

## CALIDUS RESOURCES LTD (CAI)

### Calidus ready to join the 100kozpa club

Calidus Resources Limited (CAI) has released the Warrawoona Gold Project PFS. While a maiden reserve has been declared for the Pilbara project, the study is underpinned by a larger mine inventory. The 8.9Mt @ 1.5g/t Au for 418koz reserve is wholly based on indicated resources and comprises 74% of the total contained gold in the mine inventory (**12Mt @ 1.6g/t for 616koz Au**). The remaining 16% of contained gold in the inventory is inferred resource.

The externally led PFS sees ~97kozpa produced over a 6-year mine life from open pit and underground sources. AISC is anticipated to be A\$1,159/oz, and pre-production capital and mine establishment costs are expected to be A\$124M for a 2Mtpa processing plant (includes a \$7M contingency).

### Greater production over a shorter LOM

Hartleys' was anticipating a 625koz operation (assuming 50% conversion of the 1.25Moz resource to reserve) compared to the 616koz mine inventory seen in the PFS. The main difference is grade; the 1.8g/t Au resource grade has converted to a 1.6g/t Au mining grade through the utilisation of conservative modifying factors in mining assumptions to convert resources to reserves. While no two orebodies are the same, it is worthwhile comparing CAI's assumptions to other WA gold producer and developers as seen in Figure 4 within.

The lower head grade has potentially led CAI to a 2Mtpa plant scenario, where we were expecting a 1.5Mt plant. Although annual production is expected to be ~97kozpa over a 6-year LOM (we previously modelled 82koz over 6 years), opex is marginally higher than expected. The 2Mt plant will cost A\$124M to build and includes as A\$29M mine establishment ('pioneering work') cost, which sees high topographic areas removed to provide suitable working bench areas prior to further developing the open pit. This can somewhat be viewed as a pre-strip; however, some of this material is ore and will be monetised. Modelled recoveries in the PFS are 95%. We continue to model lower at 94%.

Construction is expected to take 15-months and could commence, following further studies and funding, in early-2021; with ramp-up in early to mid-2022.

### Maintain Speculative Buy with a Price Target of 5.2cps

The Warrawoona PFS sees CAI potentially join the 100kozpa producer club. While capital and opex is more than we expected, annual production is also in excess of our expectation. The net result, however, is a slight decrease in our valuation but CAI is continuing to de-risk the project and has arguably used very conservative assumptions in its conversion of resources to reserves. We welcome this conservatism and await infill/grade control drilling to potentially convert additional resources to reserves.

We maintain our Speculative Buy recommendation. While our valuation has lowered to 4.3cps (from 5.3cps) on account of the higher costs, our 12-month price target has increased to 5.2cps (from 4.5cps) owing to CAI being a potential takeover target now that it has completed the first stage of mining studies, and an all-time high Australian gold price attracting suitors into the Australian gold sector. Our spot valuation for CAI is 7.5cps.

18 Jul 2019

Share Price	\$0.031
Preliminary Valuation	\$0.043
Price Target (12 month)	\$0.052

**Brief Business Description:**  
Single asset, WA gold explorer.

#### Hartleys Brief Investment Conclusion

Gold explorer focussed on the Warrawoona project near Marble Bar in WA. Targeting production of ~100kozpa in the next 18-24 months.

#### Chairman & MD

Mark Connelly (Non-Exec Chairman)  
David Reeves (MD & CEO)

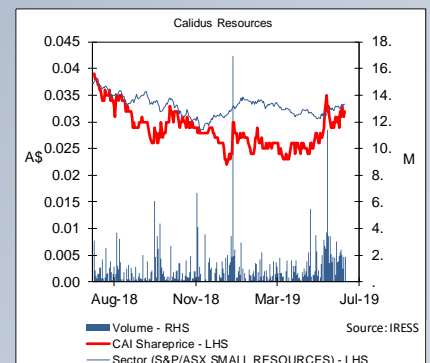
#### Top Shareholders

Keras Resources Plc	24.7%
Alkane Resources Limited	12.3%

#### Company Address

Suite 12, 11 Ventnor Ave  
West Perth WA 6005

<b>Issued Capital</b>	1858.9m
- fully diluted	2046.4m
<b>Market Cap</b>	A\$57.6m
- fully diluted	A\$63.4m
<b>Cash and Bullion (30 Jun 2019)</b>	A\$4.2m
<b>Debt (30 Jun 2019)</b>	A\$0.0m
<b>EV</b>	A\$53.5m
<b>EV/Resource oz</b>	A\$43/oz
<b>EV/Reserve oz</b>	-
<b>Resources (koz)</b>	1,248
<b>Reserves (koz)</b>	418



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Hartleys has a beneficial interest in escrowed options in Calidus Resources Limited. Hartleys has beneficial interest in escrowed shares in Calidus Resources Limited.

## SUMMARY MODEL

Calidus Resources CAI							Share Price \$0.031	
<b>Key Market Information</b>								
Share Price							\$0.031	
Market Capitalisation - ordinary							A\$58m	
Net Cash							\$4.2m	
Market Capitalisation - fully diluted							A\$63m	
EV							A\$68m	
Issued Capital							1658.9m	
Options							187.5	
Issued Capital (fully diluted inc. all options)							2046.4m	
Issued Capital (fully diluted inc. all options and new capital)							3509.6m	
Valuation							\$0.043	
12month price target							\$0.052	
<b>P&amp;L</b>	<b>Unit</b>	<b>Jun 18</b>	<b>Jun 19</b>	<b>Jun 20</b>	<b>Jun 21</b>	<b>Jun 22</b>		
Net Revenue	A\$m	0.1	0.0	0.0	0.0	83.4		
Total Costs	A\$m	-2.9	-1.5	-1.5	-1.6	-56.5		
EBITDA	A\$m	-2.8	-1.5	-1.5	-1.6	26.9		
- margin		-2694%	-	-	-	32%		
Depreciation/Amort	A\$m	0.0	-1.9	-3.2	-6.7	-13.7		
EBIT	A\$m	-2.9	-3.3	-4.7	-8.3	13.3		
Net Interest	A\$m	0.0	0.0	0.0	0.0	0.0		
Norm. Pre-Tax Profit	A\$m	-2.9	-3.3	-4.7	-8.3	13.3		
Reported Tax Expense	A\$m	0.0	0.0	0.0	0.0	0.0		
Normalised NPAT	A\$m	-2.0	-2.3	-3.3	-5.8	9.3		
Abnormal Items	A\$m	-0.9	-1.0	-1.4	-2.5	4.0		
Reported Profit	A\$m	-2.9	-3.3	-4.7	-8.3	13.3		
Minority	A\$m	0.0	0.0	0.0	0.0	0.0		
Profit Attrib	A\$m	-2.9	-3.3	-4.7	-8.3	13.3		
<b>Balance Sheet</b>	<b>Unit</b>	<b>Jun 18</b>	<b>Jun 19</b>	<b>Jun 20</b>	<b>Jun 21</b>	<b>Jun 22</b>		
Cash	A\$m	6.1	4.2	66.2	55.2	14.3		
Other Current Assets	A\$m	0.3	0.0	0.0	0.0	7.0		
Total Current Assets	A\$m	6.4	4.2	66.2	55.2	21.3		
Property, Plant & Equip.	A\$m	0.2	-1.7	-4.7	63.9	101.9		
Exploration	A\$m	10.0	16.8	26.8	32.3	36.3		
Investments/other	A\$m	0.0	0.0	0.0	0.0	0.0		
Tot Non-Curr. Assets	A\$m	10.2	15.1	22.1	96.2	138.2		
Total Assets	A\$m	16.6	19.3	88.3	151.4	159.5		
Short Term Borrowings	A\$m	1.2	1.2	1.2	1.2	1.2		
Other	A\$m	0.4	0.5	0.5	0.5	5.0		
Total Curr. Liabilities	A\$m	1.6	1.7	1.7	1.7	6.2		
Long Term Borrowings	A\$m	-	-	70.0	70.0	60.0		
Other	A\$m	-	-	-	-	-		
Total Non-Curr. Liabil.	A\$m	-	-	70.0	70.0	60.0		
Total Liabilities	A\$m	1.6	1.7	71.7	71.7	66.2		
Net Assets	A\$m	15.0	17.6	16.5	79.7	93.2		
Net Debt	A\$m	-4.9	-3.0	5.0	16.0	47.0		
<b>Cashflow</b>	<b>Unit</b>	<b>Jun 18</b>	<b>Jun 19</b>	<b>Jun 20</b>	<b>Jun 21</b>	<b>Jun 22</b>		
Operating Cashflow	A\$m	-1.7	-1.0	-1.5	-1.6	24.4		
Income Tax Paid	A\$m	0.0	0.0	0.0	0.0	0.0		
Interest & Other	A\$m	0.0	0.0	0.0	0.0	0.0		
Operating Activities	A\$m	-1.7	-1.0	-1.5	-1.6	24.4		
Property, Plant & Equip.	A\$m	-0.8	0.0	-0.2	-75.3	-51.7		
Exploration and Devel.	A\$m	-5.2	-6.8	-10.0	-5.5	-4.0		
Other	A\$m	0.0	0.0	0.0	0.0	0.0		
Investment Activities	A\$m	-6.0	-6.8	-10.2	-80.8	-55.7		
Borrowings	A\$m	0.0	0.0	70.0	0.0	-10.0		
Equity or "tbc capital"	A\$m	10.2	5.8	3.7	71.5	0.3		
Dividends Paid	A\$m	0.0	0.0	0.0	0.0	0.0		
Financing Activities	A\$m	9.4	5.8	73.7	71.5	-9.7		
Net Cashflow	A\$m	1.7	-2.0	62.0	-11.0	-41.0		
<b>Shares</b>	<b>Unit</b>	<b>Jun 18</b>	<b>Jun 19</b>	<b>Jun 20</b>	<b>Jun 21</b>	<b>Jun 22</b>		
Ordinary Shares - End	m	717.7	922.7	1039.2	2564.4	2573.4		
Ordinary Shares - Weighted	m	717.7	820.2	981.0	1801.8	2568.9		
Diluted Shares - Weighted	m	717.9	820.4	922.9	1654.5	2386.1		
<b>Ratio Analysis</b>	<b>Unit</b>	<b>Jun 18</b>	<b>Jun 19</b>	<b>Jun 20</b>	<b>Jun 21</b>	<b>Jun 22</b>		
Cashflow Per Share	A\$ cps	-0.2	-0.1	-0.2	-0.1	1.0		
Cashflow Multiple	x	0.0	0.0	0.0	0.0	0.0		
Earnings Per Share	A\$ cps	-0.4	-0.4	-0.5	-0.5	0.5		
Price to Earnings Ratio	x	-7.7	-7.6	-6.5	-6.7	6.0		
Dividends Per Share	AUD	-	-	-	-	-		
Dividend Yield	%	0%	0%	0%	0%	0%		
Net Debt / Net Debt + Equity	x	-49%	-20%	23%	17%	33%		
Interest Cover	X	-	-	-	-	-		
Return on Equity	%	na	na	na	na	10%		
Analyst: Paul Howard Phone: +61 8 9268 3045 "tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained. Sources: IRESS, Company Information, Hartleys Research								
<b>Directors &amp; Management</b>							<b>18 July 2019</b>	
Mark Connelly (Non-Exec Chairman) David Reeves (MD & CEO) Keith Coughlan (Non-Exec Director) Adam Meitke (Non-Exec Director)							<b>Speculative Buy</b>	
Julia Beckett (Co. Sec.) Jane Allen (Geology Manager)							Company Information Suite 12, 11 Ventnor Ave West Perth WA 6005 +61 8 6245 2050 www.calidus.com.au	
<b>Top Shareholders</b>								
						m shares	%	
Keras Resources Plc						458.4	24.7	
Alkane Resources Limited						228.3	12.3	
Beatons Creek Gold Pty Ltd						56.6	3.0	
Directors and Management						69.9	3.8	
<b>Reserves &amp; Resources</b>								
						Mt	q/t Au	
<b>TOTAL RESOURCES</b>						21.20	1.8	
Measured						-	-	
Indicated						8.4	2.0	
Inferred						2.1	2.5	
<b>TOTAL RESERVES</b>						8.9	1.5	
<b>MINE INVENTORY</b>						12.0	1.6	
<b>Production Summary</b>								
						Unit		
Mill Throughput						Mt		
Mined grade						g/t		
Combined Recovery & Payability						%		
Gold	(koz)					-	44.9	
Gold Equiv	(koz)					-	44.9	
Mine Life	yr					6.00	6.00	
Assumed mining inventory	Mt					12.0	12.0	
Assumed mining inventory	g/t					1.60	1.60	
<b>Costs</b>								
						Unit		
Cost per milled tonne						\$/t		
EBITDA / tonne milled ore						\$/t		
<b>C1: Operating Cash Cost = (a)</b>						\$/oz	1,136	
(a) + Royalty = (b)						\$/oz	1,220	
<b>C2: (a) + depreciation &amp; amortisation = (c)</b>						\$/oz	1,440	
(a) + actual cash for development = (d)						\$/oz	2,375	
<b>C3: (c) + Royalty</b>						\$/oz	1,524	
(d) + Royalty						\$/oz	2,459	
AISC						\$/oz	1,235	
<b>Price Assumptions</b>								
						Unit		
AUDUSD	A\$/US\$					0.77	0.71	
Gold	US\$/oz					1290	1267	
Gold	A\$/oz					1679	1789	
<b>Hedging</b>								
						Jun 18	Jun 19	
Hedges maturing?						No	No	
<b>Sensitivity Analysis</b>								
						Valuation	FY22 NPAT	
<b>Base Case</b>						0.043	13.3	
Spot Prices						0.07 (74.1%)	19.3 (44.9%)	
Spot USD/AUD 0.70, Gold \$1400/oz.								
AUDUSD +/-10%						0.02 / 0.07 (-55.3% / 55.6%)	6.0 / 22.1 (-54.5% / 66.6%)	
Gold +/-10%						0.06 / 0.02 (50.3% / -62.0%)	21.3 / 5.3 (60.0% / -60.0%)	
Production +/-10%						0.04 / 0.04 (0.0% / 0.0%)	13.3 / 13.3 (0.0% / 0.0%)	
Operating Costs +/-10%						0.03 / 0.06 (-38.7% / 34.3%)	8.2 / 18.4 (-38.4% / 38.4%)	
<b>Unpaid Capital</b>								
						Year Expires	No. (m)	
30-Jun-18							\$m	
30-Jun-19							% ord	
30-Jun-20						116.5	3.7	
30-Jun-21						62.0	1.5	
30-Jun-22						9.0	0.3	
<b>TOTAL</b>						178.5	5.2	
<b>Share Price Valuation (NAV)</b>								
						Risked Est. A\$m	A\$/share	
100% Warrawoona (pre-tax NAV at disc. rate of 12%)						109	0.031	
Other Exploration						50	0.014	
Forwards						0	0.000	
Corporate Overheads						-9	-0.003	
Net Cash (Debt)						4	0.001	
Tax (NPV future liability)						-9	-0.002	
Options & Other Equity						5	0.001	
Hedging						0	0.000	
<b>Total</b>						150	0.043	
Last Updated: 18/07/2019								

## ASSUMPTIONS

Fig. 1: CAI's PFS Vs Hartleys' Model Assumptions

Assumptions	Units	CAI PFS July 2019	Hartleys' Estimates	% Difference (Hartleys' Current Vs CAI)	Hartleys Estimates' at Spot Prices	Comments
Assumed mine inventory	Mt	12.0	12.0	0%	12.0	
Avg LOM Gold grade	g/t	1.6	1.6	1%	1.6	
Mine Life	yrs	6.00	6.00	0%	6.00	
Average annual ore processed	Mtpa	2.0	2.0	0%	2.0	
<b>Recoveries</b>						
Gold	%	95%	94%	-1.1%	94%	
LOM Recoverable Gold	Moz	0.58	0.55	-5.4%	0.55	
Gold (annual)	kozpa	96.7	91.6	-5.4%	91.6	
<b>Average LOM commodity price</b>						
Gold	A\$/oz	1,800	1,718	-4.6%	2,009	
<b>Total Revenue</b>						
Gold	A\$M	1,045	944.7	-9.6%	1,103.8	
<b>Total LOM Operating Costs</b>						
Mining - open pit	A\$/t	27	27	0.0%	27	
Mining - underground	A\$/t	56	56	0.0%	56	
Mining	A\$/t	33	34	1.4%	34	
Processing	A\$/t	15	16	1.6%	16	
G&A	A\$/t	2	3	4.2%	3	
Opex (incl of sust. Capital)	A\$/oz	51	52	1.6%	52	
Royalties (Govt. + Third Parties)	A\$M	1,047	1,123	7.3%	1,123	
	A\$M	34	31	-9.3%	36	
<b>EBITDA</b>						
	A\$Mpa	403	297	-26%	451	
	A\$Mpa	67	49		75	
<b>AISC</b>						
	A\$/oz	1,159	1,252	8%	1,261	
<b>Total Project capital</b>						
Plant and infrastructure capital	A\$M	124.0	140.0	13%	140.0	
Mine Establishment	A\$M	88.0	125.0	7%	125.0	
Contingency	A\$M	29.0	10.0	42.9%	10.0	
Working capital	A\$M	7.0	5.0		5.0	
Exploration (LOM)	A\$M	0.0	37.5		37.5	

Hartleys' models more conservative costs than CAI for Warrawoona

Hartley's also models more conservative recoveries

Source: Hartleys' Estimates, Calidus Resources Limited

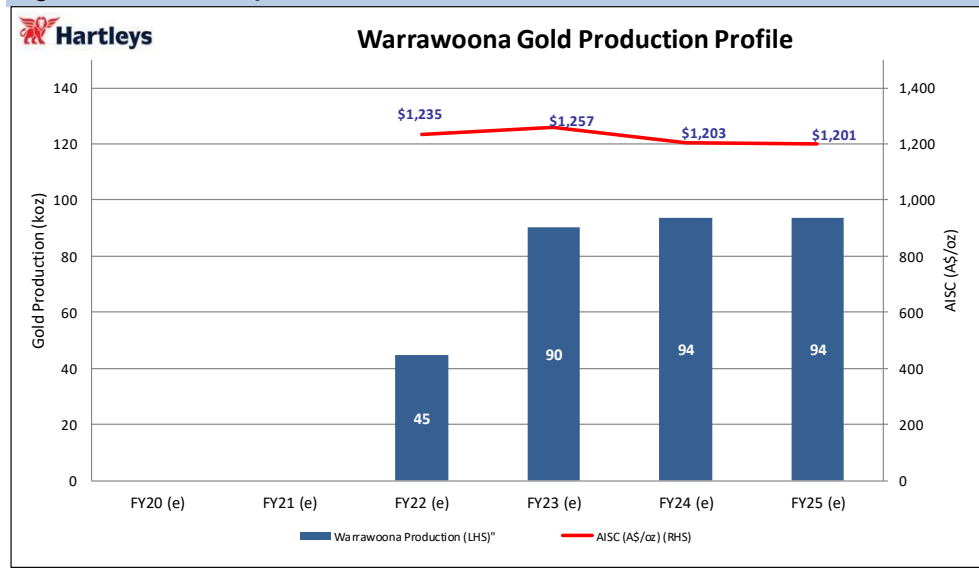
Fig. 2: CAI PFS - Estimated Production Profile

Key Physicals	Total	Pre-Production	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Mining</b>								
<b>Open Pit</b>								
Ore Mined (kt)	9,447	90	2,090	1,650	1,480	1,810	1,640	690
Mine Grade (g/t)	1.3	1.1	1.4	1.2	1.2	1.2	1.4	1.9
Contained Gold (oz)	407,148	3,200	97,400	64,800	57,200	67,800	75,600	41,200
<b>Underground</b>								
Lateral Development (m)	19,210	1,800	3,600	3,600	3,900	4,100	2,300	-
Development Ore Mined (kt)	856	10	210	210	210	130	90	-
Development Ore Grade (g/t)	2.1	1.5	1.9	2.0	1.9	2.4	3.0	-
Stope Ore Mined (kt)	1,680	0	90	280	400	370	420	120
Stope Ore Grade (g/t)	2.8	0.0	2.5	2.7	2.6	2.6	3.1	2.9
Total UG Ore Mined (kt)	2,536	10	300	490	610	490	510	120
Total UG Mine Grade (g/t)	2.6	1.5	2.1	2.4	2.4	2.6	3.1	2.9
Total UG Contained Gold (oz)	208,423	500	20,800	37,500	47,000	40,600	50,900	11,200
<b>Total Ore Mined (kt)</b>	<b>11,983</b>	<b>100</b>	<b>2,390</b>	<b>2,140</b>	<b>2,090</b>	<b>2,300</b>	<b>2,150</b>	<b>810</b>
<b>Mine Grade (g/t)</b>	<b>1.6</b>	<b>1.2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>1.8</b>	<b>2.0</b>
<b>Contained Gold (oz)</b>	<b>615,572</b>	<b>3,700</b>	<b>118,200</b>	<b>102,300</b>	<b>104,200</b>	<b>108,400</b>	<b>126,500</b>	<b>52,400</b>
<b>Processing</b>								
Ore Processed (kt)	11,983	-	1,982	2,000	2,005	2,000	2,000	1,996
Processing Grade (g/t)	1.5	-	1.5	1.5	1.6	1.5	1.8	1.2
<b>Ounces Recovered (oz)</b>	<b>580,490</b>	<b>-</b>	<b>96,300</b>	<b>97,800</b>	<b>100,600</b>	<b>94,500</b>	<b>113,900</b>	<b>77,400</b>

CAI models annual production to average ~97kozpa at A\$1,169/oz AISC

Source: Calidus Resources Limited

Fig. 3: Hartleys' Estimated Production Profile



Hartleys' models annual production to average ~92kozpa at A\$1,252/oz AISC.

Source: Hartleys' Research

Calidus uses conservative modifying factors in its mining assumptions to convert resources to reserves; this minimises grade risk.

### MODIFYING FACTORS

Calidus uses conservative modifying factors in its mining assumptions to convert resources to reserves; this minimises grade risk. Grade control drilling could mitigate this risk, presenting upside. While no two orebodies are the same, it is worthwhile comparing CAI's assumptions to other WA gold producer and developers. Note that CAI's high mining dilution for open pit mining and conservative stope recovery for underground. Given Klondyke's relatively wide minimum stope width, adoption of more selective mining methods could increase recovery and reduce dilution.

Fig. 4: Modifying Factor/Mining Assumption Comparisons

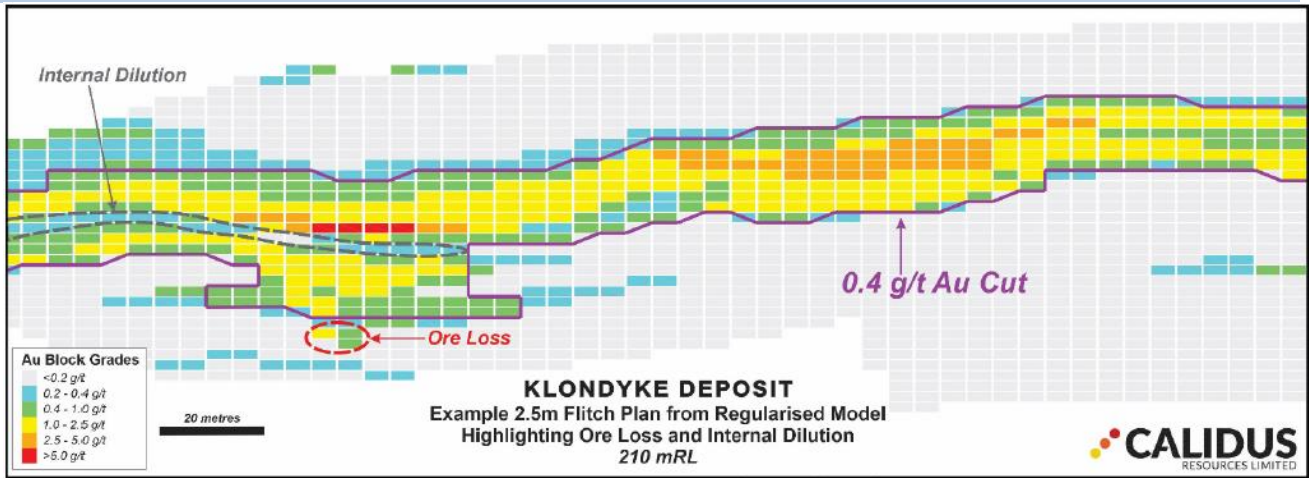
Company	CAI	DCN	NST	PNR	RMS	RRL	SLR	GCY	CMM
<b>Open Pit</b>									
Deposit	Klondyke	Jupiter	Vause	Wagtail	Tampia	Eristoun (Garden Well)	Harry's Hill	Gilbeys	Karlawinda
Mining Dilution	23%	8%	10%	15%	2%	5%	25%	8%	5%
Mining Recovery	95%	98%	95%	100%	96%	95%	95%	98%	94%
<b>Underground</b>									
Deposit	Klondyke	Beresford	Jundee	Nicolsons	Vivien	Rosemont	Cock-eyed Bob		
Min. Stope Width (m)	3.0	1.1	2.2	1.5	1.5	2.0	2.4		
Stope Dilution (each wall) Skin (m)	0.5	0.2	0.5	0.3	0.3	0.3	0.5		
Stope Recovery	80%	95%	85%	90%	95%	95%	85%		

All deposits differ geologically and geotechnically, therefore direct comparison is ambiguous

Source: Various Company Reports

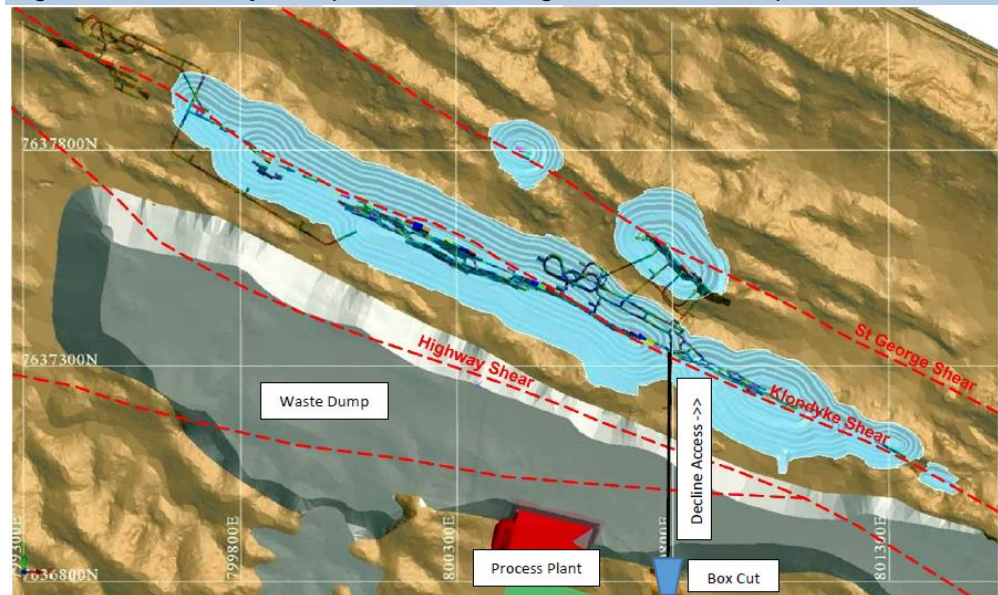


Fig. 5: Typical flitch plan for Klondyke, showing mining dilution and recovery (ore loss)



Source: Calidus Resources Limited

Fig. 6: Klondyke Open Pit, Underground and Site plan



Source: Calidus Resources Limited

Our updated base case scenario is centred around the PFS and 12Mt @ 1.6g/t Au mine inventory

## PRICE TARGET

Assuming 1.4Bn additional shares issued to fund the project, our preliminary, fully diluted price target is derived from a blended scenario comprised of a discounted cashflow analysis of a gold operation at Warrawoona. Our updated base case scenario is centred around the PFS and 12Mt @ 1.6g/t Au mine inventory. The mine inventory is in excess of the 8.9Mt @ 1.5g/t reserve, which adds risk; however, CAI has used conservative modifying factors and mining assumptions in calculating its reserve.

Our 12-month price target is 5.2cps

We model scenarios where CAI defines additional resources to add mine life, a scenario where it is taken over at a premium (note the ALK.asx currently holds 14% of CAI), a base case at consensus and spot pricing, a net cash banking case and a scenario where the Company experiences construction/commissioning delays, as this risk has materialised for other ASX gold developers of late.

**Fig. 7: Hartleys CAI Price Target**

Price Target Methodology	Weighting	Spot	12 mth out
Warraw oona Gold Project (NPV12) as per PFS	45%	\$0.043	\$0.046
NPV at spot commodity and fx prices	20%	\$0.075	\$0.085
1 year of mine life added through exploration	10%	\$0.046	\$0.049
Takeover by mid-Tier for a premium	10%	\$0.047	\$0.053
Commissioning delays - 6 months	10%	\$0.033	\$0.035
Net cash backing	5%	\$0.003	\$0.003
<b>Risk weighted composite</b>			<b>\$0.047</b>
<b>12 Months Price Target</b>			<b>\$0.052</b>
Shareprice - Last		\$0.031	
<b>12 mth total return (% to 12mth target )</b>			<b>67%</b>

Source: Hartleys' Research

We model a number of scenarios to derive a price target for CAI

## VALUATION

Our sum of parts valuation for CAI is based on discounted cashflows for the Warrawoona Gold Project. We model cashflows for the projects with discount rates appropriate for the stage of development. We model Klondyke open pit and underground as satellites in line with Company guidance and studies. We ascribe a nominal A\$50M for exploration upside at Warrawoona given the scale and prospectivity of CAI's tenure, including the long, untested strike length of the Klondyke Shear.

Our valuation is 4.3cps

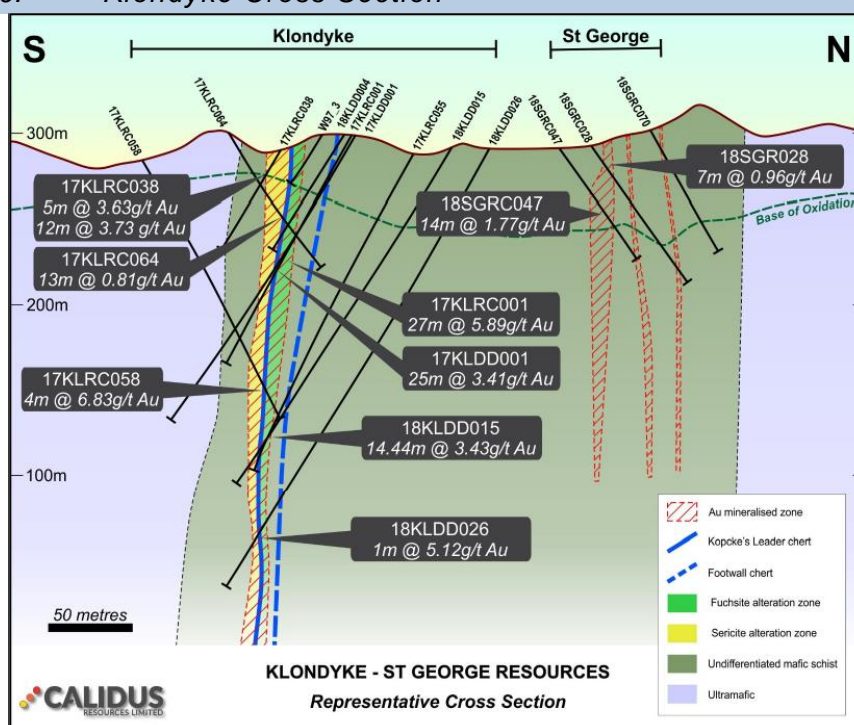
Our base case for Warrawonna is based on the July 2019 PFS. We model 92kozpa in recoverable gold from a 2Mtpa plant over 6 years for average A\$1,250/oz AISC. Our cost assumptions and metallurgical recoveries are slightly more conservative than CAI.

**Fig. 8: Hartleys' Sum of Parts Valuation for CAI**

Share Price Valuation (NAV)	Risked Est. A\$m	A\$/share
100% Warraw oona (pre-tax NAV at disc. rate of 12%)	109	0.031
Other Exploration	50	0.014
Forwards	0	0.000
Corporate Overheads	-9	-0.003
Net Cash (Debt)	4	0.001
Tax (NPV future liability)	-9	-0.002
Options & Other Equity	5	0.001
Hedging	0	0.000
<b>Total</b>	<b>150</b>	<b>0.043</b>

Source: Hartleys' Research

Fig. 9: Klondyke Cross Section



Source: Calidus Resources Limited

## RISKS

Risks for CAI include ramp up of a new operation, in particular; orebody risk (grade reconciliation), metallurgy mine establishment; and funding future development.

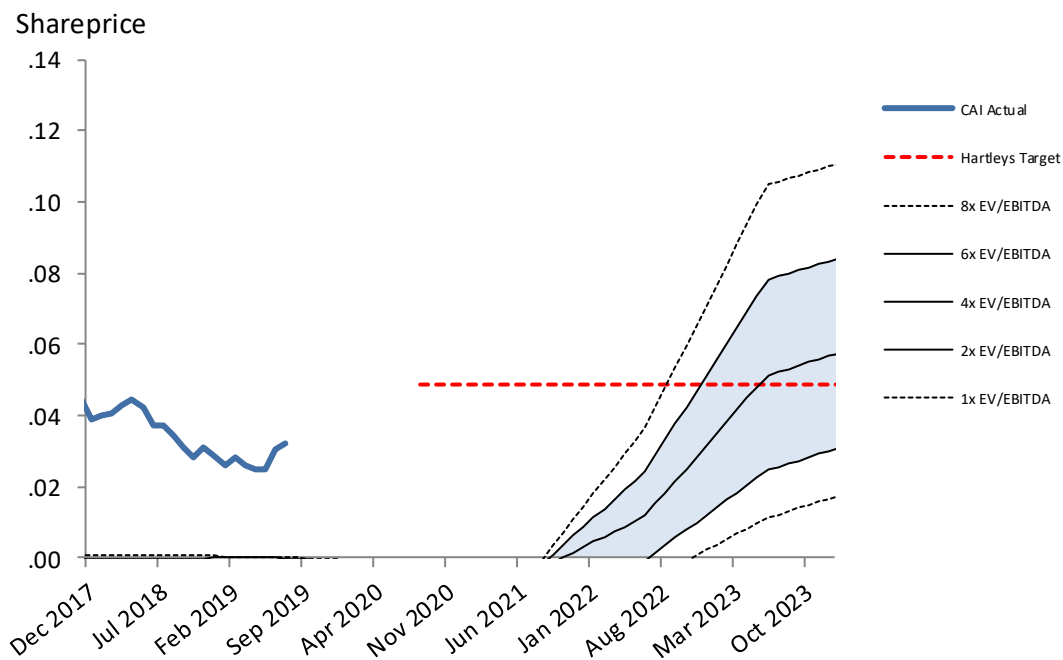
Fig. 10: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Orebody Risk	High	High	CAI has used conservative modifying factors in its reserve calc.; however, the PFS is based on a Mine Inventory which is in excess of the reserve.
~92kozpa for ~6 years	High	Meaningful	We assume further exploration success at Warrawoona to increase the current 1.25Moz resource
Metallurgy	Low	Meaningful	While the PFS work suggests the metallurgy is benign, it is a key consideration with all gold projects. Note that some occurrences of course gold exist.
Exploration Upside	Moderate	Small	We assume exploration upside for CAI. We have assumed a \$50m value on the exploration potential of the region
Gold Price	Moderate	High	Our gold price forecasts are in line with sell side consensus
Funding	Moderate	High	We assume a 92kozpa operation at Warrawoona could be funded through a debt:equity ratio of 50:50.
Conclusion	The assumptions we have made have a low to moderate risk of not being realised with the exception of orebody risk (high). If reserves cannot be mined as expected, it will have a large impact on our valuation.		

Source: Hartleys' Research

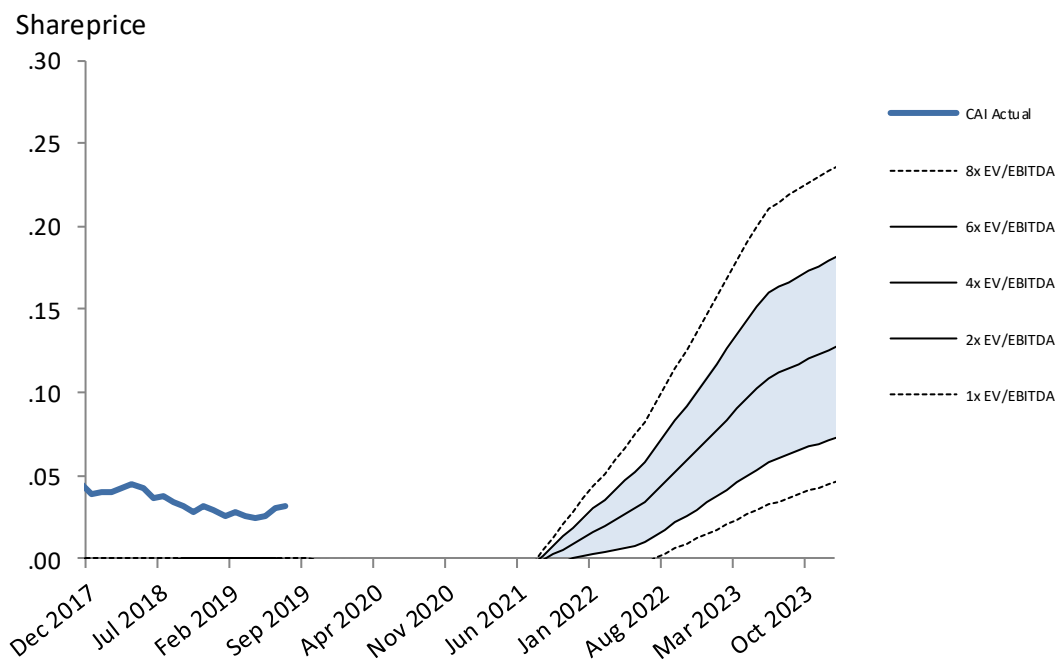
## EV/EBITDA BANDS

Fig. 11: Using Hartleys base case commodity forecasts



Source: Hartleys' Estimates, IRESS

Fig. 12: Using spot commodity prices



Source: Hartleys' Estimates, IRESS



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Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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