

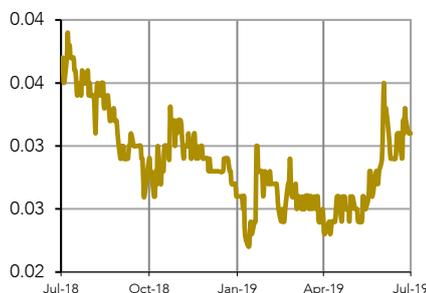
Calidus Resources Ltd (CAI ASX)

17 July 2019

Stock Data

| | |
|-----------------|----------|
| Share Price: | A\$0.031 |
| Market Cap (M): | A\$57.6 |
| EV (M): | A\$53.7 |

Price Chart



52 Week Range

| | | |
|----------|----------|----------|
| A\$0.039 | A\$0.031 | A\$0.021 |
|----------|----------|----------|

Company Summary

Calidus Resources is the spin out of the Australian gold assets in Keras Resources. It is currently exploring the Warrawoona Gold district where it has consolidated a previously fragmented historic gold mining district.

| MAIN SHAREHOLDERS | HOLDING |
|----------------------------|---------|
| Keras Resources | 30.5% |
| Alkane Resources (ASX ALK) | 15.2% |
| Novo Resources (TSX NVO) | 3.8% |

Source: Calidus Resources & Bloomberg

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Calidus Announces Pre-Feasibility Study and Maiden Reserve for Warrawoona Project

Event

Calidus Resources ("Calidus") has announced the result of its pre-feasibility study. For a capital cost of A\$95M and with an initial mine life of 6 years, but with scope for substantial growth, Calidus is set to produce 100k oz pa at a cost of A\$1,159/oz.

Highlights

Project economics are:

- NPV (post-tax 8%) A\$108M and IRR 47% based on a an A\$1,800/oz gold price
- NPV (post-tax 8%) A\$168M and IRR 47% based on a an A\$2,000/oz gold price
- Payback 26 months from production start based on an A\$1,800/oz gold price
- Payback 19 months from production start based on an A\$2,000/oz spot gold price
- Capital cost of A\$95M including contingency
- Total open pit and underground Probable Mining Reserve at Klondyke of 8.9Mt @ 1.5g/t for 418k oz.
- All-In Sustaining Costs (ASIC) of A\$1,159/oz for Life of Mine Costs from production start.

Comment

A very good start for Calidus and we note that the average LOM strip ratio is 4.9:1 across all pits with the main Klondyke pit averaging 4.6:1. Only 53% of the Global Warrawoona Indicated Mineral Resource has been converted into the probable ore resource which is a very low conversion rate. There are two reasons for this. Firstly any inferred resources backing up an indicated resource are not allowed to be used in the reserve calculation and secondly, the figure has been influenced by the low strip ratio. The ASIC is A\$1,159/oz for the proposed life of mine, a figure we expect to reduce since they are exploring for higher grade ore and the last time the gold price was that low was at the end of 2010.

When the Bankable Feasibility study is completed, BHC expects the strip ratio to increase a little, say 6:1 and much more of the Inferred Resource will make it into the Reserves. Secondly, figure 7 of the release shows the proposed decline access going straight through the Highway Shear, which will give Calidus a very good opportunity to explore it visibly from underground before any drilling. The Highway Shear has only recently been discovered and could potentially add significantly to resources.

Therefore, overall, whilst the pre-feasibility study is based on a 6 year mine life, BHC fully expects that the mine will be operational for substantially

longer than this. Exploration is only in its infancy and the potential to use a higher strip ratio in the BFS and include more of the resources in the reserves. We note that the initial infill drilling campaign has been completed and the results were released last June as part of the strategy to upgrade the Measured Resource for the payback period. Exploration recommenced in July 2019, with an initial focus on infill and extensional drilling around the proposed Klondyke open pit and underground. Once the mine is in production, it will be able to fund its exploration programme without recourse to the shareholders and thus avoid unnecessary dilution.

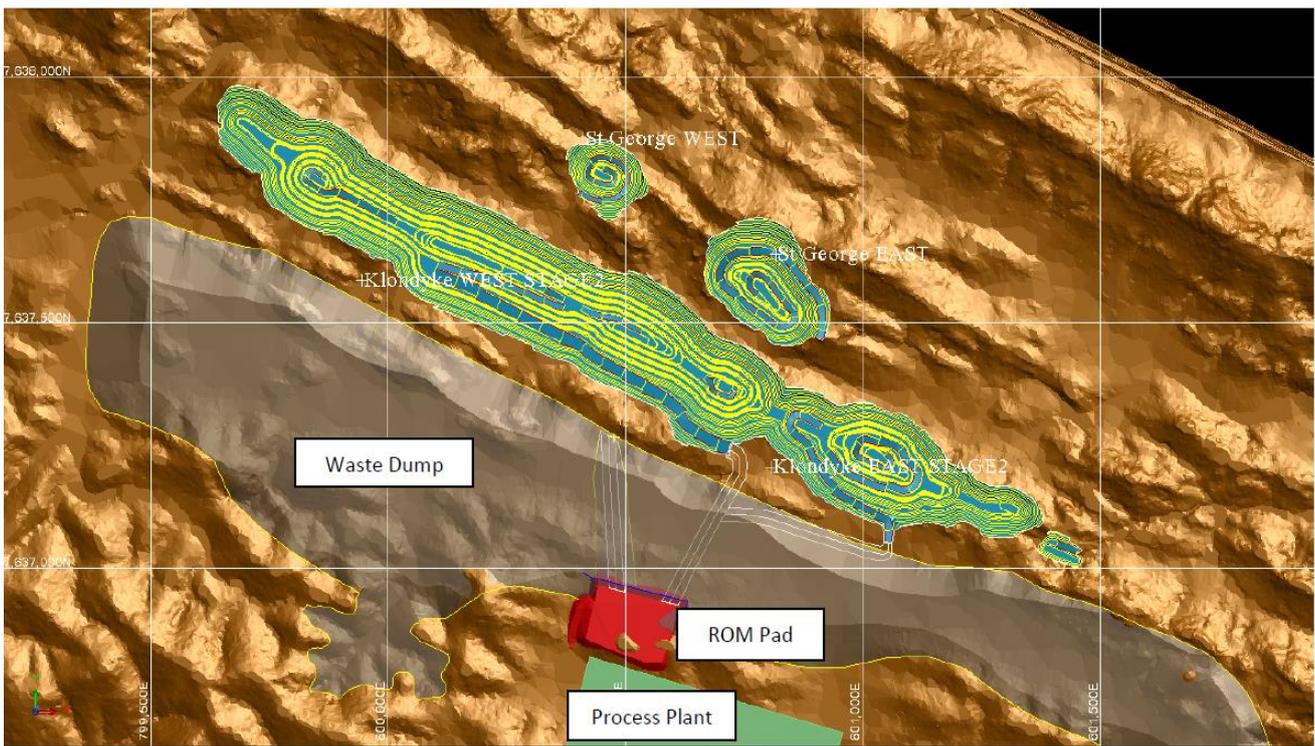
33% of gold production is forecast to be produced by gravity. There is a provision for the addition of a ball mill to the circuit if additional throughput is required or the ore gets harder once more underground material is processed later in the mine life. Remember the orebodies are all open at depth. It is unlikely that an increase in milling capacity will be required as the short term exploration thrust is on higher grade material for mill feed.

It is also proposed to start the underground feed to the plant in month 1 of operations which seems very early. This could be postponed a bit, but the cost is not high for the plant, only around A\$3M and it will produce very profitable ounces.

Initially we had some concerns about the siting of the tailings dam, as on first appearances it sits on top of the Highway Shear. However, the proposed site has been sterilized by drilling and both the Highway and Klondyke Shears veer to the north and are north of the proposed tailings site.

The Australian dollar gold price has averaged better than A\$2,000/oz since the 20th June and BHC would be inclined to use the more aggressive valuations based on the higher gold price.

Exhibit 1: Final Stage Pit Design with Site General Arrangement



Source: Calidus Resources

Research Disclosures

Peter Rose

Peter has 33 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 12 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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| Sell | Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative. |

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Research disclosure as of 17 July 2019

| <u>Company Name</u> | <u>Disclosure</u> |
|-------------------------------------|-------------------|
| Calidus Resources Limited (CAI ASX) | 1, 2, 7, 8, 9 |

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