

CANACCORD Genuity

MOD Resources Limited

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Base Metals - Developer/Explorer

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SPECULATIVE BUY

PRICE TARGET	A\$0.10
Price (2-Oct)	A\$0.06
Ticker	MOD-ASX

52-Week Range (A\$):	0.02 - 0.09
Avg Daily Vol (000s) :	2,743.52
Shares Out. (M) :	1,892.5
Market Cap (A\$M):	107.9



Priced as of close of business 2 October 2017

Company Update**T3 project update**

MOD Resources has progressed activities at its T3 Copper development project in Botswana as a result of drilling recommencing in Aug'17 post a four-month hiatus. In addition, as a result of the updated Mineral Resource (currently 36.6Mt at 1.14% Cu) MOD is likely to increase the proposed throughput at T3 to 2.5Mtpa (up from 2.0Mtpa). The work is expected to culminate in a PFS due out in late DecQ'17.

Wide zones of visible copper outside of current T3 Mineral Resource:

- MOD has intersected wide (>50m true width) visible copper hosted in sulphides from four recent diamond core drill holes. While assay results are pending, importantly a number of these wide zones of mineralisation occur down dip (up to 200m) from narrow intersections at shallow depth that were previously identified.
- A total of seven rigs are currently in use with two diamond drill rigs testing east and west along strike from the current resource, targeting IP anomalies. In addition, three rigs are currently infilling at T3 and two RC drill rigs are assessing water bore locations.

Enhanced T3 PFS parameters start to emerge:

- The 2.0Mtpa throughput that was proposed in the DecQ'16 scoping study will be increased to 2.5Mtpa as part of the PFS currently underway. MOD is likely to design redundant capacity (up to 4.0mtpa) to include further increases in the T3 resource or inclusion of the 100%-owned T1 project.
- Locked cycle (i.e., continuous) metallurgical test work on various ore composites validated scoping study recoveries within the range of 93-96% to produce a highly marketable +35% Cu concentrate product.
- Supply from six tested water bores is being evaluated with applications for extraction to follow. On the permitting front MOD has extended exploration access at T3 until April'18 with the formal EIA process to commence post the release of the PFS.

Our view:

- The intersection of vein hosted mineralisation (subject to assay) down dip bodes well for an extension in the resource that defines the current T3 pit design (CGe mine life of 13 years).
- One of the key focuses of the current deep drilling program (~300m) at T3 is testing the Zone 3 ore domain. Results from this drilling should provide a better understanding of the structural contact which hosts many other deposits in the Kalahari Copper Belt.

Current recommendation of SPEC BUY and \$0.10/share target price maintained.

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: October 03, 2017, 04:25 ET

Date and time of production: October 03, 2017, 04:26 ET

Target Price / Valuation Methodology:

MOD Resources Limited - MOD

Our A\$0.12/share price target is based on a 1x NPV10% for MOD's equity ownership (70%) of the T3 project, along with an attributable value ascribed to the T1 under ground project. We have ascribed a nominal value to MOD's exploration projects, net of corporate and other adjustments.

Risks to achieving Target Price / Valuation:

MOD Resources Limited - MOD

Funding risks: As a pre-production company with no material income, MOD is reliant on equity and debt markets to fund development of T3 and progressing MOD's regional exploration pipeline over the longer term. MOD have commenced discussion with a number of established project finance banks in order to meet stated project development timelines.

Operating risks: If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues which could affect profitability.

Exploration risks: Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with exploration techniques and lack of accuracy in interpretation of geochemical, geophysical, drilling and other data.

Country risks: We acknowledge that taxation, fiscal and project licensing agreements in Botswana are subject to change and the definition of said laws may be re-interpreted.

Distribution of Ratings:

Global Stock Ratings (as of 10/03/17)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	560	60.87%	39.46%
Hold	249	27.07%	23.69%
Sell	20	2.17%	10.00%
Speculative Buy	91	9.89%	67.03%
	920*	100.0%	

*Total includes stocks that are Under Review

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MOD Resources Limited Rating History as of 10/02/2017



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