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2 December 2024

Capital Metals plc

("Capital Metals" or the "Company")

Project Update: Significant Capex Reduction for Stage 1 Production

Highlights

- Stage 1 capex reduced by approximately one third to 20.9m
- Reduction through process rationalisation, with further optimisation expected
- 125,000tpa high grade (>95%) stage 1 HMC production with upside following drilling
- Funding discussions ongoing with offtakers, vendor-financiers and potential local Sri Lankan partners to fund stage 1 Project capex, with subsequent expansion from operational cashflow
- Drilling recommencing targeting significant resource increase and mine plan certainty
- Service agreements entered into with Mineral Technologies and Access Group

Capital Metals (AIM: CMET), a mineral sands company approaching mine development stage at the high-grade Eastern Minerals Project in Sri Lanka (the "Project"), is pleased to provide the following Project update.

Over the past six months, the Company has been focused on establishing a development plan which significantly reduces the circa 30m stage 1 capex from the May 2022 Preliminary Economic Assessment ("PEA"), whilst expediting cashflow. Leveraging updated knowledge and implementing numerous process improvements since the PEA, the Company is pleased to report that the estimated capex has reduced to 20.9 million, with further optimisation opportunities identified for potential cost reductions.

The targeted initial production of Heavy Mineral Concentrate ("HMC"), based on the same projected throughput rate in the PEA of 550,000tpa is forecast to be 125,000tpa, with upside based on expected higher grades in the chosen initial mining area.

The Company has also been in active dialogue with offtakers, vendor financiers, and potential Sri Lankan project partners to finance the Project in a way that minimises or eliminates the requirement for the Company to raise market equity for the funding task. This approach is also significantly less time consuming than traditional project debt.

The result of this work is that the Company now has an approach that fast-tracks production, significantly reduces initial capex, and enables the Project to become self-funding as quickly as practicable. This strategy also supports incremental expansions of production capacity and product quality through various plant value additions over time.

Based on the costs in the PEA, which the Company believes are conservative, the Company is confident of achieving significant operating margins over the life of the Project. The Company is targeting a Final Investment Decision ("FID") in Q2 2025 in order to commence construction, with an expected 9-12-month construction period until first production.

The process rationalisation studies included: eliminating the need to wash the concentrate (following numerous discussions with potential offtakers) and reducing associated infrastructure at the port.

numerous discussions with potential shunters; and reducing associated infrastructure at the port, transitioning to truck and shovel mining to avoid costly in-pit mining units; and utilising an off-the-shelf predesigned wet concentrator plant from Mineral Technologies.

Summary of First Stage Production Criteria

- Clean beach sand means minimal screening required
- Mining rate: 180tph plant feed rate to achieve 550,000tpa
- Product: high grade HMC of 125,000tpa
- Loader and truck approach, with tails returned immediately to the prior mine void
- 3-stage wet concentrator spiral circuit delivering high zircon and titanium recoveries (>98%)
- No final product screening necessary to produce high grade HMC (>95%)
- Capex requirement: 20.9 million, with the potential for further optimisation

Subsequent phases incorporate: incremental mining rates of up to 1.65Mt/tpa, and potentially beyond, subject to expected increases in the resource; a magnetic separation plant to produce final ilmenite and garnet products and zircon and rutile in concentrate; and a non-magnetic separation plant in the final stage to produce final zircon and rutile products in addition to the ilmenite and garnet.

Recommencement of Drilling Activities

Given the Sri Lankan parliamentary elections have concluded and the new ministers relevant to the Company's activities have been appointed, the Company is mobilising the drilling rig and team to recommence drilling activities. The purpose of the drilling is to increase the resource, as well as to help with design and engineering, mine planning and to obtain greater geological confidence in the proposed mining areas. Updates will be announced when appropriate.

Service Agreements

The Company is pleased to announce that it has entered into service agreements with Mineral Technologies, a global leading mineral process solutions, services and equipment specialist headquartered in Queensland, Australia, and Access Group, a Sri Lanka-based engineering and construction firm. Both partners will support different aspects of the engineering and design of the Project necessary to reach the FID.

Mineral Technologies will focus on key technical aspects, with both companies leveraging their expertise to develop capex requirements to support a FID. It is envisaged Mineral Technologies will become the supplier of a pre-designed Flex Series plant for Stage 1. Capital Metals, in conjunction with Mineral Technologies, will work with Access Group to build in-country capacity and capabilities, incorporating local skills and creating jobs. In line with this approach, the teams are exploring options to fabricate key equipment, including the structural framework for the spiral plant, in Sri Lanka.

Greg Martyr, Executive Chairman of Capital Metals, commented:

"The team has worked diligently with consultants across all aspects of Project delivery to arrive at a materially reduced capex estimate for the first stage of production of 20.9 million, without compromising throughput, which very pleasingly is expected to produce at least 125,000tpa of high grade, very clean HMC which we know will be well received by offtakers.

We are delighted with where we have got to on costings - it reinforces the simplicity of the Project. The enabler for this is the high-grade nature of the resource, which allows for simple mining and associated lower capex and opex, to achieve high plant recoveries and grades with a reduced environmental footprint.

Based on ongoing discussions, we are confident this quantum is eminently fundable, predominantly through prepayments with offtakers, vendor financiers and potential local Sri Lankan project partners, aligned with an objective to make the FID in Q2 next year. We look forward to working with our suppliers to refine the costings and reach FID while simultaneously advancing discussions with the alternate financing parties.

We are also pleased that the parliamentary elections have concluded peacefully in Sri Lanka. Not only does this mean that we are now able to recommence our drilling campaign, but we are also anticipating a very positive period in Sri Lanka with the National People's Power party looking to build on its election success with the capacity for positive decisions to assist the economy, in particular with new investment in projects creating new jobs and strong foreign currency inflows."

For further information, please visit www.capitalmetals.com or contact:

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About Capital Metals

Capital Metals is a UK company listed on the London Stock Exchange (AIM: CMET). We are developing the Eastern Minerals Project in Sri Lanka, approximately 220km east of Colombo, containing industrial minerals including ilmenite, rutile, zircon, and garnet. The Project is one of the highest-grade mineral sands projects globally, with potential for further grade and resource expansion. In 2022, a third-party Preliminary Economic Assessment provided a Project NPV of US 155-235m based on existing resources, with further identified optimisation potential. We are committed to applying modern mining practices and bringing significant positive benefits to Sri Lanka and the local community. We expect over 300 direct new jobs to be created and over US 130m in direct government royalties and taxes to be paid.

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www.capitalmetals.com

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