



CAPRICORN METALS LTD

ACN 121 700 105

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11.00 am WST
DATE: Wednesday, 20 November 2019
PLACE: The Country Women's Association
1176 Hay Street
West Perth WA 6005

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

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00 pm WST on Monday, 18 November 2019.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 11.00 am (WST) on 20 November 2019 at:

The Country Women's Association, 1176 Hay Street, West Perth WA 6005

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00 pm (WST) on 18 November 2019.

Voting in person

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

Voting by proxy

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

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

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

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

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

If the Chair is appointed, or taken to be appointed, as your proxy, you can direct the Chair to vote 'for' or 'against', or 'abstain' from voting on, the relevant Resolutions on the Proxy Form. If you do not direct the Chair how to vote you acknowledge that you are expressly authorising him or her to vote in favour of the relevant Resolution (including in circumstances where the subject matter of the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel).

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9212 4600.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a non-binding resolution:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2019.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – NON-EXECUTIVE DIRECTORS' REMUNERATION

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

“That, for the purposes of clause 6.5(a) of the Constitution, ASX Listing Rule 10.17 and for all other purposes, Shareholders approve an aggregate increase of the maximum total aggregate amount of fees payable to non-executive Directors from \$200,000 per annum to \$400,000 per annum in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any Director or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

4. RESOLUTION 3 – RE-ADOPTION OF INCENTIVE OPTION PLAN

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

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to re-adopt the existing employee incentive scheme titled Incentive Option Plan and for the issue of securities under that plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by any Director or any of their associates except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

5. RESOLUTION 4 – ELECTION OF DIRECTOR – MR MARK CLARK

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

“That, for the purpose of clause 6.3(j) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Mark Clark, a Director who was appointed as an additional Director on 8 July 2019, retires, and being eligible, is elected as a Director.”

6. RESOLUTION 5 – ELECTION OF DIRECTOR – MR MARK OKEBY

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

“That, for the purpose of clause 6.3(j) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Mark Okeby, a Director who was appointed as an additional Director on 8 July 2019, retires, and being eligible, is elected as a Director.”

7. RESOLUTION 6 – RE-ELECTION OF DIRECTOR – MR MYLES ERTZEN

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

“That, for the purpose of clause 6.3(j) of the Constitution and for all other purposes, Mr Myles Ertzen, a Director who was appointed to fill a casual vacancy on 13 September 2019, retires, and being eligible, is re-elected as a Director.”

8. RESOLUTION 7 – ADOPTION OF A NEW COMPANY CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of section 136(2) of the Corporations Act, the new constitution tabled at the Meeting and signed by the Chair for the purposes of identification, be adopted as the constitution of the Company in place of, and to the exclusion of, the current Constitution, with effect from the close of the Meeting.”

9. RESOLUTION 8 – SHARE CONSOLIDATION

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

“That, for the purpose of Section 254H(1) of the Corporations Act and for all other purposes, the Shares of the Company be consolidated through the conversion of every five (5) Shares held by a Shareholder into one (1) Share with any resulting fractions of a Share rounded up to the next whole number of Shares with a corresponding consolidation of all other securities on issue, with the consolidation to take effect in accordance with the timetable and otherwise on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting.”

Dated: 15 October 2019

By order of the Board



Natasha Santi
Company Secretary

EXPLANATORY STATEMENT

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

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.capmetals.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – NON-EXECUTIVE DIRECTORS’ REMUNERATION

3.1 General

ASX Listing Rule 10.17 provides that an entity must not increase the total aggregate amount of directors’ fees payable to all of its non-executive directors without the approval of holders of its ordinary securities. Clause 6.5(a) of the Constitution also requires that the maximum remuneration payable to the non-executive Directors be determined by the Shareholders in a general meeting.

It is proposed that the fee pool for non-executive Directors be increased from \$200,000 to \$400,000 per annum (an increase of \$200,000).

The current maximum aggregate amount of remuneration payable to non-executive Directors (being an amount of \$200,000) was set prior to the Company listing on the ASX in 2008.

The proposed increase to the non-executive Director fee pool is sought to provide sufficient scope for possible Board expansion, succession planning and ongoing flexibility and to allow for future adjustments to non-executive Director fees in light of future increased time commitments and workload. The Board considers that an increase to the maximum aggregate fee limit is appropriate and will enable the Company to retain and attract appropriate candidates to the Board of the Company.

Shareholders approved in accordance with ASX Listing Rule 10.14, an issue of 10,000,000 Options under the Company’s Employee Share Option Plan to Mr Mark Okeby a non-executive Director of the Company in August 2019. The Options are exercisable at \$0.12 per share with an expiry date of 30 August 2022.

4. RESOLUTION 3 – RE-ADOPTION OF INCENTIVE OPTION PLAN

4.1 General

The Company is seeking Shareholder approval to re-adopt the employee incentive scheme titled Incentive Option Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)). The Plan was first adopted by Shareholders on 25 November 2016.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Share Options under the Plan will provide selected employees, and consultants with the opportunity to participate in the future growth of the Company.

Any future issues of Options under the Plan to a related party or a person whose relation with the company or the related party is, in ASX’s opinion, such that approval should be obtained, will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

4.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to issue Options under the Plan to eligible participants over a period of 3 years and to issue Shares to those persons if they choose to exercise the Options granted to them under the Plan, without impacting the Company’s placement capacity under ASX Listing Rule 7.1.

4.3 Information required by ASX Listing Rule 7.2 (Exception 9(b))

Since 25 November 2016 (being the date on which the Plan was last approved by Shareholders), the Company has issued 59,400,000 Options in reliance on ASX Listing Rule 7.2 (Exception 9(b)).

A summary of the key terms and conditions of the Plan is set out in Schedule 1. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting.

A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary Ms Natasha Santi (nsanti@capmet.com.au or +61 8 9212 4600). Shareholders are invited to contact the Company if they have any queries or concerns.

5. RESOLUTIONS 4, 5 & 6 – ELECTION OF DIRECTORS – MR MARK CLARK, MR MARK OKEBY & MR MYLES ERTZEN

Clause 6.2(b) of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Mark Clark, Mr Mark Okeby and Mr Myles Ertzen, having been appointed by other Directors on 8 July 2019 (in the case of Mr Mark Clark and Mr Mark Okeby) and 13 September 2019 (in the case of Mr Myles Ertzen), will retire in accordance with clause 6.3(j) of the Constitution and ASX Listing Rule 14.4 and being eligible, seek election from Shareholders.

5.1 Qualifications and other material directorships

Mr Mark Clark

B Bus CA

Mr Clark was appointed by the Board as the Executive Chairman of the Company on 8 July 2019.

Mr Clark has 28 years' experience in corporate advisory and public company management. He was a director of successful Australian gold miner Equigold from April 2003 and was Managing Director from December 2005 until Equigold's \$1.2 billion merger with Lihir Gold in June 2008. He was closely involved in the development and operation of Equigold's gold mines in both Australia and Ivory Coast.

Mr Clark was appointed Managing Director of Regis Resources in May 2009 and Executive Chairman in November 2016. He retired as an executive of Regis in October 2018. Mr Clark oversaw the development of Regis' three operating gold mines at the Duketon Gold Project, which culminated in the project producing well over 300,000 ounces of gold per annum.

In Mr Clark's time at Regis, the company grew from a small explorer with a market capitalisation of around \$40 million to the significant gold producer it is today with a market capitalisation in the order of \$2.5 billion. Mr Clark is well known in the industry for his strong financial stewardship and focus on delivering shareholder returns.

During the past three years Mr Clark has held the following other listed company directorship:

- Managing Director – Regis Resources Limited (May 2009 to October 2018)

Mr Mark Okeby

LLM

Mr Okeby began his career in the resources industry in the 1980s as a corporate lawyer advising companies on resource project acquisitions, financing and development. He has a Masters of Law (LLM) and over 30 years' experience as a director of ASX listed mining and exploration companies. He is currently a director of Red Hill Iron Ltd (appointed in 2016) and previously has been a director of Hill 50 Ltd, Abelle Ltd, Metals X Limited, Westgold Resources Ltd, Lynas Corporation Ltd and Regis Resources Ltd.

Mr Okeby joined the board of Regis Resources in July 2009 as a non-executive director and was a major contributor on the board that transformed Regis from a small gold explorer to one of Australia's largest gold producers as it is today.

Mr Okeby has a deep knowledge of the Australian resources landscape and the regulatory regimes around mine development and operation. He also has significant experience in the commercial and legal aspects of project development, financing and corporate transactions.

During the past three years Mr Clark has held the following other listed company directorship:

- Non-Executive Director – Red Hill Iron Limited (August 2015 to Current)
- Non-Executive Director – Regis Resources Limited (June 2009 to February 2019)

Mr Myles Ertzen

B Sc Grad Dip App Fin

Mr Ertzen was from 2009 until December 2018 a senior executive at Regis having had project and business development roles, culminating in the role of Executive General Manager – Growth from which he resigned in December 2018. Prior to Regis, Myles held a number of senior operations roles for gold mining and development companies and has significant experience in the permitting, development and operations of gold projects in Western Australia. Myles has various regulatory and technical qualifications in mining, management and finance.

During the past three years Mr Ertzen has not held any other listed company directorship.

5.2 Board recommendation

Irrespective of the fact that they are each seeking re-election, Mr Mark Clark, Mr Mark Okeby and Mr Myles Ertzen support the re-election of each other and recommend that Shareholders vote in favour of Resolutions 4, 5 & 6.

6. RESOLUTION 7 – ADOPTION OF A NEW COMPANY CONSTITUTION

6.1 General

The Company is seeking Shareholder approval for the adoption of a new constitution. If approved by Shareholders, the new constitution will be effective from the close of the Meeting.

The Company's current constitution was originally adopted on 18 September 2006 and has not been comprehensively reviewed since that time.

Since that time, there have been developments in Australian corporate law and practice, including a number of amendments to the Corporations Act and ASX Listing Rules and changes to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. Accordingly, the Company's current Constitution requires substantial updating in order to bring it into line with current law and market practice. The Board also considers this a good opportunity to modernise and simplify some of the existing language in the document.

As a result, the Board has determined that it is more appropriate to adopt a wholly new constitution, rather than making each of the necessary amendments to the Company's current Constitution.

A copy of the proposed new Constitution can be obtained prior to the Meeting on the Company's website (www.capmetals.com.au). A copy will also be available at the Meeting and a copy of the new constitution signed by the Chair for the purposes of identification will be tabled at the Meeting.

Many of the proposed changes to the Constitution are administrative or relatively minor in nature. A summary of the material proposal changes to the Company's current Constitution are set out below.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

6.2 Summary of material proposed changes

The material proposal changes to the Company's current Constitution are as follows:

Director appointment and retirement

Provisions regarding the appointment and retirement of directors have been updated to more closely align with the ASX Listing Rules.

Consistent with the current Constitution and the ASX Listing Rules, the proposed constitution provides that directors must not hold office without re-election for more than three years or past the third annual general meeting following the director's appointment (whichever is longer).

The proposed constitution also provides that:

- (a) if a director is appointed by the board to fill a casual vacancy or as an addition to the board, the director must be re-elected at the first annual general meeting after their appointment; and
- (b) the Company is required to hold an election of at least one director each year.

The provisions in the proposed constitution simplify the current director rotation regime whereby one third of elected directors are required to retire each year (but are eligible for re-election) while still ensuring consistency with the requirements under the ASX Listing Rules.

Conduct of shareholder meetings

In respect of the conduct of general meetings, the proposed constitution, among other things:

- (a) clarifies the role and powers of the chairperson in order to provide Shareholders with greater certainty around their function at the general meeting;
- (b) acknowledges the ability for an acting chair of a general meeting to be appointed in circumstances where the chair is unwilling to act for any part of the meeting;
- (c) sets out procedures that are to be followed in the event there is a problem with any technology used to facilitate the meeting; and
- (d) provides for notice of cancellation, postponement or change of place of a general meeting to be provided by way of notice to the ASX.

Other minor amendments have been made in order to further facilitate the orderly and proper conduct of general meetings.

Dividends

The existing Constitution reflects the former profits test for dividends restricting dividends to be paid only out of the profits of the Company. The proposed constitution has been updated to reflect the current position under the Corporations Act, giving the Directors the flexibility to resolve to pay a dividend out of any available source permitted by law.

Additional amendments have also been proposed in order to reflect technological developments and to provide appropriate flexibility for the Company in issuing dividends generally.

By way of example:

- (a) rule 16.3 expressly provides that dividends may be paid by direct credit to a Shareholder's nominated bank account and allows the Company to stop payment of a cheque if it remains unclaimed for 11 months; and
- (b) rule 16.7 permits the Company to apply the amount of any unclaimed dividends in investments for the benefit of the Company.

The Company has no present intention to declare any dividends.

Direct voting

The proposed new constitution permits the Board to introduce 'direct voting', which enables Shareholders to vote directly on resolutions by submitting their votes to the Company prior to the meeting. Direct voting allows Shareholders to vote on resolutions to be considered at a meeting without the need to physically attend the meeting or appoint a proxy or other representative. Under the proposed constitution, any Shareholder placing a direct vote is not taken into account in determining a quorum for that meeting.

The proposed constitution provides that the Board may determine when direct voting is allowed and appropriate rules and procedures that must be followed if it is implemented.

While the Company does not have any present intention to introduce direct voting, these provisions will facilitate the use of direct voting in the future, should the Board wish to implement it.

Proxies

The current Constitution does not have appropriate provisions to enable the Company to correct unclear or incorrect instruments appointing proxies, even when deficiencies in a proxy form could be easily remedied. Accordingly, the proxy provisions in the proposed constitution have been expanded and updated in line with current market practice and to provide additional flexibility to the Company in accepting proxy appointments.

Rule 9.4(c) in the proposed constitution enables the Company to seek clarification from a Shareholder in relation to instructions on proxy forms that are incomplete or unclear and to amend proxy forms accordingly. In addition, rule 9.4(b) has been included to confirm the ability for a proxy appointment to be lodged electronically.

Indemnity and insurance

Under the proposed constitution, the indemnity and insurance provisions will extend to current and former officers, directors and secretaries of the Company and its subsidiaries.

Under the current Constitution, the provisions apply only to current and former directors and secretaries of the Company and not to officers nor any directors, secretaries or officers of subsidiaries of the Company (although the Company can elect to indemnify those other officeholders).

General

Various other less significant amendments are contained in the new constitution to reflect current corporate governance practices or for clarification. These changes are generally administrative or minor in nature and include updating defined terms used in the constitution to reflect changes in terminology and updates to the Corporations Act and ASX Listing Rules.

Many of the provisions in the proposed constitution reflect the substance of the corresponding provisions in the Company's current constitution and therefore have not been described in this Explanatory Statement.

6.3 Board recommendation

The Board supports the adoption of the proposed new constitution and recommends that Shareholders vote in favour of Resolution 7.

7. RESOLUTION 8 – SHARE CONSOLIDATION

7.1 General

The Company is seeking Shareholder approval for the Company to consolidate its issued Share capital through the conversion of every five (5) Shares into one (1) Share (**Consolidation**).

7.2 Regulatory requirements

Section 254H(1) of the Corporations Act provides that the Company may convert all or any of its Shares into a larger or smaller number of Shares by ordinary resolution passed at a general meeting. The result of the Consolidation is that each Shareholder's security holding will be reduced to 20% of its current level.

Pursuant to and in accordance with ASX Listing Rule 7.20, the information below is provided in relation to this Resolution 8:

(a) **Effect of the Consolidation**

If this Resolution is approved, every five (5) Shares on issue will be consolidated into one (1) Share (subject to rounding). Overall, this will result in the number of Shares on issue reducing from 1,623,705,733 to approximately 324,741,147 (subject to rounding).

The Consolidation applies equally to all Shareholders. Accordingly, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Assuming no other market movements or impacts occur, the Consolidation will therefore have no effect on the percentage interest in the Company of each Shareholder (other than minor variations resulting from rounding).

The Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

(b) **Fractional entitlements**

Where the Consolidation results in an entitlement to a fraction of a Share or an Option (as applicable), that fraction will be rounded up to the next whole number of Shares or Options. Each security holder's proportional interest in the Company's issued capital will, however, remain unchanged as a result of the Consolidation (other than minor variations resulting from rounding).

(c) **Proposed treatment of convertible securities**

As at the date of this Notice of Meeting, the Company has 91,390,028 unlisted Options on issue. If the Consolidation is approved, in accordance with ASX Listing Rule 7.22.1, all Options issued by the Company will be consolidated in the same ratio as Shares, and their exercise price will be amended in inverse proportion to that ratio.

As at the date of this Notice of Meeting, the Company currently has on issue:

- (i) 6,000,000 unlisted Options exercisable at \$0.10 each on or before 31 May 2020;
- (ii) 2,500,000 unlisted Options exercisable at \$0.20 each on or before 31 May 2020;
- (iii) 28,490,028 unlisted Options exercisable at \$0.147 each on or before 5 May 2021;
- (iv) 3,400,000 unlisted Options exercisable at \$0.15 each on or before 5 May 2021;
- (v) 1,000,000 unlisted Options exercisable at \$0.097 each on or before 23 November 2021; and
- (vi) 50,000,000 unlisted Options exercisable at \$0.12 each on or before 30 August 2022.

Therefore, if this Resolution 8 is passed, on completion of the Consolidation, the Company will have on issue:

- (i) 1,200,000 unlisted Options exercisable at \$0.50 each on or before 31 May 2020;
- (ii) 500,000 unlisted Options exercisable at \$1.00 each on or before 31 May 2020;
- (iii) 5,698,006 unlisted Options exercisable at \$0.735 each on or before 5 May 2021;
- (iv) 680,000 unlisted Options exercisable at \$0.75 each on or before 5 May 2021;
- (v) 200,000 unlisted Options exercisable at \$0.485 each on or before 23 November 2021; and
- (vi) 10,000,000 unlisted Options exercisable at \$0.60 each on or before 30 August 2022.

(d) **Purpose of proposed resolution**

The Company currently has 1,623,705,733 Shares on issue, which, for a Company of its size, is a considerable number. The Consolidation will result in a more appropriate and effective capital structure for the Company and a Share price more appealing to a wider range of investors.

The large number of Shares currently on issue subjects Shareholders to several disadvantages, including:

- (i) poor market perception as investors equate the low share price with the perception of a troubled or poorly performing company;
- (ii) vulnerability to speculative day-to-day trading and short selling, which generates Share price volatility; and
- (iii) discouraging quality, long term institutional investors, equity funds and lending institutions seeking stability and long term growth.

The Board believes these factors can be minimised by the Consolidation.

(e) **Holding statements**

With effect from the date of the Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Consolidation basis.

After the Consolidation becomes effective, new holding statements will be issued to securityholders, who are encouraged to check their post-Consolidation holdings.

(f) **Effect on capital structure**

The effect which the Consolidation will have on the Company's capital structure is set out as follows:

| Capital Structure | Shares | Listed Options | Unlisted Options |
|---|-----------------------------------|----------------|----------------------------------|
| Current (pre-Consolidation) | 1,623,705,733 | Nil | 91,390,028 |
| Current (post-consolidation) (Resolution 8) | 324,741,147 (subject to rounding) | Nil | 18,278,006 (subject to rounding) |

(g) **Taxation**

The Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Consolidation will be the sum of the cost bases of the original Shares pre-Consolidation. The acquisition date of Shares held after the Consolidation will be the same as the date on which the original Shares were acquired.

This Explanatory Statement does not, however, consider the tax implications in respect of Shares or other securities held on revenue account, as trading stock or by non-resident Shareholders. The tax information in this Explanatory Statement does not apply to shareholders that have acquired their shares in respect of employment or through the provision of services. Nor does it apply to Capricorn shareholders that are subject to the "Taxation of Financial Arrangement" rules.

Shareholders should consider their own circumstances and seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assumes any liability or responsibility for advising Shareholders or other securityholders about the tax consequences of the proposed Consolidation.

(h) **Indicative timetable**

If approved by Shareholders, the proposed Consolidation will take effect on Monday 3 December 2019. The following is an indicative timetable (subject to change) of the key events:

| Event | Date |
|---|------------------|
| General Meeting | 20 November 2019 |
| Notification to ASX that Consolidation is approved | 20 November 2019 |
| Last day for trading in pre-consolidated securities | 21 November 2019 |
| Trading in the consolidated securities on a deferred settlement basis commences | 22 November 2019 |
| Last day to register transfers on a pre-Consolidation basis | 25 November 2019 |
| Registration of securities on a pre-Consolidation basis | 26 November 2019 |
| Despatch of new holding statements | 26 November 2019 |
| Deferred settlement trading ends | 2 December 2019 |
| Normal trading starts | 3 December 2019 |

7.3 Board recommendation

The Board supports the proposed Consolidation and recommends that Shareholders vote in favour of Resolution 8.

GLOSSARY

\$ means Australian dollars.

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

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors of the Company.

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

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

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

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

Option means an option to acquire a Share.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2019.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the calculation in Section 3.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – SUMMARY OF INCENTIVE OPTION PLAN

The key terms of the Incentive Option Plan are as follows:

- (a) **Eligibility and Grant of Incentive Options:** The Board may grant Incentive Options to any full or part time employee or Director of the Company or an associated body corporate or subject to, a casual employee or contractor of a Group Company to the extent permitted by the Class Order or a prospective participant, being a person to whom the Offer is made but who can only accept the Offer if an arrangement has been entered into that will result in the person becoming an Eligible Participant under the examples mentioned above (**Eligible Participant**). Incentive Options may be granted by the Board at any time.
- (b) **Consideration:** Each Incentive Option issued under the Plan will be issued for nil cash consideration.
- (c) **Conversion:** Each Incentive Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for Incentive Options granted under the Plan will be determined by the Board prior to the grant of the Incentive Options.
- (e) **Exercise Restrictions:** The Incentive Options granted under the Plan may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Incentive Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Incentive Options.
- (f) **Renounceability:** Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each **Participants**).
- (g) **Lapsing of Incentive Options:** Subject to the terms of the offer made to a Participant, an unexercised Incentive Option will lapse:
 - (i) on the Eligible Participant ceasing employment with the Company and:
 - (A) any Exercise Conditions have not been met by the date the Relevant Person ceases to be an Eligible Participant (**Ceasing Date**); or
 - (B) where any Exercise Conditions have been met by the Ceasing Date or the Incentive Option is not subject to any Exercise Conditions, the Participant does not exercise the Incentive Option within a period of six months after the Ceasing Date (or a further date as determined by the Board after the Ceasing Date);
 - (ii) if any Exercise Condition is unable to be met; or
 - (iii) the expiry date has passed.
- (h) **Share Restriction Period:** Shares issued on the exercise of Incentive Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the Incentive Options.
- (i) **Disposal of Options:** Incentive Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.
- (j) **Trigger Events:** The Company may permit Incentive Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.
- (k) **Participation:** There are no participating rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options.
- (l) **Change in exercise price:** An Incentive Option will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the Incentive Option can be exercised.
- (m) **Reorganisation:** If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

- (n) **Limitations on Offers:** The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of Incentive Options offered under an offer when aggregated with:
- (i) the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under the Plan or any other employee share scheme of the Company were to be exercised or accepted; and
 - (ii) the number of Shares issued during the previous 5 years from the exercise of Incentive Options issued under the Plan (or any other employee share plan of the Company extended only to Eligible Participants),
- does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with ASIC Class Order 14/1001).



Capricorn Metals Ltd | ACN 121 700 105

AGM Registration Card

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

Holder Number:

Vote by Proxy: CMM

Your proxy voting instruction must be received by **11.00am (WST) on Monday 18 November 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 ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



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 Chairman 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 Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman 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.

