

Capricorn Metals Ltd

(CMM \$0.14) Speculative Buy

Analyst	Date	Price Target
Andrew Clayton	13 th April 2016	\$0.18/sh

Karlawinda Drill Results

Investment case

Initial extensional drilling at Karlawinda has confirmed mineralisation extends at depth within the \$1,600/oz optimised pit with similar widths and grade tenor of previous drilling. This augers well for a potential resource upgrade of 650koz to ~800koz (EZL forecast) when a new estimate is completed in June'16

We continue to like CMM as a potential development story that should unfold over the next 6- 12 months. Our risk adjusted valuation remains at \$0.18/sh but as development hurdles are overcome this should adjust accordingly. Short-medium term catalysts include further drill results, upgraded resource estimate and scoping study all due in the next 3-6months.

Key points

- CMM has released the first 11 holes from its 40 hole extensional drill program at Karlawinda.
- Results have matched anticipated widths and grades predicted by previously completed wide spaced drilling. Results include;
 - 9m @ 5.1 g/t Au from 169m,
 - 21m @ 1.33 g/t Au from 190m
 - 19m @ 1.3 g/t Au from 200m
 - 23m @ 1.13 g/t Au from 160m
 - 9m @ 3.32 g/t Au from 126m
- The results confirm mineralisation within the \$1,600/oz optimised pit shell as shown in the sections below.

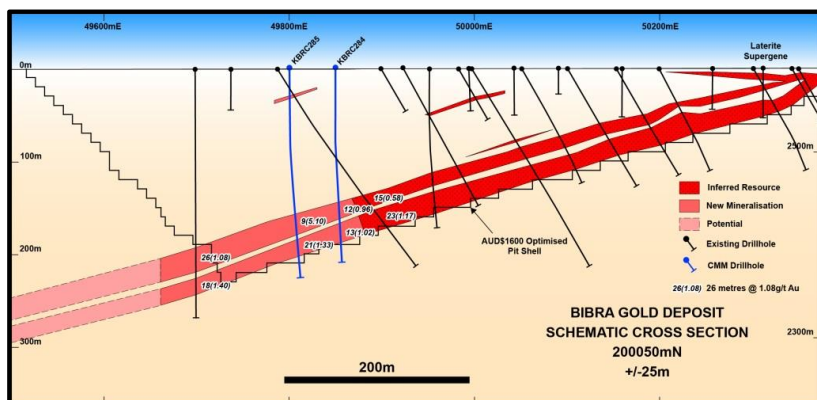


Figure 3c: BIBRA GOLD DEPOSIT SCHEMATIC CROSS SECTION (200050N)

- Interestingly the high grade intersection in KBRC290 of 9m @ 3.32 g/t from 126m is located in the Hanging Wall Lode north (~100m) of its current interpreted boundary and could see significant extensions of this lode.
- Thus far 36 holes out of the 40 holes program have been drilled with 'sulphide mineralisation encountered in every hole completed to date'.
- CMM remain on track to complete a resource upgrade in June'16 and a scoping study in the June'Q.

Capricorn Metals Ltd	Year End 30 June	
Share Price	\$0.14	A\$/sh
Issued Capital		
FP Ord	388.0	m
Options (\$0.15)	7.5	m
Options (\$0.50)	0.4	m
Total Dil. FPOrd	395.9	m
Market Cap	\$ 54	m
Enterprise Value	\$53	m
Debt	\$-	m
Cash	\$1	m
Hedging	\$-	m

Directors

Guy CeClezio	Ch &NE
Peter Thompson	MD
Peter Langworthy	Exec Dir
Heath Hellewell	NE Dir

Shareholders

Existing MGY holders	44%
Centrepeak	19.1%
Dir & Mgt	13.7%

Share Price Chart



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Analysis

These initial results are good, indicating the continuity of mineralisation down plunge of the previously intersected mineralisation is intact. The grade and tenor are in line with previous drilling and the overall resource grade of ~1.1 g/t Au

With intersections already down plunge and outside the \$1,600/oz optimised pit, we had a high degree of confidence that this extensional drill program would increase the resource and these initial results support our confidence.

The high grade hanging wall lode intersected in hole KABRC290 does have some positive implications for further resource growth if this continues along strike.

We note CMM plan to drill an additional 7 drill holes down dip of the Main Lode mineralisation to target some of the higher grade zones.

We continue to like CMM as a potential development story that should unfold over the next 6- 12 months. Our risk adjusted valuation remains at \$0.18/sh but as development hurdles are overcome this should adjust accordingly.

We maintain our Speculative Buy recommendation for exposure to a high quality, virgin resource that is likely to grow and has a real possibility of becoming a domestic gold producer. Short to medium term catalysts include:

- Initial drill results from Bibra – due April'16;
- Updated Bibra resource estimate- June'16;
- Bibra scoping study July'16;
- PFS study 1st Q CY'17.

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