

Calidus Resources Ltd

(CAI \$0.04) Speculative Buy

Analyst	Date	Price Target
Andrew Clayton	18 th December 2017	\$0.055/sh

Resource increase to 712koz @ 2.11 g/t

Investment case

A 74% increase in resource to 712koz @ 2.11 g/t Au is at the top end of our expectations and a pleasing result. We see further upside with mineralisation still open at depth and along strike and the potential for >1moz remains intact. Deep drilling to 400m vertically in Q1 CY'18 will be exciting. CAI has met or exceeded our expectations since its IPO in June'17 and we maintain our Speculative Buy and \$0.055/sh Price Target and see potential for further resource growth and ultimately an economic development.

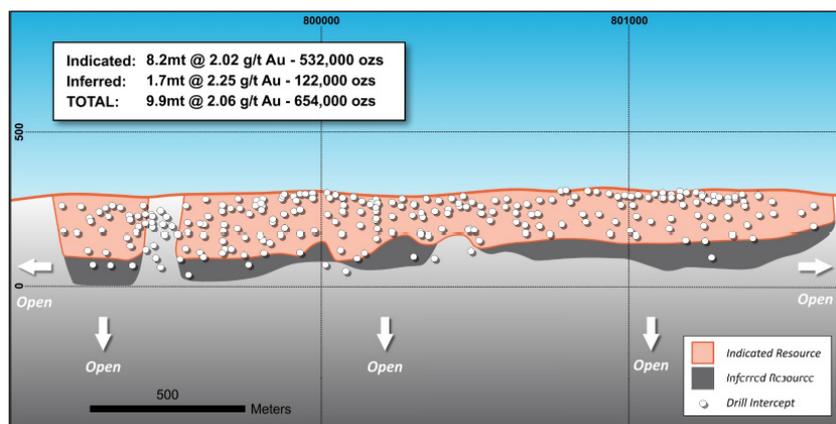
Key points

- 74% increase in resource to 712koz @ 2.11 g/t including a maiden Indicated resource of 541koz @ 2.01 g/t Au. This is a pleasing result.

Deposit	Cut-off Au g/t	Indicated			Inferred			Total		
		Mt	g/t Au	Ozs	Mt	g/t Au	Ozs	Mt	g/t Au	Ozs
Klondyke	0.5	8.2	2.02	532,000	1.7	2.25	122,000	9.9	2.06	654,000
Copenhagen	0.5				0.2	6.12	36,000	0.2	6.12	36,000
Fieldings Gully	0.5	0.2	1.65	9,000	0.2	1.65	13,000	0.4	1.65	22,000
Total		8.4	2.01	541,000	2.1	2.51	171,000	10.5	2.11	712,000

Source: Calidus Resources Ltd

- The Klondyke indicated resource of 532koz @ 2.02 g/t Au represents 81% of the total Klondyke resource (654koz @ 2.06 g/t Au) and is over a strike length of 2.6km, is open in all directions and at an average depth of 150m.
- Mineralisation outcrops at surface and has been interpreted to a maximum depth of 220m.



Source: Calidus Resources Ltd

- Preliminary metallurgical testwork shows the mineralisation at Klondyke is free milling and amenable to cyanide extraction methods.
- Copenhagen resource is unchanged at 36koz @ 6.12 g/t Au and a modest maiden resource at Fieldings Gully of 22koz @ 1.65 g/t Au was defined. Fieldings Gully represents only 325m of a kilometric scale regional shear package and further drilling is underway to test the eastern strike extensions.
- Since listing on 22/6/17 CAI has drilled 15.6km, completed a JV with Novo Resources Corp and announced a 74% increase in total resources.

Calidus Resources Ltd	Year End 30 June	
Share Price	0.04	\$/sh
Fully Paid Ordinary	1281	m
Quoted opts (exer @ 2.5cps 13/6/19)	87.5	m
Unquoted opts (avg exerc 2.5cps)	105	m
Performance Shares Class B	275	m
Market capitalisation	51	\$m
Debt	Nil	
Cash	10	\$m
Enterprise Value	40	\$m
Year High - Low	\$0.065 - \$0.019	
Average Daily Volume	10	m

Directors

Keith Coughlan	NE Chair
Dave Reeves	MD
Adam Miethke	NE Dir
Peter Hepburn-Brown	NE Dir

Shareholders

Keras Resources PLC	29.7%
8IP	5%

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Share Price Chart



Disclaimer

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- With >500koz in the Indicated Resource category, 250m Performance A shares, held by Keras Resources Plc will convert to Ordinary Shares. Total shares now on issue are 1.28bn.
- Next steps involve some extensional drilling at Klondyke, Fieldings Gully and Copenhagen with results due in Q1 CY'18. In addition some deep drilling at Klondyke to test high grade mineralisation to a vertical depth of 400m will be done (Govt assistance of \$140k).
- Further drilling along strike will start in Q2 with the aim of increasing resource to >1moz. A PFS is slated to commence in late CY'18.

Analysis

CAI has performed well since its IPO in June'17 culminating in the significant resource upgrade to 712koz @ 2.11 g/t Au. This is a great start and at the top end of our expectations.

With mineralisation open along strike and at depth, there remains good potential for further resource increase and our target of ultimately >1moz remain intact.

The vertical/sub vertical nature of the orebody means the strip ratio will be important in any potential mining scenario. Ore does outcrop at surface and there is a natural mining advantage with the shear zone/mineralisation making a topographic high. A strip ratio of say -5 -6:1 is likely to see a reasonable portion of the indicated resource convert. However, it is still early days and further drilling/work is required.

We continue to believe there is excellent potential for the resource to be >1moz. Drilling and old workings show that much of the 12.5km of the Klondyke shear is prospective and thus far only 4km has been drill tested.

We believe if CAI can achieve a .1moz resource then a Price Target of \$0.055/sh is justified. We maintain our Speculative Buy and see a number of catalysts including further drilling in 1st Q and deep drilling at Klondyke and commencement of PFS in late CY'18.

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