Speculative
See key risks on Page 7. Speculative securities may not be suitable for retail clients

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Dacian Gold Ltd (DCN)

Westralia firms up development case

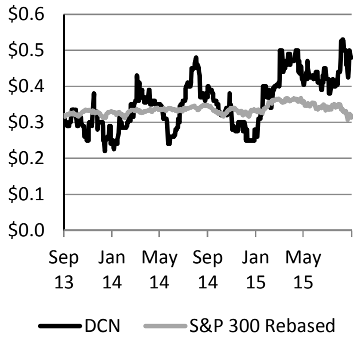
Recommendation
Buy (unchanged)
Price
$0.48
Target (12 months)
$0.70 (previously $0.59)
Risk
Speculative

Expected Return	
Capital growth	45.8%
Dividend yield	0%
Total expected return	45.8%
Company Data & Ratios	
Enterprise value	$41.5m
Market cap	$46.1m
Issued capital	96.1m
Free float	70%
Avg. daily val. (52wk)	$24.5k
12 month price range	$0.25-$0.555
GICS sector	Materials

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.43	0.43	0.38
Absolute (%)	11.63	11.63	26.32
Rel market (%)	21.54	22.33	35.64

Absolute Price



SOURCE: IRESS

Westralia Resource: 1.5Moz @ 5.1g/t Au

DCN last month further increased the Mineral Resource base at their 100% owned Mt Morgans Gold Project outside Laverton in WA. An updated Resource of 9.24Mt @5.1g/t Au for 1.505Moz contained is an increase of 652koz over the previous Westralia Resource. The increase at Westralia in our view substantially strengthens the case for development and is reflected in the 20% increase to the NPV-based component of our valuation. Adding robustness to the development case is the continuity of the mineralisation (2.8km), high vertical gold endowment (up to ~3,000oz per vertical metre) and a demonstrated high grade component.

EV/oz and NPV valuations increase; DCN outperforming

Our DCN valuation is based on a blend of an EV per Resource ounce and NPV-based valuation. The Westralia Resource increase boosts these through additional ounces and underground mine-life extensions. In our view the market is starting to see DCN as a differentiated development story, reflected in 12-month outperformance of 38% vs the ASX Gold Index. This gap has largely opened up over the last six weeks and we expect near-term catalysts to build on this. We make no changes to earnings as there are no revenues and our valuation is based on a potential development scenario.

Investment thesis – Buy (Speculative), TP $0.70/sh

The increased Mineral Resource for the Westralia deposit has essentially demonstrated continuity between the historic Westralia deposit and Morgan's North open-pit, one of the key hypotheses put forward by DCN, now successfully tested. This also reinforces our view that management's skill set is well suited to this asset. Since acquisition in October 2012, the total Mt Morgans Resource base has increased from 842koz to now over 3.0Moz, an increase of 266% in less than three years. We reiterate our Buy (Speculative) recommendation for DCN based on a blended NPV/Resource ounce valuation (75:25) for a target price of $0.70/sh, an increase of 19% over our prior $0.59/sh target price.

Earnings Forecast

Year end	2014a	2015e	2016e	2017e
Sales (A$m)	0	0	0	0
EBITDA (A$m)	(5)	(7)	(7)	(6)
NPAT (reported) (A$m)	(6)	(7)	(7)	(6)
NPAT (adjusted) (A$m)	(6)	(7)	(7)	(6)
EPS (adjusted) (¢ps)	(6)	(7)	(6)	(4)
EPS growth (%)	na	na	na	na
PER (x)	(8.2)	(7.0)	(8.3)	(11.2)
FCF Yield (%)	-9%	-14%	-10%	-9%
EV/EBITDA (x)	(7.7)	(6.3)	(6.2)	(7.3)
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-153%	-67%	-214%	-123%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Westralia firms up development case

Resource growth continues

DCN last month further increased the Mineral Resource base at their 100% owned Mt Morgans Gold Project outside Laverton in WA. An updated Resource of **9.24Mt @5.1g/t Au for 1.505Moz** contained is an increase of 652koz over the previous Westralia Resource, which was last updated in February 2015. The recent discovery of high grade zones in the footwall BIF unit at the Westralia deposit has been the key contributor to the upgrade, adding **1.1Mt @ 9.2g/t Au for 318koz**.

The previous and the current Mineral Resources for the Westralia deposit are summarised in the table below:

Table 1 – Westralia Mineral Resources

	Measured			Indicated			Inferred			Total		
Deposit	**Mt**	**g/t Au**	**koz Au**	**Mt**	**g/t Au**	**koz Au**	**Mt**	**g/t Au**	**koz Au**	**Mt**	**g/t Au**	**koz Au**
Feb-2015												
Westralia	0.120	5.9	22.000	1.123	6.0	215.000	3.374	5.7	616.000	4.617	5.7	853.000
Aug-2015												
Westralia	0.238	4.7	36.000	1.966	4.7	296.000	7.036	5.2	1,173.000	9.240	5.1	1,505.000
Change										**4.623**	**4.4**	**652.000**

SOURCE: COMPANY REPORTS. Totals May Not Sum Due To Rounding

The updated Resource has essentially demonstrated continuity between the historic Westralia deposit and Morgan's North open-pit, one of the key hypotheses put forward by DCN and now successfully tested. This also validates two of the key points of our investment case for DCN: the re-interpretation of prior geological assumptions and the addition of further Mineral Resources.

As this management team demonstrated at Avoca Resources (AVO AU, merged to form Alacer Gold (AQG AU) in 2011), they have brought new thinking to the deposits and made substantial additions to the Resource base, reinforcing our view that their skill sets are well suited to this asset. We point out that at acquisition in October 2012, the Mt Morgans Resource base was 8.5Mt @ 3.1g/t Au for 842koz contained. This is now over 3.0Moz, representing an increase of 266% in less than three years.

The total Mineral Resource for the Mt Morgans project as at August 2015 is tabulated below.

Table 2 – Mt Morgans Mineral Resources as at August 2015

	Measured			Indicated			Inferred			Total		
Deposit	**Mt**	**g/t Au**	**koz Au**	**Mt**	**g/t Au**	**koz Au**	**Mt**	**g/t Au**	**koz Au**	**Mt**	**g/t Au**	**koz Au**
King St	-	-	-	-	-	-	0.532	1.9	33.000	0.532	1.9	33.000
Jupiter	-	-	-	12.384	1.5	586.000	11.675	1.1	418.000	24.059	1.3	1,004.000
Jupiter HL	-	-	-	4.440	0.4	55.500	4.540	0.4	56.500	8.980	0.4	112.000
Westralia	0.238	4.7	36.000	1.966	4.7	296.000	7.036	5.2	1,173.000	9.240	5.1	1,505.000
Craic	-	-	-	0.069	8.1	18.000	0.120	7.0	27.000	0.189	7.4	45.000
Transvaal	1.549	3.2	159.000	1.176	2.7	102.000	0.926	2.2	66.000	3.651	2.8	327.000
Ramornie	-	-	-	0.290	2.6	24.242	0.169	3.8	20.647	0.459	3.0	44.889
Total	**1.787**	**3.4**	**195.000**	**20.191**	**1.7**	**1078.500**	**25.114**	**2.2**	**1809.500**	**47.080**	**2.0**	**3,083.000**

SOURCE: COMPANY REPORTS. Totals May Not Sum Due To Rounding

Note that the Resource previously reported for Morgans North (0.459Mt @ 3.0g/t Au for 45koz) has now been included in the Westralia Resource.

Development case substantially strengthened

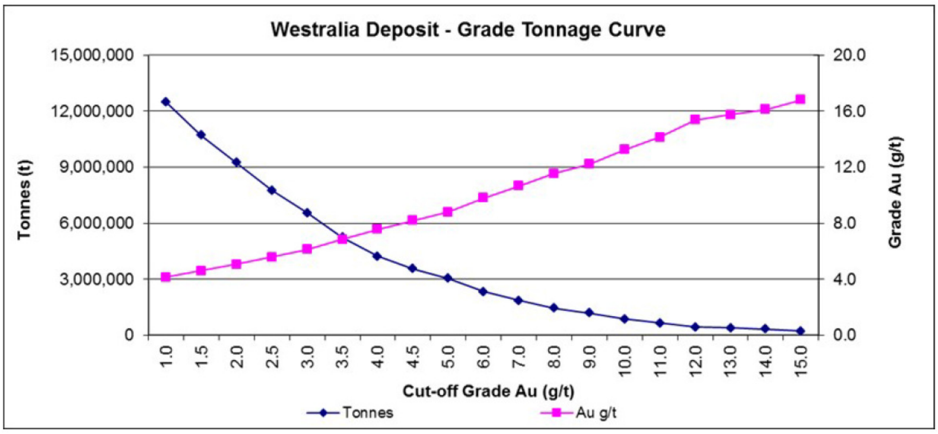
The updated Westralia Resource of 9.24Mt @ 5.1g/t Au for 1.505Moz could (on paper) comfortably support our notional underground mining scenario of 750ktpa for a **+12 year mine-life**. Allowing for 90% metallurgical recoveries and 10% mining dilution (for a 4.6g/t Au head grade) implies annualised production of just over **100kozpa for that time** – a pretty handy development proposition competitive with many underground mines in Australia.

Add to that the potential 1.1Moz open-pit development at Jupiter, an understanding of the project's historic mining and metallurgical performance, the granted Mining Leases and a half-empty mill 25km down the road at Gold Field's Granny Smith operation and the risk-reward equation starts to look quite compelling – particularly with the Australian-dollar gold price trading at a 7-month high above $1,600/oz.

Building the robustness of the development case for Westralia is:

- the continuity of the mineralisation at Westralia, now defined over a **strike length of 2.8km**;
- the high **vertical gold endowment of +2,000oz per vertical metre** (ovm), including the top 440m of the Resource at ~3,000ovm (we consider +1,000ovm an acceptable rule-of-thumb); and
- a substantial high grade component to the Resource, as demonstrated by its grade-tonnage curve. This shows that at a higher cut-off grade of 3.0g/t Au, the Resource would be **6.6Mt @ 6.1g/t Au for 1.3Moz** contained.

Figure 1 – Westralia deposit grade-tonnage curve (August 2015)



SOURCE: COMPANY REPORTS

Changes to our valuation

Our valuation for DCN is a blended valuation based on:

1. A notional mining scenario for the Mt Morgans Gold Project that considers a combined open-pit and underground operation producing just under 170kozpa Au. We apply a risk discount of 75% for its early stage of development.
2. An Enterprise Value per Resource ounce (EV/oz) based valuation, derived from ASX peer comparisons.

We view the NPV-based valuation as the more rigorous of the two methods. In calculating a blended valuation we give it a preferential weighting of 75%.

NPV-based valuation: increases 20% from $0.59 to $0.71/sh

For the purposes of our NPV-based valuation we adjust our notional mining scenario for Mt Morgans as follows: we assume 70% conversion of the Resource to our mining inventory, equating to 6.4Mt (8.5yr lom at 750ktpa underground production rate). Referencing the grade tonnage curve we assume a 5.5g/t Au head grade (allowing 10% mining dilution). We increase our sustaining capital and G&A assumptions with the extended mine-life.

Although we anticipate that a stand-alone development may be the preferred option for the company, we retain our current toll-treatment scenario. As a result we now estimate All-In-Sustaining-Costs (AISC) for the first seven years of A$1,056/oz (previously A$1,064/oz) and an un-risked NPV of A$360m (previously A$271m). We apply a 75% discount to our project NPV, equating to A$0.92/sh (diluted). Adjusting for corporate overheads, other exploration, cash and options derives an NPV-based valuation of A$0.71/sh (diluted).

EV/oz peer comparison: increases 17% from $0.58 to $0.68/sh

We have updated the Resource and Enterprise Value metrics for our selected peer group. We have removed Mutiny Gold (MYG AU) as the (high) value implied at the time of its acquisition by Doray Minerals has now become stale. We replace it with Tanami Gold (TAM AU), which now looks more likely to progress to development following Northern Star's (NST AU) acquisition of 25% of the Central Tanami Project and formation of a JV.

The market has moved lower since we last updated this metric and the peer group is currently trading at an EV/oz valuation of A$23.3 per Resource ounce ($30/oz previously). We conservatively chose A$20/oz for our valuation of DCN at the time and we retain this on the basis it remains within the peer group range yet below the average. We also note DCN's strong outperformance against the ASX Gold Index (XGD) since mid-July, indicating that a reduced discount to peers is also the view of the market.

Table 3 – Dacian Gold: ASX-listed peer comparison companies

Ticker	Company	EV (A$)	Resources (koz Au)	Grade (g/t Au)	EV/oz (A$)	Comment
GOR	Gold Road Resources Limited	$197,307,799	6,773	1.3	$29.13	Gruyere 0.7g/t cog, Central Bore 1.0g/t cog
ALK	Alkane Resources Limited	$47,541,974	1,389	1.7	$34.23	Tomingly and Peak Hill, 50% of EV attributed to Dubbo Zirconia Project
ABU	Abm Resources NL	$58,507,386	2,012	3.0	$29.07	Old Pirate, Buccaneer 1g/t cog, Hyperion 0.8g/t cog, 50g/t top-cut
RED	Red 5 Limited	$34,780,609	1,358	3.4	$25.61	Siana Gold Mine (Philippines), gold equivalent Resources
DCN	Dacian Gold Limited	$41,503,000	3,083	2.1	$13.46	Jupiter o/p Resources (mill and HL); Westralia u/g
PXG	Phoenix Gold Limited	$52,493,480	4,022	1.1	$13.05	Mill feed Resource and Heap Leach Resource
TAM	Tanami Gold NL	$58,982,979	3,196	3.3	$18.46	WTP (Coyote) and CTP (Groundrush). Project level JV w NST at 25%
				Average	**$23.29**	
				Median	**$25.61**	

Gold equivalents at: Au US$1200/oz, Ag $20/oz Cu US$6000/t. No recovery factors applied

SOURCE: IRESS, COMPANY REPORTS AND BELL POTTER SECURITIES ESTIMATES (AS AT 02/09/15)

Applying a valuation of A$20/oz to DCN's current Mineral Resource base of 3.083Moz implies an Enterprise Value of A$61.7m, to which we add cash and options of $5.5m for an implied valuation of $67.2m (diluted), or $0.68/sh.

Blended valuation: increases from $0.59 to $0.70/sh

We view the NPV-based valuation as the more rigorous of the two methods. In calculating a blended valuation we give it a preferential weighting of 75% which now gives us a target price of $0.70/sh, up 19% from $0.59.

Investment thesis – Buy (Speculative), TP$0.70/sh (from $0.59)

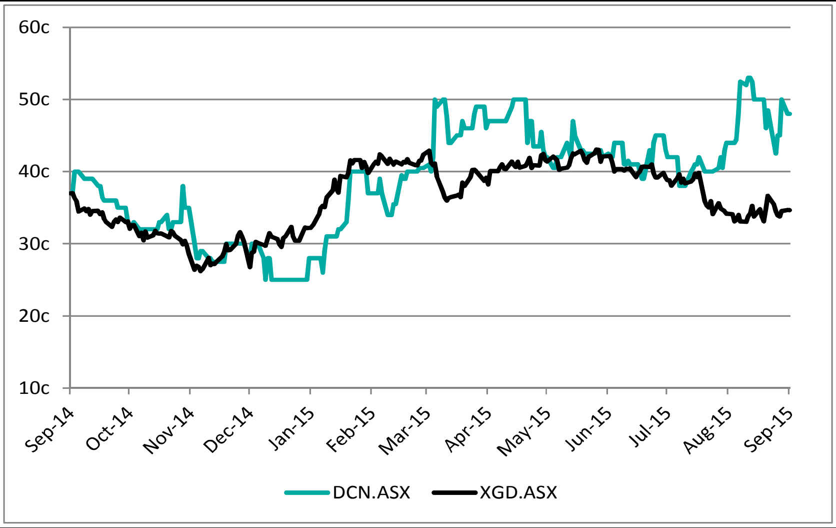
The increased Mineral Resource for the Westralia deposit has essentially demonstrated continuity between the historic Westralia deposit and Morgan's North open-pit, one of the key hypotheses put forward by DCN and now successfully tested. This reinforces our view that management's skill set is well suited to this asset. We point out that at acquisition in October 2012, the Mt Morgans Resource base was 8.5Mt @ 3.1g/t Au for 842koz contained. This is now over 3.0Moz, representing an increase of 266% in less than three years. The increase at Westralia in our view substantially strengthens the case for development and is reflected in the 20% increase to our NPV-based valuation.

Outperformance coming through: breaking away from the index by 38%

In our view the recent Resource increases have started to demonstrate the critical mass to justify development. The market is beginning to recognise this and that the current valuation is undemanding. Relative to the ASX Gold Index (XGD) we have now seen DCN begin to break away. After tracking relatively in-line for much of the last 12 months, an outperformance gap of 38% has opened up over the last six weeks (by happy coincidence since around the time of our initiation).

We expect additional drilling to increase the Resources further at both Westralia and Jupiter, firming up the development case for Mt Morgans. These upgrades will feed into the completion of the Pre-Feasibility Study in 1HCY16, although the viability of these projects is likely to emerge sooner. These catalysts, together with assessment of other targets, will in our view continue to build DCN's outperformance.

Figure 2 – DCN vs ASX Gold Index (rebased) last 12 months



SOURCE: IRESS, BELL POTTER RESEARCH

Dacian Gold Ltd (DCN)

Company description

DCN is a West Australian based company focused solely on the exploration and development of the Mt Morgans Gold Project near Laverton in Western Australia. The company acquired the project in early 2012, and after raising $20 million in an IPO process, listed on the ASX in November 2012. The funds from the IPO raising were planned to finance approximately 3 years of exploration at the Mt Morgans project. Since acquisition of the project DCN has increased the Mineral Resource base from 8.5Mt at 3.1g/t Au containing 0.84Moz gold to 47.08Mt at 2.0g/t Au for 3.083Moz gold as at August 2015. This equates to an increase of 266% in terms of contained ounces.

Investment thesis – Buy (Speculative) TP$0.70/sh

We rate DCN a Buy (Speculative) rating on a blended NPV-based / peer comparison based (75:25) target price of $0.70/sh. Our recommendation carries a Speculative risk rating as DCN is an exploration company with no cash flow or earnings over our forecast period. In our view, DCN represents very good value relative to peers, has a demonstrated track record of Resource growth, excellent prospects for further growth across multiple deposits in a highly prospective, low-risk mining region with established infrastructure. The management team has a proven track record of value creation with similar assets and we view their skill-set as very well suited to advancement of the Mt Morgans project.

Valuation – risked discounted cash flow of key project

Our DCN valuation of A$0.70/sh is based on a blend of our NPV estimate of a possible production scenario for the Mt Morgans Gold Project and a peer-comparison valuation based on Enterprise Value per Resource ounce (EV/oz).

We derive an NPV-based (10%) valuation of A$360m for a toll-treatment production scenario from a combined open-pit and underground project producing ~180kozpa Au at an All-in-Sustaining-Cost (AISC) of A$1,056/oz over the first seven years of operations. We apply a risk discount of 75% for an **NPV-based valuation of A$0.71/sh** using this methodology.

We have also reviewed a number of ASX-listed companies that we view as comparable to DCN. For these companies we have calculated an EV/oz average of A$23/oz. For conservatism we apply A$20/oz to DCN's current Mineral Resource base, which implies an Enterprise Value of A$50m, to which we add cash for an **EV/Resource oz based valuation of A$0.68/sh**.

We view the NPV-based valuation as the more rigorous of the two methods and give it a preferential weighting of 75%, for a blended valuation and **target price of A$0.70/sh.**

Resource sector risks

Risks to DCN include, but are not limited to:

- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. As an exploration company with no sales revenues, DCN is reliant on access to equity markets and debt financing to fund the advancement and development of its projects.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions.** The viability of future operations and earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Corporate/M&A risks.** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.

Dacian Gold Ltd
as at 3 September 2015

Recommendation	Buy, Speculative
Price	$0.48
Target (12 months)	$0.70

Table 4 - Financial summary

PROFIT AND LOSS

Year ending June	Unit	2013a	2014a	2015e	2016e	2017e
Revenue	$m	0.5	0.5	0.2	0.1	0.3
Expense	$m	(6.1)	(5.9)	(6.8)	(6.8)	(6.0)
EBITDA	$m	**(5.6)**	**(5.4)**	**(6.6)**	**(6.6)**	**(5.7)**
Depreciation	$m	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)
EBIT	$m	(5.8)	(5.6)	(6.6)	(6.7)	(5.7)
Net interest expense	$m	-	-	(0.0)	(0.0)	(0.0)
PBT	$m	**(5.8)**	**(5.6)**	**(6.6)**	**(6.7)**	**(5.7)**
Tax expense	$m	-	-	-	-	-
NPAT	**$m**	**(5.8)**	**(5.6)**	**(6.6)**	**(6.7)**	**(5.7)**

CASH FLOW

Year ending June	Unit	2013a	2014a	2015e	2016e	2017e
OPERATING CASHFLOW						
Receipts	$m	-	-	0.0	-	-
Payments	$m	(1.6)	(1.2)	(1.6)	(1.9)	(2.4)
Exploration payments	$m	(3.7)	(4.4)	(5.0)	(3.6)	(3.6)
Tax	$m	-	-	-	-	-
Net interest	$m	0.4	0.5	0.2	0.1	0.3
Other	$m	0.0	0.0	-	-	-
Operating cash flow	$m	**(4.9)**	**(5.1)**	**(6.2)**	**(5.4)**	**(5.7)**
INVESTING CASHFLOW						
Capex	$m	(0.2)	(0.2)	(0.1)	-	-
Exploration & evaluation	$m	(0.6)	-	-	-	-
Other	$m	(0.0)	1.2	-	-	-
Investing cash flow	$m	**(0.9)**	**1.0**	**(0.1)**	**-**	**-**
FINANCING CASHFLOW						
Share issues/(buy-backs)	$m	19.2	-	-	14.3	-
Debt proceeds/(repayments)	$m	(0.0)	(0.0)	(0.0)	-	-
Dividends	$m	-	-	-	-	-
Other	$m	-	-	-	-	-
Financing cash flow	$m	**19.2**	**(0.0)**	**(0.0)**	**14.3**	**-**
Change in cash	$m	13.5	(4.1)	(6.4)	8.9	(5.7)

BALANCE SHEET

Year ending June	Unit	2013a	2014a	2015e	2016e	2017e
ASSETS						
Cash & short term investments	$m	15.1	10.9	4.6	13.5	7.8
Accounts receivable	$m	0.2	0.0	-	-	-
Property, plant & equipment	$m	0.6	0.5	0.6	0.6	0.6
Exploration & evaluation	$m	8.1	8.1	8.1	8.1	8.1
Other	$m	1.2	0.0	0.0	0.0	0.0
Total assets	$m	**25.2**	**19.7**	**13.4**	**22.2**	**16.5**
LIABILITIES						
Accounts payable	$m	0.5	0.4	0.7	1.2	1.2
Borrowings	$m	0.1	0.0	0.0	0.0	0.0
Other	$m	1.2	1.2	1.2	1.2	1.2
Total liabilities	$m	**1.8**	**1.7**	**1.9**	**2.5**	**2.5**
SHAREHOLDER'S EQUITY						
Share capital	$m	29.2	29.2	29.2	44.2	44.2
Reserves	$m	0.4	0.5	0.5	0.5	0.5
Retained earnings	$m	(6.3)	(11.7)	(18.3)	(25.0)	(30.7)
Total equity	$m	**23.3**	**18.0**	**11.4**	**19.7**	**14.0**
Weighted average shares	m	81.5	96.1	96.1	114.9	133.6

CAPITAL STRUCTURE

Shares on issue	m		96.1
Performance shares / other	m		0.0
Total shares on issue	**m**		**96.1**
Share price	**$/sh**		**0.48**
Market capitalisation	$m		46.1
Net cash	$m		4.6
Enterprise value (undiluted)	**$m**		**41.5**
Options outstanding (m)	m	(wtd avg ex. price $0.72 per share)	10.2
Options (in the money)	m		2.0
Issued shares (diluted for options)	m		98.1
Market capitalisation (diluted)	m		47.1
Net cash + options	$m		5.5
Enterprise value (diluted)	**$m**		**41.6**

MAJOR SHAREHOLDERS

	%	m
Brian Rodan	18%	16.9
Directors and Management	12%	11.5
Vitesse Pty Ltd	5%	5.1
Barry Patterson	4%	4.1
Tony Patrizi	4%	4.1

FINANCIAL RATIOS

Year ending June	Unit	2013a	2014a	2015e	2016e	2017e
VALUATION						
NPAT	$m	(6)	(6)	(7)	(7)	(6)
Reported EPS	c/sh	(7)	(6)	(7)	(6)	(4)
EPS growth	%	na	na	na	na	na
PER	x	-6.7x	-8.2x	-7.0x	-8.3x	-11.2x
DPS	c/sh	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%
FCF/share	c/sh	(0)	(0)	(0)	(0)	(0)
P/FCFPS	x	-6.8x	-11.3x	-7.3x	-10.2x	-11.2x
EV/EBITDA	x	-7.4x	-7.7x	-6.3x	-6.2x	-7.3x
EBITDA margin	%	nm	nm	nm	nm	nm
EBIT margin	%	nm	nm	nm	nm	nm
Return on assets	%	-23%	-25%	-40%	-38%	-30%
Return on equity	%	-179%	-153%	-67%	-214%	-123%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(15)	(11)	(5)	(13)	(8)
ND / E	%	-64%	-61%	-40%	-68%	-55%
ND / (ND + E)	%	-179%	-153%	-67%	-214%	-123%
EBITDA / Interest	x	-	-	-	-	-

ORE RESERVE AND MINERAL RESOURCE

Mt Morgans (WA)	Mt	g/t Au	koz Au
Total resource	**47.1**	**2.0**	**3,083**
Measured	1.8	3.4	195
Indicated	20.2	1.7	1,079
Inferred	25.1	2.2	1,810
Total Reserve	**0.7**	**6.2**	**136**
Proven	0.4	6.2	76
Probable	0.3	6.3	61

CONCEPTUAL PROJECT ASSUMPTIONS - MT MORGANS

Year ending June 30		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Currency	US$/A$	0.74	0.74	0.74	0.74	0.74
Gold price (real)	A$/oz	$1,554	$1,554	$1,554	$1,554	$1,554
CAPEX - development	A$m	(30)	-	-	-	-
CAPEX - sustaining	A$m	(9)	(20)	(20)	(16)	(16)
Ore milled	Mt	0.85	1.75	1.75	1.75	1.75
Head grade	g/t Au	3.3	3.4	3.4	3.4	3.3
Recovery	%	92%	92%	92%	92%	92%
Production	koz	83.6	175.3	175.3	175.3	170.8
AISC	**A$/oz**	**1,050**	**1,065**	**1,065**	**1,042**	**1,068**

VALUATION

	$m	$/sh
Ordinary shares (m)		96.1
Options in the money (m)		2
Diluted m		**98.1**
Project (unrisked NPV10)	360	3.67
Project (risk discount 75%, NPV10)	90	0.92
Other exploration	6	0.06
Corporate overheads	(32)	(0.32)
Subtotal	64	0.66
Cash & options	6	0.06
Total (diluted)	**70**	**0.71**
Enterprise Value / Resource oz	20	A$/oz
Resource base	3,083	koz Au
Enterprise Value	62	0.63
Cash & options	6	0.06
Implied valuation (diluted)	**67**	**0.68**
NPV-based valuation	0.71	75%
Resource ounce based valuation	0.68	25%
Blended Valuation	**0.70**	**A$/sh**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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