



8 April 2019

Dear Shareholder

CAPRICORN METALS LTD ENTITLEMENT OFFER – NOTIFICATION TO INELIGIBLE SHAREHOLDERS

I am writing to you as the registered holder of shares with a registered address outside of Australia, New Zealand, Hong Kong, India, Italy, Mauritius, Namibia, Papua New Guinea, the Philippines, Singapore, Switzerland and the United Kingdom in Capricorn Metals Ltd (**Capricorn** or the **Company**).

On Thursday, 4 April 2019, the Company announced an accelerated non-renounceable pro rata entitlement offer on the basis of one new fully paid ordinary share (**New Share**) for every five fully paid ordinary shares in the Company (**Share**) held by eligible shareholders at an issue price of A\$0.065 per New Share to raise approximately A\$10.1 million (before associated costs) (**Entitlement Offer**). This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. You should read this letter carefully to understand what this means for you.

This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

The Entitlement Offer

The Entitlement Offer is underwritten by Argonaut Capital Limited and comprises of an institutional component (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders (as defined below) (**Retail Entitlement Offer**). A total of up to approximately 156,088,891 New Shares will be issued (subject to rounding) under the institutional and retail components of the Entitlement Offer.

The Company intends to use the funds raised from the Entitlement Offer to fund:

- Exploration programs and fixed costs (~\$3.67m)
- Relocation of accommodation village & mining infrastructure facilities (~\$2.04m)
- Project financing costs (~\$1.50m)
- Corporate, administration and capital raising costs and general working capital (~\$2.9m)¹

The Entitlement Offer is being made by way of an offer document in accordance with section 708AA of the Corporations Act 2001 (Cth) (**Corporations Act**) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73), meaning that no prospectus needs to be prepared (**Offer Document**).

¹ The above information is a statement of the Board's current intentions. The allocation of funds may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

The Retail Entitlement Offer is being made to Eligible Retail Shareholders (as defined below) on the basis of one New Share for every five existing Shares held at 5.00pm (WST) on Monday, 8 April 2019 (**Record Date**), at an offer price of A\$0.065 per New Share.

Documents relating to the Retail Entitlement Offer were lodged with the ASX today and are expected to be despatched to Eligible Retail Shareholders on Thursday, 11 April 2019.

Eligibility to participate in the Retail Entitlement Offer

An Eligible Retail Shareholder is a holder of ordinary shares who:

- (a) is a registered holder of ordinary shares in the Company as at 5.00pm (WST) on the Record Date;
- (b) has a registered address in Australia, New Zealand, Hong Kong, India, Italy, Mauritius, Namibia, Papua New Guinea, the Philippines, Singapore, Switzerland or the United Kingdom (**Eligible Countries**);
- (c) is not in the United States and is not acting for the account or benefit of any person in the United States;
- (d) was not invited to participate under the Institutional Entitlement Offer and was not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and
- (e) is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

The restrictions upon eligibility under the Retail Entitlement Offer arise because of the legal and regulatory requirements in countries other than the Eligible Countries, and the potential costs to Capricorn of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing Capricorn ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled.

Capricorn has determined, pursuant to section 9A(3)(a) of the Corporations Act and Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders with a registered address in countries outside the Eligible Countries on the Record Date.

Unfortunately, according to our records, you do not satisfy the criteria for an Eligible Retail Shareholder, accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, Capricorn wishes to advise that it is unable to extend to you the opportunity to participate in the Retail Entitlement Offer. If our records are incorrect on this matter, please contact the Company Secretary of Capricorn, Natasha Santi, on +61 8 9212 4600. You will not be sent the documents relating to the Retail Entitlement Offer or be able to subscribe for New Shares under the Retail Entitlement Offer.

Notwithstanding the above, Capricorn may agree to extend the Retail Entitlement Offer to certain institutional shareholders who did not participate in the Institutional Entitlement Offer or to other retail shareholders, subject to compliance with applicable laws.

Shortfall Offer

If the Entitlement Offer is not fully subscribed, the directors reserve the right, subject to any restrictions imposed by the Corporations Act and Listing Rules, to issue New Shares not otherwise taken up under the Entitlement Offer (**Shortfall Shares**) in accordance with the shortfall allocation policy detailed in the Offer Document (**Shortfall Offer**).

The Shortfall Offer will be a separate offer made pursuant to the Offer Document. The issue price of the Shortfall Shares will be A\$0.065 each, being the same price as the New Shares being offered under the Entitlement Offer.

Offer Document

The Offer Document is available on the ASX website at www.asx.com.au and also on the Company's website at www.capmetals.com.au. The Company expects to dispatch the Offer Document to shareholders of the Company on Thursday, 11 April 2019. The Offer Document will provide further details of the Entitlement Offer and the Shortfall Offer in detail.

If you have any queries in relation to the Entitlement Offer or the Shortfall Offer, please do not hesitate to contact the Company Secretary of Capricorn, Natasha Santi, on +61 8 9212 4600.

On behalf of the Board, we thank you for your continued support of the Company.



Mr Doug Jendry
Chair

For further information, please contact:

Mr Doug Jendry
Non-Executive Chair
Email: enquiries@capmet.com.au
Phone: (08) 9212 4600

Forward Looking Statements

This letter contains certain 'forward-looking statements' within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'may,' 'should,' 'expect,' 'anticipate,' 'estimate,' 'scheduled' or 'continue' or the negative version of them or comparable terminology. Any forecasts or other forward looking statements contained in this letter are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. Capricorn does not give any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this letter will actually occur and you are cautioned not to place undue reliance on forward-looking statements.

Important Notices

This notice is issued by Capricorn Metals Ltd. This notice is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in Capricorn in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of Capricorn ordinary shares.

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United States

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