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Company Announcements Office
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

ASX:CMM

KARLAWINDA GOLD PROJECT TRANSITIONING TO STEADY STATE OPERATIONS

ASX Announcement

Capricorn Metals Ltd (**Capricorn** or the **Company**) is pleased to provide an update on the transition of the Karlawinda Gold Project from commissioning to operations. The first gold pour at the project was on 30 June 2021 and commissioning has continued to progress since that milestone.

The month of August 2021 was the first month of processing on a reasonably continuous basis and the operating results for the month show the very significant progress that has been made towards achieving full steady state operations.

The operating results for the month of August 2021 are tabled below:

KPI	Unit	August 2021	Annualised
Mill throughput	Tonnes	353,000	4.2 million
Grade	(g/t)	0.924	
Recovery	(%)	93.5	
Gold production estimated ¹	(ounces)	9,800	115,400
Mill availability	(%)	94.8	

¹ Gold production for the month estimated from metallurgical balance. Minor variation to final reconciled value may occur.

Throughput of 353,000 tonnes of exclusively hard laterite ore for the month represents a 4.2 million tonne per annum run rate. This is in line with the budget throughput for laterite feed used in generating expected long-term throughputs of:

- 4.5 – 5.0 Mtpa in oxide/fresh blend; and
- 4.0 – 4.5 Mtpa in fresh rock.

This throughput was also achieved in spite of a number of mill shut downs for commissioning and rectification activities. Mill availability of 94.8% was very encouraging given these commissioning shutdowns.

Mining and milling of soft oxide ore is expected to commence in September 2021 and should contribute to further increase in processing throughput rates.

Milled grade of 0.924g/t is in line with expectations and gold recovery of 93.5% through the CIL circuit has been above early expectations and is allowing a coarse grind to be utilised which continues to assist throughput.

Gold production for the month of 9,800 ounces represents an annualised run rate of approximately 115,400 ounces. This is consistent with the long-term production guidance of 110,000 – 125,000 ounces per annum and is very encouraging given the still partially interrupted basis of operation in August 2021.

Early mining reconciliation indicates that mining is achieving grade control ounces with ~5% dilution in the narrow laterite ore zones of the stage 1 pit mined to date. This is encouraging given mining is advancing into broader ore zones with mining efficiencies and, as a result dilution, expected to improve further in the coming months.

The project is in a very good position to achieve Capricorn's goal of full steady state operations by the end of the current quarter.

The operation is generating strong positive cashflow. This cashflow has seen the Company clear the balance of construction and development payables (approximately \$12.8 million) during July and August 2021 and hold cash and gold on hand at the end of August 2021 of \$14.6 million.

Bank debt outstanding stands at \$90 million. The final drawdown in June 2021 for Karlawinda project development took the debt outstanding to \$70 million and a further \$20 million was drawn in July 2021 for the acquisition of the Mt Gibson Gold Project. No further draw down is anticipated and Capricorn will make its first debt repayment of \$5 million in September 2021.

Capricorn Executive Chairman Mark Clark commented:

"The transition of the Karlawinda Gold Project to full operations is progressing rapidly. To be within our long-term gold production run rate target range and to be closing in on full steady state operations in only the second month after the first gold pour is a credit to Capricorn's operations team. We will continue to strive for full operations by the end of September 2021 and look forward to seeing the project become a very strong cash flow and profit generating business for the Company."

This announcement has been authorised for release by the Capricorn Metals Ltd board.

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Forward Looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation of belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. The detailed reasons for that conclusion are outlined throughout this announcement and all material assumptions are disclosed.

However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Such risks include, but are not limited to resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as governmental regulation and judicial outcomes.

For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.
