

**Coventry Resources Inc.****CYY** A\$ 0.053**SPECULATIVE BUY**

Coventry Resources is exploring the high grade Caribou Dome copper discovery in Alaska.

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**Building on an Existing High Grade Discovery**

**Coventry Resources Inc. (ASX: CYY) has executed agreements to acquire an 80% interest in the Caribou Dome Copper Prospect, Alaska. The company believes there is potential to delineate 5-10M tonnes of mineralisation grading between 2.5-4.0% copper. Historical exploration results have been encouraging. The company is now embarking on further drilling to prove up the veracity of the mineralisation discovered so far.**

**APP Securities is initiating coverage with a Speculative Buy recommendation.**

◆ **Exceptional exploration results:**

- ▶ Historic exploration since 1963 has demonstrated the presence of high grade copper, with 112 holes totalling 8.36Km drilled over a very small proportion of the project area. Intersections and underground workings point towards mineralization from surface to at least 250m depth with intersections grading between 3.5-4% copper. Almost all of the work to date has been concentrated in < 1 Km of 15Km of interpreted strike, with numerous recommendations to assess other targets not followed up.

◆ **High grade copper intersections close to surface:**

- ▶ A particular attraction of this prospect is the large number of high grade copper intersections close to surface, including 18.1m at 9.34% copper, 18.4m at 6.25% copper, and 13.1m at 7.20% copper all from 15-30m.

◆ **Excellent ore body “genetics”:**

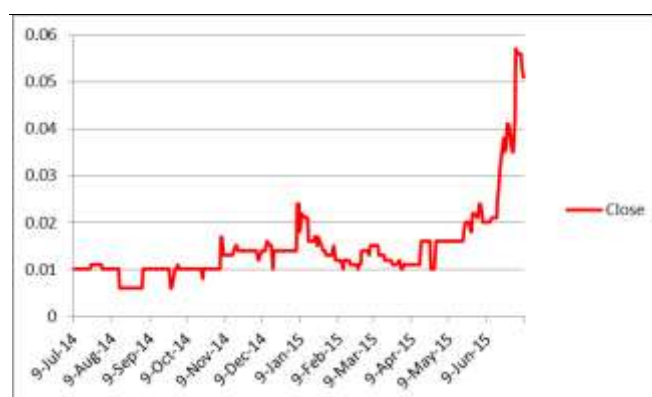
- ▶ The mineralization shows some similarities to that contained within sediment hosted copper deposits such as the Kennecott Copper deposit, White Pine (Michigan), Mt. Isa and deposits within the Zambian copper belt.

◆ **Metallurgical testing of previous grab samples has shown promise:**

- ▶ Chalcopyrite (CuFeS<sub>2</sub>) found within the Caribou Dome region is so finely interspersed with pyrite (FeS<sub>2</sub>) that recoveries with conventional flotation have been poor, although improving over time, with advancing technology. Bulk samples tested in 2008 showed copper recoveries of up to 95% with the combined flotation/Galvanox leaching process.

**Company Data**

Number of shares	231.3
Market capitalisation	\$12.25M
Free Float (%)	72%
12 month high/low	\$0.057/\$0.004
Average monthly turnover	8M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
GICS Industry Group	Materials

**CYY Share Price Performance**

Source: FactSet Research Connect

## New targets aiming to increase existing mineralisation

CYY's Caribou Dome Copper Project tenements have already had the discovery drill hole, and successful follow up drilling. From an exploration perspective, the property is substantially de-risked already and remains under drilled.

The mineralisation contact has been mapped over 15Km within the project area showing visible outcrops of sediment hosted copper mineralisation. Strike extensions of known mineralisation have never been trenched or drilled.

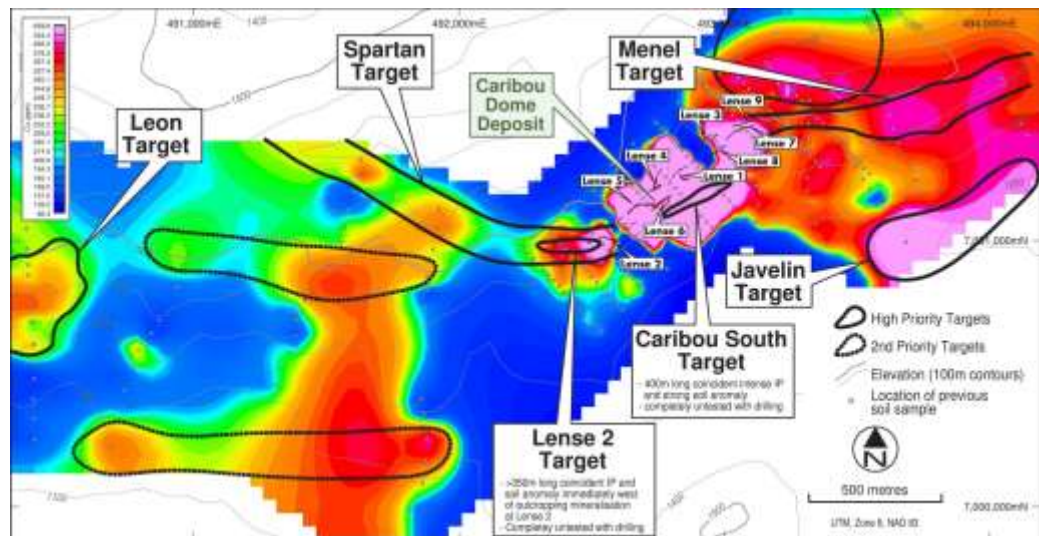
Historical IP data covering 1.0Km of strike have been reprocessed recently, and a number of IP targets have been identified. The new targets include two areas, **both of which are completely untested**, comprising:

1. Outcropping mineralisation at Lense 2 that is 200m long, up to 15m wide and coincides with a 350m-long, strong IP anomaly (Lense 2 Target in Chart 1 below).
2. A 400m-long very strong soil anomaly (Caribou South), with assays up to 0.63% copper, and coincident strong IP anomaly, immediately south of the known lenses (Caribou South Target in Chart 1 below).

At Caribou Dome, all 9 lenses discovered so far are open along strike and at depth.

CYY intends to work up the highest priority targets over the next few months including twinning some pre-existing hole results. Whilst access is possible all year round, summer is the most suitable time for exploration in general and for drilling in particular.

### Chart 1. Exploration targets

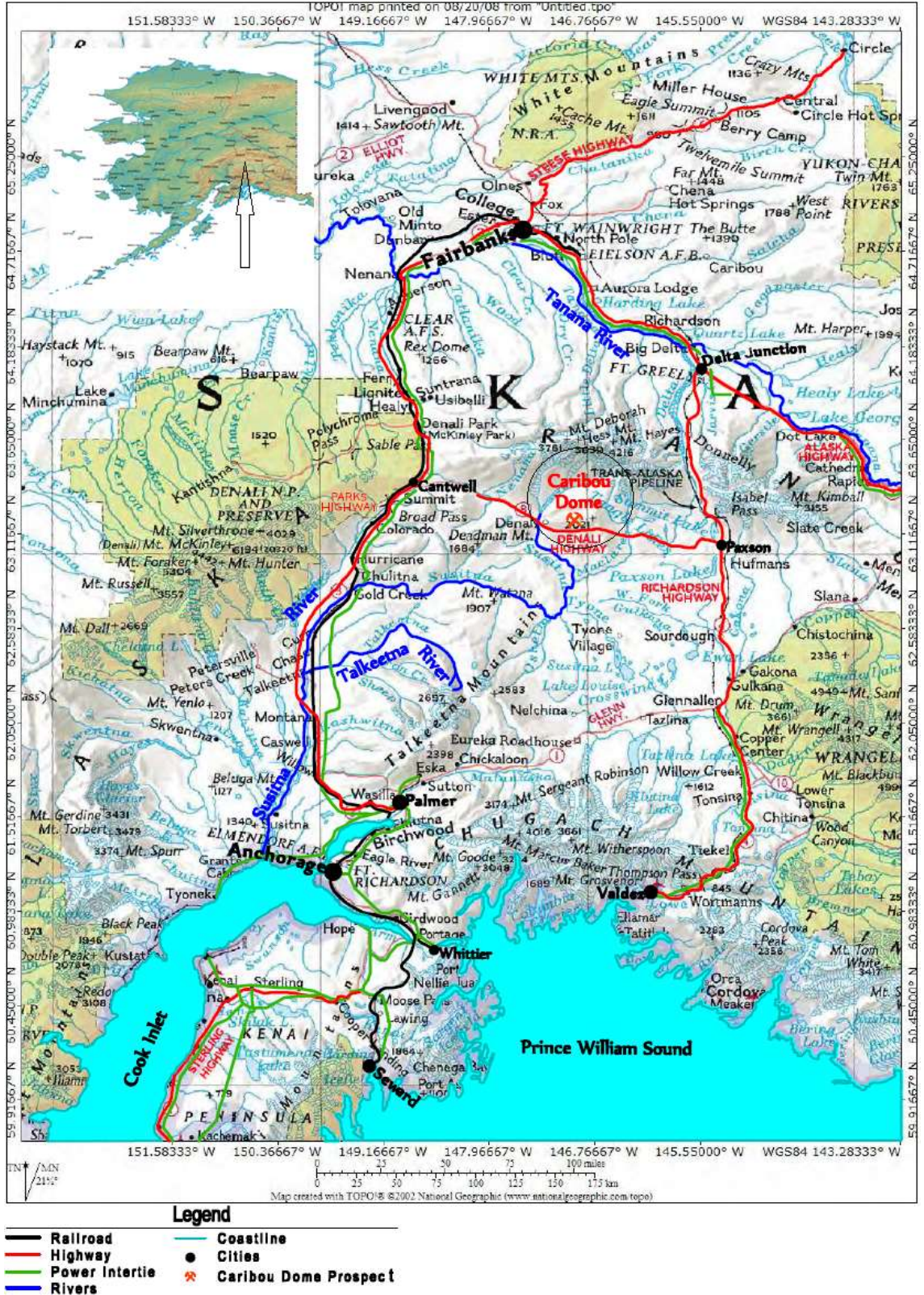


Source: CYY

CYY does not have any existing JORC 2012 compliant resources.

Location and Access

Chart 2. Location



## Access

The Caribou Dome prospect is situated in the Clearwater Mountains, which are composed of glacially carved valleys with narrow sharp ridges. Topographic relief is a maximum of about 3,500 feet. The most recent glaciation was in the north-draining valleys which are more distinctively carved than south-draining valleys.

Valdez Creek, the next major drainage north of Windy Creek, was the site of the largest placer gold mine in North America between 1984 and 1994.

Access to the Caribou Dome Copper Prospect is via a purpose built road from the Denali Highway to the prospect, which begins about 70Km east of Cantwell. Because of stream crossings, rocky, and soft sections in the trail, only four wheel drive vehicles can be used to drive to the property, particularly during wet weather. The maintenance work on the trail performed in 2009 allows a 4X4 truck to drive from the prospect to the Denali Highway in about 45 minutes.

The only infrastructure in the immediate Caribou Dome prospect area is the Denali Highway, a seasonal State-maintained 200Km-long mostly gravel road which connects Cantwell on the west with Paxson on the east.

At Cantwell, located approximately 120Km by trail and road from the prospect, the Alaska Railroad has a siding with a loading dock. Cantwell is connected to both Anchorage and Fairbanks by the all-weather paved Parks Highway and the Alaska Railroad. Also at Cantwell, there is a high voltage intertie power line which connects all the major electrical power sources between Fairbanks, to the north, Anchorage, and Homer, located south of Anchorage. Eventually, a natural gas line from the North Slope along the Alaska Railroad right-of-way through Cantwell to Anchorage may be built.

## Geology

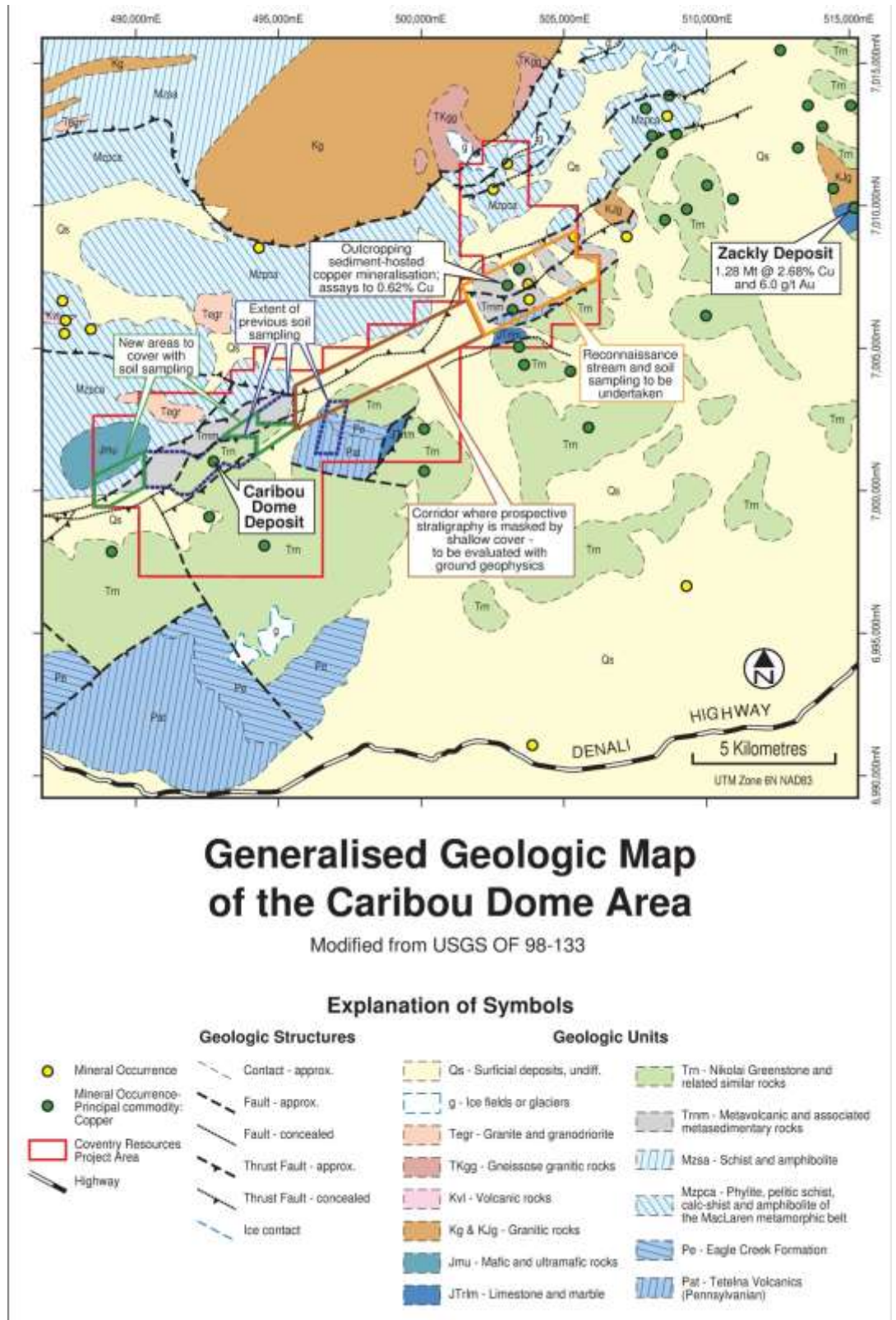
The Caribou Dome lease package is located on the transition zone between a belt of volcanic rocks and a sequence of sedimentary rocks. The volcanic belt consists of andesites and associated pyroclastic rocks. The sedimentary rocks include argillite, blue-grey and black limestone, and tuffaceous sediments. A dioritic pluton emplaced in the sedimentary sequence has hornfelsed the surrounding rocks into assemblages of the albite-epidote and hornblende hornfels facies.

The sulphur isotope ratios of the chalcopyrite and pyrite are strongly suggestive of a **biogenic** origin for the sulphide ion.

Sediment-hosted stratiform copper (SSC) or "diagenetic sedimentary" copper deposits are a large, diverse class of deposits that include some of the richest and largest copper deposits in the world (such as the Zambian Copper Belt, Africa).

SSC occurrences are known in meso- and neo-Proterozoic sequences in the Rocky and Mackenzie mountains in the eastern Canadian Cordillera (e.g. Grinnell Formation and Redstone River area). Possible SSC and volcanic redbed copper (VRC) occurrences, the analogues of SSC deposits in volcanic sequences, are widely distributed in Triassic and Lower Jurassic sequences in the western Cordillera. Although in many localities they are offset by numerous faults, these occurrences offer significant exploration potential in British Columbia and Yukon Territory.

Generalized geology, tenements, and discoveries in Caribou Dome region



Source: CYY

## Caribou Dome Copper Deposit: initial assessment

### Exploration history

Some 112 diamond core holes (from surface and underground) have been drilled for 8630 m over past 50 years to an average hole depth of 75m. The majority of holes drilled tested lenses 4, 5 and 6. There are 9 known lenses of outcropping stratiform mineralisation identified to date over 750m of strike. The contact zone has been mapped over 15Km within the project area.

### Chronology:

1963 – Mineralisation discovered,

1964 – 7 diamond holes drilled,

1969 – Exploration adit developed from 4630ft RL,

1970 – Exploration decline developed from 4510ft RL,

2008 - 225Kg bulk sample analysed for metallurgical test work from 4630 level (G&T Metallurgical Services)

In addition to the 112 diamond holes, some 134 percussion holes have also been drilled for a total of 3283m.

Only 17 holes have been drilled at the Project since 1970 – three in 1977, three in 1999, two in 2009 and nine in 2011. Mineralisation at all nine lenses remains open along strike and at depth.

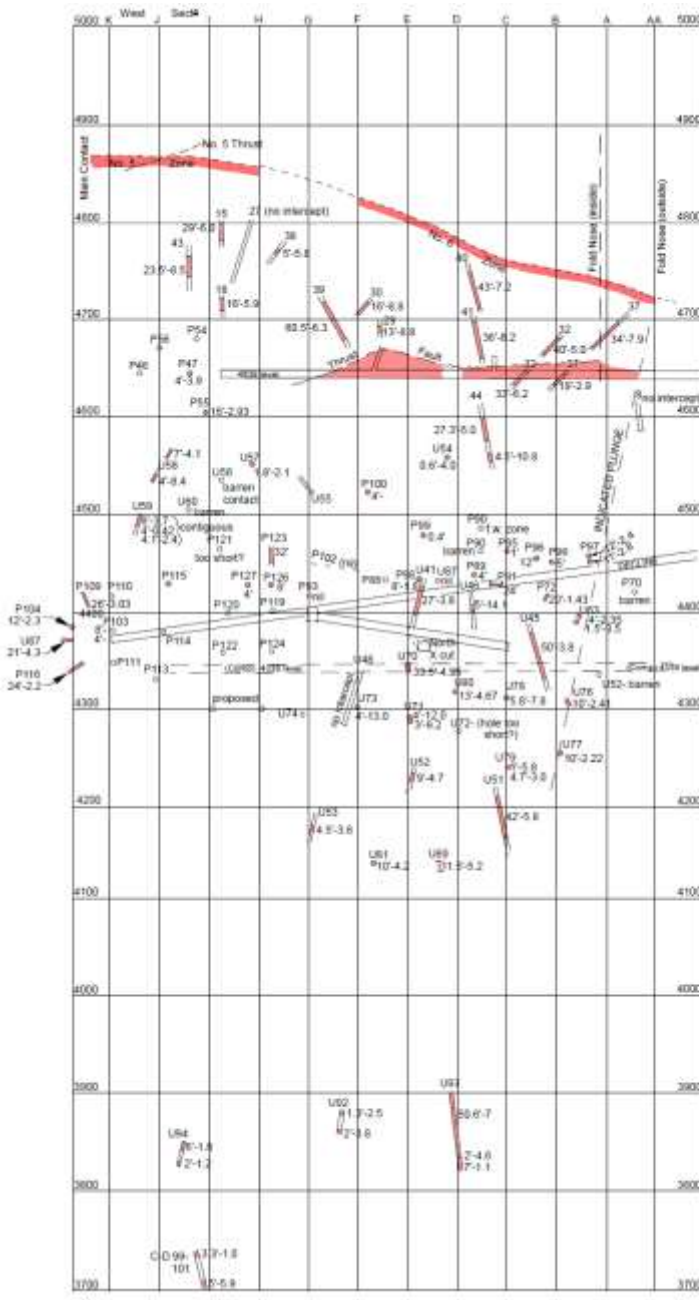
The details of drilling outcomes in lenses 5 and 6 are detailed below (Chart 3).

### High Priority Drill targets

CYY has identified several high priority follow up drill targets – these include:

- 1) **Lense 2** - this target has outcropping mineralisation up to 15 metres wide and extends for >200 metres and is completely untested. A very strong IP anomaly coincides with the outcropping mineralisation. A 600 metre long magnetic anomaly coincides with outcropping mineralisation, and may arise from extensions of the mineralisation. Soil anomalism extends for several hundred metres to the NW of the outcropping mineralisation, coincident with both the IP and magnetic anomalism. Drill hole data from an adjacent hole included 0.3M@ 6.8%Cu.
- 2) **Caribou South** – is a 400m long soil geochemistry anomaly located next to lense 8 where very high soil sample assays, up to 0.63% copper (V typical background levels of 0.01%), have been recorded. It coincides with an intense IP anomaly. Completely untested by drilling.
- 3) **Depth and strike extensions of mineralisation at all nine known lenses.** At all nine lenses, mineralisation remains open at depth and along strike. Detailed fixed loop ground EM surveys will be undertaken to better define the strike and depth extents of the semi-massive to massive sulphide mineralisation in advance of extensional drilling. An example of such a target is the shallow western extension of Lense 5, where the Western most shallow drilling intercepts are 9.1m at 7.0% copper and 10.7m at 5.0% copper (from 28.7 and 18.0 metres respectively. Mineralisation remains open to the West.

Chart 3. Plot of drilling in region of Nos 5 & 6 Lenses



Hole No	Intercept m	Grade % Cu
<b>Lense 5</b>		
15	9.7	6.0
18	5.3	5.9
43	7.8	8.5
P104	4.0	2.3
P109	8.7	3.03
P116	8.0	2.2
P47	1.3	3.9
P48	1.3	3.9
P55	5.3	2.93
U57	0.6	2.1
U58	1.3	8.4
U59	2.7	3.7
U87	7.0	4.3
	4.9	4.56
<b>Lense 6</b>		
30	5.3	8.8
32	21.7	5.6
37	17.7	6.5
39	20.2	6.3
40	14.3	7.2
41	12.0	8.2
44	10.5	5.5
P72	6.7	1.43
P97	7.7	2.5
U41	9.0	3.8
U45	16.7	3.8
U46	1.7	14.1
U51	14.0	5.8
U52	3.0	4.7
U53	1.5	3.6
U54	0.2	4.0
U63	1.8	2.5
U69	3.8	5.2
U70	11.2	4.95
U71	2.3	10.5
U73	1.3	13.0
U76	3.3	2.4
U77	3.3	2.22
U78	1.9	7.8
U79	1.9	4.5
U80	4.3	4.7
U81	3.3	4.2
U92	1.2	3.1
U93	16.9	7.0
Average	7.5	5.66

Source: CY 43-101 21 Jan 2015, APP Securities estimates

Tabulating the grade and length of the successful drilled width intercepts recorded in the section above coupled with drilling information from lense 4, reassessed holes and an estimation of rock density (specific gravity) and estimated grade, has enabled a “back of the envelope” volumetric and tonnage calculation for an initial deposit based on results of lenses 4, 5 and 6 only (Table 1).

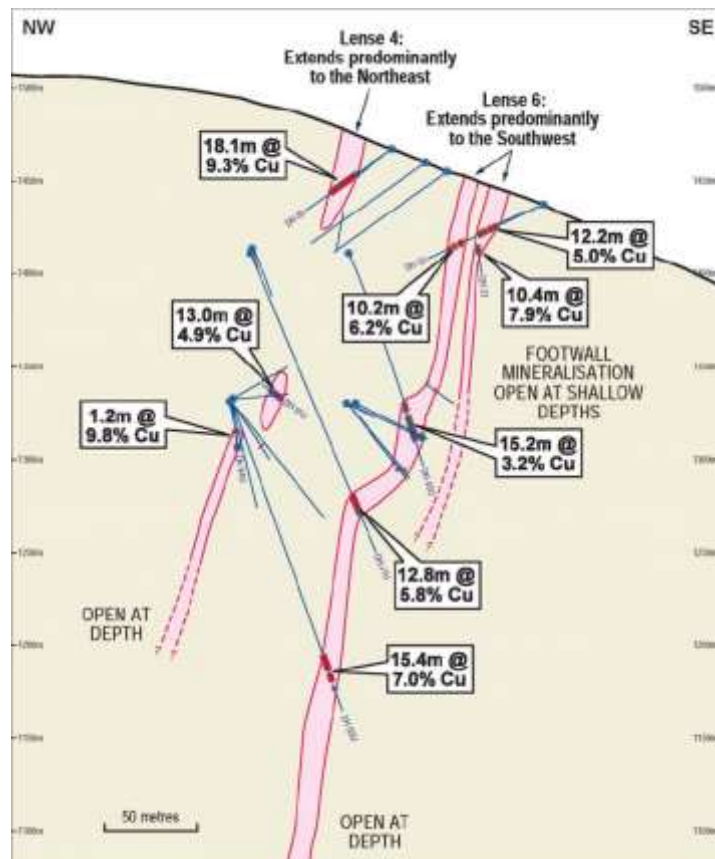
**The results should be seen for what they are:** a simple mathematical compilation that requires substantial interpretation, adjustment, infilling by drilling and underground development, before it approaches JORC 2012 resource standard.

**Table 1. Caribou Dome Copper Project – “back of envelope” dimensions**

	Lense 6	Lense 5	Lense 4	Total
Strike	200	300	100	
Width	7.5	4.9	8.0	
Depth	300	200	100	
SG	3.0	3.0	3.0	
Ore Mt	1.35	0.882	0.24	2.472
Grade %	5.7%	4.6%	4.6%	5.2%
<b>Copper Kt</b>	<b>76.4</b>	<b>40.6</b>	<b>11.0</b>	<b>128.0</b>

Given the potential volumetric tonnage calculations for such a small region of the overall exploration potential, and given exploration drilling results received to date, we consider **CYY has a reasonable basis** in expecting to delineate at least 5Mt of mineralisation @4% Cu.

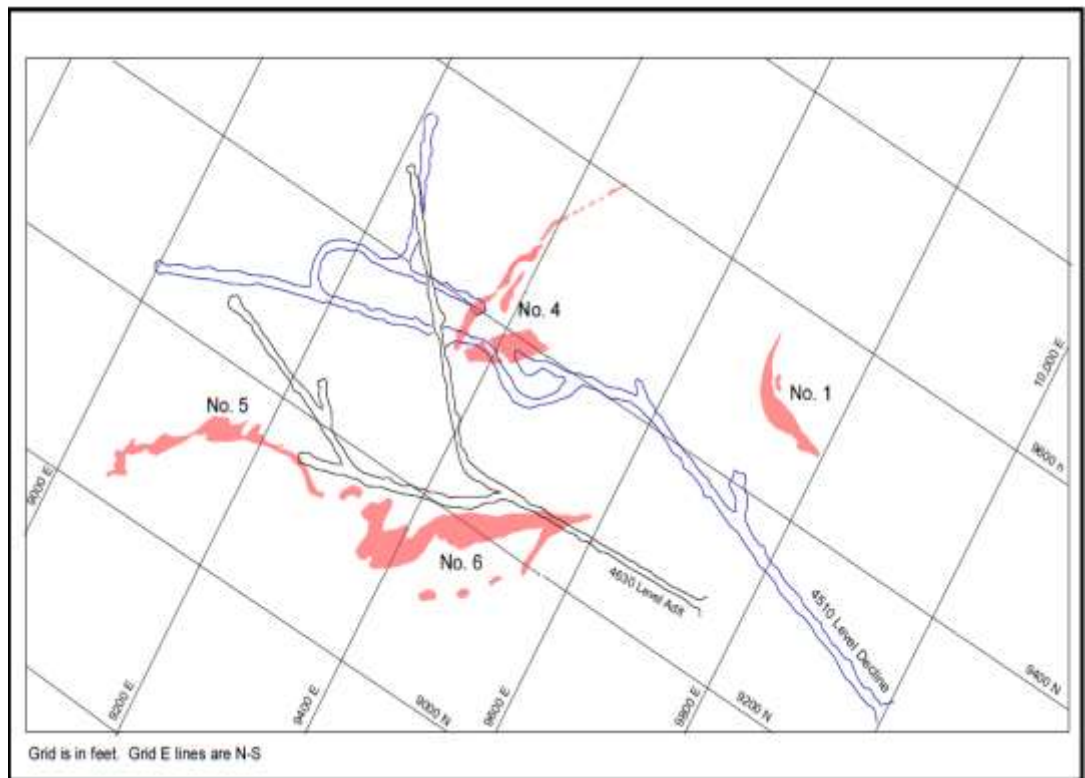
**Chart 4. Section of Lense 6 showing selected grades**



Source: CYY



## Chart 5. Caribou Dome deposit showing surface outcrop



Source: CYY

## Metallurgy

### A reason why this deposit was not explored more aggressively in the past...

Metallurgical test work to-date has shown that liberation of copper (from pyrite) at the Caribou prospect is complicated by the fact it is so finely co-interspersed. This has (historically) led to relatively low copper recoveries in concentrate, and is one of the main reasons this project has not been extensively developed thus far.

A review of test work results conducted over the last 30 years however shows good progress being made to date in the treatment of the Caribou dome mineralisation.

In 2008, for example, a bulk sample was utilised for testing (from the 4630 exploration adit) by G&T Metallurgical Services, Kamloops, BC. The report found that whilst liberation of chalcopyrite (copper) was poor and the production of commercial high grade copper concentrates (at a primary grind size of 80% passing 110 microns) was limited under traditional methods, a higher rate of copper recovery was possible after follow up testing of the same sample via the use of new metallurgical methods, such as Galvanox™ leaching (described below). We note that traditional acid leaching of chalcopyrite copper ore has so far proven uneconomic (due to leaching kinetics).

A series of Galvanox™ leach tests were conducted on both whole ore rock samples and concentrates produced in the flotation test program. The average 48 hour copper extraction was 86 percent over the four tests conducted. Additionally, copper extraction of 95 percent was achieved on samples of rougher flotation concentrate (which graded 96.1%) to yield a net recovery of 91.7%.

Should CYY be successful in proving up a commercial mining project, the preferred metallurgical pathway to treat Caribou Prospect mineralisation/ore, will be a function of project fundamentals including tonnage, mine life and project capital expenditure etc.

Metallurgical flow sheets could include one of a number of options including on-site metal production via SXEW treatment of a copper liquor, or a copper concentrate produced via traditional froth flotation

of crushed ore. Clearly, more work is required on metallurgy and we reserve judgment until more representative samples have been treated via the various methods.

### Galvanox™

Galvanox is basically a metallurgical process that enhances the recovery of copper in solution by taking advantage of the galvanic effect between chalcopyrite and pyrite. Primary chalcopyrite leaching stalls when chalcopyrite becomes coated in a shield of sulphide that inhibits further reaction.

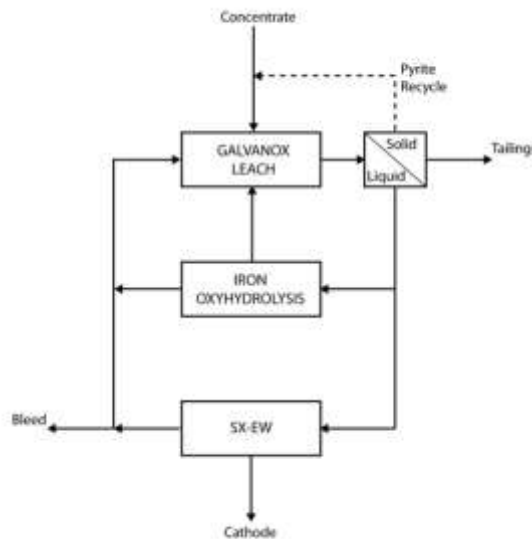
At the core of the Galvanox process, this coating is neutralized by the presence of pyrite, allowing the conversion of the chalcopyrite (CuFeS<sub>2</sub>) into copper sulphate (CuSO<sub>4</sub>) to continue. The pyrite can be recycled, and the waste converted into hematite for efficient filtration and chemically stable emplacement as tailings.

**There are other proprietary copper leach technologies which may be better than Galvanox.**

All of these technologies are likely to be more costly from a capital spending perspective than concentrate production and sale to a smelter.

### Chart 6. Galvanox flow sheet

GALVANOX™ is a registered trademark of The University of British Columbia.



Source: University of British Columbia (<http://www.uilo.ubc.ca/pages/galvanox/what-galvanox%E2%84%A2>)

## Acquisition of Caribou Dome Copper project from Hatcher Resources

CYY holds a 9 year option to acquire 80% of the Caribou Dome Copper Project from Hatcher Resources Inc. Hatcher Resources and SV Metals LP will both retain a 10% interest in the project post acquisition.

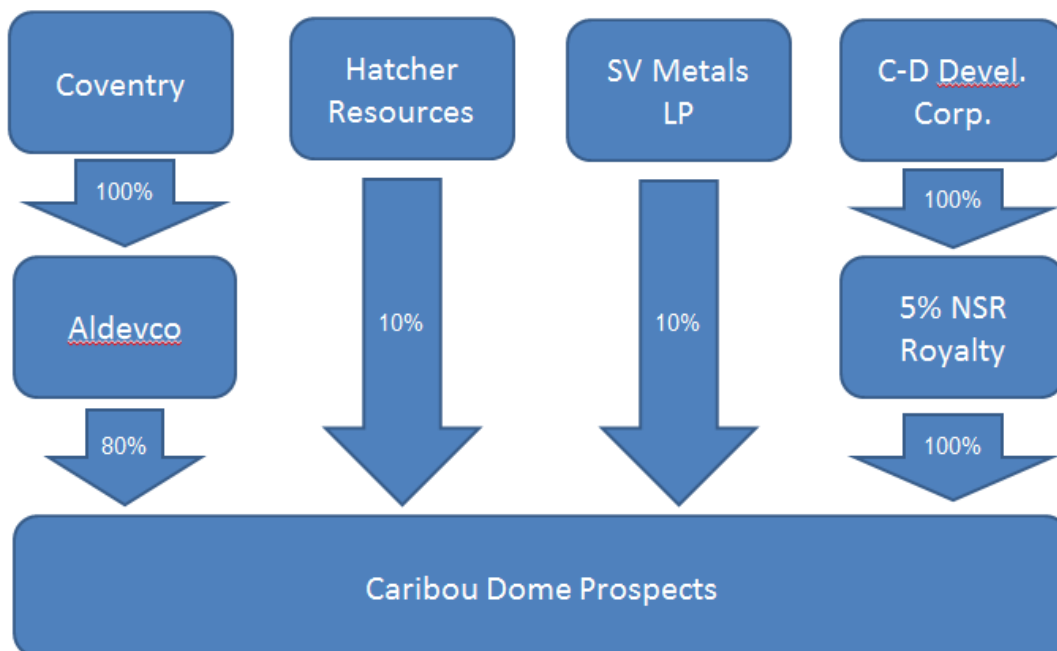
CYY ongoing obligations comprise annual exploration and development expenditure obligations of at least US\$100K per years ending 1 June 2015, 2016, 2017, and a total of US\$9M, or completion of a feasibility study, by 6<sup>th</sup> June 2023.

CYY also has to make annual payments to the underlying vendors totalling US\$1.96M by the same date (6<sup>th</sup> June 2023). These payments are modest in the first eight years, allowing CYY sufficient time to determine the economic viability of the project before substantial payments are required.

The current owner of the project, C-D Development Corp. would retain a 5.0% Net Smelter Return royalty, with Coventry retaining the right to purchase 100% of the royalty for US\$1M per 1%.

CYY completed the acquisition of 100% of Aldevco in February 2015 by the issue of 60M CYY shares.

### Chart 7. Ownership Structure after the Aldevco earn in is completed



Source: CYY

### Indicative financial model of a small copper operation.

**CYY is targeting the delineation of a 5-10Mt orebody at 2.5-4.0% copper. We have modelled a hypothetical 5Mt project for the purposes of this exercise.**

The following model assumes 5Mt of 4% recovered grade copper and 85% copper recovery with no by-product credits. We use US\$2.95/lb copper escalated and 0.80 AUDUSD, which are very close to consensus. The operating costs are in line with underground operating costs for mines of similar size in Alaska, and we assume initial capital costs of A\$150M, based on recently constructed projects and proposed project costings.

Production forecasts in this simplistic model are net of dilution and mining recovery factors, as it is difficult to estimate what these might be at such a preliminary stage.

On this basis, we estimate the NPV of the Caribou Dome Deposit could be in the order of A\$55M of which, CYY would own 80% on completion of its earn in, and acquisition of the royalty. With 10% mining dilution, say, the NPV would reduce around 20% to around \$38M.

Additional upside to forecasts comes from:

1. Higher ore volumes, with potential for more than 10Mt to be discovered,
2. Alternative cost structures as production volumes increase. Our costs are based on a 0.75Mtpa underground mine.
3. Initial mining is very likely to be open cut and much lower cost, given high grades and large intercepts close to surface.
4. We have assumed that the processing plant is conventional copper flotation, achieving a relatively low 85% recovery. There could be upside if alternative recovery methods can be deployed.

**Table 2. Comparative costs from other low tonnage Alaskan mines**

Cost reported March 2015/qtr.	US\$/t
Greens Creek UG mining 0.8Mtpa	73.68
Greens Creek milling 0.8Mtpa	28.74
Greens Creek Capex 0.8Mtpa	32.45

*Source: Company quarterlies*

In our indicative model, we have assumed **A\$120/t mining and milling costs at 0.80 AUDUSD** vs Hecla Mining's Alaskan based Greens Creek u/g polymetallic project's latest qtrly costs (Table 2) at \$A128/t combined mining/milling.

We have also assumed sustaining capex of A\$35/t for combined maintenance capex and exploration.

Our initial capex budget of A\$150M (A\$200/tpa @750Ktpa throughput) compares to recent copper mines and projects, including DeGrussa (A\$400M for 1.5Mtpa, A\$267/tpa).

Indicative model for 5Mtpa operation outlined below:

YE June	LOM	2015	2016	2017	2018	2019	2020	2021	2022	2023
Copper Price US\$/lb		2.95	3.03	3.11	3.20	3.28	3.37	3.46	3.55	3.65
Gold US\$/oz.		1300	1335	1371	1408	1446	1485	1525	1567	1609
AUDUSD		0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Inflation * (10 YR AVG)		2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Borrowing Rate		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Tax Rate		30%	30%	30%	30%	30%	30%	30%	30%	30%
Price A\$/sh										
<b>NPV A\$M</b>	<b>\$55.4</b>									
Revenue		0.0	0.0	127.9	197.1	202.4	207.9	213.5	219.3	225.2
Cash Costs		0.0	0.0	-71.8	-110.6	-113.6	-116.6	-119.8	-123.0	-126.4
Overheads		-3.0	-3.0	-3.1	-3.2	-3.2	-3.3	-3.4	-3.5	-3.6
EBITDA		-3.0	-3.0	53.1	83.3	85.6	87.9	90.3	92.7	95.2
D&A		0.0	0.0	-33.5	-50.3	-50.3	-50.3	-50.3	-50.3	-50.3
EBIT		-3.0	-3.0	19.6	33.1	35.3	37.6	40.0	42.5	45.0
Interest		0.0	-1.0	-13.2	-10.3	-6.2	-2.2	1.9	6.1	10.5
PBT		-3.0	-4.0	6.4	22.8	29.2	35.4	41.9	48.5	55.4
Tax		0.9	1.2	-1.9	-6.8	-8.8	-10.6	-12.6	-14.6	-16.6
<b>NPAT</b>		<b>-2.1</b>	<b>-2.8</b>	<b>4.5</b>	<b>16.0</b>	<b>20.4</b>	<b>24.8</b>	<b>29.3</b>	<b>34.0</b>	<b>38.8</b>
Cash From Operations		-3.0	-3.0	53.1	83.3	85.6	87.9	90.3	92.7	95.2
Tax Paid			0.9	0.9	-5.9	-9.9	-10.6	-11.3	-12.0	-12.7
Capex		-10.00	150.00	-17.50	-26.25	-26.25	-26.25	-26.25	-26.25	-26.25
Expln										
Free Cash Flow		-13.0	-152.1	36.5	51.2	49.4	51.0	52.7	54.4	56.2
Cash On Hand		-12.6	-164.7	-128.2	-77.0	-27.6	23.5	76.2	130.6	186.9
Cash	0.5	-12.6	-164.7	-128.2	-77.0	-27.6	23.5	76.2	130.6	186.9
PPE	0.0	10.0	160.0	144.0	120.0	96.0	72.0	48.0	24.0	0.0
Other Liabilities	0.0	10.0								
Shareholders Funds	1.5	-12.6	-4.7	15.8	43.0	68.4	95.5	124.2	154.6	186.9
Valuation										
WACC	10.0%									
NPV Operations		55.4	74.0	233.5	220.4	191.2	160.9	126.0	85.8	40.0
Cash		0.5	-12.6	-164.7	-128.2	-77.0	-27.6	23.5	76.2	130.6
Debt		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working Capital		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Value		55.9	61.4	68.8	92.2	114.2	133.3	149.4	162.0	170.6
Shares		151	151	151	151	151	151	151	151	151
<b>Caribou Dome</b>										
<b>Reserves Mt</b>	<b>5.00</b>	5.00	5.00	4.50	3.75	3.00	2.25	1.50	0.75	0.00
Ore Mined Mtpa	5.00			0.50	0.75	0.75	0.75	0.75	0.75	0.75
Copper Grade %		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Grade Au g/t				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contained Copper Kt	200			20.0	30.0	30.0	30.0	30.0	30.0	30.0
Recovery Cu		85%	85%	85%	85%	85%	85%	85%	85%	85%
Conc. Grade		20%	20%	20%	20%	20%	20%	20%	20%	20%
Sales Copper Kt	170			17.0	25.5	25.5	25.5	25.5	25.5	25.5
Capex A\$M	335	10.00	150.00	17.50	26.25	26.25	26.25	26.25	26.25	26.25
Copper Revenue A\$M		0.0	0.0	140.0	215.6	221.4	227.4	233.5	239.9	246.3
TCRC A\$M		0.0	0.0	-12.0	-18.5	-19.0	-19.5	-20.1	-20.6	-21.2
Copper Revenue A\$M		0.0	0.0	127.9	197.1	202.4	207.9	213.5	219.3	225.2

## Directors/Management

### Mark Bojanjac, Non-Executive Chairman

- ▶ 30 years minerals experience
- ▶ Former CEO Adamus Resources
- ▶ Previous MD AGR (Mongolia)
- ▶ Current non-exec director Geopacific Resources Ltd

### Mike Haynes, CEO

- ▶ Formerly held technical positions at BHP/Billiton
- ▶ Involved multiple IPO's/RTO's over past 10 years
- ▶ Current MD Black Range Minerals Ltd and Chairman Overland Resources Ltd

### Ian Cunningham, Executive director

- ▶ Former CFO and Company secretary Adamus Resources Ltd
- ▶ Current Company Secretary of Black Range Minerals Ltd

### Michael Fowler, Non-Executive Director

- ▶ Formerly Exploration Manager and CEO Croesus Mining Ltd
- ▶ Current MD Genesis Minerals Ltd

### Robert Boaz, Non-Executive Director

- ▶ Former MD with Raymond James and Vice –President for Dundee Securities Corporation
- ▶ Current CEO/President Aura Silver Resources Inc. and director Santa Barbara Resources Ltd, Caracara Silver Inc. and Renaissance Gold Inc.

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