a curious suggestion. With respect, we disagree.

<sup>3</sup> See <https://www.asx.com.au/asxpdf/20141003/pdf/42sp6nj3cz10pm.pdf>

If all resolutions are passed at the Shareholders' Meeting, the Board would be able to be controlled by Directors appointed by the Requisitionists - even though those shareholders would collectively hold only about 5.5% of the shares in the Company. **There would be no independent voice to represent the interests of the majority of the other shareholders.** Further such a Board structure would be inconsistent with good corporate governance.

The current Board considers it is well credentialed to govern Capricorn. The three Directors that the Requisitionists are seeking to remove have between them considerable experience at the highest level in the minerals sector in the key disciplines (for a gold company such as Capricorn) of corporate finance, law, project development and geology.

The Requisitionists have not provided any detailed information regarding the relevant knowledge and experience of the Requisitionists or the Requisitionists' Nominee Directors.

Non-Executive Chair, Ms Bakker, is a highly experienced banker and corporate finance executive with more than 25 years' experience in the mining sector. Returning to Australia in 2003 after working in both the UK and USA, in the latter role, responsible for Standard Bank London Group's mining corporate finance business in North America, she spent 10 years leading and building Commonwealth Bank's natural resources team in WA. Amongst other Board roles, Ms Bakker has since 2016 been a Non-Executive Director of Independence Group NL, a diversified mining and exploration company with a current market capitalisation of approximately \$2.3 billion.

Mr Rogers is a highly experienced corporate and resources lawyer with more than 35 years' experience advising both Australian and international clients involved in the resources industry with considerable experience in joint ventures, mergers and acquisitions, fund raising, project acquisition and development, and resources industry regulatory issues. He was a corporate and resources partner at pre-eminent Australian law firm Mallesons Stephen Jaques (now King & Wood Mallesons) for 27 years until his retirement in 2012. Since then, Mr Rogers has run his own private practice as well as being in-house counsel for Panoramic Resources Limited.

Mr Benjamin is a highly experienced geologist with more than 40 years' experience in senior exploration, project, operational and executive management roles for both junior and mid-tier resources companies. These roles have included significant experience in the development and subsequent operations for open pit and underground precious, base metal and bulk mineral mines throughout Australia. Mr Benjamin has extensive experience in managing and implementing exploration strategies, which have led to the successful and ongoing discovery and delineation of new resources and reserves. Mr Benjamin has previously held many senior roles including as Managing Director for Kalamazoo Resources Limited, Managing Director for Shaw River Manganese Ltd, General Manager Geology for Iluka Resources Limited and Divisional Project Manager for Newcrest Mining Limited.

## **5. THE REQUISITIONISTS' GRIEVANCES WITH THE BOARD ARE BASELESS - AND THEY DO NOT SEEM TO HAVE ANY MEANINGFUL PLAN FOR THE FUTURE**

The Requisitionists' grievances with the Board are baseless and they do not seem to have any meaningful plan for the future.

The Requisitionists' grievances are set out in their Members' Statement which is attached to the Notice of Meeting. Their primary concern, as stated, is that the Board is focussed solely on developing Karlawinda and not considering alternatives such as the sale of the Company that could be more beneficial to shareholders. **This is simply not true.**

**As set out above, the Board gave its unanimous support to the proposed acquisition by Regis.**

When a significant shareholder rejected the proposal, the Board did everything it could to convince that shareholder to change its position. With the shareholder unwilling, the Board then entered into discussions with Regis, putting forward other options by which a transaction between the two companies could potentially be achieved. However, Regis was only willing to proceed if it secured 100% of Capricorn.

**The Board remains interested in, and continues to explore, other corporate opportunities.** The Board is currently in discussion with various parties regarding potential corporate transactions and will, if an attractive offer is tabled that is fair and reasonable to all shareholders, seek to put that offer before shareholders.

Accordingly, the Requisitionists' statement that the Board is not interested in considering alternatives other than development is false, disingenuous and self-serving.

The Members' Statement also sets out the Requisitionists' four point "plan" for Capricorn.

The first task, they state, is to... *"immediately review the increasing running costs of the company and assess the financial position."*

The fact is, the Company's administration costs have not changed. There has been an increase in other development and exploration expenditure. However, as shareholders will appreciate, undertaking all the activities needed to bring a gold project to shovel-ready status is not without cost.

Their second aspect of the "plan" is to revisit past failed corporate transactions. We can only presume they intend to seek a meeting with Regis with the objective of eliciting another takeover bid or selling the asset to Regis. Your Board has already done this – and is continuing to explore other potential corporate opportunities.

Their third aspect of the "plan" is to initiate new corporate transactions. No further information is provided by the Requisitionists. As indicated above, we are concerned as to what this might mean for minority shareholders.

Curiously, the Members' Statement goes on to state that, if the second and third aspects of the "plan" do not come to fruition, they will look to build a team to develop Karlawinda. This will be necessary because their proposed nominees seem to have no apparent experience in running a gold company. If the Company does go down the mine development route, the current Board is, in our view, further advanced than the Requisitionists are likely to be in all aspects of progressing such development including building and adding to the necessary team.

Finally, the Requisitionists raise the matter in their Members' Statement as to the potential dilution to shareholders that might arise through the Company procuring the equity component for the development of the Karlawinda Project.

Their position here is nothing new and is a specious argument. Your Directors are aware of the potential dilutionary aspect of any equity raising to fund the equity component for development, are only prepared to proceed to secure additional equity on attractive terms and will structure any issue of new equity for development of the Project to minimise any potential dilutionary impact.

It is noted that an appropriately structured equity raising to develop the Project should offset any potential dilutive impact with an improved value proposition and be value accretive even for those shareholders who are unwilling or unable to participate. The value of a smaller shareholding in a gold mining company is highly likely to exceed that of a larger shareholding in a company that has an undeveloped project and continually relies on raising new equity to fund its activities. Accordingly, broad, unwarranted and unfair future potential dilution would be mitigated.

In summary, the Requisitionists' grievances with the Board are baseless, their plan is vague and, in the Board's view, they have not proposed a clear strategy or way forward for the Company.

## **6. THE REQUISITIONISTS APPEAR TO BE SEEKING CONTROL WITHOUT PAYING YOU ANYTHING**

**The Board is receptive to control of Capricorn passing but only on appropriate terms where Capricorn shareholders receive a fair offer for all of their shares.**

However, in the view of the Board, the Requisitionists are seeking to take effective control of Capricorn (through taking control of the Capricorn Board) without any offer being made to you.

We believe that, if the Requisitionists or any other party wish to take control of the Company, they should go about the task in the usual way that control of public companies generally passes, which is by way of a 100% share acquisition transaction, whether a Takeover Offer or a Scheme of Arrangement, that would see all other shareholders receive a fair and reasonable offer for all of their shares, including an appropriate control premium.

Just as it proposed to do in the case of the Regis proposal, the current Board would be only too pleased to work towards and to recommend shareholders accept (or approve) any proposal on this basis - where the Board considers that the proposal put forward is fair and reasonable and in the best interests of all shareholders.

**With the Requisitionists holding only approximately 5.5% of the Company's shares, their request for three of four seats on the Capricorn Board is, in our view, out of all proportion to their shareholding, opportunistic and unreasonable.**

\* \* \* \* \*

## NOTICE OF MEETING AND AGENDA

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Notice is hereby given that a general meeting of Capricorn Metals Ltd (“Capricorn” or the “Company”) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 5 March 2019 commencing at 2:00 pm Western Standard Time (“WST”) (“Meeting”).

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Proxy Forms also form part of this Notice of Meeting.

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 as Shareholders at 4:00 pm WST on Sunday, 3 March 2019.

Shareholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete the Proxy Form are set out in the Explanatory Memorandum.

Proxy Forms must be received by no later than 2:00 pm WST on Sunday, 3 March 2019.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary of the Explanatory Memorandum.

Shareholders should read the Explanatory Memorandum before deciding how to vote.

### AGENDA

#### Resolution 1: Appointment of Mr Timothy Kestell as a Director (Non-Board Endorsed)



To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

***“That, pursuant to article 6.2(c) of the Company’s constitution and for all other purposes, Mr Timothy Kestell be and is hereby appointed a director of the Company.”***

Your Directors recommend you vote AGAINST this resolution.

The Chairman intends to vote all undirected proxies **against** Resolution 1.

#### Resolution 2: Appointment of Mr Peter Pynes as a Director (Non-Board Endorsed)



To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

***“That, pursuant to article 6.2(c) of the Company’s constitution and for all other purposes, Mr Peter Pynes be and is hereby appointed a director of the Company.”***

Your Directors recommend you vote AGAINST this resolution.

The Chairman intends to vote all undirected proxies **against** Resolution 2.

#### Resolution 3: Appointment of Mr Douglas Jendry as a Director (Non-Board Endorsed)



To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

***“That, pursuant to article 6.2(c) of the Company’s constitution and for all other purposes, Mr Douglas Jendry be and is hereby appointed a director of the Company.”***

Your Directors recommend you vote AGAINST this resolution.

The Chairman intends to vote all undirected proxies **against** Resolution 3.

#### Resolution 4: Removal of Ms Debra Bakker as a Director (Non-Board Endorsed)



To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

***“That, pursuant to article 6.3(h) of the Company’s constitution and for all other purposes, Ms Debra Bakker be removed from office as a Director of the Company with immediate effect.”***

Your Directors recommend you vote AGAINST this resolution.

The Chairman intends to vote all undirected proxies **against** Resolution 4.

#### Resolution 5: Removal of Mr Geoffrey Rogers as a Director (Non-Board Endorsed)



To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

***“That, pursuant to article 6.3(h) of the Company’s constitution and for all other purposes, Mr Geoffrey Rogers be removed from office as a Director of the Company with immediate effect.”***

Your Directors recommend you vote AGAINST this resolution.

The Chairman intends to vote all undirected proxies **against** Resolution 5.

#### Resolution 6: Removal of Mr Peter Benjamin as a Director (Non-Board Endorsed)



To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

***“That, pursuant to article 6.3(h) of the Company’s constitution and for all other purposes, Mr Peter Benjamin be removed from office as a Director of the Company with immediate effect.”***

Your Directors recommend you vote AGAINST this resolution.

The Chairman intends to vote all undirected proxies **against** Resolution 6.

#### Proxies, attorneys and corporate representatives

A member entitled to attend and vote at the general meeting may appoint a proxy, attorney or representative to give its vote and, if entitled to cast two or more votes, is entitled to appoint no more than two proxies. If two proxies are appointed, each proxy may be appointed to represent a specified proportion of the member’s voting rights. If such proportion is not specified, each proxy may exercise half of the shareholder’s voting rights. Fractions shall be disregarded. A proxy may, but need not be, a member of the Company and a member may appoint an individual or a body corporate to act as its proxy.

**For the convenience of Shareholders, two proxy forms have been included with this Explanatory Memorandum, a green proxy form and a white proxy form.**

The green proxy form has been completed in line with the recommendation of the Board and has been paid for by the Directors the subject of removal resolutions out of their personal funds. If you wish to vote in accordance with the recommendations of the Board, **you should execute the green proxy form and return it in accordance with the instructions on the form.** If you execute and return the green proxy form, you do not need to complete the white proxy form.

If you want to appoint a proxy and do not wish to vote in accordance with the recommendations of the Board, you should follow the instructions on the white proxy form to indicate your voting directions and return it following the instructions on the form.

The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, executed in accordance with the Corporations Act.

Proxy forms and, if applicable, the powers of attorney (or a certified copy of the powers of attorney) under which they are signed must be lodged directly by the member making the appointment at least 48 hours before the appointed time of the meeting.

Lodgment details for proxy forms are as follows:

|                      |  |
|----------------------|--|
| <b>Post</b>          | Automic<br>GPO Box 5193, Sydney NSW 2001                           |
| <b>Hand Delivery</b> | Automic<br>Level 5, 126 Phillip Street, Sydney NSW 2001            |
| <b>Facsimile</b>     | 02 8583 3040 (within Australia)<br>+61 2 8583 3040 (from overseas) |
| <b>Email</b>         | hello@automic.com.au   |

## Voting

The Chairman intends to put each Resolution that is moved at the Meeting to a poll. Voting results will be announced to the ASX as soon as practicable after the Meeting.

## Entitlement to attend and vote

All Shareholders may attend the General Meeting.

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 as Shareholders of the Company at 4:00 pm WST on Sunday, 3 March 2019. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## ASX

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its respective officers takes any responsibility for the contents of this document.

## By order of the Board:



**Natasha Santi**  
Company Secretary

Dated: 29 January 2019

## EXPLANATORY MEMORANDUM

### Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 5 March 2019 commencing at 2:00 pm WST.

The purpose of this Explanatory Memorandum is to explain the background to the General Meeting and the Resolutions, and to provide information that your Directors consider is material to Shareholders in relation to the Resolutions.

The Company recommends that Shareholders read this Explanatory Memorandum and the Directors' Statement (which is included in this Notice of Meeting Booklet) before making any decisions in relation to the Resolutions.

### Background to special business being put to the Meeting

On 9 January 2019, two of Capricorn's approximately 1,500 registered shareholders – Neon Capital Ltd and Nero Resource Fund Pty Ltd (the "Requisitionists") – representing approximately 5.5% of the Company's capital, lodged with Capricorn a notice under 249D of the *Corporations Act 2001* (Cth) ("Corporations Act") requesting that the Company call a meeting of shareholders at which six resolutions are to be considered concerning the composition of the Board.

In compliance with the above, the Company has issued this Notice of Meeting in which is included the following items of special business:

- Resolution 1 – Appointment of new Director, Mr Timothy Kestell
- Resolution 2 – Appointment of new Director, Mr Peter Pynes
- Resolution 3 – Appointment of new Director, Mr Douglas Jendry
- Resolution 4 – Removal of current Director, Ms Debra Bakker
- Resolution 5 – Removal of current Director, Mr Geoffrey Rogers
- Resolution 6 – Removal of current Director, Mr Peter Benjamin

The Directors of the Company, both those the subject of a removal resolution – Ms Bakker and Messrs Rogers and Benjamin – and Mr Stuart Pether, who is not the subject of a removal resolution, are unanimous in recommending that Shareholders vote **AGAINST** all six Resolutions.

Voting by the majority of Shareholders in accordance with the recommendation of your Directors will result in a Board comprising **Ms Debra Bakker, Mr Geoffrey Rogers, Mr Peter Benjamin and Mr Stuart Pether** (i.e. retention of the current Board).

Voting by the majority of Shareholders contrary to the recommendation of your Directors will result in a Board comprising **Mr Timothy Kestell, Mr Peter Pynes and Mr Douglas Jendry**, as well as **Mr Stuart Pether**.

### Frequently asked questions

|  |  |
|--|--|
| <b>On what basis has the Meeting been called and the resolutions been requested?</b>   | Any shareholder (or group of shareholders) holding more than 5% of the Company's issued capital is entitled to call and arrange to hold a general meeting to have resolutions considered. All Resolutions are being put before the Meeting as a result of a request from the Requisitionists who, in aggregate, hold more than 5% of the Company's Shares.   |
| <b>Why do the Requisitionists wish to remove Ms Bakker and Messrs Rogers and Benjamin from the Board, and see Messrs Kestell, Pynes and Jendry appointed to the Board?</b> | The Requisitionists have provided a statement under section 249P of the Corporations Act ("Members' Statement") which is set out in Annexure A to this Notice of Meeting and which sets out their reasons for seeking to remove Ms Bakker and Messrs Rogers and Benjamin from the Board, and see Messrs Kestell, Pynes and Jendry appointed to the Board<br><br><b>The Capricorn Board disagrees with the arguments put forward in the Members' Statement.</b> |



|   |   |
|---|---|
| Why do your Directors recommend you vote against all Resolutions? | The Capricorn Board recommends Shareholders vote <b>AGAINST</b> all Resolutions put forward by the Requisitionists for the reasons set out in the Directors' Statement to Shareholders which is included in this Notice of Meeting Booklet. |
|---|---|

## Further information

If you have questions about the Meeting or the resolutions to be voted on, please call the Company Information Line on 1300 648 874 within Australia or +61 2 8355 1000 from outside of Australia.

## Important dates and times

|   |  |
|---|--|
| Last time/date for receipt of valid proxies                 | 2:00 pm (WST) on Sunday, 3 March 2019  |
| Record time/date to determine Shareholders eligible to vote | 4:00 pm (WST) on Sunday, 3 March 2019  |
| Meeting   | 2:00 pm (WST) on Tuesday, 5 March 2019 |

## Nature of resolutions

All of the resolutions are ordinary resolutions, meaning they can be passed by a simple majority of votes cast by Shareholders entitled to vote.

## Special Business

### Resolution 1 – Appointment of Mr Timothy Kestell as a Director (Non-Board Endorsed)

Resolution 1 relates to the appointment of Mr Timothy Kestell as a Director.

The Requisitionists have not provided any biographical information concerning Mr Kestell.

The Capricorn Board is not aware of any skills Mr Kestell may be able to bring to the Company.

Information as to why your Directors recommend Shareholders vote **against**, and will be voting their Shares **against**, the appointment of Mr Kestell is set out in detail in the Directors' Statement which is included in this Notice of Meeting Booklet.



***Your Directors do not support this Resolution and will be voting their Shares AGAINST the appointment of Mr Kestell as a Director.***

### Resolution 2 – Appointment of Mr Peter Pynes as a Director (Non-Board Endorsed)

Resolution 2 relates to the appointment of Mr Peter Pynes as a Director.

The Requisitionists have not provided any biographical information concerning Mr Pynes.

The Capricorn Board is not aware of any skills Mr Pynes may be able to bring to the Company.

Information as to why your Directors recommend Shareholders vote **against**, and will be voting their Shares **against**, the appointment of Mr Pynes is set out in detail in the Directors' Statement which is included in this Notice of Meeting Booklet.



***Your Directors do not support this Resolution and will be voting their Shares AGAINST the appointment of Mr Pynes as a Director.***

### Resolution 3 – Appointment of Mr Douglas Jendry as a Director (Non-Board Endorsed)

Resolution 3 relates to the appointment of Mr Douglas Jendry as a Director.

The Requisitionists have not provided any biographical information concerning Mr Jendry.

The Capricorn Board is not aware of any skills Mr Jendry may be able to bring to the Company.

Information as to why your Directors recommend Shareholders vote **against**, and will be voting their Shares **against**, the appointment of Mr Jendry is set out in detail in the Directors' Statement which is included in this Notice of Meeting Booklet.



***Your Directors do not support this Resolution and will be voting their Shares AGAINST the appointment of Mr Jendry as a Director.***

#### **Resolution 4 – Removal of Ms Debra Bakker as a Director**

Resolution 4 relates to the removal of Ms Debra Bakker as a Director.

Ms Bakker was appointed as a Director on 26 February 2018 and elected as Chair on 3 October 2018.

Ms Bakker is an experienced banker and corporate finance executive with over 25 years of experience dedicated to the mining sector. She started her career in Sydney with Barclays Capital, moving to London where she was responsible for the firm's mining business through the Americas. She moved to Standard Bank London Group in Chicago and assumed responsibility for that group's mining corporate finance business in North America then joining a (now division of) Sunguard Systems in New York where she helped build their on-line derivative risk management platform. Returning to Australia in 2003, she spent 10 years leading and building Commonwealth Bank's natural resources team in WA.

During the past three years Ms Bakker has held the following other listed company directorships:

- Non-Executive Director of Independence Group NL (December 2016 to present)
- Non-Executive Director of Azumah Resources Limited (July 2018 to present)

Information as to why your Directors, Ms Bakker abstaining, recommend Shareholders vote **against**, and will be voting their Shares **against**, the removal of Ms Bakker is set out in detail in the Directors' Statement which is included in this Notice of Meeting Booklet.



***Your Directors do not support this Resolution and will be voting their Shares AGAINST the removal of Ms Bakker as a Director.***

#### **Resolution 5 – Removal of Mr Geoffrey Rogers as a Director (Non-Board Endorsed)**

Resolution 5 relates to the removal of Mr Geoffrey Rogers as a Director.

Mr Rogers was appointed as a Non-Executive Director on 8 November 2018.

Mr Rogers (B Juris LLB) is a corporate and resources lawyer with over 35 years' experience advising both Australian and international clients involved in the resources industry. He was a corporate and resources partner at the law firm Mallesons Stephen Jaques (now King & Wood Mallesons) for 27 years until his retirement in 2012.

Mr Rogers has considerable experience in joint ventures, mergers and acquisitions, fund raising, project acquisition and development, and regulatory issues in the resources industry.

Since 2012, Mr Rogers has run his own private practice as well as being in-house counsel for Panoramic Resources Limited.

Information as to why your Directors, Mr Rogers abstaining, recommend Shareholders vote **against**, and will be voting their Shares **against**, the removal of Mr Rogers is set out in detail in the Directors' Statement which is included in this Notice of Meeting Booklet.



***Your Directors do not support this Resolution and will be voting their Shares AGAINST the removal of Mr Rogers as a Director.***

#### **Resolution 6 – Removal of Mr Peter Benjamin as a Director (Non-Board Endorsed)**

Resolution 6 relates to the removal of Mr Peter Benjamin as a Director.

Mr Benjamin was appointed as a Non-Executive Director on 8 November 2018.

Mr Benjamin (B.Sc. (Hons), Grad Dip (Exploration), Dip Bus Admin, GAICD, MAusIMM, FAIM) is a geologist with over 40 years' experience in senior exploration, project, operational and executive management roles for both junior and mid-tier

resources companies. These roles have included significant experience in the development and subsequent operations for open pit and underground precious, base metal and bulk mineral mines throughout Australia.

Mr Benjamin has extensive experience in managing and implementing exploration strategies, which have led to the successful and ongoing discovery and delineation of new resources and reserves.

Mr Benjamin recently retired from his role as Managing Director of Kalamazoo Resources Limited, a gold and copper explorer and developer. His previous roles have included Managing Director for Shaw River Manganese Ltd, General Manager Geology for Iluka Resources Limited and Divisional Project Manager for Newcrest Mining Limited.

Information as to why your Directors, Mr Benjamin abstaining, recommend Shareholders vote against, and will be voting their Shares against, the removal of Mr Benjamin is set out in detail in the Directors' Statement which is included in this Notice of Meeting Booklet.



***Your Directors do not support this Resolution and will be voting their Shares AGAINST the removal of Mr Benjamin as a Director.***

## GLOSSARY

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In this Notice and Explanatory Memorandum:

|                               |  |
|-------------------------------|--|
| <b>ASX</b>                    | means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.  |
| <b>Board</b>                  | means the board of Directors.  |
| <b>Capricorn or Company</b>   | means Capricorn Metals Ltd (ABN 84 121 700 105).   |
| <b>Chairman</b>               | means the Chairman of the Meeting.   |
| <b>Constitution</b>           | means the constitution of the Company as amended.  |
| <b>Corporations Act</b>       | means the <i>Corporations Act 2001</i> (Cth) as amended.   |
| <b>Director</b>               | means a director of the Company.   |
| <b>Directors' Statement</b>   | means the statement prepared by Ms Debra Bakker, Mr Geoffrey Rogers and Mr Peter Benjamin in response to the Members' Statement relating to the proposed Resolutions, as set out at the front of this Notice of Meeting Booklet. |
| <b>Explanatory Memorandum</b> | means this explanatory memorandum.   |
| <b>Meeting</b>                | means the general meeting of shareholders of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 5 March 2019 commencing at 2:00 pm WST.   |
| <b>Members' Statement</b>     | means the statement provided by the Requisitionists under section 249P of the Corporations Act, as set out in Annexure A.  |
| <b>Notice of Meeting</b>      | means this Notice of Meeting.  |
| <b>Option</b>                 | means an option to acquire a fully paid ordinary share in the capital of the Company.  |
| <b>Ordinary Resolution</b>    | means a resolution requiring to be passed by a majority of such shareholders, as being entitled to do so, vote in person or by proxy on such resolution.   |
| <b>Requisitionists</b>        | means Neon Capital Ltd and Nero Resource Fund Pty Ltd.   |
| <b>Resolution</b>             | means a resolution set out in the Notice of Meeting.   |
| <b>Share</b>                  | means a fully paid ordinary share in the capital of the Company.   |
| <b>Shareholder</b>            | means a holder of a Share.   |
| <b>WST</b>                    | means Western Standard Time.   |
| <b>Your Directors</b>         | Means Ms Debra Bakker, Mr Geoffrey Rogers, Mr Peter Benjamin and Mr Stuart Pether.   |



Capricorn Metals Ltd | ACN 121 700 105

# GM Registration Card

If you are attending the meeting in person, please bring this with you for Securityholder registration.

## Shareholder Registration Details:

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|  |

## Holder Number:

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## Vote by Proxy: CMM

Your proxy voting instruction must be received by **2.00pm (WST) on Sunday, 3 March 2019**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

## SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

### YOUR NAME AND ADDRESS

Please insert your name and address above as it appears on the Company's share register. You must also note your shareholder Number in the space provided above.

### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

### DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

**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 lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting 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.

### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

|         |   |  |  |
|---------|---|--|--|
| Contact | <b>Return your completed form</b>                             |  | <b>Contact us – All enquiries to Automic</b> |
|         | <b>BY MAIL:</b><br>Automic<br>GPO Box 5193<br>Sydney NSW 2001 | <b>IN PERSON:</b><br>Automic<br>Level 5, 126 Phillip Street<br>Sydney NSW 2000 | <b>BY FAX:</b><br>02 8583 3040               |

|                            |  |
|----------------------------|--|
| STEP 1: Appoint Your Proxy | <b>Complete and return this form as instructed</b>   |
|                            | <p>I/We being a Shareholder entitled to attend and vote at the General Meeting of Capricorn Metals Ltd, to be held at <b>2.00pm (WST) on Tuesday 5 March 2019, at The Celtic Club, 48 Ord Street, West Perth, WA</b> hereby:</p> <p><b>Appoint the Chair of the Meeting (Chair)</b> OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your 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 and at any adjournment thereof.</p> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <p><b>The Chair intends to vote undirected proxies against all Resolutions in which the Chair is entitled to vote.</b><br/>         Unless indicated otherwise by ticking the "for," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.</p> |

| STEP 2: Your Voting Direction  | <b>RECOMMENDATION:</b><br><b>The Capricorn Metals Board unanimously recommends that you vote <u>AGAINST</u> all resolutions</b> | <table border="0"> <tr> <td>For</td> <td>Against</td> <td>Abstain</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td colspan="3" style="text-align: center;"> </td> </tr> </table> | For                      | Against | Abstain   | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
|--|---|---|--------------------------|---------|---|--------------------------|-------------------------------------|--------------------------|---|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|--|
|  | For   | Against   | Abstain                  |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| <input type="checkbox"/>   | <input checked="" type="checkbox"/>   | <input type="checkbox"/>  |                          |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
|  |   |   |                          |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 70%;">Resolutions</th> <th style="width: 10%;">For</th> <th style="width: 10%;">Against</th> <th style="width: 10%;">Abstain</th> </tr> </thead> <tbody> <tr> <td>1. Appointment of new Director – Mr Timothy Kestall</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>2. Appointment of new Director - Mr Peter Pynes</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>3. Appointment of new Director - Mr Douglas Jendry</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>4. Removal of current Director - Ms Debra Bakker</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>5. Removal of current Director - Mr Geoffrey Rogers</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>6. Removal of current Director - Mr Peter Benjamin</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table> <p><i>Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that 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</i></p> | Resolutions   | For   | Against                  | Abstain | 1. Appointment of new Director – Mr Timothy Kestall | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | 2. Appointment of new Director - Mr Peter Pynes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3. Appointment of new Director - Mr Douglas Jendry | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 4. Removal of current Director - Ms Debra Bakker | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. Removal of current Director - Mr Geoffrey Rogers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6. Removal of current Director - Mr Peter Benjamin | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |  |
| Resolutions  | For   | Against   | Abstain                  |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| 1. Appointment of new Director – Mr Timothy Kestall  | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/> |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| 2. Appointment of new Director - Mr Peter Pynes  | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/> |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| 3. Appointment of new Director - Mr Douglas Jendry   | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/> |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| 4. Removal of current Director - Ms Debra Bakker   | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/> |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| 5. Removal of current Director - Mr Geoffrey Rogers  | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/> |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |
| 6. Removal of current Director - Mr Peter Benjamin   | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/> |         |   |                          |                                     |                          |   |                          |                          |                          |  |                          |                          |                          |  |                          |                          |                          |   |                          |                          |                          |  |                          |                          |                          |  |

|  |  |  |  |
|--|--|--|--|
| STEP 3: Sign Here + Contact Details  | <b>SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED</b>   |  |  |
|  | Individual or Securityholder 1<br><div style="border: 1px solid black; height: 30px; width: 100%;"></div> Sole Director and Sole Company Secretary | Securityholder 2<br><div style="border: 1px solid black; height: 30px; width: 100%;"></div> Director | Securityholder 3<br><div style="border: 1px solid black; height: 30px; width: 100%;"></div> Director / Company Secretary |
| Contact Name:<br><div style="border: 1px solid black; height: 20px; width: 100%;"></div>   |  |  |  |
| Email Address:<br><div style="border: 1px solid black; height: 20px; width: 100%;"></div>  |  |  |  |
| Contact Daytime Telephone<br><div style="border: 1px solid black; height: 20px; width: 100%;"></div>   |  |  |  |
| Date (DD/MM/YY)<br><div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="font-size: 18px;">/</div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="font-size: 18px;">/</div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> </div> |  |  |  |
| By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).   |  |  |  |

**ANNEXURE A – Members' Statement under section 249P**

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**CAPRICORN METALS LTD IS NOT RESPONSIBLE FOR THIS STATEMENT AND DOES NOT ENDORSE OR APPROVE ANY OF THE ASSERTIONS MADE IN THIS STATEMENT**

The following statement is provided by Neon Capital Ltd (ACN 002 796 974) and Nero Resource Fund Pty Ltd (ACN 143 456 017) representing approximately 5.5% of issued capital.



**nero.**  
Resource Fund

Nero Resource Fund Pty Ltd  
Level 1, 29 Napoleon Street  
COTTESLOE WA 6011

Shareholders  
Capricorn Metals Ltd  
Level 1, 28 Ord street  
WEST PERTH WA 6005

**BY EMAIL & COURIER**

21 January 2019

Dear Shareholders,

**RE: PROPOSAL TO REPLACE CAPRICORN DIRECTORS**

We thank you for your time in considering this alternative board and direction for Capricorn Metals Ltd as presented to you here.

It is with great reluctance that we have initiated this process, however we firmly believe these proposed changes are both necessary and timely to protect and optimise shareholder value.

Our primary concern is that the current board appears intent on pushing the Karlawinda Gold Project through to production when other alternatives (such as the sale of the Company) would likely result in a superior outcome for shareholders.

We note that prior discussions with Regis Resources Limited involved a takeover for the company at 11.4c per share vs today's price of 7c per share. We also note that if the structure discussed was implemented (ie. a script-based transaction), the value today to Capricorn shareholders would be upwards of 14c per share based on the current share price of Regis.

We are concerned that the equity component (and associated capital raising) for project development by Capricorn would be done at a significant discount to the proposed scrip takeover from Regis Resources and to the current share price. Given the quantum of capital required for development this would likely be highly dilutive to existing shareholders.

In addition, we note that the current board owns less than 1% of the company and the directors we are seeking to remove own 0%. Your company should have directors that are properly aligned with shareholders through ownership of stock, in our view. Our proposed board members will bring this alignment.

[www.nerofund.com.au](http://www.nerofund.com.au)

Ph: (+61) 8 6555 3290  
Fx: (+61) 8 6555 3291  
e: [rjd@nerofund.com.au](mailto:rjd@nerofund.com.au)

Level 1, 29 Napoleon Street  
Cottesloe, WA 6011  
PO Box 6220, Swanbourne, WA 6010

AFSL No. 315347  
ABN: 92 143 456 017  
ACN: 143 456 017



What are our plans?

1. Immediately review the increasing running costs of the company and assess the financial position.
2. Revisit past failed corporate transactions.
3. Initiate new potential corporate transactions.
4. If 3 and 4 do not come to fruition we will look to build a team that has experience in low grade deposits and developing projects internally on a fiscally conservative basis.

Our plan is simple, clear and fully aligned with shareholders' interests.

We urge you to vote for a change of board before further shareholder value is destroyed.

Regards,

For and on behalf of

**NERO RESOURCE FUND & NEON CAPITAL**

A handwritten signature in black ink, appearing to read 'R. Delroy', with a stylized flourish at the end.

Russell John Delroy

Director

**NERO RESOURCE FUND**



Capricorn Metals Ltd | ACN 121 700 105

# GM Registration Card

If you are attending the meeting  
in person, please bring this with you  
for Securityholder registration.

Holder Number:

I 9999999999

Mr Sam Sample  
123 Sample Street  
Sampleville WA 6000

## Vote by Proxy: CMM

Your proxy voting instruction must be received by **2.00pm (WST) on Sunday, 3 March 2019**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

This form has been pre-populated to mark all your votes against all resolutions. All your shares will be voted in accordance with such a direction. If you mark more than one box on an item your vote on that item will be invalid.

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided.

**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 lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

#### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting 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.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

