

18 December 2019

Market Announcements Platform
Australian Securities Exchange



DEBT FINANCING COMPLETED & PROJECT UPDATE KARLAWINDA GOLD PROJECT

HIGHLIGHTS

- \$100 million debt and guarantee facilities executed with Macquarie Bank.
- Previously completed 200,000 ounce gold hedge at A\$2,249/oz satisfies mandatory gold hedging for the facilities.
- Plant design progressing based on change to three stage crushing and single ball mill.
 - This design is expected to achieve a throughput in the order of 3.5 – 4.0mtpa in fresh ore (previous design forecast 3.0mtpa).
 - This throughput range should deliver gold production of 105,000 – 120,000 oz pa, representing significant upside to the previous estimate of 100,000 oz pa¹.
- Preliminary capital cost estimate A\$145 – 155 million, including pre-production mining and increase in throughput from 3.0 mtpa to 3.5 – 4.0 mtpa.
- Preliminary operating cost (AISC) estimate A\$1,140 – 1,190 per ounce.
- Studies to be further refined in conjunction with updated Ore Reserve estimate planned for March 2020 quarter.
- Development continuing with first gold production targeted in the March 2021 quarter.
- \$5 million exploration budget for 2020 to focus on both near mine and regional targets across the largely unexplored greenstone belts on the 2,042 km² tenement package.

Execution of Debt Facilities

Capricorn Metals Ltd (ASX:CMM) (Capricorn or the Company) is pleased to announce that the Company has executed debt and bank guarantee facility agreements with Macquarie Bank Limited (Macquarie) for the development of the Karlawinda Gold Project (KGP). The terms of these facilities have been updated from the December 2018 committed letter of offer (which subsequently lapsed).

Whilst the full terms of the Facilities are confidential, the key terms include:

- Project Loan Facility of \$80 million;
- Bank Guarantee of \$20 million;
- First ranking security over the assets of Greenmount Resources Pty Ltd (a wholly owned operating subsidiary) and corporate guarantee;

¹ *Definitive feasibility study results reported to ASX on 23 October 2017 and 20 June 2018*

- Competitive margin above BBSY;
- Loan covenants customary for a facility of this type;
- Four and a half year tenor with a repayment schedule over the term; and
- The Facility can be repaid early at any time without penalty.

The already completed gold hedge of 200,000 ounces at a price of A\$2,249 per ounce satisfies the mandatory hedging requirement of the facilities. The hedge will be rolled into a delivery schedule covering 10,000 – 12,000 ounces of gold production of per quarter from June 2021 to September 2025.

The equity raisings completed by the Company in July and August 2019 satisfy the equity contribution requirement of the facility. There are a number of remaining conditions precedent to draw down of the facilities, the finalisation of which are in progress.

Development Update

Work is continuing on the KGP with the key work streams underway being:

- installation of the 306-man accommodation village
- resource infill and extension drilling; and
- preliminary update of definitive feasibility study (DFS) parameters and costs¹.

The village installation is progressing to plan and will facilitate the commencement of construction activities in the March 2020 quarter, with a view to first gold production in the March 2021 quarter. The resource drilling programme will be completed within days and will allow an update to the KGP Mineral Resource Estimate and Ore Reserve in the March 2020 quarter.

Plant design work and DFS capital and operating cost estimation updates are progressing. Capricorn has appointed Mintrex and ECG Engineering to assist with engineering and plant design works.

The major change to the plant design from the 2018 study has been a move to a three stage crushing circuit and a single ball mill (previous design was single stage crushing feeding SAG and ball mills). This revised configuration is designed to achieve a throughput in the order of 3.5 – 4.0mtpa in fresh ore (previous design forecast 3.0mtpa). This is expected to deliver an average gold production range of 105,000 – 120,000 ounces per annum, representing significant upside to the average life of mine production estimate of 100,000 ounces per annum reported in the 2018 study.

The capital cost estimate resulting from the preliminary update is a range of \$145 - 155 million. This estimate includes pre-production mining costs (which were not included in the reported 2018 study costs) and the incremental cost of changing to the tertiary crushing/ball mill configuration that provides the throughput upside as described above. The life of mine all in sustaining cost of gold production resulting from the preliminary update is \$1,140 – 1,190 per ounce.

The company will continue to refine these cost estimates in coming months in conjunction with the Mineral Resource Estimate and Ore Reserve update in the March 2020 quarter.

Exploration Update

Capricorn wholly owns a 2,042 km² tenement package at Karlawinda which includes the greenstone belt hosting the 1.5 million ounce Bibra gold deposit and significant further greenstone areas where little or no drilling has been undertaken.

Capricorn is in a unique position to control a significant greenstone belt that is endowed with economic gold mineralisation (Bibra >1.5 Moz) yet due to its location in the Pilbara (a region not historically explored for gold) very little modern and meaningful exploration has been completed outside of the immediate Bibra deposit.

¹ *Definitive feasibility study results reported to ASX on 23 October 2017 and 20 June 2018*

The magnitude of the exploration opportunity at Karlawinda is clear through a breakdown of the total of 267,000 metres of drilling that has been completed at Karlawinda to date. Of this drilling, 259,000 metres (97%) has been in the 50km² area covering the immediate Bibra area and only 8,000 metres (3%) has been on the remaining 1,992km² area.

A review of the geological data base is underway and will be completed early in the March 2020 quarter. This review will allow the board to approve an exploration programme and budget for 2020, expected to be in the order of \$5 million, targeting both near mine (<5km to mill) and regional (5-50km to mill) exploration opportunities.

Capricorn Executive Chairman Mark Clark commented:

“The execution of the debt financing facilities with Macquarie Bank completes the funding requirements for Karlawinda and is another major step towards the development of the project. We are pleased that our update of the DFS has progressed to the selection of a cost effective, robust and flexible plant design that provides very significant throughput and production upside for the project. The preliminary update of DFS capital and operating cost estimates suggest that Karlawinda should be a very profitable gold mining operation for Capricorn. In conjunction with development of the project in 2020 we look forward to a concerted exploration effort on the largely unexplored greenstone belts across the project area.”

For and on behalf of the Board



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