



9 February 2022



VSA Morning Miner

This Morning's News

Caracal Gold (GCAT LN)[#]

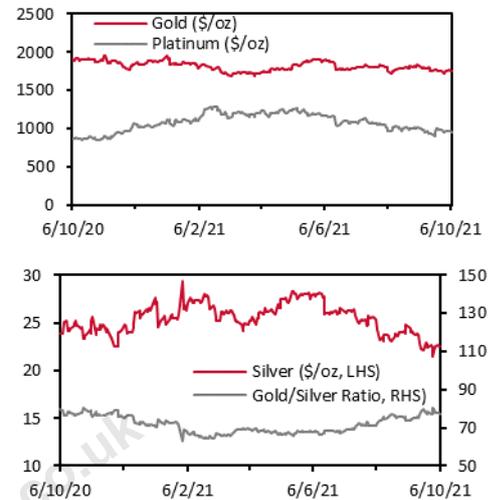
Caracal Gold (GCAT LN) has provided a quarterly update summarising the rapid development progress of the company to create a company with production, development optionality and exploration upside. An accelerated ramp up is planned to sustainably achieve the near term targets of 1koz per month and subsequently double that.

Q4 production of 2,088oz was up strongly, 86%, from the prior quarter on the back of record throughput; indicating that production was broadly in line with our full year estimates. Monthly production increased 53% within the quarter to a peak of 872oz in December. However, we note in Q4 2021 there has been a build in unsold inventory with quarterly gold sales of 1,047oz due to seasonal factors and maintenance. The company has demonstrated strong progress towards its 1koz per month target but in doing so has also identified areas for optimisation including the elution plant which was a bottleneck in the recent period. Some work has already been carried out and the company has indicated it will install a new elution plant as part of the wider expansion which will also improve efficiency. We anticipate that the addition of the heap leach, where the design is being finalised, will give the company greater flexibility to meet its near term targets. It will also enable the company to work down the stockpiles of gold bearing mineralisation which currently total over 2.9koz of contained gold and maximise recoveries given the range of raw materials on site.

Grades appear broadly in line with our expectations at over 2g/t through the CIL plant and around 1.2g/t on the tailings retreatment circuit. Combined with higher throughput the company has been able to further reduce costs to an estimated US\$960/oz in the quarter and as previously highlighted the transition to grid power should result in further cost savings ceteris parabus. Given the ramp up this is likely not representative of FY 2021 as a whole but it is certainly a positive position to be in going into 2022 and shows that Kilimapesa has the potential to produce strong cashflow in the current gold price environment.

Kilimapesa provides the platform for growth and this is now on two fronts both in the immediate vicinity of Kilimapesa where a drilling campaign is underway following the successful trenching programme in H2 2021 where assays are expected later in the current quarter. The Nayakafuru acquisition has been well timed with the uptick in sentiment towards Tanzania; sufficient to prompt BHP to make a US\$40m nickel investment. The project provides exciting growth optionality given the impressive hundred gram meter historic intercepts.

One-Year Charts



LME prices (US\$/lb)	Last Close	Day % Chg	-1 Year % Chg
Aluminium	2,905	0.3%	67.0%
Copper	9,177	-0.9%	40.9%
Lead	2,195	0.3%	24.6%
Nickel	18,133	1.2%	25.2%
Zinc	3,034	1.0%	29.5%

NOTE: #Indicates VSA house stock.
SOURCE: FactSet, as of last close.

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Having put the foundations in place for an exciting gold growth story GCAT has demonstrated strong operational performance. With assays pending and a ramp up in exploration activity we expect a period of newsflow and potential share price catalysts ahead. GCAT has derisked the execution of its roadmap by strengthening its team and the recent appointment to the senior management team are important.

We reiterate our Buy recommendation and 4.2p/sh. target price.

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Stock Information

Stock	BBG TKR	Exchange/ Currency	Mkt Cap (m)	Last Close (Curr)	Rec	TP	Date of Recommendation
Caracal Gold	GCAT LN	LSE (£/p)	16.7	1.15	BUY	4.2	12/12/2021

NOTE: #VSA house stock. **SOURCE:** FactSet data, VSA Capital estimates. Pricing as of last close.

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Equities breakdown: 31 August 2020	Spec. BUY	BUY	HOLD	SELL
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