



## Capricorn Metals Ltd

### (CMM \$0.11) Speculative Buy

#### Analysis

CMM continues to make strong progress as it aims to complete a BFS by mid year. We believe CMM has been heavily discounted by the market as it has been unable to release any quantitative data as the scoping study was just based on inferred resource.

This should change over the next few months with the release of the updated resource, maiden reserve and BFS, then it can be compared to other emerging development stories like Gascoyne Resources Ltd ('GCY').

We believe one of the key differentials in comparing the two projects will be the strip ratio in the early years. With the laterite resource at surface, the Stage 1 pit which incorporates ~ 285koz and we estimate to have a strip ratio of ~3:1 this compares to GCY first 3 yrs strip of 11.5:1. This means the CMM cashflow is very much front ended and potentially a more appealing investment proposition.

The table below outlines our estimates for broad range parameters for CMM and compares it too GCY.

	CMM - Euroz estimate	GCY - DFS
Mining Inventory	24mt @ 1.1 g/t for 850koz	14.1mt @ 1.3 g/t for 592koz
Capital Cost	A\$120m	A\$86m
Strip ratio	5.5:1	7.0:1
Strip ratio Yrs 1-3	3.0:1	11.6:1
Throughput	3mtpa	2.5mtpa
Grade	1.1-1.2	1.3 g/t
Recoveries	92%	91.30%
Production per year	100koz	90koz
Total cost per tonne	35	35.7
All In Sustaining Cost	\$1,050/oz	931/oz
AISC Yrs 1-3	\$800/oz	N/A
Mine Life	8.5yrs	6yrs

Whilst we stress these are only indicative estimates and that GCY has completed a DFS and hence deserves a higher rating we note that GCY has a mkt capitalisation of \$210m (EV\$160m) compared to CMM mkt capitalisation of \$62m (EV\$52m) hence, we feel there good scope for CMM to be re rated once its releases some hard data.

The recent equity raising will give CMM sufficient funds to start an aggressive exploration drill program on some high quality targets in close proximity to the Bibra resource - any success is highly accretive as we already believe there is already a development project at Bibra.

Our Price Target remains at \$0.21/sh and is a risk adjusted valuation of the above estimates. We maintain our Speculative Buy and expect as positive news is released the stock should re rate.

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