

# Calidus Resources Limited

Calidus Resources Limited is an ASX listed gold developer. Its key asset is the Warrawoona Gold Project, located in the Pilbara region of Western Australia. A PFS completed in July 2019 envisages 97koz pa production over an initial six-year mine life, at A\$1,159/oz AISC cost. CAI is targeting completion of the DFS in mid-2020.

## Company Data

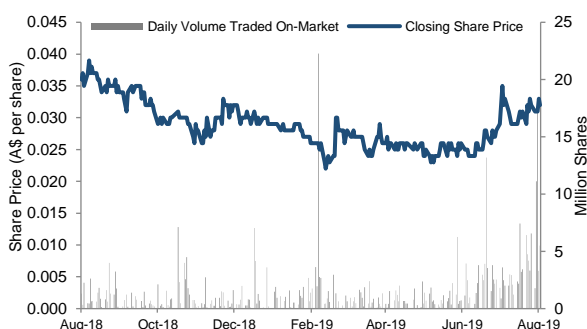
ASX Code	CAI.ASX
Share Price (A\$/sh)	0.033
Number of shares (m)	1,858.9
Market Capitalisation (A\$m)	61.3
Float (Total Shares Less Insiders) (m)	809.1
12 month high / low (A\$/sh)	0.21 / 0.37
3mth average turnover (M shares)	2.5
GICS Industry Group	Materials

Source: Bloomberg, Thomson Reuters

Earnings Summary (June YE)	2019F	2020F	2021F	2022F
Reported Profit (\$M)	0.8	(2.0)	(6.6)	34.4
EPS (¢)	0.00	(0.00)	(0.00)	0.01
P/E <sup>1</sup> (x)	nm	nm	nm	3.56
Free CFPS (¢)	nm	nm	nm	0.01
P/CF <sup>1</sup> (x)	nm	nm	nm	2.3
EV/EBITDA <sup>1</sup> (x)	nm	nm	nm	2.6

(1) Based on fixed, current share price. Na = not applicable; nm = not meaningful.

## Share Price Performance (LTM)



Sum of Parts Valuation (at A\$1,791/oz gold, struck at 30 Sep 2020)	NPV A\$'000	Undiluted A\$/sh	Diluted A\$/sh
Warrawoona	124,103	0.031	0.031
Hedging	9,126	0.002	0.002
Corporate	(12,623)	(0.003)	(0.003)
Tax Shield	13,534	0.003	0.003
Listed Investments (Pacton Gold)	1,782	0.000	0.000
Debt	(7)	(0.000)	(0.000)
Cash	31,598	0.008	0.008
Exploration	2,500	0.001	0.001
<b>Total Value of Common Equity</b>	<b>170,012</b>	<b>0.043</b>	<b>0.042</b>

## Drilling underway to build on robust PFS

Calidus Resources Limited (CAI.ASX, mkt cap A\$61m) has rapidly transitioned from explorer to developer at its Warrawoona Gold Project, delivering a robust PFS supporting production of 97kozpa gold over an initial 6-year mine life at A\$1,159/oz AISC cost. Infill and extensional drilling over the next six months should add a further year's inventory come the DFS, due mid-2020. In addition, CAI will direct more attention toward exploring regional targets within the 781km<sup>2</sup> tenement package it has now amalgamated in the Marble Bar–Warrawoona region. Our A\$0.042/sh valuation is based on the PFS mine plan at consensus gold (A\$1,791/oz) with an additional year delineated during the DFS. We set our 12-month price target at A\$0.040/sh, at a slight discount to account for uncertainty regarding our operational and financing assumptions, which will become clearer on delivery of the DFS.

### Priced on the PFS – drilling underway to deliver upside

On our assumptions, the market is valuing CAI on a six-year life. CAI will have two rigs drilling until December targeting conversion of Inferred Resources not in the mine plan and seeking to add new Resources along strike and down dip. At today's spot (A\$2,119/oz gold), our valuation lifts to A\$0.064/sh (sensitivity analysis is presented on page 8).

### Regional potential still to be tested

With the focus having been on delivering the PFS, regional exploration has not been a priority. Now CAI now has ownership or control over 781km<sup>2</sup> of tenements with over 200 historic workings, and we would anticipate exploration efforts will include testing priority targets such as Marble Bar, Salgash, Liberator, and Ada North and South.

### Focus on de-risking and project financing requirements

In estimating Ore Reserves, CAI has applied conservative modifying factors to its Resource models, including 19-23% dilution for the open cut. The company is also aiming to secure project finance and will be drilling material mined during the payback period to Measured category, and grade control drilling the first six months' material in the mine plan.

### Proven and respected management team

Managing Director Dave Reeves and Chairman Mark Connelly bring technical, operational, and project development experience, and are supported by former Saracen General Manager (Carosue Dam) Paul Brennan as COO and an experienced exploration team including Jane Allen, former head of AngloGold Ashanti's brownfields exploration for Africa.

### M&A consolidation fast reducing WA gold developer numbers

Small/mid-tier producers have been busy consolidated advanced development assets in the WA (last week Silver Lake bid for EganStreet); there are now a handful left that offer scale. Warrawoona is one of them.

### Alkane has secured a strategic stake

Alkane Resources (ALK.ASX) came onto the register in October 2018, and now has a 13% interest in CAI, with anti-dilution rights and options which could lift its stake to 15.6%. ALK brings current operational experience and can continue to assist with near-term equity funding.

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Calidus Resources Limited		2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
<b>General Assumptions</b>										
Inflation	%pa	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Gold Price	US\$/oz	1,382	1,360	1,331	1,325	1,325	1,325	1,325	1,325	1,325
AUDUSD	AUDUSD	0.71	0.74	0.74	0.73	0.74	0.74	0.74	0.74	0.74
Gold Price	A\$/oz	1,954	1,845	1,811	1,803	1,791	1,791	1,791	1,791	1,791
Corporate tax	%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Gold Production</b>	oz Au	-	-	96,300	97,800	100,600	94,500	113,900	113,338	65,613
<b>Production Costs</b>										
Mining	A\$/oz	-	-	775	749	748	827	670	635	332
Processing	A\$/oz	-	-	311	309	301	320	265	266	460
Site G&A	A\$/oz	-	-	44	44	43	46	38	38	66
Ore Stock Movements	A\$/oz	-	-	(5)	(2)	(1)	(4)	(2)	(1)	31
Royalties	A\$/oz	-	-	93	51	51	51	51	53	59
<b>Cash Operating Costs</b>	<b>A\$/oz</b>	-	-	<b>1,219</b>	<b>1,151</b>	<b>1,142</b>	<b>1,239</b>	<b>1,022</b>	<b>990</b>	<b>947</b>
Corporate Costs	A\$/oz	-	-	21	20	20	21	18	18	30
Sustaining Capex	A\$/oz	-	-	40	65	79	69	63	56	22
<b>All In Sustaining Cash Costs</b>	<b>A\$/oz</b>	-	-	<b>1,280</b>	<b>1,236</b>	<b>1,241</b>	<b>1,329</b>	<b>1,102</b>	<b>1,064</b>	<b>999</b>
<b>Income Statement</b>										
Revenue	A\$'000	-	-	176,018	185,892	193,726	185,640	228,137	231,361	135,865
Operating expenses	A\$'000	-	-	(115,798)	(116,891)	(121,622)	(127,247)	(127,566)	(124,943)	(67,252)
Corporate costs	A\$'000	(2,045)	(2,086)	(2,128)	(2,170)	(2,214)	(2,258)	(2,303)	(2,349)	(2,396)
EBITDA	A\$'000	(2,045)	(2,086)	58,092	66,830	69,890	56,136	98,268	104,069	66,216
D&A expense	A\$'000	-	-	(22,394)	(23,233)	(24,386)	(25,512)	(26,639)	(27,782)	(28,393)
EBIT	A\$'000	(2,045)	(2,086)	35,698	43,597	45,504	30,624	71,628	76,286	37,824
Interest expenses	A\$'000	-	(3,322)	(6,382)	(4,647)	(2,986)	(1,343)	(110)	-	-
Other finance costs	A\$'000	-	(1,170)	-	-	-	-	-	-	-
Hedging gains (losses)	A\$'000	-	-	5,128	3,802	2,202	-	-	-	-
Profit before tax	A\$'000	(2,045)	(6,578)	34,444	42,753	44,720	29,280	71,518	76,286	37,824
Income tax expense	A\$'000	-	-	-	(12,340)	(13,416)	(8,784)	(21,455)	(22,886)	(12,406)
Extraordinary items	A\$'000	-	-	-	-	-	-	-	-	-
<b>NPAT</b>	<b>A\$'000</b>	<b>(2,045)</b>	<b>(6,578)</b>	<b>34,444</b>	<b>30,413</b>	<b>31,304</b>	<b>20,496</b>	<b>50,063</b>	<b>53,400</b>	<b>25,417</b>
<b>Cash Flow Statement</b>										
<b>Cash flows from operating activities</b>										
Receipts from customers	A\$'000	-	-	161,011	185,569	192,970	186,308	224,625	231,084	150,264
Receipts from Corporate	A\$'000	-	-	-	-	-	-	-	-	-
Interest received	A\$'000	-	-	-	-	-	-	-	-	-
Payments to suppliers	A\$'000	-	-	(106,183)	(116,800)	(121,229)	(126,780)	(127,545)	(125,660)	(73,688)
Corporate costs	A\$'000	(2,078)	(2,083)	(2,124)	(2,167)	(2,210)	(2,254)	(2,299)	(2,345)	(2,392)
Tax paid	A\$'000	-	-	-	(12,340)	(13,416)	(8,784)	(21,455)	(22,886)	(12,406)
<b>Cash flows from investing activities</b>										
Proceeds from disposal of property, plant, and equipment	A\$'000	-	-	-	-	-	-	-	-	-
Proceeds from sale of other financial assets	A\$'000	-	-	-	-	-	-	-	-	-
Payments for property, plant and equipment	A\$'000	(8,364)	(127,976)	(4,149)	(6,912)	(8,777)	(7,339)	(8,219)	(7,509)	(1,717)
Payments for acquired exploration and evaluation expenditure	A\$'000	-	-	-	-	-	-	-	-	-
<b>Cash flows from financing activities</b>										
Proceeds from borrowings	A\$'000	-	78,000	-	-	-	-	-	-	-
Proceeds from equity raised (net of costs)	A\$'000	7,600	54,969	-	-	-	-	-	-	-
Proceeds from conversion of options	A\$'000	1,243	1,000	270	-	-	-	-	-	-
Hedging gains (losses)	A\$'000	-	-	5,128	3,802	2,202	-	-	-	-
Interest and other finance costs paid (borrowing costs)	A\$'000	-	-	(6,382)	(4,647)	(2,986)	(1,343)	(110)	-	-
Arranging Fees	A\$'000	-	(1,170)	-	-	-	-	-	-	-
Repayment of borrowings	A\$'000	-	-	(19,225)	(19,750)	(20,050)	(17,150)	(5,147)	-	-
Dividends paid	A\$'000	-	-	-	-	-	-	-	-	-
Net increase / decrease in cash and cash equivalents	A\$'000	(1,599)	2,740	28,345	26,755	26,504	22,657	59,848	72,684	60,060
Effect of exchange rate movements	A\$'000	-	-	-	-	-	-	-	-	-
<b>Cash at the end of the period</b>	<b>A\$'000</b>	<b>4,153</b>	<b>2,553</b>	<b>5,293</b>	<b>33,638</b>	<b>60,393</b>	<b>86,897</b>	<b>109,554</b>	<b>169,402</b>	<b>242,086</b>
<b>Balance Sheet</b>										
Cash and cash equivalents	A\$'000	2,553	5,293	33,638	60,393	86,897	109,554	169,402	242,086	302,145
Trade and other receivables	A\$'000	-	-	15,006	15,329	16,085	15,417	18,930	19,207	4,809
<b>Total Current Assets</b>	<b>A\$'000</b>	<b>2,553</b>	<b>5,293</b>	<b>48,645</b>	<b>75,722</b>	<b>102,981</b>	<b>124,971</b>	<b>188,332</b>	<b>261,293</b>	<b>306,954</b>
Property, Plant and Equipment	A\$'000	11,280	139,256	123,142	108,952	95,474	79,431	63,141	44,998	20,453
Deferred Exploration and Evaluation	A\$'000	14,914	14,914	12,783	10,653	8,522	6,392	4,261	2,131	0
Other financial assets	A\$'000	2,364	2,364	2,364	2,364	2,364	2,364	2,364	2,364	2,364
<b>Total Non-Current Assets</b>	<b>A\$'000</b>	<b>28,583</b>	<b>156,559</b>	<b>138,314</b>	<b>121,994</b>	<b>106,385</b>	<b>88,212</b>	<b>69,792</b>	<b>49,518</b>	<b>22,842</b>
Payables	A\$'000	170	173	9,791	9,885	10,282	10,752	10,777	10,064	3,632
Borrowings	A\$'000	7	7	7	7	7	7	7	7	7
Provisions	A\$'000	406	406	406	406	406	406	406	406	406
<b>Total Current Liabilities</b>	<b>A\$'000</b>	<b>582</b>	<b>586</b>	<b>10,204</b>	<b>10,298</b>	<b>10,695</b>	<b>11,165</b>	<b>11,190</b>	<b>10,477</b>	<b>4,045</b>
Borrowings	A\$'000	-	81,322	62,097	42,347	22,297	5,147	-	-	-
<b>Total Non-Current Liabilities</b>	<b>A\$'000</b>	<b>-</b>	<b>81,322</b>	<b>62,097</b>	<b>42,347</b>	<b>22,297</b>	<b>5,147</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>A\$'000</b>	<b>30,553</b>	<b>79,944</b>	<b>114,658</b>	<b>145,071</b>	<b>176,375</b>	<b>196,871</b>	<b>246,934</b>	<b>300,334</b>	<b>325,751</b>
Contributed Equity	A\$'000	38,577	94,546	94,816	94,816	94,816	94,816	94,816	94,816	94,816
Reserves	A\$'000	521	521	521	521	521	521	521	521	521
Retained Losses	A\$'000	(8,545)	(15,124)	19,320	49,733	81,037	101,534	151,596	204,997	230,414
<b>Total Equity</b>	<b>A\$'000</b>	<b>30,553</b>	<b>79,944</b>	<b>114,658</b>	<b>145,071</b>	<b>176,375</b>	<b>196,871</b>	<b>246,934</b>	<b>300,334</b>	<b>325,751</b>

## Establishing the case for a 100koz gold operation at Marble Bar

Within two years of listing on the ASX, Calidus Resources Limited (CAI.ASX, A\$61m mkt cap) has tripled the Mineral Resource at the Warrawoona Gold Project (Warrawoona), and delivered a Pre-Feasibility Study (PFS) outlining an initial six year operation producing 97koz gold per annum at an AISC of A\$1,159/oz. While advancing the PFS, the company has also consolidated a 781km<sup>2</sup> tenement holding around the Mineral Resource, which has received minimal modern exploration to date.

Our Sum of the Parts valuation (A\$0.042/sh, fully diluted; Table 1) is based on a DCF analysis of Warrawoona, run at consensus gold and AUDUSD forecasts (long term A\$1,791/oz), and with a 10% WACC (post-tax, nominal) applied. It assumes the PFS capital and operating costs and production profile, with an additional year of production which we anticipate CAI will delineate during the current drilling program for incorporation in the Definitive Feasibility Study (DFS) in mid-2020.

We set our price target at A\$0.040/sh, a slight discount to our valuation reflecting the uncertainties around our funding assumptions (including A\$58 million in construction equity), as well as the inherent uncertainties at PFS stage (our mine plan, cost assumptions, timing, permitting etc). CAI has a well-credentialed technical management team experienced in delivering projects through development into operations, and we consider the company will continue to execute to its timeline, de-risking the project over time, and narrowing the gap between our price target and the current share price.

**Table 1. Sum of Parts Valuation**

Sum of Parts Valuation (at A\$1,791/oz gold, struck at 30 Sep 2020)	NPV A\$M	Undiluted A\$/sh	Diluted A\$/sh
Warrawoona	124,103	0.031	0.031
Hedging	9,126	0.002	0.002
Corporate	(12,623)	(0.003)	(0.003)
Tax Shield	13,534	0.003	0.003
Listed Investments (Pacton Gold)	1,782	0.000	0.000
Debt	(7)	(0.000)	(0.000)
Cash	31,598	0.008	0.008
Exploration	2,500	0.001	0.001
<b>Total Value of Common Equity</b>	<b>170,012</b>	<b>0.043</b>	<b>0.042</b>

Source: Kerr Allan estimates. Note: <sup>1</sup> Valuation as at 30 September 2020.

## Conservative PFS sets the scene for improved economics in the DFS

Shareholders should draw comfort from CAI's methodical and conservative approach to developing Warrawoona; the company is focused on ensuring the project will meet project financing requirements, which will be more strenuous now given recent development failures in the sector. This approach is reflected in the modifying factors applied to the Ore Reserve (e.g., 23% dilution, 5% ore loss for the open pit, 80% stop recovery underground). CAI plans to further reduce Resource / Reserve / mine schedule risk by targeting conversion of 100% of material mined during the payback period to Measured classification, and by grade control drilling of the early mine scheduled material ahead of the DFS.

## M&A consolidation increasing in the small / mid-tier gold sector

Record high Australian dollar gold prices are not deterring small / mid-tier domestic gold producers from using their higher valued scrip and increasing cash balances to secure additional production / development assets. They can act while equity and debt markets are more hesitant to fund gold projects given the value destruction caused in 2019 by failed / downgraded gold projects and companies. Recent transactions / announced transactions include Silver Lake Resources' (SLR) merger with Doray Minerals (DRM) and recent takeover bid for EganStreet Resources (EGA), Saracen Mineral Holdings' (SAR) acquisition of Blich Resources (BGH) and Ramelius Resources' (RMS) takeover of Explarum (EXU) (Table 2).

As a result, there are few advanced Australian development projects of scale (~100koz) left to attract corporate attention. Those left include Capricorn Metals' Karlawinda project (CMM), Echo Resources' Yandal project (EAR), CAI's Warrawoona, and potentially Ora Banda Mining's Davyhurst project (OBM).

Alkane Resources (ALK) has already taken a position in CAI, seeing the project as a potential follow on from its Tomingley operation in New South Wales, and will be wary of interlopers, having been gazumped by RMS with respect to EXU (Table 2).

Table 2. Recent M&amp;A transactions in the Australian gold sector

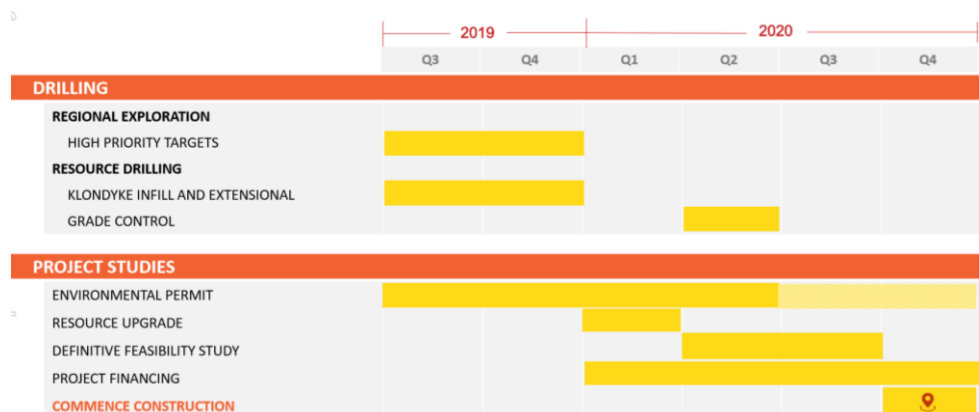
Date	Acquirer	Target	Premium	Consideration	Price / Pro Forma EV	Asset(s)	Transaction
30/07/2019	SLR	EGA	29%	Scrip	A\$52m	Rothsay	Takeover
14/06/2019	SAR	BGH	97%	Scrip	A\$38.2m	Bundarra	Takeover
1/03/2019	MDI	AME	61%	Scrip	A\$9.4m	Sandstone	Takeover
11/12/2018	IRC	MRP	-	Scrip	A\$39m	Boorara, Nimbus Daisy, Mt Belches, Deflector	Takeover Scheme of Arrangement
14/11/2018	SLR	DRM	-	Scrip	A\$303m		Scheme of Arrangement
10/09/2018	RMS	EXU	58%	Scrip and cash	A\$68.4m	Tampia	Takeover

Source: Company reports.

### Upcoming Newsflow / Timeline

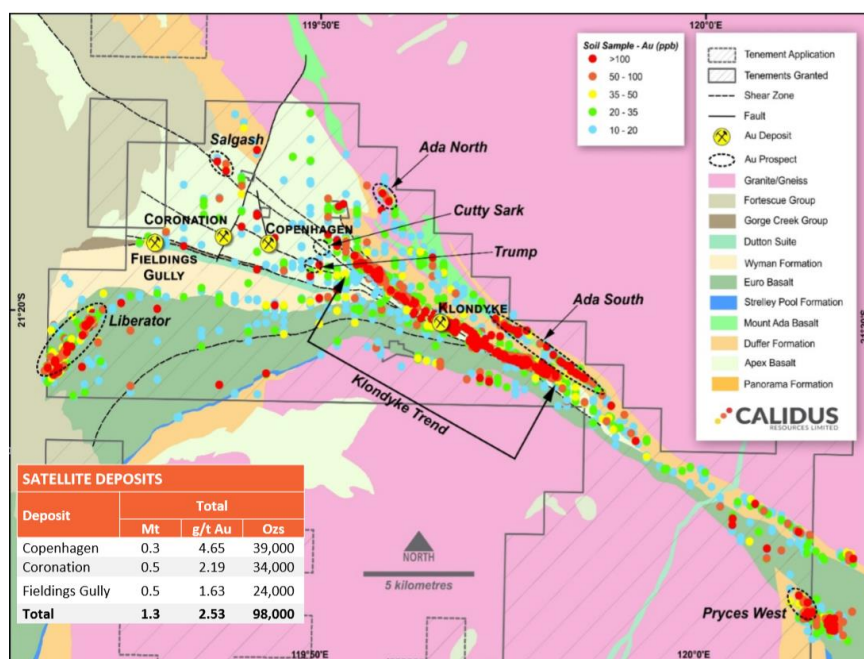
CAI has recommenced drilling at Warrawoona following publication of the PFS and will have a second rig drilling until the end of the year. We anticipate continuous newsflow of drilling results from infill and extensional drilling, culminating in a Mineral Resource update in Q1 2020 (Figure 1). The company is also targeting completion of its DFS within twelve months. In addition, we anticipate newsflow from exploration efforts directed towards regional targets including Salgash, Liberator, and from Ada South and Ada North (Figure 2).

Figure 1. Warrawoona Gold Project Development Timeline



Source: CAI (18 Jul 2019)

Figure 2. Gold in soil anomalies at the Warrawoona Gold Project



Source: CAI (18 Jul 2019)



### Valuation – priced on PFS delivery, new drilling key to unlocking upside

In Table 3 below we outline the key differences between our base case (DFS case) and CAI's PFS. We then present a number of scenarios reflecting the PFS, our preferred DFS case, and two upside case in which CAI delivers an addition 1-2 years of mine life at Warrawoona (Table 4). Our modelled Warrawoona project is presented in Table 5, with production and costs, and financials depicted in Chart 1 and Chart 2 respectively.

The analysis reveals the market is close to fully pricing delivery of the PFS, with ~33% upside to our preferred DFS case, which assumes CAI will convert Inferred Resources to Indicated Resources through drilling campaigns over the next five months. Initial drilling results from this campaign were released on 30 July 2019. Each additional year of production adds ~A\$23 million to our valuation.

**Table 3. Key modelling differences between CAI and KAF**

Assumption Differences		CAI PFS	KAF
Gold Price	A\$/oz	1,800	1,791
Inflation	%pa	-	2.0
Discount Rate applied	%	8	10
Initial Mine Life	years	6.0	7.0
Gold Recovered	oz Au	580,490	682,051
Average LOM Recovery	%	95%	94%
All In Sustaining Costs	A\$/oz	1,159	1,182

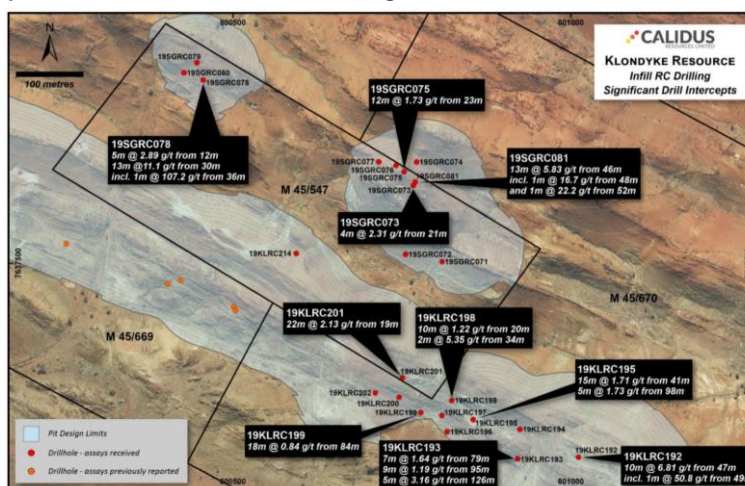
Source: CAI (18 Jul 2019), KAF assumptions.

**Table 4. Valuations on increasing mine life (as at 30 September 2020)**

Mine Plan	PFS		DFS Case		DFS + 1yr		DFS + 2yrs	
	1325	0.74	1325	0.74	1325	0.74	1325	0.74
	NPV	Diluted	NPV	Diluted	NPV	Diluted	NPV	Diluted
Sum of Parts Valuation	A\$'000	A\$ps	A\$'000	A\$ps	A\$'000	A\$ps	A\$'000	A\$ps
Warrawoona	94,478	0.022	124,103	0.031	145,923	0.036	168,588	0.041
Hedging	9,126	0.002	9,126	0.002	9,126	0.002	9,126	0.002
Corporate	(11,445)	(0.003)	(12,623)	(0.003)	(13,714)	(0.003)	(14,726)	(0.004)
Tax Shield	12,067	0.003	13,534	0.003	14,033	0.003	15,001	0.004
Listed Investments (Pacton Gold)	1,782	0.000	1,782	0.000	1,782	0.000	1,782	0.000
Debt	(7)	(0.000)	(7)	(0.000)	(7)	(0.000)	(7)	(0.000)
Cash	41,423	0.009	31,598	0.008	31,598	0.008	31,598	0.008
Exploration	2,500	0.001	2,500	0.001	2,500	0.001	2,500	0.001
<b>Total Value of Common Equity</b>	<b>149,923</b>	<b>0.034</b>	<b>170,012</b>	<b>0.042</b>	<b>191,241</b>	<b>0.047</b>	<b>213,861</b>	<b>0.053</b>
Market Value of Common Equity	141,279	-	130,613	-	130,613	-	130,613	-
Premium (Discount)	6%	4%	30%	27%	46%	43%	64%	59%

Source: KAF estimates. KAF valuation in shaded columns. Premium (discount) based on closing share price of A\$0.033/sh at 2 Aug 2019.

**Figure 3. Intercepts from the first round of infill drilling**



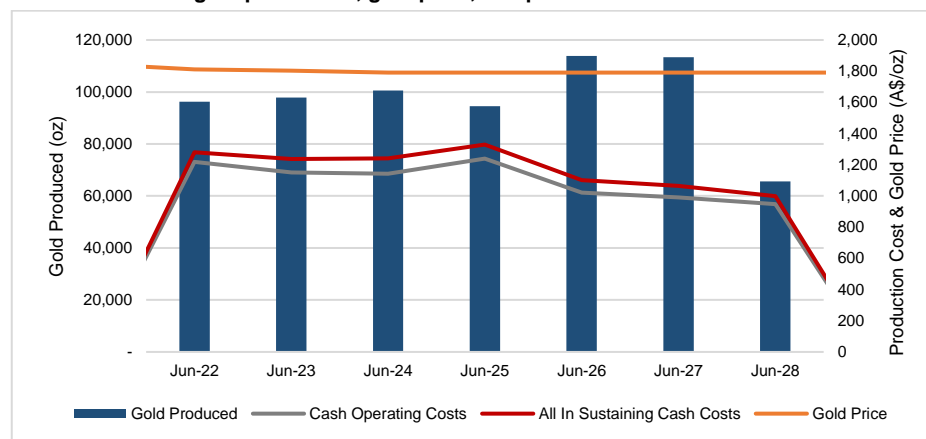
Source: CAI (30 Jul 2019)

Chart 1. KAF's modelled gold production, gold price, and production costs

*Our production profile includes production of 682koz gold over 7 years, at A\$1,182/oz AISC cash cost*

*Our long-term gold price is US\$1,325/oz, and AUSUSD 0.74 based on consensus*

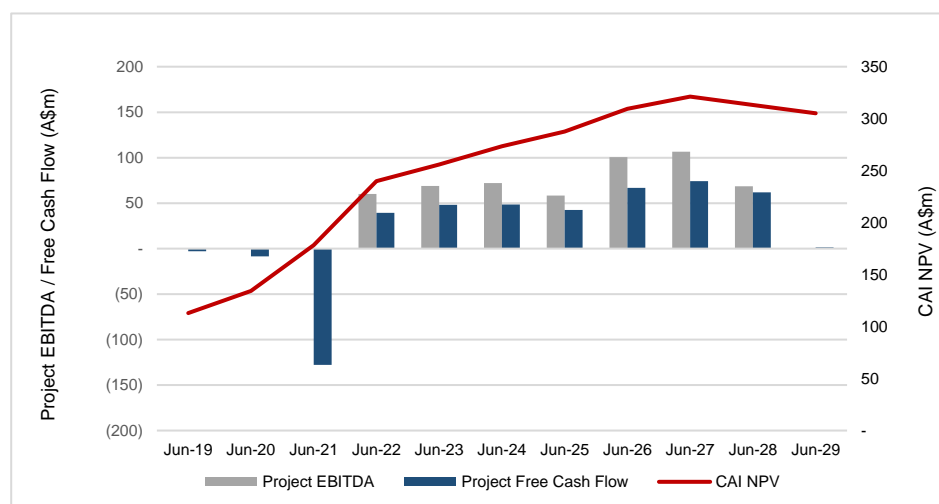
*This equates to A\$1,791/oz*



Source: KAF estimates

Chart 2. Project EBITDA, free cash flow, and our Sum of the Parts NPV

*Our modelled EBITDA ranges from A\$50-100m over the seven-year life*



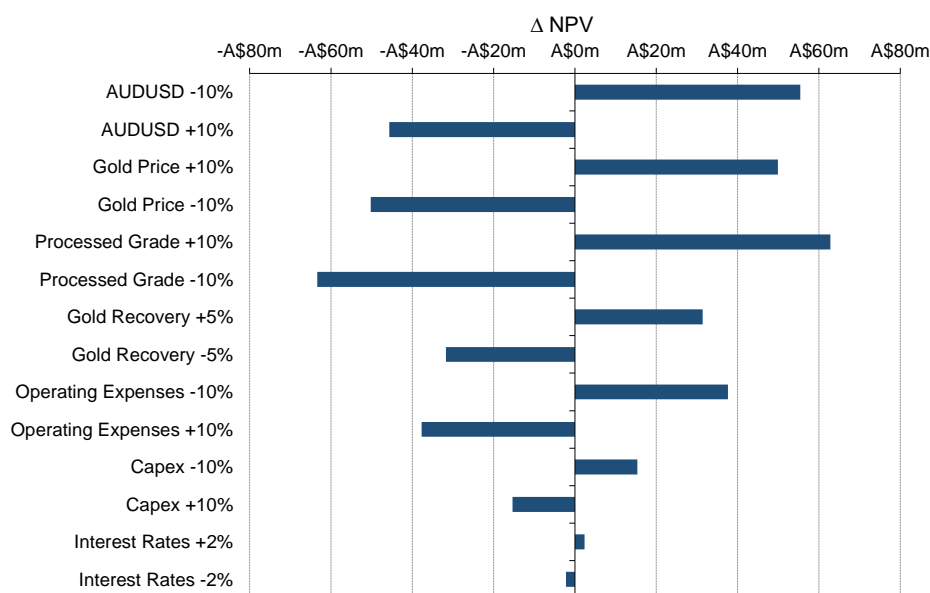
Source: KAF estimates

Chart 3. A\$m sensitivity analysis

*Our valuation is most sensitive to variations in gold grade, AUDUSD, and gold price*

*Gold price and FX can be hedged to limit downside*

*Grade downside can be avoided by appropriate conservatism and rigour during resource / reserve estimation, metallurgical testwork, and feasibility studies*



Source: KAF estimates

Table 5. Warrawoona Gold Project: Annual Production and Cash Flow Summary

Warrawoona Gold Project	Units	LOM	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
<b>General</b>											
Inflation	%pa		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Gold Price	US\$/oz		1,382	1,360	1,331	1,325	1,325	1,325	1,325	1,325	1,325
AUDUSD	AUDUSD		0.71	0.74	0.74	0.73	0.74	0.74	0.74	0.74	0.74
Gold Price	A\$/oz		1,954	1,845	1,811	1,803	1,791	1,791	1,791	1,791	1,791
<b>Resources</b>											
Tonnes	kt		21,223	21,123	18,733	16,593	14,503	12,193	10,004	7,912	7,240
Grade	g/t Au		1.83	1.83	1.87	1.92	1.97	2.07	2.12	2.19	2.26
Contained Gold	oz Au		1,248	1,244	1,126	1,024	920	811	681	557	525
<b>Reserves</b>											
Tonnes	kt		12,500	12,400	10,010	7,870	5,780	3,470	1,281	(811)	(1,483)
Grade	g/t Au		1.50	1.50	1.49	1.50	1.48	1.49	0.87	3.37	2.52
Contained Gold	oz Au		603	599	481	379	274	166	36	(88)	(120)
<b>Open Cut Mining</b>											
Strip Ratio	w:o	4.94	-	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94
Waste Mined	kt	53,950	-	445	10,325	8,151	7,311	8,941	8,102	7,904	2,771
Ore Mined	kt	10,921	-	90	2,090	1,650	1,480	1,810	1,640	1,600	561
Total Mined	kt	64,871	-	535	12,415	9,801	8,791	10,751	9,742	9,504	3,332
Grade	g/t Au	1.33	-	1.11	1.45	1.22	1.20	1.17	1.43	1.62	1.25
Contained Gold	oz Au	468,613	-	3,200	97,400	64,800	57,200	67,800	75,600	80,067	22,546
<b>Underground Mining</b>											
Devt and Stope Ore Mined	kt	3,062	-	10	300	490	610	500	549	492	111
Grade	g/t Au	2.58	-	1.56	2.16	2.38	2.40	2.53	3.11	2.76	2.75
Contained Gold	oz Au	254,426	-	500	20,800	37,500	47,000	40,600	54,533	43,679	9,814
<b>Processing</b>											
Ore Treated	kt	13,983	-	-	1,982	2,000	2,005	2,000	2,000	1,996	2,000
Head Grade	g/t Au	1.61	-	-	1.60	1.61	1.65	1.56	1.87	1.87	1.24
Contained Gold	oz Au	723,039	-	-	101,905	103,492	106,455	100,000	120,529	119,934	70,723
Recovery	%	94.3%	0.0%	0.0%	94.5%	94.5%	94.5%	94.5%	94.5%	94.5%	92.8%
Recovered Gold	oz Au	682,051	-	-	96,300	97,800	100,600	94,500	113,900	113,338	65,613
<b>Revenue</b>											
Gross Revenue	A\$'000, Real	1,224,434	-	-	174,423	176,314	180,128	169,206	203,943	202,936	117,483
Royalties	A\$'000, Real	(39,662)	-	-	(8,978)	(5,002)	(5,107)	(4,783)	(5,841)	(5,975)	(3,852)
Net Revenue	A\$'000, Real	1,184,772	-	-	165,445	171,313	175,021	164,423	198,102	196,962	113,631
<b>Operating costs</b>											
Mining	A\$/oz	691	-	-	775	749	748	827	670	635	332
Processing	A\$/oz	310	-	-	311	309	301	320	265	266	460
Site G&A	A\$/oz	44	-	-	44	44	43	46	38	38	66
Ore Stock Movements	A\$/oz	0	-	-	(5)	(2)	(1)	(4)	(2)	(1)	31
Royalties	A\$/oz	58	-	-	93	51	51	51	51	53	59
Cash Operating Costs	A\$/oz	1,103	-	-	1,219	1,151	1,142	1,239	1,022	990	947
Corporate Costs	A\$/oz	21	-	-	21	20	20	21	18	18	30
Sustaining Capex	A\$/oz	58	-	-	40	65	79	69	63	56	22
AISC Costs	A\$/oz	1,182	-	-	1,280	1,236	1,241	1,329	1,102	1,064	999
Operating Costs	A\$'000, Real	712,569	-	-	108,847	107,720	109,879	112,703	110,772	106,383	56,265
<b>Capex</b>											
Feasibility & Devt Studies	A\$'000, Real	10,979	8,200	-	-	-	-	-	-	-	-
Construction	A\$'000, Real	122,700	-	122,700	-	-	-	-	-	-	-
Sustaining	A\$'000, Real	39,676	-	-	3,900	6,370	7,930	6,500	7,137	6,396	1,443
Total	A\$'000, Real	173,355	8,200	122,700	3,900	6,370	7,930	6,500	7,137	6,396	1,443
<b>Financials</b>											
Net Revenue	A\$'000, Nominal	1,336,488	-	-	176,018	185,892	193,726	185,640	228,137	231,361	135,865
Operating Costs	A\$'000, Nominal	801,319	-	-	115,798	116,891	121,622	127,247	127,566	124,943	67,252
EBITDA	A\$'000, Nominal	535,168	-	-	60,220	69,000	72,104	58,394	100,571	106,418	68,613
D&A	A\$'000, Nominal	(198,792)	-	-	(22,394)	(23,233)	(24,386)	(25,512)	(26,639)	(27,782)	(28,393)
EBIT	A\$'000, Nominal	336,376	-	-	37,826	45,768	47,718	32,882	73,931	78,636	40,220
Tax Attributable to Project	A\$'000, Nominal	(107,972)	-	-	(11,348)	(13,730)	(14,315)	(9,865)	(22,179)	(23,591)	(12,944)
Operating Result After Tax	A\$'000, Nominal	228,404	-	-	26,478	32,037	33,403	23,017	51,752	55,045	27,276
Add: Depreciation	A\$'000, Nominal	198,792	-	-	22,394	23,233	24,386	25,512	26,639	27,782	28,393
Less: Increase in Working Capital	A\$'000, Nominal	0	-	-	(5,392)	(232)	(363)	1,134	(3,491)	(994)	7,963
Operating Cash Flow	A\$'000, Nominal	427,196	-	-	43,480	55,038	57,426	49,663	74,900	81,833	63,631
Total Capex	A\$'000, Nominal	183,762	8,364	127,976	4,149	6,912	8,777	7,339	8,219	7,509	1,717
Project Free Cash Flow	A\$'000, Nominal	243,434	(8,364)	(127,976)	39,331	48,126	48,649	42,324	66,681	74,324	61,914
Project NPV	A\$'000, Nominal		120,539	240,120	263,301	239,222	211,920	186,059	141,939	79,618	9,886
Project IRR	33.2%										

Source: KAF estimates. NB Differences in LOM capex relate to FY2019 expenditure; minor differences in royalties relate to payment in FY2029.

Table 6. Sensitivity Analysis – Gold Price vs AUDUSD

At spot (US\$1431/oz 0.69 AUDUSD), our valuation is A\$0.064/sh

NPV (A\$/sh)		Gold Price (US\$/oz)						
		1,200	1,250	1,300	1,350	1,400	1,450	1,500
AUDUSD	0.90	0.010	0.014	0.018	0.022	0.025	0.029	0.033
	0.85	0.016	0.020	0.024	0.028	0.032	0.036	0.040
	0.80	0.022	0.026	0.030	0.034	0.039	0.043	0.047
	0.75	0.028	0.033	0.038	0.042	0.047	0.051	0.056
	0.70	0.036	0.041	0.046	0.051	0.056	0.061	0.066
	0.65	0.045	0.051	0.056	0.061	0.067	0.072	0.077
	0.60	0.056	0.062	0.067	0.073	0.079	0.085	0.090


Source: KAF estimates  Spot gold

Table 7. Sensitivity Analysis – Construction capex vs operating costs

Our valuation is twice as sensitive to opex than capex

NPV (A\$/sh)		Operating Cost						
		-20%	-10%	-5%	0%	5%	10%	20%
Construction Capex	-20%	0.068	0.059	0.054	0.049	0.045	0.040	0.031
	-10%	0.064	0.055	0.050	0.046	0.041	0.036	0.027
	-5%	0.062	0.053	0.048	0.044	0.039	0.034	0.025
	0%	0.060	0.051	0.046	0.042	0.037	0.033	0.023
	5%	0.058	0.049	0.045	0.040	0.035	0.031	0.021
	10%	0.057	0.047	0.043	0.038	0.033	0.029	0.019
	20%	0.053	0.044	0.039	0.034	0.030	0.025	0.016

Source: KAF estimates

Table 8. Sensitivity Analysis – mined grade vs recovery

The valuation is highly sensitive to grade and gold recovery changes

NPV (A\$/sh)		Processed Grade (%)						
		-10%	-5.0%	-2.5%	0%	2.5%	5.0%	10%
Gold Recovery (%)	-3.0%	0.022	0.030	0.033	0.037	0.041	0.045	0.052
	-2.0%	0.023	0.031	0.035	0.039	0.043	0.046	0.054
	-1.0%	0.025	0.033	0.036	0.040	0.044	0.048	0.056
	0%	0.026	0.034	0.038	0.042	0.046	0.050	0.057
	1.0%	0.028	0.036	0.039	0.043	0.047	0.051	0.059
	2.0%	0.029	0.037	0.041	0.045	0.049	0.053	0.061
	3.0%	0.030	0.039	0.042	0.046	0.050	0.054	0.062

Source: KAF estimates

Table 9. Sensitivity Analysis – equity raise vs equity raise price

NPV (A\$/sh)		Size of Raise (A\$'000)						
		40,503	46,290	52,076	57,862	63,648	69,434	75,221
Raise Price (A\$/sh)	0.038	0.046	0.046	0.045	0.045	0.045	0.044	0.044
	0.036	0.045	0.045	0.044	0.044	0.044	0.043	0.043
	0.034	0.045	0.044	0.043	0.043	0.043	0.042	0.042
	0.032	0.044	0.043	0.042	0.042	0.041	0.041	0.040
	0.030	0.043	0.042	0.041	0.041	0.040	0.040	0.039
	0.028	0.041	0.041	0.040	0.039	0.039	0.038	0.038
	0.026	0.040	0.039	0.039	0.038	0.037	0.037	0.036

Source: KAF estimates



## Peer Comparisons

While detailed DCF modelling is useful to determine an asset valuation, peer analysis provides context. In the charts below we benchmark CAI to ASX-listed gold companies, largely comprising WA-based developers and advanced explorers, as well as several offshore advanced gold developers.

On an EV/Resource oz metric, CAI falls below the group average of A\$79/oz, at the upper end of a continuum from A\$20-50/oz (Chart 4). Its closest peers are Genesis Minerals (GMD), which has delivered a Scoping Study on a higher grade underground operation, with comparable production and a shorter mine life, and Bardoc Gold (BDC), which has an extensive Resource inventory north of Kalgoorlie following its takeover of Excelsior Gold (EXG), however, has no infrastructure and is has not published a development study.

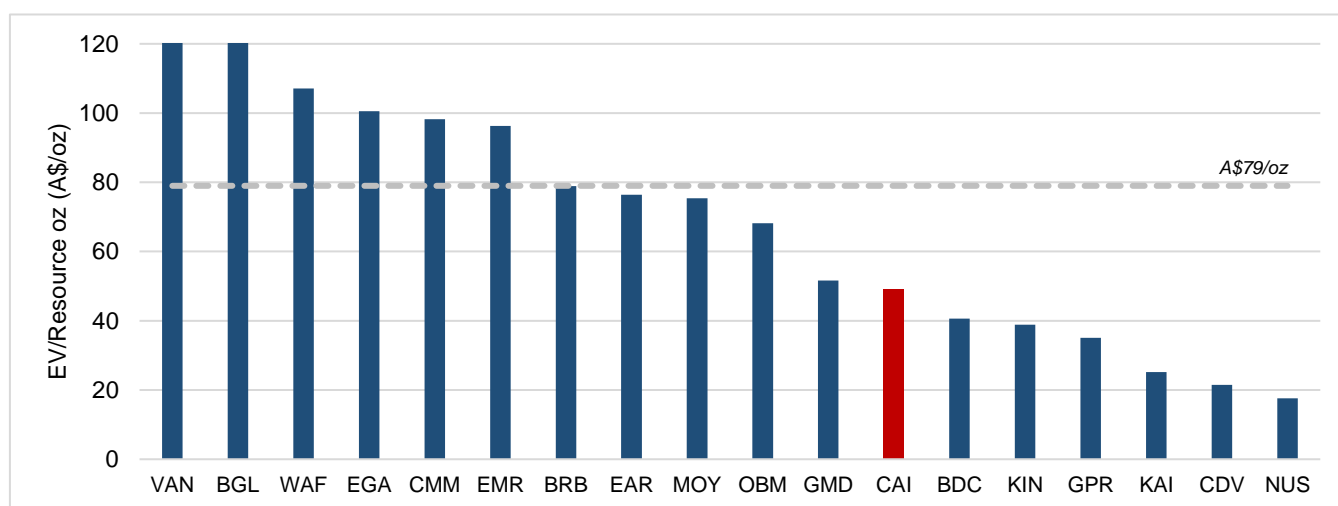
There is a clear break to the next group, clustered at A\$70-80/oz, which features producers (Millennium Minerals; MOY) and companies with existing infrastructure (Echo Resources; EAR) and Ora Banda Mining (OBM). Until recently EganStreet Resources (EGA) was in this group, prior to Silver Lake's 30 July 2019 takeover bid at a 29% premium.

The group from A\$95-105/oz includes companies that have secured construction funding including debt (West African Gold; WAF), and companies with completed feasibility studies / at financing stage (Emerald Resources; EMR, Capricorn Metals; CMM),

The market is paying a premium for high grade exploration projects (Bellevue Gold; BGL, Vango Mining; VAN), while companies at the lower end of the EV/Resource oz range are dominated by those with advanced development assets in offshore locations that require financing.

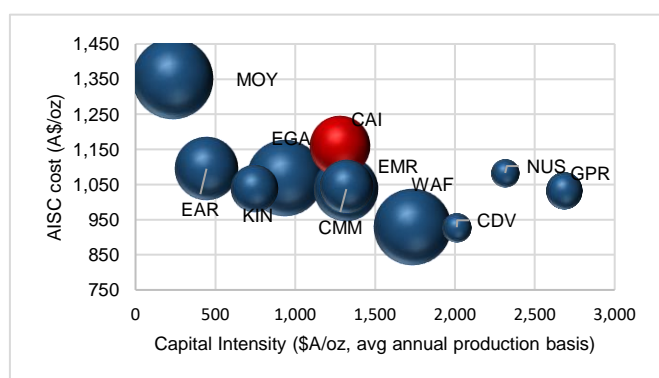
**CAI is fairly valued for its development stage and project economics; if the DFS delivers a longer mine life and lower costs, it should move closer to the current A\$79/oz average for this group**

Chart 4. EV/Resource oz comparison



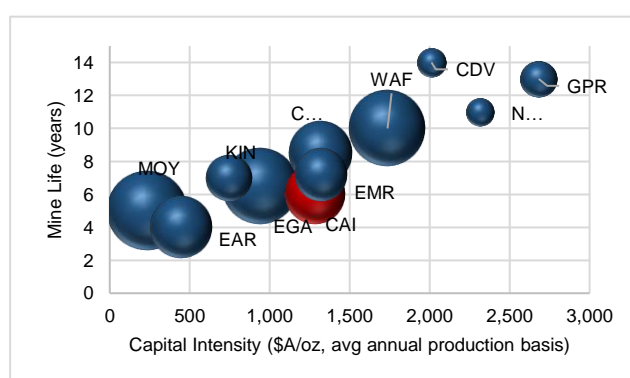
Source: Company reports, Bloomberg. VAN and BGL are offscale.

Chart 5. Capital Intensity vs AISC Cost



Source: Company reports, Bloomberg. Bubble size = EV/Reserve oz

Chart 6. Capital Intensity vs Mine Life



Source: Company reports, Bloomberg. Bubble size = EV/Reserve oz

In Chart 5 and Chart 6 we compare capital intensity with AISC cost and mine life, with the bubble size representing each company's EV/Reserve oz valuation. CAI has an AISC cost ~10% higher than its peers (average is A\$1,070/oz) and a slightly shorter mine life. Its capital intensity of A\$1,284/oz is below the average of A\$1,367/oz for this peer group. Again, If CAI can add mine life and reduce its AISC costs during the DFS, then it will be positioned in line with peers including CMM and EMR.

## The Warrawoona Gold Project

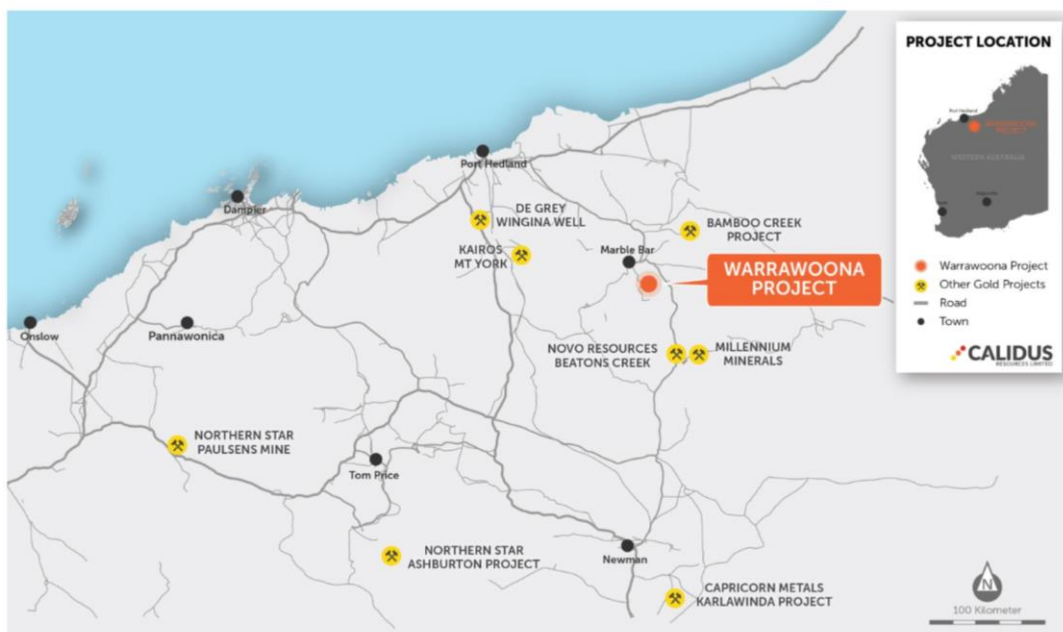
### Location

Warrawoona is located 28km southeast of Marble Bar in the East Pilbara region of Western Australia, 150km southeast of the iron ore hub Port Hedland (Figure 4). It can be accessed via sealed bitumen roads from Port Hedland (two-hour drive) and all-weather roads from Marble Bar. The project is located within the Warrawoona Mining Common, Crown land excised from the surrounding pastoral leases (Corunna Downs, Limestone stations).

Warrawoona is 70km from Bamboo Creek gold mine and 30km from Comet gold mine, former mines owned by Haoma Mining NL, and 90km from Millennium Minerals Limited's Nullagine gold operation. Novo Resources Corporation's Beatons Creek gold project is 80km to the south.

**Figure 4. Location of the Warrawoona Gold Project**

*Warrawoona is a two-hour drive from Port Hedland*



Source: CAI (18 Jul 2019)

### Tenure

Tenement details are presented in Table 10. Warrawoona tenure comprises:

- 100% owned mining leases and exploration licences;
- Exploration, prospecting, and miscellaneous licence applications;
- tenements which CAI acquired in July 2019 (still registered to Epmine WA Pty Ltd); and
- joint venture tenements, which CAI has a 70% interest in.

Current Mineral Resources and Ore Reserves occur within 11 granted mining leases and 7 granted exploration licences in which CAI has a 100% interest through its wholly owned subsidiary Keras (Pilbara) Gold Pty Ltd (Figure 5). These tenements were amalgamated in 2017 and 2018 through a series of acquisitions from Keras Resources Plc, Haoma Mining NL and Epmine WA Pty Ltd (Epmine), with certain tenements subject to third party production / profit-based royalties (detailed later in this report).

The mining leases were recently renewed for a further 30 years. CAI has submitted applications for an additional four exploration, miscellaneous, and prospecting licences.

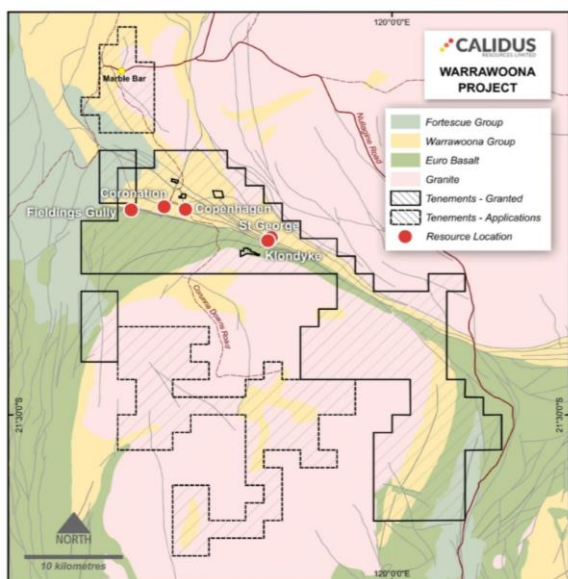
Finally, six tenements surrounding CAI's granted tenure are subject to a joint venture where CAI has earned a 70% interest from Novo Resources Corporation (NVO). CAI has the right to gold sourced from basement rocks, while NVO retains the rights to transported material including the overlying Fortescue Group conglomerates. Proceeds of gold mined from the basement rocks would be shared pro rata. NVO may co-fund ongoing exploration or dilute, and should its interest fall below 10%, it will convert to a 1% net smelter royalty. The NVO JV tenements are highlighted in Figure 6.

Table 10. Current Warrawoona Tenement Schedule

Tenement	Holder	Renewal	Interest	Size (ha)
<b>Granted</b>				
E45/3615	Keras (Pilbara) Gold Pty Ltd	22/11/2020	100%	3,514
E45/4236	Keras (Pilbara) Gold Pty Ltd	19/10/2019	100%	958
E45/4856	Keras (Pilbara) Gold Pty Ltd	20/05/2023	100%	2,554
E45/4857	Keras (Pilbara) Gold Pty Ltd	20/05/2023	100%	14,682
E45/4905	Keras (Pilbara) Gold Pty Ltd	29/11/2022	100%	639
E45/4906	Keras (Pilbara) Gold Pty Ltd	29/11/2022	100%	319
E45/5178	Keras (Pilbara) Gold Pty Ltd	22/11/2023	100%	6,067
M45/240	Keras (Pilbara) Gold Pty Ltd	17/11/2028	100%	6
M45/521	Keras (Pilbara) Gold Pty Ltd	10/03/2034	100%	18
M45/547	Keras (Pilbara) Gold Pty Ltd	2/05/2035	100%	18
M45/552	Keras (Pilbara) Gold Pty Ltd	18/01/2035	100%	10
M45/668	Keras (Pilbara) Gold Pty Ltd	28/12/2037	100%	242
M45/669	Keras (Pilbara) Gold Pty Ltd	28/12/2037	100%	102
M45/670	Keras (Pilbara) Gold Pty Ltd	28/12/2037	100%	113
M45/671	Keras (Pilbara) Gold Pty Ltd	29/11/2037	100%	119
M45/672	Keras (Pilbara) Gold Pty Ltd	1/08/2037	100%	116
M45/679	Keras (Pilbara) Gold Pty Ltd	8/04/2038	100%	121
M45/682	Keras (Pilbara) Gold Pty Ltd	17/04/2038	100%	236
<b>Applications</b>				
E45/5374	Keras (Pilbara) Gold Pty Ltd	Application	100%	22,018
P45/3065	Keras (Pilbara) Gold Pty Ltd	Application	100%	29
L45/0523	Keras (Pilbara) Gold Pty Ltd	Application	100%	173
L45/0527	Keras (Pilbara) Gold Pty Ltd	Application	100%	252
<b>Completed acquisitions in July 2019</b>				
E45/5172	Epmine WA Pty Ltd	30/05/2024	100%	4,307
E45/4555	Epmine WA Pty Ltd	1/03/2022	100%	1,918
E45/4843	Epmine WA Pty Ltd	2/07/2022	100%	942
<b>Novo Resources Joint Venture</b>				
E45/3381	Beatons Creek Gold Pty Ltd	16/03/2021	70%	7,966
E45/4666	Beatons Creek Gold Pty Ltd	23/11/2021	70%	3,164
E45/4622	Beatons Creek Gold Pty Ltd	4/05/2022	70%	4,222
E45/4194	Beatons Creek Gold Pty Ltd	14/07/2019	70%	1,278
E45/4934	Grant's Hill Gold Pty Ltd	22/01/2023	70%	1,597
P45/2781	Beatons Creek Gold Pty Ltd	10/06/2020	70%	2

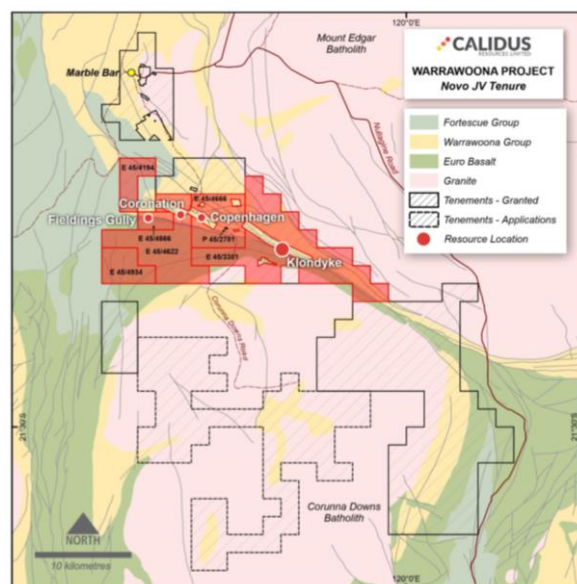
Source: CAI (June 2019 Quarterly Report)

Figure 5. Warrawoona Project Tenure



Source: CAI (17 Jul 2019)

Figure 6. Novo Resources JV tenements



Source: CAI (9 Jul 2019)

### Mining and Exploration History

Gold was discovered at Marble Bar in 1896, as part of a gold rush in the Pilbara region in the late 1880s. Until 1972, the Marble Bar district produced 356,873oz from 357,395t ore, of which 20,094oz was alluvial and dollied. Gold is currently being mined at a private underground operation in Marble Bar.

Following the discovery at Marble Bar, a prospector named Charles Kopcke discovered a reef at Salgash, which was later renamed Warrawoona in 1898. Small scale mining was undertaken on auriferous reefs at Warrawoona, with numerous workings scattered along strike from the main Klondyke mines, which have recorded production of 23,936oz gold from 25,191t ore at ~30g/t gold. A further 716oz is recorded as having been produced from alluvial and dollied material. Mining had largely concluded by 1914, save for minor workings in the 1930s. In the 1980s, a small-scale vat leach operation was established at the Copenhagen deposit.

Since the 1980s modern explorers including Aztec Mining, CRA, Lynas, Fortuna Mining, Haoma Mining and Jupiter Mines have undertaken surface mapping, sampling, and shallow drilling, with little exploration was undertaken below a depth of 100m.

Systematic exploration along the Klondyke line of workings is now possible following CAI's consolidation over the past three years, and the tenements have over 200 workings recorded. Other recent exploration in the area has focused on the overlying Fortescue Group conglomerates by companies including NVO, targeting conglomerate-hosted gold deposits.

Figure Historic Workings at Klondyke Queen



Source: KAF

Figure Klondyke Queen drive



Source: KAF



### Geology & Mineralisation

Warrawoona occurs within the Eastern Pilbara domain of the Pilbara Craton, one of Western Australia's two Archean granite-greenstone terranes. Regionally, the project covers a belt of metamorphosed mafic and felsic volcanics, cherts and banded iron formation (collectively the Warrawoona Group and Gorge Creek Groups) which have been metamorphosed to greenschist facies and attenuated in an east-west shear zone between two granite batholiths, the Mount Edgar Granitoid Complex to the north, and the Corunna Downs Granitoid Complex to the south. Mesothermal gold systems occur within the sheared metavolcanic and metasedimentary rocks around these granite domes.

#### Klondyke

At Klondyke, gold mineralisation is associated with two shear zones (Klondyke Shear and the St George Shear), striking broadly east-west (Figure 7). A third identified shear zone (Highway) is associated with a strong geophysical anomaly, although CAI has not yet intersected mineralisation along this structure.

**Figure 7. View west along the Klondyke-St George Resource**



*Mineralisation occurs along two parallel, continuous shears*

Source: KAF

The mineralised sequence is 2-20m thick, dips sub-vertically / steeply to the south (Figure 10), and is focused around a chert unit (mylonite?) 10-50cm wide referred to as Kopcke's Leader by historic miners. Of note is that Kopcke's Leader is remarkably continuous and can be traced along strike at surface by outcrop, location of workings, and intersected in costeans for over 5km from the current Mineral Resource. In the hanging wall, moderate gold grades occur within strongly sericitic basalt in a unit approximately 12 metres thick. In the footwall, gold mineralisation is present within distinctive fuchsite-altered high magnesium-rich metabasalts (green coloured). The asymmetric alteration styles either side of Kopcke's Leader are visually distinct.

Higher grade mineralisation occurs within boudinaged quartz veins in and proximal to Kopcke's Leader, and grades are correlated with quartz vein intensity. Given the presence of visible gold within the boudins themselves rather than the boudin necks, mineralisation appears to pre-date extension in the shear zone. Minor northeast offsets along the shear have been associated with higher grade gold mineralisation, interpreted as potential re-mobilised gold mineralisation. Minor arsenopyrite and chalcopyrite are present, with copper staining observed around some historic workings.



Figure 8. Kopcke's Leader chert can be traced 5km west of the Mineral Resource



*The mineralised sequence is visually distinct, with green and beige alteration either side of a silicified chert*

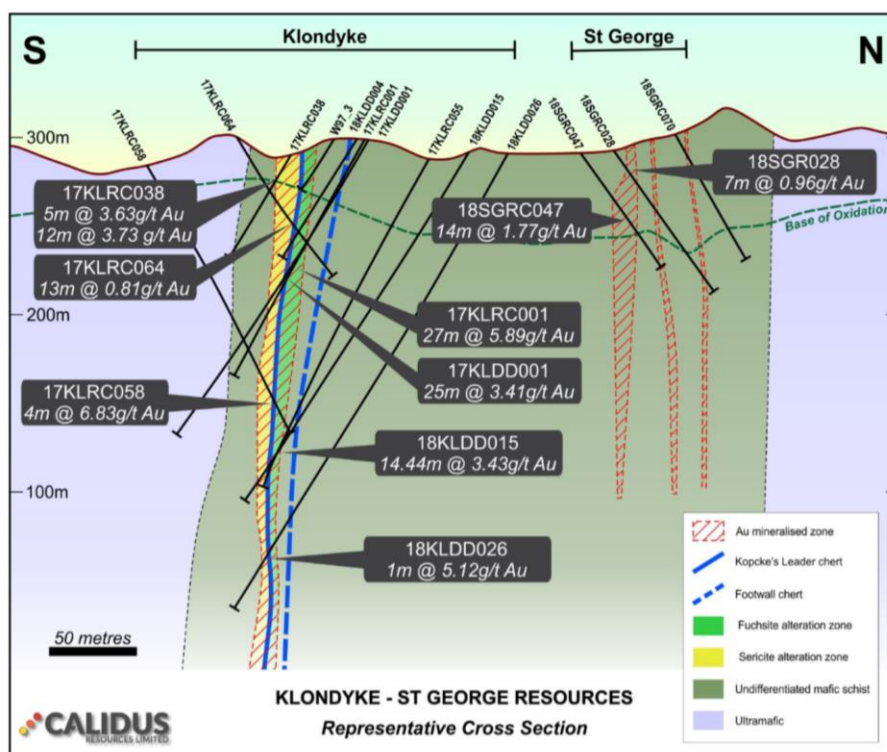
Source: KAF

Figure 9. Mineralised sequence: fuchsite (green), sericite (beige) alteration bounding the chert



Source: KAF

Figure 10. Cross section of Klondyke Shear and St George Shear

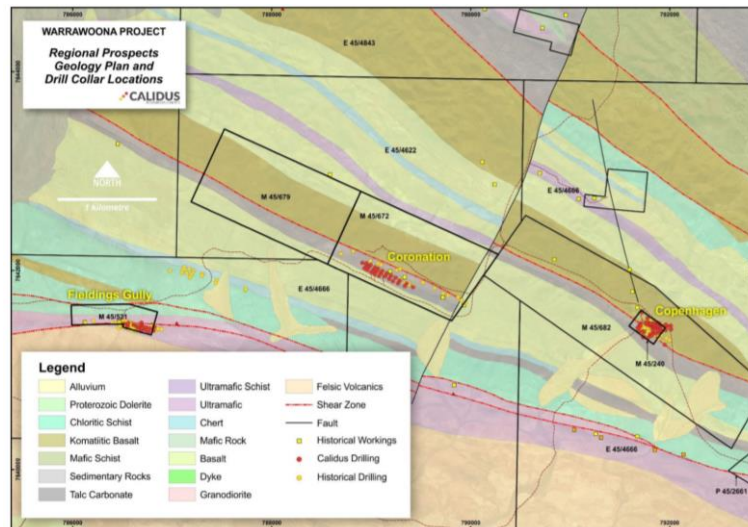


Source: CAI (6 Feb 2019)

### Satellite Deposits

There are three satellite deposits which are included in the Mineral Resource. These are Copenhagen, Coronation, and Fieldings Gully (Figure 11). These are located in close proximity to each other, 10-16km west of the main Klondyke Shear.

Figure 11. Plan view of Satellite deposits



Host rocks to the satellite deposits are different to Klondyke and St George

Source: CAI (6 Feb 2019)

### Copenhagen

In the 1980s gold was produced via a small-scale vat leach operation (Figure 13). The Copenhagen deposit is 10km west of the main Klondyke Shear and occurs on a splay which cuts across a different geologic sequence. Gold mineralisation at Copenhagen is refractory, occurring within arsenopyrite. CAI envisages employing a separate crushing and flotation circuit to produce a high-grade concentrate for smelting by a third party. The flotation circuit is factored into the PFS capex estimate.

### Coronation

Like Copenhagen, Coronation occurs on a secondary splay from the main Klondyke Shear. The geology is distinct, with previous workings revealing gold mineralisation to be hosted within predominant banded iron formation (Figure 13). Initial metallurgical results have been varied from Coronation, and additional metallurgical testwork is required before considering incorporating Coronation into the DFS / mine plan.

### Fieldings Gully

Fieldings Gully mineralisation occurs on the Fieldings Find Shear. It is 15km from the centre of the Klondyke area. Mineralisation is hosted within a strongly sheared, ultramafic talc-chlorite schist, with intense carbonate alteration denoting the lode.

Figure 12. Copenhagen open pit



Source: KAF

Figure 13. Banded Iron Formation at Coronation



Source: KAF

### Mineral Resources

In February 2019, CAI published an updated JORC 2012 compliant Mineral Resource comprising 21Mt grading 1.83g/t containing 1,248koz gold (Table 11). Within this Resource, the Klondyke open cut component comprised 930koz grading 1.63g/t gold, and the Klondyke underground 220koz grading 3.11g/t gold. The Klondyke resource extends for 5.1km strike (Figure 14) and to an average vertical depth of 230m (Figure 15). Drill spacings were 25m x 25m in the shallow zone, and 40m x 40m in the Klondyke Deeps zone.



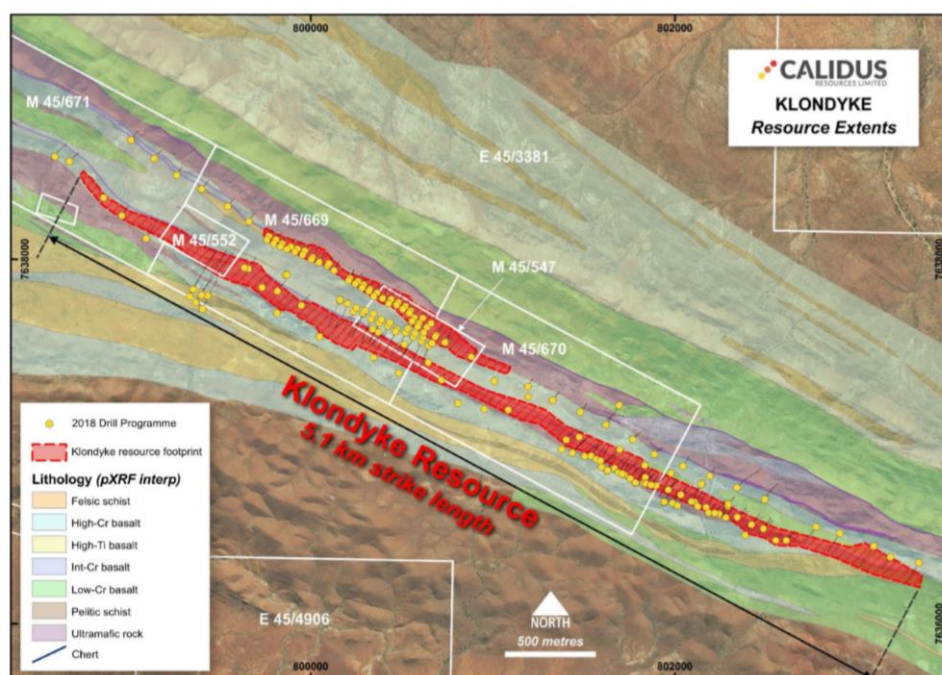
Within the open pit Klondyke resource, 69% of the tonnes and 72% of the ounces fall within the Indicated category. In the Klondyke underground resource, 36% of the tonnes and ounces are classified as Indicated. Overall, 66% of the tonnes and 65% of the ounces are Indicated Resources.

**Table 11. Warrawoona Resource Estimate**

	Cut-off	Tonnes	Indicated	Gold	Tonnes	Inferred	Gold	Tonnes	Total	Gold
	g/t	Kt	Grade	Au	Kt	Grade	Au	Kt	Grade	Au
			g/t			g/t			g/t	
Klondyke OC	0.5	12,300	1.69	670	5,500	1.47	260	17,800	1.63	930
Klondyke UG	2.0	800	3.11	80	1,400	3.11	140	2,200	3.11	220
<b>Sub-total Klondyke</b>		<b>13,100</b>	<b>1.78</b>	<b>750</b>	<b>6,900</b>	<b>1.80</b>	<b>400</b>	<b>20,000</b>	<b>1.79</b>	<b>1,150</b>
Copenhagen	0.5	212.5	5.27	36	50.75	1.84	3	263	4.61	39
Coronation	0.5	-	-	-	482	2.19	34	482	2.19	34
Fieldings Gully	0.5	170	1.65	9	308	1.62	16	478	1.63	25
<b>Sub-total Satellites</b>		<b>383</b>	<b>3.66</b>	<b>45</b>	<b>841</b>	<b>1.96</b>	<b>53</b>	<b>1,223</b>	<b>2.49</b>	<b>98</b>
<b>Total</b>		<b>13,483</b>	<b>1.83</b>	<b>795</b>	<b>7,741</b>	<b>1.82</b>	<b>453</b>	<b>21,223</b>	<b>1.83</b>	<b>1,248</b>

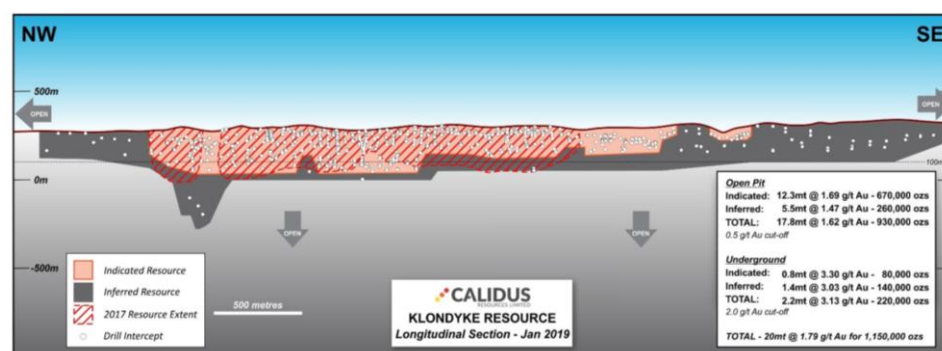
Source: CAI (6 Feb 2019)

**Figure 14. Plan of the Klondyke Resource**



Source: CAI (6 Feb 2019)

**Figure 15. Long section of the Klondyke Resource**



Source: CAI (6 Feb 2019)

The Resource estimate was determined by Widenbar and Associates, using Ordinary Kriging method, with a block size of 10m x 2m x 2.5m, and sub-cells of 2m x 1m x 1.25m, rotated 25 degrees to align with the strike of the mineralisation. A 30g/t top cut was applied to the Main Zone, 25g/t in the Footwall and Hanging wall zones, and 15g/t at St George. Simple optimisations were run at A\$2000/oz and A\$2500/oz gold, which demonstrated the potential to encompass material to 100m RL. A cut-off grade of 0.5g/t was applied above 100m RL and 2.0g/t below 100m RL.

### Ore Reserves

The maiden Ore Reserve, released with the July 2019 PFS, totals 8.9Mt grading 1.5g/t for 418koz gold, largely based on the Klondyke open pit (Table 12). 90% of the tonnes and 83% of the ounces are in the open pit portion of the Ore Reserve. CAI stated that 53% of Indicated Resource has converted to Probable Ore Reserve. The Ore Reserve was estimated by Steve O'Grady of Intermine Engineering.

**Table 12. Warrawoona Ore Reserve Estimate**

Ore Reserve	Tonnage (kt)	Grade (g/t Au)	Contained Gold (oz)
Open Pit Probable	8,021	1.35	348
Underground Probable	914	2.38	70
<b>Total Probable</b>	<b>8,935</b>	<b>1.46</b>	<b>418</b>

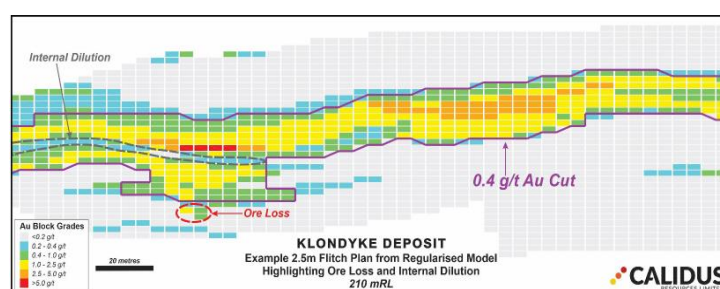
Source: CAI (17 July 2019)

The Resource model was adapted to produce a mining model optimised using Whittle software for the open pit and Deswik for the underground to produce an initial economic mining inventory. Intermine Engineering Consultants and Dionysis Mining then completed detailed mine design and production scheduling for the open pit and underground respectively.

The open cut resource model was regularised to a Selective Mining Unit block size of 5m along strike, 2m across strike, and 2.5m in depth to replicate mineable blocks. Pit optimisation used a \$1700/z gold price and a cut-off grade of 0.45g/t Au. Mining ore loss and dilution factors were applied in determining the regularised model.

Filch plans were then created through the open pit at 10m benches to calculate additional dilution and ore loss (Figure 16). These tonnes and grades were then further diluted by 5% with an additional 2.5% ore loss. Overall dilution of 19-23% was applied (depending on cut-off grade) and 5% ore loss from the resource model. In the pioneer mining areas at Klondyke an additional 8.5% global dilution at 0g/t and 20% ore loss were applied due to the challenging topography (Table 13).

**Figure 16. Filch Plan from Regularised Model**



Source: CAI (17 Jul 2019)

**Table 13. Benchmarking Dilution & Ore Loss Assumptions**

Company	CMM	DCN	GCY	NST	SAR	CAI	SLR	EGA
Open Cut	Karlawinda	Jupiter	Gilbeys	Jundee	Thunderbo x	Klondyke	Harry's Hill	
Dilution	5%	8%	8%	10%	14%	19-23%	25%	
Ore Loss	6%	2%	2%	5%	4%	5%	5%	
Underground		Transvaal		Jundee	Karari	Klondyke	Maxwells	Rothsay
Minimum Stope Width (m)		1.1		2.2	3.0	3.0	2.4	1.0
Stope Dilution (skin thickness; m)		0.2		0.5	-	0.5	0.5	1.0/3.0
Stope Recovery		95%		85%	90%	80%	85%	97.5%

Source: CAI (17 Jul 2019, Company JORC 2012 Reserve Statements).

For the underground Ore Reserve, a post-regularisation cut-off grade of 2g/t was applied. Underground development modifying factors included 95% mining recovery (5% ore loss), and 10% dilution factored into ore drives. Pillar losses are applied in the mining schedule.

The modifying factors employed by CAI in the calculating its Reserve appear conservative when benchmarked against other Western Australian open cut and underground development and operating assets. While each asset is different, ~10% dilution and 5% ore loss are often adopted in open cut operations, while 90% stope recovery and 1.5-2m stope widths are prevalent for underground mines (noting narrower stopes may reflect mining via single boom jumbos / airleg mining).

### Pre-Feasibility Study

The PFS envisages an initial 7-year project life, producing 97kozpa over 6 years at an AISC of 1,159/oz, and requiring initial A\$95 million capital expenditure, with a further \$29.5 million pre-production costs. The study was led by GR Engineering Services Limited, with capital and operating costs reported to a -15%/+20% accuracy, or Class 4 AACE (American Association of Cost Engineers) level. The project is underpinned by maiden Ore Reserve of 418koz, which comprises 75% of the initial milling inventory.

### Mining

The final Klondyke pit will be 2km long, 200m wide, and 120m deep. Smaller pits will target the St George Shear immediately to the north (Figure 17). The overall LOM waste:ore ratio is 4.9:1.

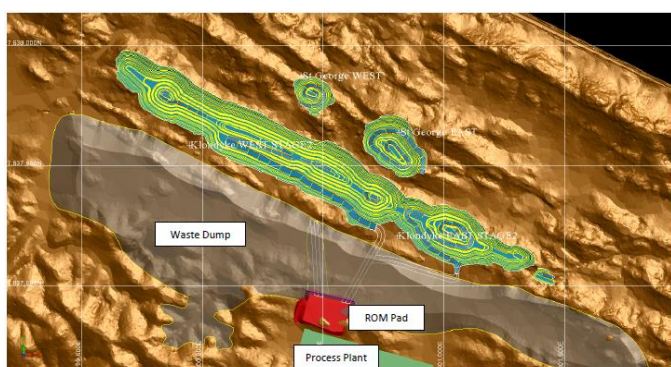
CAI will undertake pioneer mining over the first sixth months, levelling the topography to provide access to even, appropriately sized benches once gold production commences. This will entail a small fleet of articulated trucks, which will be replaced with 130t excavators and 100t rigid trucks during commercial operations.

The underground will be accessed from a box-cut close to the processing plant and ROM pad, and will decline northward crossing the Highway Shear, Klondyke Shear, and St George Shear, providing underground drilling positions for resource definition and extensional drilling (Figure 18). CAI is proposing to employ an uphole bench stoping mining method, using twin boom jumbos. Minimum mining widths will be 3m with a 25m floor-floor interval. A crown pillar will separate the base of the open pit from the underground operation.

Underground mining will commence in Year 2 of operations, and ore tonnes will be supplied to the mill approximately 18 months after commencement of operations. Low grade material will be stockpiled; and development waste used as unconsolidated stope backfill.

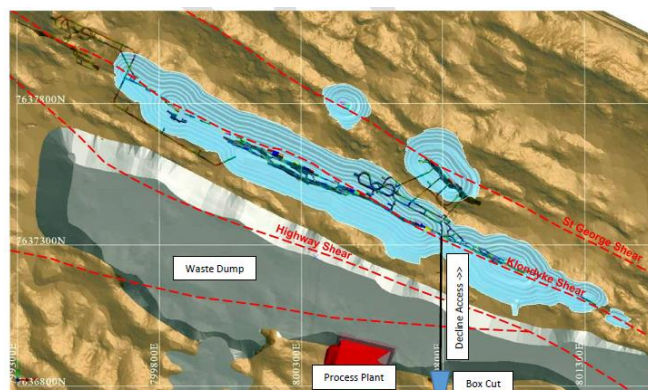
CAI has assumed Warrawoona will be a contract mining operation.

Figure 17. Plan view of the open pit



Source: CAI

Figure 18. Plan view of underground infrastructure



Source: CAI

### Metallurgy

The ore is characterised as soft to moderately hard, and amenable to single stage SAG milling. Klondyke ore is suitable for cyanide leach, with metallurgical recoveries of 95-96% achieved in testwork by SGS, Nagrom, ALS and Outotec using site water from an active bore at the project. Gravity gold recovery of up to 63% has been achieved, however, 33% has been assumed in the PFS.

The Copenhagen deposit is different, with gold being refractory and associated with arsenopyrite. CAI plans to mine this small, high grade deposit to produce a concentrate for smelting by a third party.

Metallurgical results from BIF-hosted gold mineralisation at Coronation has returned variable results and requires further work. Coronation is not included in the mining schedule.



## Processing

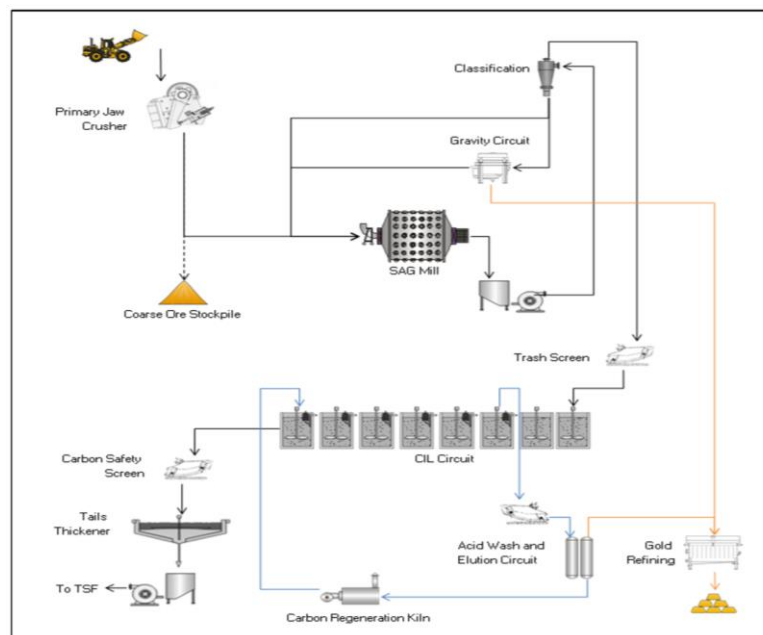
CAI will process ore through a 2 mtpa conventional carbon-in-leach (CIL) processing plant under an Engineering, Procurement and Construction (EPC) model. The construction timeline is 51 weeks (from award of contract to commissioning).

The processing plant will comprise: single stage crushing, single stage SAG grinding circuit and classification, gravity recovery, leaching and adsorption, elution and gold recovery (Figure 19).

The plant will also have a dedicated 100ktpa milling and flotation circuit to treat refractory satellite deposits (e.g., Copenhagen). This circuit will be standalone, modular, and transportable, and include flotation cells, concentrate thickener and filter press.

CAI has assumed a 95% plant recovery, which falls slightly on treatment of low-grade stockpiles in the final months of operations. Our modelled LOM gold recovery is 94.3%.

**Figure 19. Simplified Warrawoona Flow Sheet**



Source: CAI (18 July 2019)

## Infrastructure Requirements

### Power

CAI intends using a Build Own Operate (BOO) arrangement to establish a gas-fired power station at Warrawoona, with bulk LNG to be delivered to site via gas bullets.

### Process Water

At present CAI has a water requirement shortfall of 20-30/Ls including advanced mine dewatering, which means new groundwater production bores are required. CAI has provided for 8-10 groundwater production bores in its capital cost estimate.

### Tailings Storage Facility (TSF)

CAI will employ a valley fill approach, with a cross valley embankment 17m high and 250m long across the alignment of Brockman Hay Cutting Creek. The TSF is 750m wide by 2.3km long, covering an area of 140ha. The facility catchment is 5.7km<sup>2</sup> which comprises TSF, natural catchment, on the valley sides and western portion of the proposed waste dump area.

### General

CAI will use an owners team to manage infrastructure, which includes installing a communications network, upgrading of a 7km access road from the from Corunna Downs Road as well as internal operations roads and tracks, installation of a 240 room accommodation village, provision of an aerodrome (either upgrade of Corunna Downs airstrip or contribution to the upgrade of Marble Bar airstrip), bulk earthworks, as well as other ancillary facilities and services.

## Environmental Factors

### Bats

Pilbara Leaf Nose bat and Ghost bat roosts are present within historic mine workings (principally Klondyke Queen within tenement M45/669). These species are protected under the Federal Environment Protection and Biodiversity Conservation Act 1999. CAI has established a network of bat monitoring posts across the project and has maintained a 200m exclusion zone around the roosts. Bats have not been detected roosting in other historic workings or within the planned pit outline.

### Surface Water

Warrawoona lies within a zone which receives periodic cyclones (November-April) and associated wet weather depressions that can produce heavy rainfall over short time frames. There are several ephemeral watercourses that transect the project on the south side NE-SW direction; these tend to drain rapidly, and headwaters of Brockman Hay Cutting Creek and Sandy Creek catchment areas upstream are limited. The main potential for disruption is flooding of the highway to Port Hedland. Mining is unlikely to be affected, particularly in the early years, given the deposit is situated up to 80m above the surrounding topography. CAI has designed waste dumps on the upstream side of pits where possible, designed armoured diversion bunds and drains around pit crests, and ex-pit roadside drains to direct runoff away from the pits. Run-off from upstream of the TSF will report to the reclaim pond for process plant for reuse.

The tailings have significant acid neutralising capacity resulting in non-acid forming classification (NAF).

### Permitting

CAI anticipates permitting will take up to 12 months to secure (H2 CY2020), subject to Western Australian (Environmental Protection Authority: EPA) and Federal (Department of the Environment and Energy: DoEE) environmental assessment processes.

CAI will refer the project to the EPA and DoEE during the current quarter. There is a possibility that the project may be assessed under an accreditation process between the DoEE and EPA, which could streamline the process. Notwithstanding, all baseline studies are complete.

The following additional WA environmental approvals will be required:

- Mining Proposal and Mine Closure Plan (administered by Department of Mines Industry Regulation and Safety (DMIRS);
- Works Approval and Environmental Protection Act Part V Licencing (Department of Water and Environmental Regulation (DWER);
- Environmental Protection Act Part V (Native Vegetation clearing permit) should the project not be formally assessed under Part IV, delegated to DMIRS; and
- Water Licencing administered by DWER.

### Native Title

All Mining Leases were granted before Native Title determination. No sites of cultural significance were identified during clearance surveys on the Mining Leases, and a search of the Aboriginal Heritage Enquiry System revealed a single site on E45/4587 on Corunna Downs (refer May 2017 Prospectus).

### Royalties

The project is subject to Western Australian government royalty of 2.5% on gold production. In addition, there are three third-party royalties tied to specific tenements. These include:

- Arcadia Royalty: 2.5% royalty after production of 20koz gold, capped at A\$3.5m;
- Rio Tinto Royalty: \$1m payment to Rio Tinto on production of 50koz, and
- Danks and Dershaw Royalty: 2.5% profit-based royalty.

While the third-party royalties are payable on gold produced from ore sourced within specific tenements, we cannot be certain of the timing. We have assumed the royalties are payable from initial production. The royalties total A\$35 million (at A\$1,800/oz gold).

Haoma Mining NL also has rights to treat any alluvial or scree resources and the tailings and waste dumps arising from the mining undertaken on the Klondyke tenements under the agreement and all other CAI tenements within 25km.

### PFS Capital Costs

The initial capital requirement is A\$95 million, with the process plant comprising A\$72 million. The non-processing infrastructure includes the accommodation camp, aerodrome upgrade, tailings storage facility, mining services establishment, first fills, consumable and spares. A \$7 million contingency allowance has been included. Mine establishment (pre-production capital) of A\$29.5 million include pre-stripping and pioneer mining works, initial underground development, and owners costs associated with these activities prior to first gold production (Table 14).

**Table 14. PFS Capital Cost Estimate (-15/+20%)**

Capex	Unit	CAI
Processing Plant	A\$'000	72,000
Non-Processing Infrastructure and Owners Cost	A\$'000	16,000
Contingency	A\$'000	7,000
Capital Cost Summary	A\$'000	95,000
Mine Establishment (Pre-Production)	A\$'000	29,500
<b>Total Capital to First Production</b>	<b>A\$'000</b>	<b>124,500</b>

Source: CAI (17 July 2019)

### PFS Operating Costs

CAI's mining cost estimates were derived from four Western Australian mining contractors (Table 15).

**Table 15. PFS Operating Cost Estimate (-15/+20%)**

C1 Costs	CAI LOM Cost		
	A\$'000	A\$/t	A\$/oz
Open Pit Mining	258,000	27	635
Underground Mining	142,000	56	683
Mining	401,000	33	690
Processing & Maintenance	181,000	15	312
Business Services	25,000	2	44
<b>Total</b>	<b>607,000</b>	<b>51</b>	<b>1,047</b>
AISC Cost Summary	CAI LOM Cost		
	A\$'000	A\$/t	A\$/oz
Open Pit Mining	258,000	27	635
Underground Mining	175,000	69	837
Mining	433,000	36	746
Processing & Maintenance	181,000	15	312
Business Services	25,000	2	44
Royalties (State and 3rd Party)	34,000	3	58
<b>Total</b>	<b>673,000</b>	<b>56</b>	<b>1,159</b>

Source: CAI (17 July 2019)

### Financing

CAI considers it will be able to finance Warrawoona with a 65:35 debt/equity split and will engage a debt advisory firm to assist with its project financing. We've modelled a \$78 million debt financing supported by limited hedging, which meets typical project finance covenants. Our hedging comprises 40% of production over 3 years hedged at A\$1,900/oz, ~10% discount to spot pricing (60% year 1, 40% year 2, 20% year 3).

The residual construction equity task is \$58 million (versus CAI's estimated A\$45 million). We have included in our funding corporate overheads, financing fees, and provision for maintaining a \$5 million minimum cash balance (possibly required by the banks). We also anticipate CAI will require additional funding to reach Final Investment Decision on Warrawoona by the end of 2020.

## Capital Structure

**Table 16. Issued Capital**

Issued Capital	Number	Exercise Price	Grant Date	Expiry Date
<b>Fully paid ordinary shares</b>	<b>1,858,887,024</b>			
<b>Options</b>				
Alkane Resources Limited	70,000,000	0.035	18/10/2018	1/11/2019
Otsana Pty Ltd	50,000,000	0.02	18/04/2017	18/04/2021
Board	16,000,000	0.03	13/06/2017	13/06/2020
<b>Performance Rights</b>				
Senior Management	12,000,000	0.041	13/06/2018	13/06/2021
Senior Management	9,000,000	0.030	3/05/2019	3/05/2022
<b>Fully Diluted Issued Capital</b>	<b>2,006,887,024</b>			

Source: CAI (2018 Annual Report, May 2017 Prospectus, 17 Oct 2018 ASX)

Keras Resources Plc (KRS) is CAI's largest shareholder, followed by two corporates – Alkane Resources Limited (ALK) and Novo Resources Corporation (NVO). Should ALK exercise its options by November 2019 (Table 16), it will increase its holding to 15.6% (fully diluted basis). ALK has anti-dilution rights with respect to future capital raisings and can appoint a Director to the CAI board if it maintains an interest above 10% on a fully diluted basis (Table 17).

**Table 17. Major Shareholders**

Major Shareholder	Number	% Undiluted	% Diluted
Keras Resources Plc (KRS LN)	723,750,000	38.9%	22.6%
Alkane Resources Ltd (ALK AU)	242,289,136	13.0%	15.6%
Novo Resources Corp (NVO CN)	56,585,366	3.0%	2.8%
Institutional Investors	>185,888,702	>10.0%	>9.3%
Top 20	>1,245,454,306	>67.0%	>65.5%

Source: CAI (18 Jul 2019, 24 Jun 2019, 6 May 2019, 27 Sep 2017, 20 Sep 2017)

On 2 July 2019 Keras Resources Plc announced its intention to undertake an in-specie distribution of its shareholding in CAI to its shareholders. The distribution will require the approval of its shareholders at an AGM and approval by the court in the UK. KRS is targeting completion of the distribution by the end of 2019. Managing Director David Reeves is the largest shareholder in KRS (16.67%), and following a successful distribution, his shareholding in CAI will increase from 1.1% to 7.25% (fully diluted basis), to become CAI's second largest shareholder, behind ALK (Table 18).

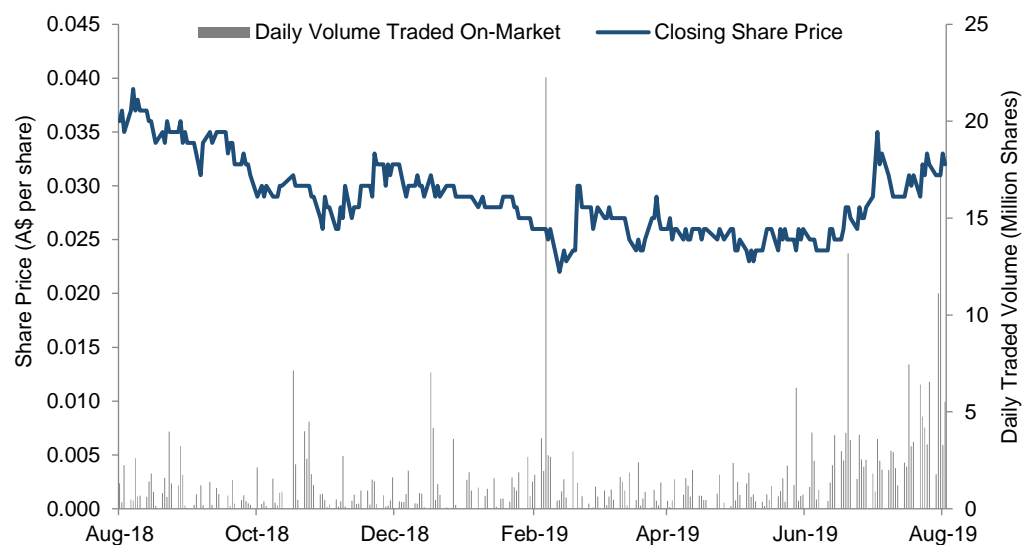
**Table 18. Directors' Shareholdings**

Director	David Reeves	Mark Connelly	Keith Coughlan	Adam Miethke	Total
Appendix 3Y Date	2/08/2019	12/12/2018	13/07/2017	15/06/2017	
Issued Shares	19,757,903	5,000,000	4,440,000		29,197,903
Unlisted Options	5,000,000		5,000,000	6,000,000	16,000,000
Listed Options			1,110,000		1,110,000
<b>Total</b>	<b>24,757,903</b>	<b>5,000,000</b>	<b>10,550,000</b>	<b>6,000,000</b>	<b>46,307,903</b>
KRS Holding Distribution	120,673,453				120,673,453
<b>Total</b>	<b>145,431,356</b>	<b>5,000,000</b>	<b>10,550,000</b>	<b>6,000,000</b>	<b>166,981,356</b>
% (Undiluted)	1.06%	0.27%	0.24%	0.00%	1.57%
% (Undiluted incl KRS)	7.55%	0.27%	0.24%	0.00%	8.06%
% (Diluted)	1.23%	0.25%	0.53%	0.30%	2.31%
% Diluted incl KRS)	7.25%	0.25%	0.53%	0.30%	8.32%

Source: CAI (ASX Announcements, Keras Resources Plc Announcement 2 Jul 2019).

## Recent Performance &amp; Newsflow

Chart 7. Share Price Performance



Source: Bloomberg

Table 19. Recent Newsflow

Date	Announcement
30/07/2019	Intercepts of up to 107g/t to underpin Resource upgrade
17/07/2019	PFS and Maiden Reserve for Calidus' Warrawoona Project
9/07/2019	Calidus Acquires Tenure in high grade Marble Bar Goldfield
20/06/2019	Infill Drill Results Increase Confidence in Resource
4/06/2019	Drilling Returns up to 9 g/t – Scope for Resource Increase
28/05/2019	IP Survey Significantly Enhances Exploration Potential
11/04/2019	Wide outcropping gold mineralisation in Calidus' Resource
21/03/2019	Calidus Drilling Underway on Large Regional Targets
12/03/2019	Calidus appoints experienced Chief Operating Officer
20/02/2019	Calidus Appoints GR Engineering for the Warrawoona PFS
18/02/2019	Tenement Acquisition / Issue of Shares / Cleansing Notice
6/02/2019	Calidus Grows Resource by 75% to 1.25 Moz
6/21/2018	High Grade Depth Extensions at Klondyke & St George Results
8/11/2018	Further High-Grade Drilling Results Across Warrawoona
5/11/2018	Appointment of Project Manager
23/10/2018	Update on Disposal of Non-Core Conglomerate Gold Rights
17/10/2018	Strategic Placement to Alkane Resources Raises \$3.7m
24/09/2018	Appointment of Company Secretary
28/08/2018	Disposal of non-Core Conglomerate Gold Rights for C\$3.5 million
23/08/2018	Calidus Announces New Discovery
30/07/2018	Resource Drilling Expands Mineralisation at Warrawoona

Source: ASX Announcements



## Board of Directors

### **Mark Connelly – Non-Executive Chairman (B Bus MAICD MSME)**

Mark has over 30 years' resource industry experience in Managing Director and Chief Executive Officer roles across multiple jurisdictions including Australia, West Africa, North America and Europe. Previous positions have included Managing Director of Papillon Resources until its takeover by B2 Gold in 2014; and Chief Operating Officer of Endeavour Mining Corporation following its merger with Adamus Resources, where he was Managing Director and Chief Executive Officer. He was previously Non-Executive Chairman and a Non-Executive Director at Saracen Mineral Holdings, Tiger Resources Limited, and a Non-Executive Director of Ausdrill Limited. Mark is currently Non-Executive Chairman of Tao Commodities Limited, Primero Group, and Emmerson Plc.

### **David Reeves – Managing Director (B Mining Eng Grad Dip App Fin WA Mine Managers Certificate)**

David is a qualified mining engineer with over 30 years' experience in the mining industry within both corporate and technical roles. He was Project Manager of African Platinum Plc and Zimplats Holdings Limited prior to their acquisition by Impala Platinum Holdings Limited, and previously worked with Delta Gold in Zimbabwe and for Western Australian gold companies including Great Central Mines in various roles including Mine Manager. David is currently Non-Executive Chairman of European Metals Holdings and is a Non-Executive Director of Keras Resources Plc.

### **Adam Miethke – Non-Executive Director (B App Sci (Hons) MBA MAusIMM SEG)**

Adam is a qualified geologist with over 16 years' resources industry experience across exploration and mine geology, funds management and corporate advisory. He initially worked in Rio Tinto's iron ore division before joining Snowden Mining Consultants where he worked across all commodities in Australia, Africa, Eastern Europe and South America. He later became technical director for Regent Pacific Group in Hong Kong, overseeing the group's investment portfolio. Until 2017, Adam spent five years as a director of Argonaut's corporate finance team as leader of its metals and mining division.

### **Keith Coughlan – Non-Executive Director (B A)**

Mr Coughlan has almost 30 years' experience in funds management and stockbroking, including promotion and funding of Australian, UK, and Canadian resources companies. He is currently Managing Director of European Metal Holdings Limited and a Non-Executive Director of Southern Hemisphere Mining Limited. Keith was previously Non-Executive Chairman of Talga Resources Limited.

### **Julia Beckett - Company Secretary (Cert Governance Practice & Administration, MGIA)**

Julia is a corporate governance professional, having worked in corporate administration and compliance for the last 11 years. She has been involved in business acquisitions, mergers, IPOs, reverse takeovers, capital raisings as well as statutory and financial reporting. She is also Company Secretary of Drake Resources Limited, European Metals Holdings Limited and Joint Company Secretary of Doriemus Plc and has held Non-Executive Director roles for a number of ASX listed companies.

### **Paul Brennan – Chief Operating Officer (B Mining Eng MBA Grad Cert Project Management)**

Paul has 20 years' experience in the mining industry as a mining engineer. Most recently, he was General Manager of Saracen Mineral Holdings Limited's Carosue Dam gold mine, responsible for management of production, safety, and financial reporting. Previously he worked in engineering and senior management roles with Goldfields at the St Ives gold mine.

### **Fernando Moutinho – Project Manager (B Eng)**

Fernando has 30 years' international experience in project management, working for clients and contractors including Ausenco and GRD Minproc in building resource projects globally.

### **Jane Allen – Geology Manager (B Sc)**

Jane has 30 years' international mining experience in managing greenfields, brownfields and near mine exploration in gold and base metals, most recently heading up brownfields exploration for AngloGold Ashanti for all continental African Operations. She has also worked with Resolute Mining, AvionGold Corporation and Great Central Mines.

## Investment Risks

**Commodity Price:** CAI has single commodity risk and will be affected by market sentiment towards the gold price.

**Currency:** As the gold price is US dollar denominated CAI's future earnings are exposed to AUDUSD currency movements. Its operating cost base is in Australian dollars.

**Mine Life:** CAI has published a maiden Ore Reserve upon which its PFS is based. The PFS also includes Inferred Resource material (16%), which may not convert to an Ore Reserve with additional drilling. CAI will be reducing this risk during the DFS phase, with additional infill and extensional resource drilling, as well as grade control drilling.

**Resource / Reserve grade:** CAI's PFS valuations are very sensitive to grade / recovery variation. The company has employed conservative modifying factors in deriving its maiden Ore Reserve (open cut dilution and ore loss, underground stope recovery) which have lowered the gold grade. This approach will be preferred by project financiers looking to debt finance the project.

**Project Financing:** CAI anticipates the project will be able to support 65% debt (A\$80 million) with a construction equity component of A\$45 million. We view this as realistic, as we can achieve A\$78 million debt capacity on our price deck (~A\$1,800/oz gold price, with limited hedging of initial production at A\$1,900/oz) and comfortably meet typical project finance debt covenants. The only qualification we would add is whether the banks would require any additional covenants. Our assumed A\$58 million construction equity finance ensures CAI has a minimum A\$5 million cash balance during the debt term.

**Project Development:** CAI is seeking to minimise project development risk through inclusion of performance guarantees and liquidated damages in its contracts. Notwithstanding, delays due to weather, permitting, delayed arrival of imported components, as well as contract disputes are possible.

**Operations:** Key operating risks include:

- Tonnages and grade reconciliation: not achieving target gold grades or tonnages as estimated in the Resource model upon which the Ore Reserves are based;
- Process plant risk: not achieving metallurgical recoveries;
- Weather: cyclones and wet weather events can impact site access;
- Water: CAI needs to establish a bore field to meet its process water requirements.

**Regulatory approvals:** CAI will refer the project to the EPA and DoEE this quarter. While all baseline studies are complete, the environmental regulatory process could extend beyond the 12 month time frame anticipated to secure approvals.

**Single asset:** CAI's core business will be gold production from Warrawoona. Risks are inherently higher for single project companies due to a lack of diversification.

**Key personnel:** Managing Director David Reeves, Chief Operating Officer Paul Brennan and Geology Manager Jane Allen are largely responsible for development of the project to date and will be through its ongoing development.

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