

24 March 2017

Analyst : Warwick Grigor

Alicanto Minerals Ltd (ASX:AQI)

“5 Moz gold target is inspiring, and achievable ”

Share Price	19¢ at 22/3/17
12 Mth High/Low	4.3¢-45¢
Market Cap'n	\$16.086m undiluted
Issued Shares	84.661 mill. ordinary
Options - promoter	7.095 mill. 0.1¢, April 2021
Options - unlisted	16.4 mill. 6.5¢-32¢, '17-'19
Total Issued	108.1 mill. shares + options
Cash Balance	\$2.3m as at 31/12/16
Largest Shareholders	
Kerry Hamanis	7.2%
Hamish Halliday	6.8% (director)
Exploration Cap. Ptns	6.9% (at 26/9/16)
Mel Ashton	5.1% (director)

Investment Perspective: *Alicanto Minerals is a gold-focused exploration company intent on proving the potential of its two Guyanese projects. Whilst exploration is always speculative, AQI has elected projects that have been mined for many years by small scale local operators that have mostly been recovering near-surface gold using gravity separation techniques, from shallow saprolite zones. Thus the prospectivity of the geology has been demonstrated by the actual recovery of easily won gold.*

AQI intends to prove the extensions of the gold mineralisation at depth, aiming to demonstrate a number of one million ounce size orebodies that can be processed in a centralised treatment plant.

Having Barrick on board to fund US\$10m of exploration is of major advantage to a Perth-based exploration company that might have otherwise found exploration in South America to be financially and logistically challenging. More than that, it confirms that the scale and the geological potential of Arakaka is substantial. Barrick sets its minimum exploration target threshold at 5 Moz.

Acknowledging this point, we have already seen North American-based fund managers moving onto the share register in a big way, including Toronto-based Exploration Capital Partners 2014 LP (affiliate of Sprott) declaring a 6.9% holding. Kerry Harmanis, the successful WA nickel mine developer and now investor, has also taken an 8.4% stake. The smart money is set.

The share price has weakened since the initial euphoria in mid 2016, to be in the process of forming a solid base in the range of 18-22¢. This will serve as a good platform for upward movements should exploration results deliver on expectations.



Chart Source: ASX

Company Description

AQI is a relatively recent entrant to the ASX, having raised \$2.4m at 20¢ in an IPO in mid 2012. Six months later it entered into an option over gold projects in Guyana, which it subsequently exercised. It is now a specialist Guyana-based gold explorer with two main projects. The initial project, Arakaka, has been joint ventured with Barrick Gold Corporation whereby that company can earn a 65% interest through expenditure and payments totalling US\$10m. The second project, Ianna, remains 100% held by AQI, via an option to acquire.

AQI should be seen as a speculative gold exploration company with potential to prove a number of gold deposits, each with million ounce potential.

Compelling Points

- geological merit already been demonstrated by small scale open pit mining, by local operators
- extensive strike length of 15 km shown by workings
- initial drilling has intersected three gold bearing structures in each of three 2 km step out lines
- prospective zones up to 1.7 km wide, hosting both high grade and low grade orebodies
- favourable JV with Barrick, which has a minimum target size of 5 Moz in its exploration projects

Directors and Management

Didier Murcia	Non-Exec Chairman
Travis Schwertfeger	Managing Director
Hamish Halliday	Non-Exec Director
Marcus Harden	Chief Geologist

Investment Highlights

<i>Guyana is a mining friendly, English speaking jurisdiction</i>	Guyana is one of the more mining-friendly jurisdictions due to the lengthy association that much of the population has had with mining over many decades. The country is relatively undeveloped with respect to industry and therefore extractive mining activities are an important part of the economy. Artisanal mining is an important source of income for rural communities, and for the Government, which takes a 5% royalty on gold revenue. Having English as the main language is useful for Australian companies operating in Guyana, as is the use of a traditional English-based legal system.
<i>Extensive mining history on licences</i>	Many years of mining by local operators has confirmed the wealthy gold endowment on AQI's licences. As the locals only mine the near-surface saprolite material using gravity gold recovery methods, anything deeper remain in-situ for exploitation by companies with better access to capital and technology. The location of historical workings is an important indicator as to where best AQI should be directing its exploration efforts. It is estimated that over 1 Moz have been mined by locals processing near surface alluvial ore.
<i>Scale is very impressive</i>	AQI has secured a large ground position covering 15 km of continuous 100 ppm gold anomalous at Arakaka, which has been mapped and sampled. Multiple targets were identified during the due diligence period and a better understanding of localised structures was achieved, along with the changes in intrusive chemistry. All up, there are four mineralised corridors with 40 km of potential strike. It was noted that the scale of the projects is similar to that of St Ives, in WA.
<i>Survived Barrick due diligence, confirms 5 Moz potential for Arakaka</i>	The fact that Barrick has committed to a joint venture is in itself an impressive achievement. This means not only is there gold in the licences, but also that the potential size of those deposits is big enough to attract a company that won't deal unless it thinks that 5 Moz is a reasonable expectation.
<i>Other projects outside of the Barrick JV</i>	As any small company would know, when a junior exploration company joint ventures with a major, it runs the risk that news flow may be constrained. This can be frustrating. AQI has ensured that it has other projects in Guyana that can provide an additional source of news flow. It is earning 100% of the Ianna Project, 20 km to the SE of Arakaka. There are two corridors of interest at Ianna with a combined strike potential of 7 km.
<i>Low cost management and overheads</i>	An important point is the low cost management structure of AQI. Add to this the observation that Barrick is leaving AQI as the operator/manager for two years and you will see that every attempt is being made to keep overheads low, at this stage of the project.
<i>Concept is for a centralised treatment plant to process ore from multiple pits</i>	The licences are likely to host a number of gold deposits in the range of 0.5-1.0 Moz of gold with average grades of 1.5-2 gpt, rather than a single huge gold deposit. This suggests that a centralised treatment plant located conveniently within trucking distance of multiple ore sources may be the best development option.
<i>Field trip provided valuable insight into the project.</i>	Late in 2016, I spent a few days in Guyana on a field trip (<i>Disclosure: Costs covered by AQI</i>). That provided ample time to gain a good understanding of the geology and the operating issues. The notes to this field trip are included in this research note. Please note that they were written in October 2016.
<i>Share price comments</i>	Alicanto's share price performed spectacularly well in mid to late 2016, about the time that there was strong buying from North American investors. Since then it fell heavily with the gold price late in 2016. More recently it seems to have found a base in the range of 18-22¢ as it awaits exploration results. Expect strong movements upwards if those results are positive. One of the reasons for the softness in the share price in 2017, was the sale of 2.22 million shares at 21.7¢ by the Toronto-based 1832 Asset Management Group, announced on 9/3/17. It ceased to become a substantial shareholder at that point. It would still have had about three million shares left, which may constitute an overhang in the market.

Location of Alicanto's Projects in Guyana

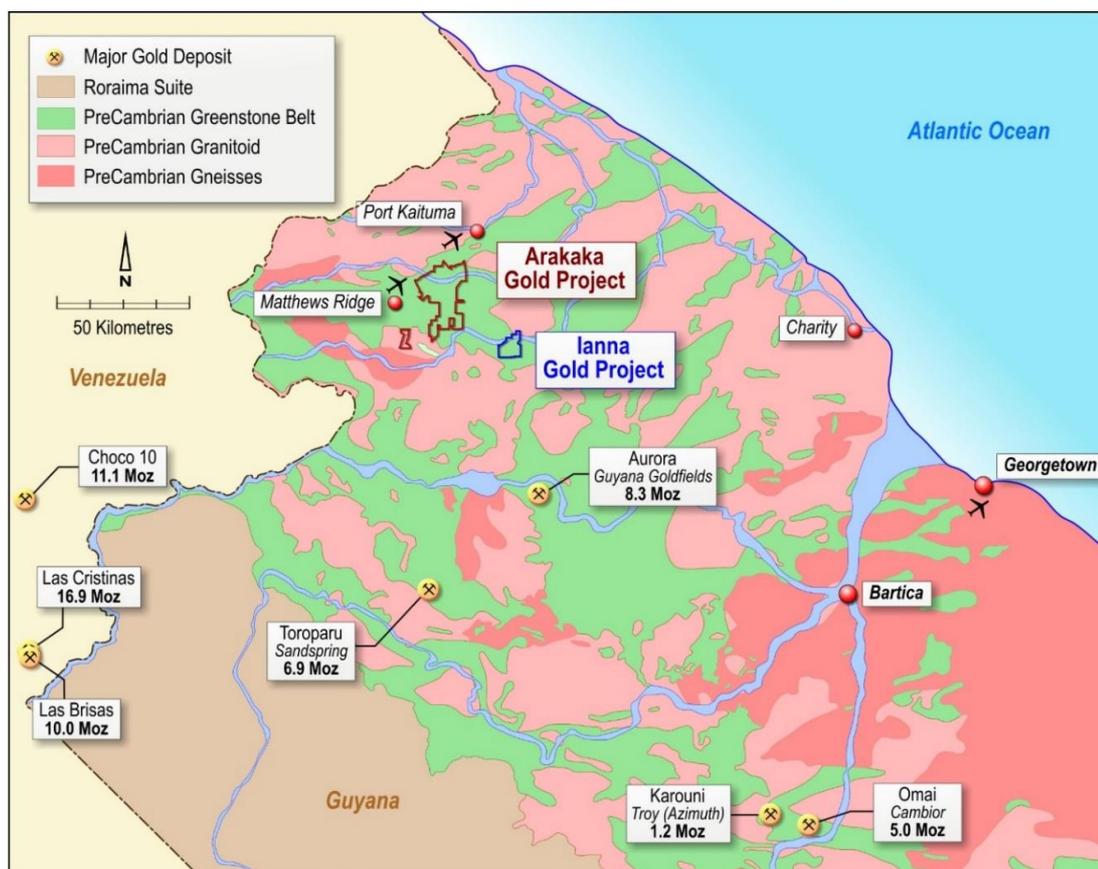


Figure 1. Project Location Map. Source AQI

Similarities with West African Geology

Geologically, Guyana is underlain by the Guiana Shield, a Proterozoic-aged craton that was contiguous with the Leo Mann Shield of West Africa prior to the opening of the Atlantic Ocean. As such, the geology of the Guiana Shield is similar in age, lithology and style of mineralisation to the prolific Birimian gold belts of West Africa (>200Mill. oz of gold endowment). The Arakaka is hosted in the highly prospective Barama-Mazaruni Greenstone Belt in Guyana's Northwest District within one of the last and among the least explored greenstone belts across the Guiana and West African Shields.

Exploration Conducted in 2016

In 2016, AQI drilled 42 reconnaissance RC and DD holes for 5,039m along five widely spaced fences (1-2 km). These tested three parallel NE trending structures with a cumulative strike length of 10 km. At least seven bulk tonnage targets were identified. Structural traps between the diorites and the metamorphosed metasediments have been targeted.

One of the better holes drilled along a diorite margin at the 14 Mile prospects returned 4m at 21 gpt. Elsewhere, the disseminated mineralisation in the diorite returned up to 9m at 1.89 gpt.

Early Results in 2017

Trenching at Xenopsaris confirmed significant mineralisation with results of 22m at 2.02 gpt, within a broader 37m at 1.45 gpt.

AQI now plans to drill 1,000m of diamond drilling, commencing in March, to test the Fozzie, Breaker and Gonzo targets.

Arakaka Exploration Program and Targets for 2017

Barrick has approved a US\$2.5m budget for 2017, comprising 7,500m of drilling, amounting to a 40% increase on the 2016 program. The first 2,000m now underway will target 14 Mile. Holes are being drilled to 125-250m down hole on -50 to -55 degree angles.

The top 30m of the profile comprise saprolitic material. The main zone of interest is in the 30-100m diorite horizon beneath the saprolite, where AQI will be drilling for multiple structures and cross folding that could host gold accumulation. Individual prospect notes are as follows;

- **Purple Heart Area:** Continuous >100ppb gold soil anomalism up to Au over >2.5km of mapped strike on the Purple Heart and Central Structures. Undrilled peak soil results include 6.45 gpt, 3.9 gpt Au and 3.55 gpt. Limited drill testing to date returned better intercepts of 13.5m @ 7.36 gpt, 48m @ 1.84 gpt, and 10.8m @ 1.66 gpt Au
- **Gold Hill Prospect:** Continuous >100ppb gold soil anomalism over >3.2km of strike. Limited RC drilling in 2014 has returned both high grade vein hosted mineralised intercepts (4m @ 21.1 gpt) and disseminated mineralisation (9m @ 1.89 gpt , 7m @ 1.81 gt Au and 2m @ 4.17 gpt EOH) from the same hole. Undrilled auger results of up to 6.52 gpt Au >1km along strike from drill intercepts.
- **Goat Hill Area:** Largely under alluvial cover, the Goat Hill Area has received only limited work to date. Trenching results of up to 22m @ 2.34 gpt have been returned. Drilling is limited to three diamond drill holes drilled in 2016 over >1.2km with two holes intersecting the mineralised valley structure with results including 1m @ 2.1 gpt, 2m @ 1.45 gpt and 1m @ 3.4 gpt.

- **Raoul Area:** Largely under alluvial cover, the Raoul area sits on the valley structure, tested by only a single RC hole in 2016 within >2.5km of blind target returning 4m @ 2.2 gpt in ARRC030.
- **Pepperpot Area:** Largely under alluvial cover, a single section line of three holes has been drilled in 2016, with all holes intersecting quartz-arsenian pyrite-visible gold veins with the best returning 3m @ 2.69 gpt Au from 84m in ARRC021A (Refer to ASX Announcement dated 31 January 2016). Strike extent has not yet been tested.
- **Mehmet Ali:** Situated on the Purple Heart Structure with >100ppb Au in soil anomalism over >1.25km with local peaks of up to 1.54 gpt Au, the Mehmet Ali target has been drilled by four diamond holes in 2016 over >1.4km with three of the holes reporting visible gold and intercepts of up to 9.72m @ 1.44 gpt and 5.1m @ 3.97 gpt. The target is open in all directions.
- **Powis:** Situated off the main trend, the Powis area has received only limited drilling with results of up to 2.4m @ 8.5 gpt and 2.4m @ 3.24 gpt returned from drilling to date.

Alicanto will also conduct exploration on its 100% owned lanna ground when it conveniently dovetails between the Barrick JV program campaigns. The first work will comprise vein orientation surveying and testing of the margins. Previous work on lanna includes 12,400m of RC and 926m of diamond drilling to depths of no more than 50m. The best historical intercept was 50m at 2.47 gpt.

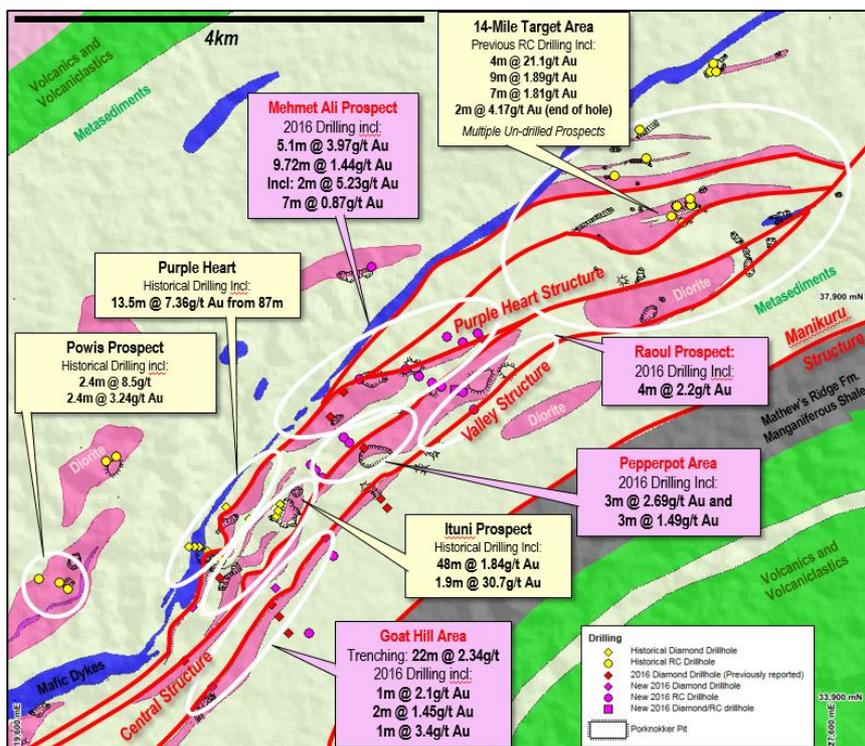


Figure 2. Arakaka Main Trend drill collar locations and proposed drill targets. Source AQI

Corporate Information

Directors and Management

AQI has a small three man board with extensive experience in the exploration and small mining company sphere.

Didier Murcia - Non-Exec. Chairman

- lawyer
- over 25 years experience in corporate, commercial and resources law
- extensive experience in projects in Africa and South America

Travis Schwertfeger - Managing Director

- geologist, formerly with Newmont
- 18 years experience in gold exploration and mining
- worked in North and South America, Africa and Australia

Hamish Halliday – Non-Executive Director

- Geologist with extensive corporate and technical experience
- involved with a number of successful junior exploration companies including Adamus Resources Ltd and Venture Minerals Ltd

Marcus Harden - Chief Geologist

- extensive experience on gold exploration projects in Australia, West Africa and Asia
- previously the Principal Geologist for First Quantum Minerals and Gryphon Minerals in West Africa.
- graduated from Edinburgh University with First Class Honours Degree in Geology

Recent ASX Announcements

- 16/3/17 **Change of Company Secretary**
Retirement of company secretary
- 14/3/17 **Half Yearly Accounts**
Regular reporting requirements
- 9/3/17 **Ceasing to be Substantial Shareholder**
Selling by 1832 Fund
- 7/3/17 **Successful Trenching Program**
Drill target defined at Xenopsaris with results of 22m at 2.02 gpt
- 3/3/17 **Investor Presentation**
Coinciding with PDAC
- 3/2/17 **7,500m Drill Program to Commence**
Detailing 2017 exploration program
- 31/1/17 **Quarterly Activity & Cashflow Reports**
Regular reporting requirements
- 31/1/17 **Trench Sampling at Xenopsaris**
Grades of up to 162 gpt
- 7/12/16 **Barrick Elects to Fund Year 2 Program**

Recent Share Issues - Capital Raisings

Date	Shares Issued	Issue Price	Amount Raised
June 2015	8.5m	4.2¢	\$0.357m
March 2016	14m	7.5¢	\$1m
July 2016	11.6m	13¢	\$1.5m

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