

## CALIDUS RESOURCES LTD (CAI)

### Encouraging strike extensions to Klondyke

Calidus Resources Limited (CAI) has released the results of twelve reconnaissance RC holes recently completed along a 2km section immediately along strike to the southeast of its Klondyke deposit. The 12 broad spaced holes have consistently intersected the Klondyke shear and returned very encouraging results including: **16m @ 2.3g/t Au** from 136m, **10m @ 3.7g/t Au** from 58m and **7m @ 4.6g/t Au** from 175m.

While some holes returned high grade intercepts, it is no surprise that others returned lower grade intercepts, reflecting an ore body that can pinch and swell along strike. Nevertheless, the furthest reconnaissance hole to the southeast returned **3m @ 2.5g/t Au** from 128m, thus demonstrating that the mineralised system remains open.

The Company consolidated the tenure within the Warrawoona project in 2017 and quickly set about drilling to define a 712koz resource of which 654koz are from a 2.6km section of the Klondyke shear. This latest drilling demonstrates the strong potential for further resource growth along the 12.5km of the Klondyke shear held by CAI. In addition to the 2km tested by the latest drilling, CAI has mapped a further 2km of strike to the southeast of the drill area. Portable XRF has indicated that the geology is consistent with that of Klondyke host rock (low to intermediate chrome basalt unit of Archaean age).

### Strong initial met work

CAI has recently released strong results from metallurgical testing of the Klondyke deposit. The test work has shown high cyanide leach recoveries of up to 96.7% and gravity recoveries of 63%. We had previously assumed a 92% recovery in our model but have revised upwards to 93% (remains conservative).

The leach recoveries were over a 24-hour period with a coarse grind of 80% passing 150µm. The coarse grind may have a positive impact on energy costs in a future milling circuit. Bond work index tests have averaged 10.15kWh/t for a ball mill and 17.35kWh/t for a rod mill, demonstrating the ore favours conventional crushing and ball milling. The test work was conducted on a 48kg quarter core oxide composite from a single hole, while the fresh ore was sourced from quarter core of two diamond holes to make a 26kg composite. This test work will support the Warrawoona Project PFS, which CAI will commence later this year.

### Maintain Speculative Buy with a Price Target of 6.1cps

Calidus is a gold explorer with future potential for +1Moz at Klondyke alone and has numerous targets to test within the wider Warrawoona project area. This latest drilling demonstrates a strong likelihood that additional resources will be defined along strike from the existing Klondyke resource of 654koz.

We maintain our Speculative Buy recommendation with an updated valuation of 5.7cps (up from 5.2cps) and a 12-month price target of 6.1cps (up from 5.3cps). The encouraging drill results today have allowed us to increase our price target weighting for a scenario where CAI defines a resource in excess of 1Moz. Results of the deep drilling currently being undertaken beneath Klondyke as well as the large Klondyke RC drill program planned for next month, will be eagerly awaited over the coming quarters.

12 Apr 2018

Share Price	\$0.043
Preliminary Valuation	\$0.057
Price Target (12 month)	\$0.061

**Brief Business Description:**  
Single asset, WA gold explorer.

#### Hartleys Brief Investment Conclusion

Gold explorer focussed on the Warrawoona project near Marble Bar in WA. Targeting production of 100kozpa in the next 36 months.

#### Chairman & MD

Mark Connelly (Non-Exec Chairman)  
David Reeves (MD & CEO)

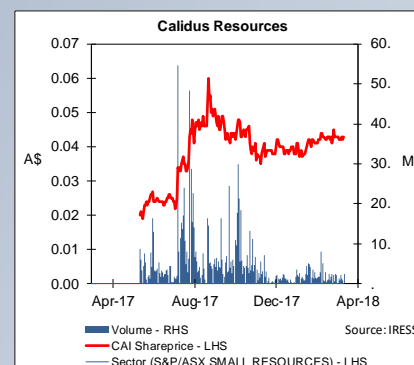
#### Top Shareholders

Keras Resources Plc	35.6%
Beatons Creek Gold Pty Ltd	4.4%

#### Company Address

Suite 12, 11 Ventnor Ave  
West Perth WA 6005

Issued Capital	1286.7m
- fully diluted	1754.2m
Market Cap	A\$55.3m
- fully diluted	A\$75.4m
Cash and Bullion (31 Mar 2018)	A\$7.9m
Debt (31 Mar 2018)	A\$0.0m
EV	A\$47.4m
EV/Resource oz	A\$67/oz
EV/Reserve oz	-
Resources (koz)	712
Reserves (koz)	-



Paul Howard  
Resources Analyst  
Ph: +61 8 9268 3045  
E: paul.howard@hartleys.com.au

Hartleys has completed a capital raising in the past 12 months for Calidus Resources Limited (CAI), for which it has earned fees.

# SUMMARY MODEL

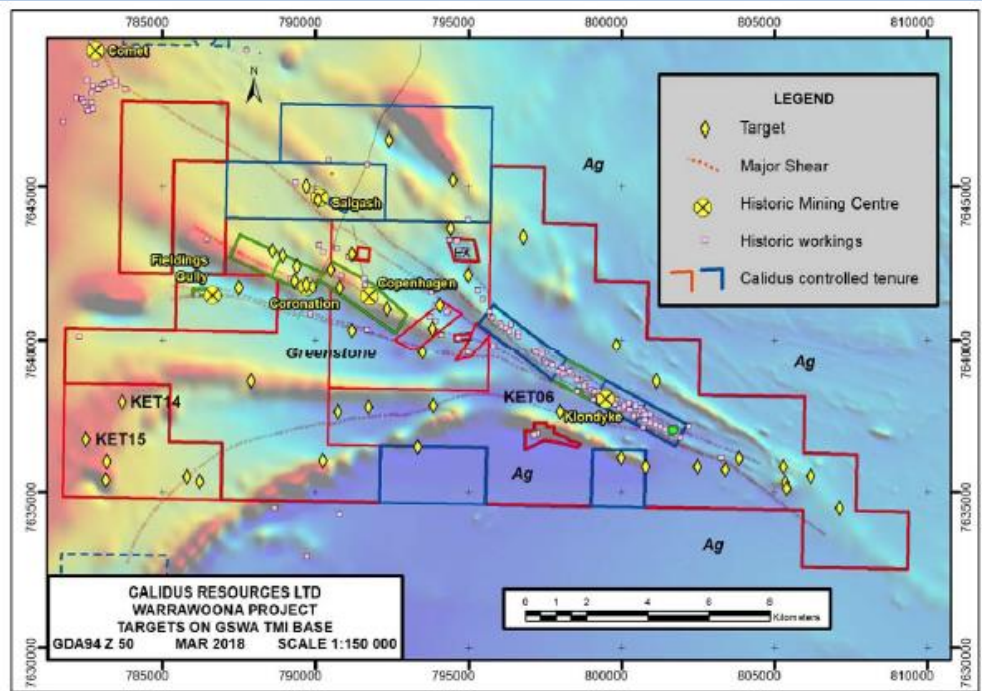
Calidus Resources Limited CAI		Share Price \$0.043		12 April 2018 Speculative Buy	
<b>Key Market Information</b>					
Share Price					
Market Capitalisation					
Net Cash (debt)					
Issued Capital - current					
Issued Capital - diluted ITM options					
Options					
Issued Capital - fully diluted all options					
<b>EV</b>					
- current					
- diluted ITM					
- diluted fully					
12Mth Price Target					
<b>Projects</b>					
Projects	Interest	Location	Commodity		
Warraw oona	100%	WA	Gold (Au)		
<b>Resources</b>					
	M t	Grade (Au)	Metal (koz)	Lower Cut	
<b>Klondyke</b>					
Measured	0.0	0.00	0	0.5g/t Au	
Indicated	8.2	2.02	532	0.5g/t Au	
Inferred	1.7	2.25	122	0.5g/t Au	
<b>Copenhagen</b>					
Measured	0.0	0.00	0	0.5g/t Au	
Indicated	0.0	0.00	0	0.5g/t Au	
Inferred	0.2	6.10	36	0.5g/t Au	
<b>Fieldings Gully</b>					
Measured	0.0	0.00	0	0.5g/t Au	
Indicated	0.2	1.65	9	0.5g/t Au	
Inferred	0.2	1.65	13	0.5g/t Au	
<b>Total</b>	<b>10.5</b>	<b>2.11</b>	<b>712</b>	<b>0.5g/t Au</b>	
<b>P&amp;L</b>					
	FY2017A	FY2018F	FY2019F		
Net Revenue	A\$m	n/a	n/a	n/a	
Total Costs	A\$m	n/a	n/a	n/a	
EBITDA	A\$m	n/a	n/a	n/a	
Deprec/Amort	A\$m	n/a	n/a	n/a	
EBIT	A\$m	n/a	n/a	n/a	
Net Interest	A\$m	n/a	n/a	n/a	
Pre-Tax Profit	A\$m	n/a	n/a	n/a	
Tax Expense	A\$m	n/a	n/a	n/a	
NPAT	A\$m	loss	loss	loss	
Abnormal Items	A\$m	n/a	n/a	n/a	
Reported Profit	A\$m	loss	loss	loss	
<b>Directors &amp; Management</b>					
Mark Connelly (Non-Exec Chairman)				Suite 12, 11 Ventnor Ave	
David Reeves (MD & CEO)				West Perth WA 6005	
Adam Miethke (Non-Exec Director)				+61 8 6245 2050	
Peter Hepburn-Brown (Non-Exec Director)					
James Carter (CFO & Co. Sec.)					
Jane Allen (Geology Manager)				www.calidus.com.au	
<b>Substantial Shareholders (est)</b>					
	m shs	%			
Keras Resources Plc	458.4	35.6			
Beatons Creek Gold Pty Ltd	56.6	4.4			
Directors and Management	106.7	8.3			
<b>Investment Summary</b>					
First company to consolidate the tenure of the historic Warraw oona Mining Centre near Marble Bar, WA. Mineralisation remains open at depth and along strike with just 2.6km of 12.5km of the Klondyke Shear tested. High grade mineralisation is hosted within shears with a wider, lower grade alteration halo present. Regional upside exists on parallel shears and further afield.					
<b>Newsflow</b>					
			Project		
Q2 CY17	ASX Listing: 22 June 2017				-
Q2 CY17	12,600m maiden drill program & met. testing				Warraw oona
Q3 CY17	Maiden drill results				Warraw oona
Q3 CY17	Consolidation of tenure (NVO, HAO, Epmindex deals)				Warraw oona
Q3 CY17	Further results & commencement of diamond drilling				Warraw oona
Q3 CY17	A\$10M Capital Raise				-
Q4 CY17	Expanded drill program				Warraw oona
Q4 CY17	High grade results fro satellite deposits				Warraw oona
Q4 CY17	New Warraw oona & regional targets identified				Warraw oona
Q4 CY17	Resource update				Warraw oona
1H CY18	2018 Expl. program: drilling, geochem, mapping				Warraw oona
2H CY18	PFS Commencement				Warraw oona
<b>Unpaid Capital</b>					
Year Expires	No. (m)	\$m	Avg. Price	% ord	
30-Jun-19	87.5	2.2	0.025	7%	
30-Jun-20	55.0	1.5	0.027	4%	
30-Jun-21	50.0	1.0	0.020	4%	
30-Jun-22	0.0	0.0	0.000	0%	
<b>TOTAL</b>	<b>192.5</b>	<b>4.7</b>	<b>0.024</b>	<b>15%</b>	
<b>Comments</b>					
Gold explorer focussed on the Warraw oona project near Marble Bar in WA. Targeting production of 100kozpa in the next 36 months.					
Analyst: Paul Howard Phone: +61 8 9268 3045				Last Updated: 12/04/2018	
Sources: IRESS, Company Information, Hartleys Research					

## REGIONAL EXPLORATION PLANS FOR 2018

Calidus has outlined its regional exploration plans for Warrawoona. Having completed a Regional Target Generation Study, the Company plans to follow up with additional mapping and geochemistry programs ahead of drill testing (RC/AC/RAB) over the next 6 months. In excess of 45 high-priority targets were identified and include a 1km geochem anomaly coinciding with a historic broad gold intersection of 40m @ 0.4g/t from surface to EOH. While CAI remains focussed on growing its 712koz Klondyke resource, it would be remiss of the Company not to assess some of the compelling regional opportunities in an area that has seen very little modern exploration work undertaken. The regional drilling forms part of a planned 50,000m drill program across the greater Klondyke Project. Drilling kicked off last quarter at Coronation. An exciting EIS co-funded diamond drill program has also commenced to test down dip opportunities at Klondyke Queen and is nearing the target depth of 500m. The EIS hole forms part of an initial 6 diamond hole programme, testing a 150m portion of the Klondyke Main Shear Zone to vertical depth of 450m. A project-wide soil geochemistry programme is also underway and due for completion mid-May.

*A regional target generation study has identified more than 45 targets around the Warrawoona Project*

**Fig. 1: CAI Warrawoona regional targets**



Source: Calidus Resources Limited

*Six deep diamond holes will test for depth extensions to the resource at Klondyke*

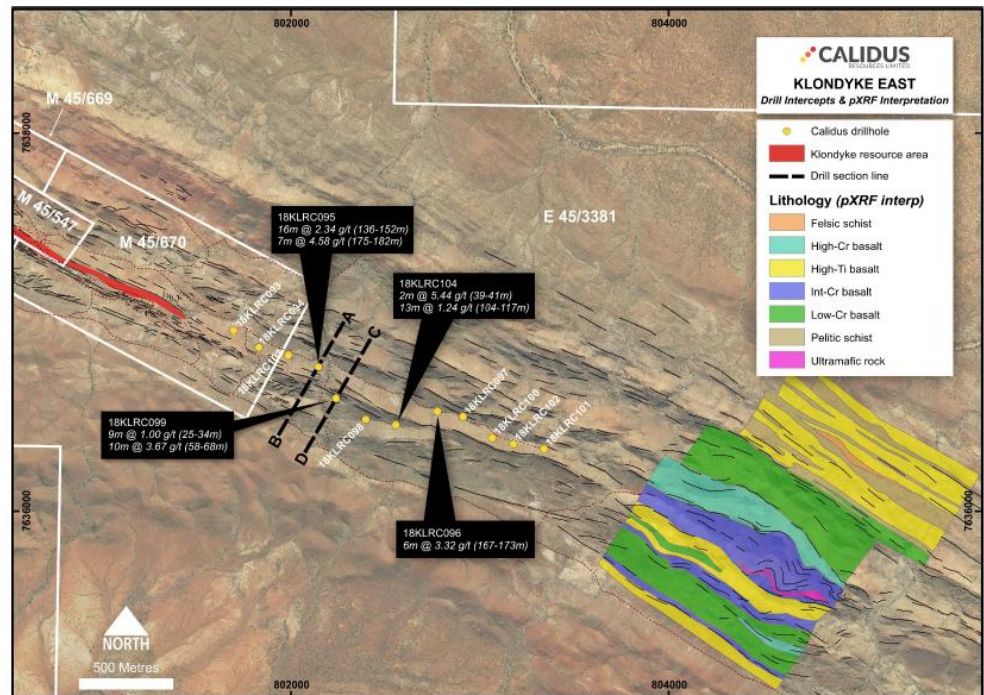
## FURTHER CONSOLIDATION OF TENURE

CAI has further consolidated tenure around the Warrawoona Gold Project. The Company has acquired two additional leases, lodged an application for a new exploration lease and now has a large land holding comprising prospective, under-explored granite-greenstone. CAI has entered into an agreement with Gardner Mining Pty Ltd to purchase tenements E45/3615 and E45/4236 outright through the issue of 1,785,000 shares in the Company.

*CAI has acquired additional ground around the Warrawoona Project, further bolstering the Company's position within the belt.*

Fig. 2: Plan view of the reconnaissance drilling & mapping

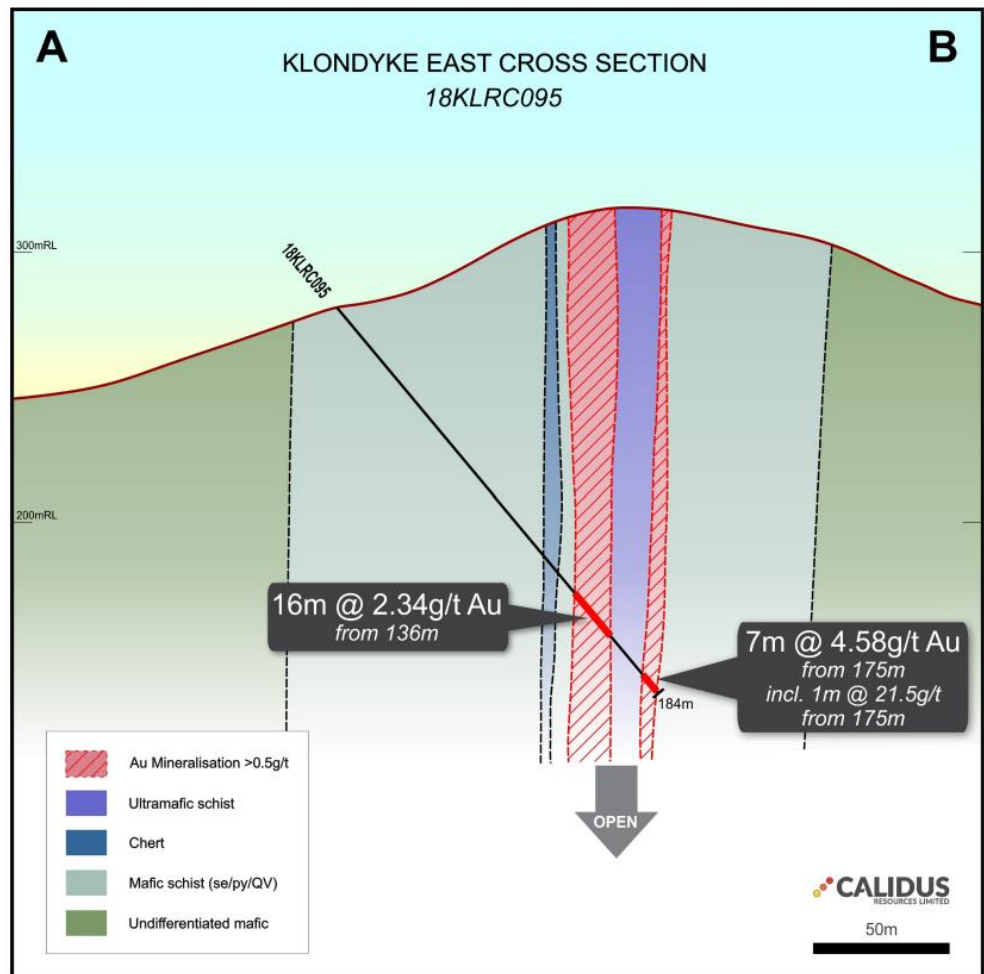
Drilling has intercepted mineralisation over a 2km strike zone leading from the current Klondyke resource



Source: Calidus Resources Limited

Fig. 3: Cross section A-B from the recent scout drilling

The geology is consistent with that seen at Klondyke



Source: Calidus Resources Limited

## VALUATION

Our CAI valuation and price target is considered highly speculative given the lack of published studies.

Assuming 1.28Bn, fully diluted, shares on issue, we have simulated a potential 500koz open pit operation (assuming 70% conversion of the 712koz resource to reserve), using estimated opex and capex based largely on comparable operations and a LOM strip ratio of 10:1 (waste:ore). We model production of ~95kozpa over a 5 year mine life from a 1.5Mtpa gravity and CIL plant. Modelled recoveries have been increased to 93% following the positive met test results released last week and remain conservative. A head grade of 2.1g/t has been used. We stress that this is highly speculative and assumes the project can be successfully funded into production. With these most recent drill results and assuming additional drill success, further mineralisation continuity along strike and at depth, an updated resource for Warrawoona could be released in the latter half of 2018. Even if development studies are fast tracked, we suspect first production would not be until 2H20. Calidus is very much an explorer with a gold project which may be commercially viable. A discount rate of 14% is used, since it is pre-study.

Our preliminary, fully diluted price target of 6.1cps is derived from a blended scenario comprised of a discounted cashflow analysis of a gold operation at Warrawoona, a scenario where CAI defines an additional ~300koz to bring the global Warrawoona resource to ~1Moz, a base case at consensus and spot pricing, and a net cash banking case. The encouraging drill results released today has allowed us to increase our price target weighting for the scenario where CAI defines a resource in excess of 1Moz.

**Fig. 4: Hartleys CAI Price Target**

Price Target Methodology	Weighting	Spot	12 mth out
Warrawoona Gold Project (NPV14) - risked +700koz @ 2.1g/t Au OP - simulation	50%	\$0.057	\$0.06
Additional resources defined: Increase to ~1Moz	30%	\$0.072	\$0.08
NPV at spot commodity and fx prices	15%	\$0.057	\$0.06
Net cash banking	5%	\$0.006	\$0.006
<b>Risk weighted composite</b>		<b>\$0.059</b>	
<b>12 Months Price Target</b>		<b>\$0.061</b>	
Shareprice - Last		\$0.043	
<b>12 mth total return (% to 12mth target )</b>		<b>43%</b>	

Source: Hartleys Research

*We model production of ~95kozpa over a 5 year mine life from a 1.5Mtpa gravity and CIL plant.*

*Modelled recoveries have been increased to 93% following the positive met test results released last week.*

*A head grade of 2.1g/t has been assumed.*

*Our 12-month price target is 6.1cps*

## RISKS

Key risks for Calidus include establishing resources which can be converted to reserves, development studies and funding (both for ongoing exploration activities and any potential future development).

*Fig. 5: Key assumptions and risks for valuation*

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
~90kozpa for ~5 years	Moderate	Meaningful	We assume further exploration success at Warrawoona to further upgrade and convert the current 712koz resource to reserve
Metallurgy	Low	Meaningful	While previous work suggests the metallurgy is relatively benign, it is a key consideration with all gold projects. Note that some occurrences of course gold exist.
Exploration Upside	Moderate	Small	We assume exploration upside for CAI. We have assumed a \$50m value on the exploration potential of the region
Gold Price	High	High	Our gold price forecasts are in line with sell side consensus
Funding	Moderate	High	We assume a 95kozpa operation at Warrawoona could be funded through a debt:equity ratio of 50:50.
<i>Conclusion</i>	<i>The assumptions we have made have a low to moderate risk of not being realised with the exception of the gold price, which we believe is the highest risk to our valuation of CAI.</i>		

Source: Hartleys Research

# HARTLEYS CORPORATE DIRECTORY

## Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
John Macdonald	Resources Analyst	+61 8 9268 3020
Paul Howard	Resources Analyst	+61 8 9268 3045
Aiden Bradley	Research Analyst	+61 8 9268 2876
Oliver Stevens	Research Analyst	+61 8 9268 2879
Michael Scantlebury	Junior Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

## Corporate Finance

Dale Bryan	Director & Head of Corp Fin.	+61 8 9268 2829
Richard Simpson	Director	+61 8 9268 2824
Ben Crossing	Director	+61 8 9268 3047
Ben Wale	Director	+61 8 9268 3055
Stephen Kite	Director	+61 8 9268 3050
Scott Weir	Director	+61 8 9268 2821
Scott Stephens	Associate Director	+61 8 9268 2819
Rhys Simpson	Associate Director	+61 8 9268 2851

## Registered Office

### Level 6, 141 St Georges Tce Postal Address:

Perth WA 6000 GPO Box 2777  
Australia Perth WA 6001  
PH:+61 8 9268 2888 FX: +61 8 9268 2800  
www.hartleys.com.au info@hartleys.com.au

*Note: personal email addresses of company employees are structured in the following manner: firstname.lastname@hartleys.com.au*

## Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

## Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Digby Gilmour	+61 8 9268 2814
Jayne Walsh	+61 8 9268 2828
Veronika Tkacova	+61 8 9268 3053

## Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Matthew Parker	+61 8 9268 2826
Charlie Ransom	+61 8 9268 2868
Mark Sandford	+61 8 9268 3066
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Samuel Williams	+61 8 9268 3041

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