



COOLGARDIE

MINERALS LIMITED

ASX: CM1

ISSUED CAPITAL

Shares on issue: 103 million
Current share price: 12.0 cents
Market cap: \$12.42 million

COMPANY PROFILE

CM1 is a gold producer and explorer with a 549km² tenement area in the Bullabulling goldfield near Coolgardie, Western Australia. The company has a goal to become a 100,000oz gold producer within three years.

PROJECT PORTFOLIO

Producing: Geko

Advanced prospects: First Find, Endeavour, Bungarra, Sunchaser-Reservoir, and Ubini.

DIRECTORS

Neil Warburton
Non-executive Chairman

Bradd Granville
Managing Director

Paul Jago
Non-executive Director

Antony Middleton
Non-executive Director

Gregory Martin
Non-executive Director

MARKET ANNOUNCEMENT

Funding and Operations Update

- CM1 raises \$1.5 million (before costs) through issue of secured convertible notes to sophisticated investors. Funds to be used to pay existing trade creditors.
- Initial two 10,000 tonne mined stockpiles of Geko oxide ore did not meet 2.75g/t Au minimum grade requirement of the Ore Sale Agreement with Northern Star Resources. CM1 is exploring alternative arrangements for the sale or toll milling of this ore.
- Mine plan to be adjusted to optimise future mining through a three stage process.
 - First stage is to mine a circa 15,000 tonne parcel of ore in the upper supergene section of the Geko orebody, with grades anticipated to be higher than 2.75g/t Au and able to be sold to Northern Star Resources. Mining of this stage is expected to be completed by 21 December 2018.
 - Second stage is to mine the remaining oxide section of the orebody once CM1 has secured treatment arrangements for the oxide ore and a revised mine plan is agreed. Mining of Stage 2 is expected to commence in mid-January 2019.
 - Third stage is to mine the remainder of the Geko orebody (predominately fresh rock) subject to successful completion of Stage 2 and securing treatment arrangements for the ore.
- CM1's mining contractor, SMS Innovative Mining, has agreed to support CM1 by offering extended trading terms on outstanding invoices totalling \$9.39 million (including GST), subject to certain conditions being satisfied, and by seeking to expedite the first stage of the new mine plan.
- Convertible noteholders, SMS and two related parties have been granted security over CM1's assets to secure repayment of amounts owing to them (with related party securities subject to receipt of an ASX waiver or a shareholder approval).

Coolgardie Minerals Limited (ASX: CM1) (CM1) has entered into a Secured Convertible Note Deed under which CM1 will issue convertible notes having an aggregate principal amount of \$1.5 million (before costs). The convertible notes will be issued to sophisticated investors (who are not related parties of CM1), with proceeds expected to be received today. The proceeds of the convertible notes will be used to pay existing trade creditors.

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The convertible note facility will give CM1 additional flexibility in managing its working capital position while it awaits receipt of revenue from its operations at the Geko gold mine. Further detail of the convertible note terms are set out on page 3 below.

As noted in its letter to ASX on 4 December 2018, the commencement of mining operations at the Geko project has resulted in significant increases in expenditure. To date, CM1 has stockpiled approximately 60,000 tonnes of ore above 1.0g/t Au from the Geko project. The initial two batches of oxide ore (circa 20,000 tonnes) were stockpile assayed in accordance with CM1's agreed procedure with Northern Star Resources, but the two parcels did not meet the 2.75g/t Au minimum grade requirement of Northern Star Resources. As a result of this, the two parcels fall outside of the terms of the Ore Sale Agreement and cannot be sold to Northern Star under the existing arrangement. CM1 is exploring alternative arrangements for the sale or toll milling of the entire 60,000 tonnes of ore.

In the meantime, CM1 has been working closely with its mining contractor, SMS Innovative Mining Pty Ltd (**SMS**), to optimise future mining through a three stage process. The first stage is to mine a 15,000 tonne parcel of high grade oxide ore in the supergene section of the Geko orebody, with grades anticipated to be above the 2.75 g/t Au Northern Star Resources Ore Sale Agreement threshold, with a view to allowing CM1 to generate revenue in the immediate future. The second stage is to develop a comprehensive plan to mine the oxide section of the orebody, which is likely to proceed once CM1 has secured toll treatment arrangements for the oxide ore and has agreed and documented a revised mine plan with SMS (expected to occur in mid-January 2019). The third stage is to mine the remainder of the orebody (~1.1m tonnes at 1.7 g/t Au) but this will be dependent on the success of Stage 2 and securing treatment arrangements for the ore.

SMS has now demobilised some of its equipment and personnel to reflect the revised scope of services, with a smaller team having already commenced mining the Stage 1 supergene section of the orebody. CM1 currently anticipates that the mining of Stage 1 should be completed by 21 December 2018, which (assuming it meets the 2.75gt Au requirement as expected) should result in receipt of revenue by no later than early to mid-January 2019.

In addition to working closely with CM1 to develop a revised mine plan, SMS has also agreed to support CM1 by offering CM1 extended trading terms on outstanding invoices totalling \$9.39 million (including GST), subject to certain conditions being satisfied. This extension, together with the convertible note fundraising of \$1.5 million (before costs) and loans from certain related parties totalling approximately \$1.06 million, has given CM1 the flexibility to manage its working capital position while it seeks to generate cash revenues from operations as soon as possible. Following payment of creditors from the proceeds of the convertible note, CM1 will have creditors (excluding the convertible noteholders, SMS and loans from related parties) of approximately \$1.5 million, with most within 30 day trading terms. In addition, CM1 will owe related parties \$1.06 million plus accrued interest, convertible noteholders \$1.5 million plus interest and SMS the \$9.39 million for which payment terms have been extended (see page 3 for full details), plus the December invoice including for work performed in Stage 1.

As part of the new funding arrangements, CM1 has agreed to grant the convertible noteholders, SMS, Mr Neil Warburton (the chairman of CM1) and Mr Bernard Martin (the father of Greg Martin, a non-executive director of CM1) security over all of CM1's assets to secure repayment of the amounts owing to those parties, subject to certain priority arrangements. The grant of security to Mr Warburton and Mr Martin ranks behind the security granted to secure the convertible notes and any further amounts which may become owing to SMS, but equally with the security granted to secure the amounts currently owing to SMS. This security remains subject to and conditional on receipt of an ASX waiver or a shareholder approval for the purposes of ASX Listing Rule 10.1. CM1 proposes to seek a waiver from ASX for this purpose.

Geko exploration drilling

The promising initial results received to date from the first holes of the exploration extension drilling program at Geko (as announced to the market on 5 December 2018) suggest a possible extension of the Geko mineralisation. CM1 will update the market in early 2019 on the exploration plan, once the revised mine plan at Geko has been finalised with SMS and once sufficient levels of cashflow are being generated.

Convertible note terms

The key terms of the convertible notes are as follows:

- The face value of the convertible notes is \$1,500,000 in aggregate.
- The convertible notes will accrue interest at 10% per annum (plus a further 15% per annum on overdue amounts). Interest accrues daily and is payable monthly in arrears.
- The principal amount owing on the convertible notes must be repaid at a rate of \$125,000 per month over the 12 month term.
- CM1 may repay the convertible notes early by paying 110% of the outstanding principal amount (during the first 180 days of the term) or 115% of the outstanding principal amount (during the balance of the term).
- At each monthly repayment date, convertible noteholders may elect to receive their payment by way of a conversion into CM1 fully paid ordinary shares rather than in cash. The conversion price is fixed at \$0.10 per Share (subject to adjustment in accordance with the Listing Rules for certain bonus issues, pro rata issues and reconstructions). This means that the maximum number of ordinary shares into which the convertible notes may be converted is 15,000,000 shares.
- The convertible note deed contains certain customary restrictive covenants on CM1 relating to matters such as disposals of assets, changes of business and incurring additional financial indebtedness without consent. CM1 also gives certain undertakings relating to matters such as maintaining quotation of its shares on ASX, compliance with laws and maintenance of assets.
- The convertible notes become repayable immediately if an unremedied event of default occurs. Events of default include matters such as a material adverse change in relation to CM1, a change of control of CM1, CM1 shares ceasing to be quoted on ASX, breaches of the ASX Listing Rules, and certain insolvency events.
- The convertible notes are secured by way of security over all of CM1's assets.
- Convertible noteholders are paid a commitment fee of 5% of the subscription funds and will have certain expenses (of up to \$20,000) covered by CM1.

CM1 proposes to issue the convertible notes as soon as it receives the subscription funds, which is anticipated to be today. The convertible notes will be issued pursuant to CM1's ASX Listing Rule 7.1 capacity and shareholder approval will not be sought for the issue of the convertible notes or on conversion into shares (although CM1 may seek to ratify the issue of convertible notes for the purpose of refreshing its ASX Listing Rule 7.1 capacity in due course).

Arrangements with SMS

Under the revised arrangements with SMS, CM1 must meet certain milestones for the forbearance arrangement for the \$9.39 million (including GST) to remain in place, including amongst others as follows:

- CM1 must receive net proceeds of at least \$1.5 million in cash from the sale of Geko ore mined by CM1 by no later than 7 January 2019 (with such funds to be used to pay creditors and for working capital).
- CM1 must repay \$2.02 million of the \$9.39 million by 28 February 2019.
- CM1 must repay the balance of the \$9.39 million (\$7.37 million) by 31 March 2019.
- CM1 must meet all other payments due under the contract (or revised contract) with SMS in accordance with the terms of the contract.

Loans from Mr Neil Warburton and Mr Bernard Martin

To assist with CM1's working capital position, Mr Neil Warburton (the chairman of CM1) and Mr Bernard Martin (the father of Mr Greg Martin, a non-executive director of CM1) have been advancing monies to CM1. Under these loans, CM1 currently owes \$780,000 to Mr Warburton and

\$280,000 to Mr Martin, with funds repayable on 31 October 2019. The loans attract interest at 16% per annum, calculated daily and payable quarterly in arrears. Further interest accrues on late payments at a rate of 25% per annum.

Before these funds were advanced to CM1, the independent members of the Board of CM1 considered the arm's length sources of funds potentially available to CM1 (and the cost of those funds) and determined that the loans from Mr Warburton and Mr Martin were on no worse terms for CM1 than terms available from arm's length third parties at the time. CM1 therefore considers the terms of the loans to be reasonable in the circumstances and on arm's length terms. Similarly, in light of the security required by the convertible noteholders and SMS, and the fact that security granted to Mr Warburton and Mr Martin will rank behind the security for the convertible notes and any further amounts which become owing to SMS, the independent members of the Board of CM1 consider the grant of security to Mr Warburton and Mr Martin to be reasonable in the circumstances and on arm's length terms.

- Ends -

About Coolgardie Minerals Limited (ASX: CM1)

Established in 2010 and ASX-listed in August 2018, Coolgardie Minerals (CM1) is a gold producer and explorer with over 549km² of tenements in the proven gold-producing districts near Coolgardie, Western Australia, surrounding the Bullabulling Gold Project.

CM1 has secured a large, high-quality ground position made up of the Geko Project, which the company has brought into rapid production, and five other advanced prospects: First Find, Endeavour, Bungarra, Sunchaser-Reservoir and Ubini.

The projects are along or near the Bullabulling goldfield, with access to a highly trained local workforce and excellent regional infrastructure. The Geko Gold Mine has a Mineral Reserve* of 1,578,000 tonnes of ore at an average grade of 1.8g/t Au containing 91,900 ounces.

CM1 plans to expand its exploration and development footprint while striving to achieve its strategic plan of being a 100,000oz gold producer within three years via organic growth and mergers and acquisitions.

SHAREHOLDER / GENERAL ENQUIRIES

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