

27 July 2020

KARLAWINDA GOLD PROJECT UPDATE

MODIFICATIONS TO PROVIDE FOR THROUGHPUT OF UP TO 5 MILLION TONNES PA

HIGHLIGHTS

- Development of Karlawinda Gold Project progressing with plant commissioning targeted to commence in the March 2021 quarter and first gold production to follow in the June 2021 quarter.
- Increased crushing capacity has been achieved in the final design process by up scaling and modifying equipment selection and associated structures.
- Review indicates that the optimised crushing and grinding circuit has the capacity to achieve throughput of:
 - Up to 4.5 – 5.0 mtpa in the oxide/fresh ore blend in the first 3 years; and
 - Up to 4.0 - 4.5 mtpa in solely fresh rock ore in years four and beyond.
- Expected throughputs are higher than the 3.5 – 4.0 mtpa previously reported.
- Allowance in design for additional leaching capacity to cater for increased throughput.
- Capricorn to construct an airstrip on site to deliver operational efficiencies by reducing Capricorn and mining contractor shift change downtime over life of mine.
- Current capital cost estimate \$165 - 170 million including modifications for higher throughput and airstrip.

The board of Capricorn Metals Ltd (Capricorn or the Company) is pleased to provide this update on the development of the Company's wholly owned Karlawinda Gold Project (KGP).

Provision for Higher Plant Throughput

Increased crushing capacity has been achieved during the final design process, by increasing the size of some conveyor and feeder drives, changing to a multi slope (banana) tertiary sizing screen and modifying (up scaling) associated structures. Review of the up scaled crushing and grinding circuit (CGC) and the likely oxide/fresh ore blend to be mined in the first three years of the mine life indicates that the throughput capacity of the CGC is likely to be higher than the 3.5 – 4.0 mtpa previously reported. The review indicates throughput capacity of the CGC of up to 4.5 – 5.0 mtpa in the first three years of the mine life and up to 4.0 - 4.5 mtpa in solely fresh rock ore in years four and beyond.

To cater for this increased potential CGC throughput capacity Capricorn has also decided to make allowances in the plant design and layout for the possibility that increased ore leaching capacity may be required. These allowances in plant design and layout will provide sufficient leaching residency time to achieve target gold recoveries at the higher throughput. This will involve completing concrete foundations and modifying the plant layout to provide space for the addition of two more CIL tanks to the current six tank configuration.

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Achievement of higher throughput levels is subject to amendments to regulatory approvals that will be applied for in due course.

Minesite Airstrip

The board has also approved the construction of an airstrip at the KGP to facilitate Capricorn and contractor staff being able to arrive direct to site via a charter airline service rather than on commercial airlines through Newman (85 kilometres by road). The cost of the airstrip is expected to be in the order of \$4 - 5 million and will be a 2,000 metre Code 3C certified aerodrome, rated to land up to 100 seat jet aircraft. This capital investment is expected to generate significant return for Capricorn through increased operational efficiencies and reduced down-time in earthmoving contractor shift changes.

Revised Capital Cost Estimate

The current capital cost estimate for the development of the KGP, including the modifications to facilitate the higher throughput of up to 5mtpa and the construction of the airstrip is in the range of \$165 – 170 million (previously \$145 – 155 million). At the end of June 2020, Capricorn had spent \$37.3 million of this forecast cost.

Capricorn Executive Chairman Mark Clark commented:

“It is very pleasing to see our significant plant design and equipment selection efforts materialise into the potential for a higher throughput processing capacity. With the potential to process up to 5 million tonnes of ore per annum in the first three years of the project this should have positive implications for production, payback and overall project economics. Meanwhile, site-based work is progressing at pace towards a target of commencing plant commissioning in the March 2020 quarter and producing first gold in the June 2020 quarter”.

Project Development Update

Summary

Significant progress on the development of the Karlawinda Gold Project during the June 2020 quarter, including:

- 306-room accommodation village now operational;
 - Practical completion of the site access road;
 - Key project contracts executed including gas transportation and power supply;
 - Commencement of engineering design for gas lateral pipeline with order placed for line pipe in June 2020;
 - Mechanical and electrical plant design advancing;
 - Commencement of CIL tank erection;
 - Significant concrete and civil earthworks completed including main ball mill foundations;
 - Pre-mining earthworks commenced; and
 - Commencement of grade control drilling on Stage 1 pit.
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Capricorn Metals Ltd (Capricorn) is constructing the wholly owned Karlawinda Gold Project (KGP) located 65 kilometres south-east of Newman in the Pilbara region of Western Australia.



During the June 2020 quarter, Capricorn continued exploration and development activities as detailed below.

Accommodation Village

Significant progress was made on the installation of the 306-room accommodation village with plumbing, electrical and concreting work being completed during the quarter. The project's construction workforce commenced occupying the village in April 2020.



Installation of the accommodation village and communications tower

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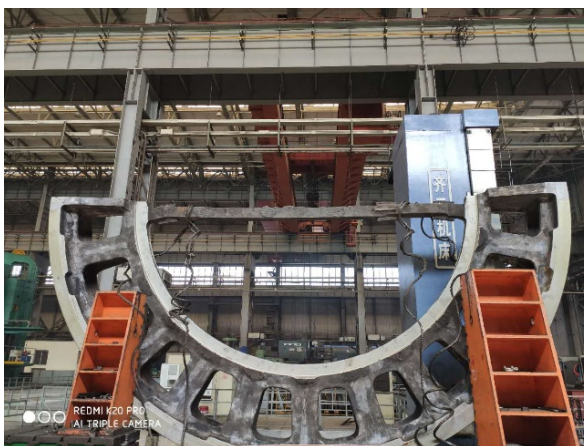
Engineering and Procurement

Engineering and plant design works for the KGP continued during the quarter with detailed mechanical design approximately 80% complete and electrical design work progressing.

During the quarter Capricorn placed orders for the remaining key process plant equipment including slurry pumps, cyclones, conveyor drives and cone crusher feeders.

The first structural and plate steel packages were ordered for the reclaim area, goldroom and top of tank steel and rear access. Delivery of top of tank steel work has commenced and is scheduled to be completed by the end of July 2020. Shop detailing of the mill and cyclone tower areas was commenced.

The Company continued to liaise with all key equipment suppliers during the quarter with no additional delivery delays due to the global COVID-19 pandemic identified.



Ball mill head and girth gear manufacture

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Site Access Road

Construction of the 44 kilometre site access road from the Great Northern Highway commenced in the March 2020 quarter and is expected to be completed and operational in July 2020. Completion of the access road will reduce travel time to Newman to less than one hour and will facilitate delivery of equipment and supplies during construction and operation.



Access road

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Site Works

Construction of the processing plant commenced in the June 2020 quarter with the following activities undertaken:

- Commenced erection of CIL processing tanks;
- Concrete foundation poured for the 7.5MW ball mill;
- Completion of the maintenance workshop;
- Clearing of the plant site continued and preliminary civil earthworks for the three-stage crushing circuit were completed. Clearing and topsoiling of the Tailings Storage Facility (TSF) and first stage of the Integrated Waste Landform (IWL) was nearing completion by the end of the quarter; and
- Grade control drilling commenced on the Stage 1 Bibra open pit at the end of June 2020.



Processing plant construction progress



Concrete foundations for ball mill and CIL tank construction

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Fine ore stockpile tunnel concrete footing



Maintenance workshop, maintenance office concrete foundation and stores shed erection

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Pouring of concrete foundation for ball mill



Ball mill foundations

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Clearing and topsoil removal for the TSF/IWL

Operational Supply Contracts

In the June 2020 quarter the Company entered into agreements with APA Group for the transportation of gas from the Goldfields Gas Pipeline (GGP) to the KGP. As part of the agreement APA will also build, own and operate the lateral pipeline that links the GGP to the KGP. It is expected that approximately 3Tj of gas per day will be transported through the pipeline for power generation at the mine site.

During the quarter APA commenced the engineering design work for the lateral pipeline and placed the order for the line pipe which is expected to arrive in Australia in December 2020.

The Company also executed a power supply agreement with Contract Power Australia Pty Ltd (Contract Power) during the quarter. Under the terms of the agreement, Contract Power will build, own and operate a 16MW gas fuelled power station with 2MW of diesel back-up at Karlawinda.

A tender process for the open pit mining and associated works contract commenced during the quarter with prospective contractors attending a site visit in July 2020. A decision on the contract award is expected in the September 2020 quarter.

Development Outlook - September 2020 Quarter

Development activities at KGP in the September 2020 quarter will include various key work streams being progressed including:

- Continuation of mechanical and electrical plant design;
- Ordering of reagents and services equipment such as compressors, water and reagent pumps as well as remaining minor process equipment such as tramp metal magnets, conveyor rollers, pulleys and belts;
- Issuing further orders for structural and plate steel fabrication works;
- Order plant transformers and electrical motor control centers (MCCs) with associated switch boards.
- Continue civil and concrete works including the crusher and power station;
- Complete tank construction and commence installation of top of tank steelwork; and
- Complete the tender and award of the mining services contract.

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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.

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