

Capricorn Metals Ltd

(CMM \$0.125) Speculative Buy

Analyst	Date	Price Target
Andrew Clayton	10 th April 2017	\$0.21/sh

Capricorn Metals Ltd	Year End 30 June	
Share Price	0.125	A\$/sh
Price Target	0.21	A\$/sh
Shares on issue	612	m, diluted *
Market Capitalisation	77	A\$m
Enterprise Value	66	A\$m
Debt	0	A\$m
Cash (est)	11	A\$m
Largest Shareholder	Greenmount 20%	

Bibra Resource upgrade to 1.1moz

Investment case

A 22% increase in the Bibra resource to 1.1moz has exceeded our expectation. With 92% of the resource (1moz) upgraded to the indicated category we see potential for maiden reserves of +800koz. CMM will look cheap in comparison to its development peers. The recent management/board restructure is positive, giving CMM the requisite skill set to take Bibra through feasibility, financing and development. There are few near term developments with a single 1moz open pit, good metallurgy and simple development proposition. We maintain our Speculative Buy and risk adjusted Price Target of \$0.21/sh.

Key points

- Bibra resource has increased by 22% from 917koz to 1.103moz, a pleasing outcome. The grade remains unchanged at 1.1g/t.

DATE	INDICATED			INFERRED			TOTAL		
	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
April 2017	28.9	1.10	1.03	2.4	1.06	0.084	31.3	1.10	1.114
July 2016	---	---	---	25.5	1.10	0.914	25.5	1.10	0.914

Source: Capricorn Metals Ltd

- Importantly, 92% of the resource has been upgraded to the indicated category from inferred following the 70,000m infill drill program and highlights the strong continuity of the mineralisation.
- In total, the resource had had ~ 130,000m of drilling,
- On a like for like basis (A\$1,750/oz pit shell) the resource has increased by 116koz with other additions in new hanging wall lodes, and footwall lode extensions.

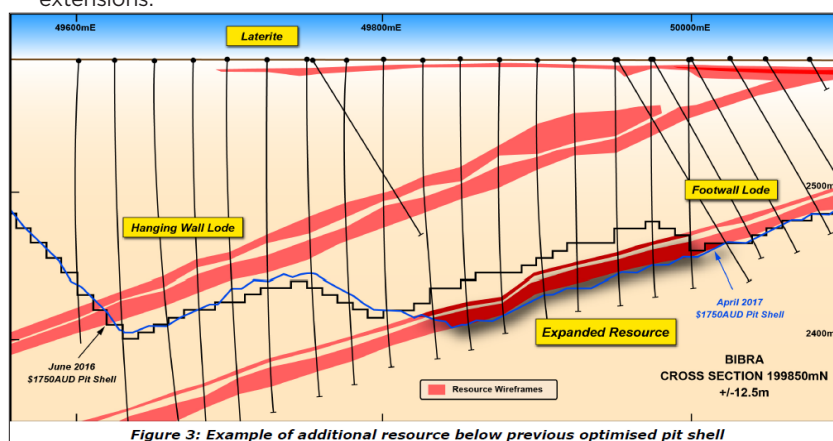


Figure 3: Example of additional resource below previous optimised pit shell

Source: Capricorn Metals Ltd

- The inferred resource of 84koz is contained in new positions at the Southern and Easky Prospects.
- This updated resource will allow for a maiden reserve estimate in the coming months. The scoping study had a conversion of ~ 87% and we would expect a similarly high number of around 80%.

Share Price Chart



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- Adding in dilution for the reserve estimate could see around 800-850koz @ 1 g/t defined – sufficient to underpin a 8yr 100koz pa operation.
- The recent board/management restructure we view positively with the executive team now in place to take the project through to feasibility, financing and development. Heath Hellewell, CMM's major shareholder, has been appointed as Executive Chairman
- CMM aims to release a maiden reserve estimate in late April/early May which will allow for comparisons with other ASX listed gold developments.
- We continue to be attracted to the potential low strip ratio of Bibra in the early years as the starter pits seeks to exploit the laterite and oxide mineralisation, allowing for quick capital payback.
- The recent \$10m equity raising to Hawkes Point has given CMM sufficient funds to complete the DFS, slated for mid CY'17 and continue on with some exploration on some of the prospective targets near Bibra.

Analysis

The resource upgrade has exceeded our expectations in both size and percentage conversion to indicated status. A virgin, plus one million ounces in a single open pit is a significant deposit that should lead to a successful development.

Whilst the grade overall grade is low at 1.1 g/t Au, there are certain zones of higher grade material that in a mining scenario could be preferentially treated. In addition, the strong continuity of mineralisation, both along strike and down dip adds to the robustness of this deposit.

We believe that once CMM can release some hard data – ie reserves, operating costs, capex etc then it will look cheap in comparison to its other development peers.

The next four months should see plenty of news culminating in the DFS by mid year. We maintain our Speculative Buy and risk adjusted \$0.21/sh Price Target.

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