BLUE OCEAN EQUITIES

DACIAN GOLD LIMITED (DCN)

DACIAN GOLD LIMITED

INITIATION: Our top pick of the ASX gold developers

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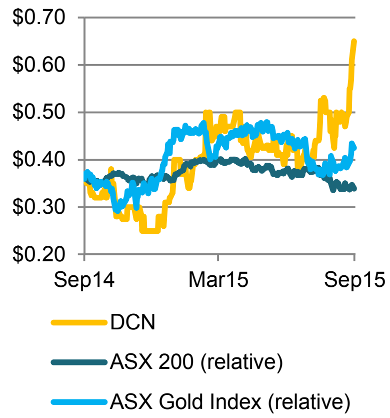
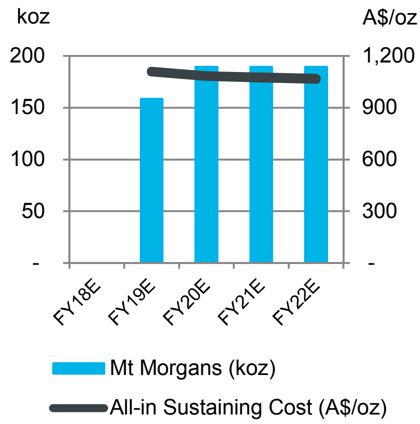
We say	Price	Target	Strategic Target
BUY	**0.65**	**1.05**	**1.50**

Dacian is a WA-based gold developer and was our #1 pick from Diggers & Dealers this year. The company is developing the Mt Morgans gold project and recently completed a major resource upgrade to ~3moz which in our view gives the company the critical mass to underpin a stand-alone operation. The Dacian team comprises several of the well-regarded team behind Avoca Resources and has a proven track record of bringing a WA-gold junior into production.

DCN SHARE PRICE (A$)



FORECAST PRODUCTION & COSTS



COMPANY DATA

Enterprise value	A$66m
Diluted market cap*	A$69m
Diluted shares*	106m
Free float	100%
12 month price range	0.25-0.65
GICS sector	Materials

Management holds ~14.1% (fully diluted)

* Diluted for 10.1m options

IMPLIED RETURN

Total expected return	62%

MT MORGANS SCOPING STUDY IMMINENT

Dacian is expected to release a Scoping Study for Mt Morgans in the next few weeks. We expect to see a **2mtpa gold project producing ~190kozpa at AISC of <A$1,100/oz**. We anticipate initial capital in the order of A$150m. We assume a mining inventory of ~1moz (3moz resource) for an initial 5 year mine life and NPV of A$210m.

THE HIGH QUALITY DACIAN TEAM

Dacian is run by the former Avoca Resources team which took Avoca from a junior explorer into a producing gold miner valued at ~A$1bn before its merger with Anatolia to form Alacer in 2011. In our view, the Dacian team has the requisite skill set, proven track record and market credibility to attract the necessary capital to bring Mt Morgans into production.

WHY GOLD FIELDS IS HIGHLY LIKELY TO MAKE A BID FOR DCN

Gold Fields owns the 3.5mtpa Granny Smith mill which sits only 15-25km from DCN's ground and has 1.8mtpa of underutilised capacity. Gold Fields also has stated it is "actively seeking M&A opportunities". **On our forecasts, DCN's assets could be worth at least ~A$300m to Gold Fields and we believe an approach is more a case of *when* rather than if**.

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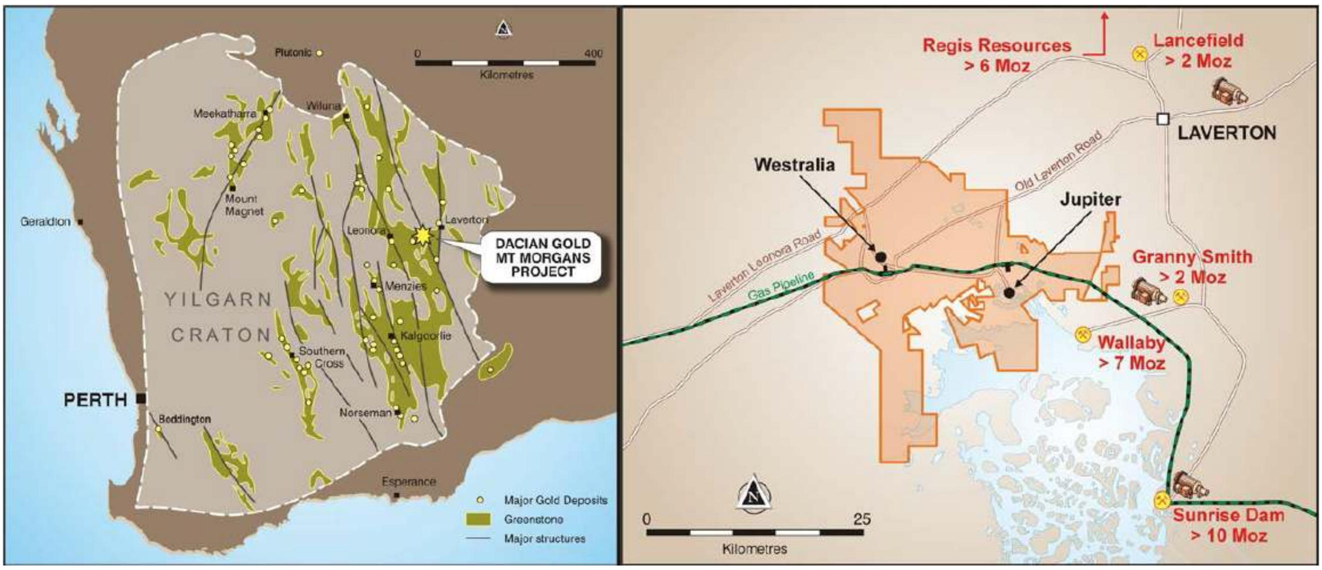
COMPANY OVERVIEW

Dacian Gold Limited (ASX:DCN) is an ASX-listed WA-based gold developer run by the well-regarded former Avoca Resources team, who brought the Higginsville gold mine in WA into production and built Avoca into a ~A$1bn company before its merger with Anatolia to create Alacer 2011.

Dacian was listed on the ASX in November 2012 after acquiring its WA gold assets earlier that year. The company raised an initial A$20m and over the past 3-years has been progressively exploring its flagship Mt Morgans project and has added over 2moz to resources at a cost of less than A$7/oz.

The Mt Morgans leases cover 520km^2 near Laverton and essentially comprises the Westralia underground resource (1.5moz @ 5.1g/t) and Jupiter open pit deposit (includes 530koz @ 1.8g/t) and a total resource base post the recent upgrades of 3moz.



Source: Company

The company's key projects sit on approved mining leases and are blessed with proximity to high quality infrastructure, including a new gas pipeline, sealed airstrip at Laverton (<25km away) existing camp and haul roads as well as an excellent supply of water.

Dacian's ground is also located only 15-25km from Gold Fields' 3.5mtpa Granny Smith processing plant, which has 1.8mtpa of unutilised capacity due to lack of available ore. Gold Fields has indicated that it is pursuing a number of options to fill its Australian mills including acquisitions. **As such, we believe Dacian is *highly* likely to be an acquisition target for Gold Fields.** We include more detail on this thesis on page 11.

Dacian is due to publish a Scoping Study for Mt Morgans within the next few weeks, which we believe could be an important milestone for the company.

At the end of March, Dacian had A$4.6m in cash and no debt.

MT MORGANS – A DETAILED REVIEW

Studies are underway at Mt Morgans assessing the construction of a 2mtpa processing plant fed by two primary ore sources:

1. A high-grade underground mine at Westralia (1.5moz @ 5.1g/t)
2. An open pit mine at Jupiter (includes 532koz @ 1.8g/t)

The table below summarises the Mt Morgans resource base as at 15 September 2015.

Resources	Measured			Indicated			Inferred			TOTAL		
	mt	g/t	moz	mt	g/t	moz	mt	g/t	moz	mt	g/t	moz
Westralia	0.2	4.6	0.04	2.0	4.7	0.3	7.1	5.2	1.2	9.3	5.1	1.5
Jupiter	-	-	-	13.1	1.4	0.6	13.5	1.1	0.5	26.6	1.3	1.1
Transvaal	0.4	5.8	0.07	0.4	5.3	0.1	0.5	4.7	0.1	1.3	5.2	0.2
Other	3.5	0.5	0.06	0.2	5.4	0.0	0.9	4.5	0.1	4.7	1.6	0.2
Total	**4.1**	**1.23**	**0.16**	**15.7**	**2.00**	**1.01**	**22.0**	**2.66**	**1.88**	**41.7**	**2.27**	**3.05**

Source: Company

The company expects to release a Scoping Study in the next few weeks, which should provide a much clearer picture of the company's development plans.

However, based on the size of the plant (2mtpa), the known historic recoveries (90-93%) from these two brownfields operations and the current mining and processing costs from comparable producers in WA, we believe DCN should be able to define a project producing **~190kozpa at an all-in sustaining cost of <A$1,100/oz for an initial mine life of ~5 years**.

We provide a detailed overview of our financial and operating assumptions on page 12 and 13 of this report.

WESTRALIA

Westralia consists of a large historic open pit which is ~140m deep and over 1km long. Historic production was 900koz at 4.5g/t from an open pit and small underground up to 1998, during which time recoveries were 90-93%. **Dacian is targeting a high-grade underground mine at Westralia**.

Since Dacian acquired the asset in 2012, it has increased resources by >300% from 364koz @ 3.4g/t to 1.5moz @ 5.1g/t (at a 2g/t cut-off).

The Westralia Open Pit

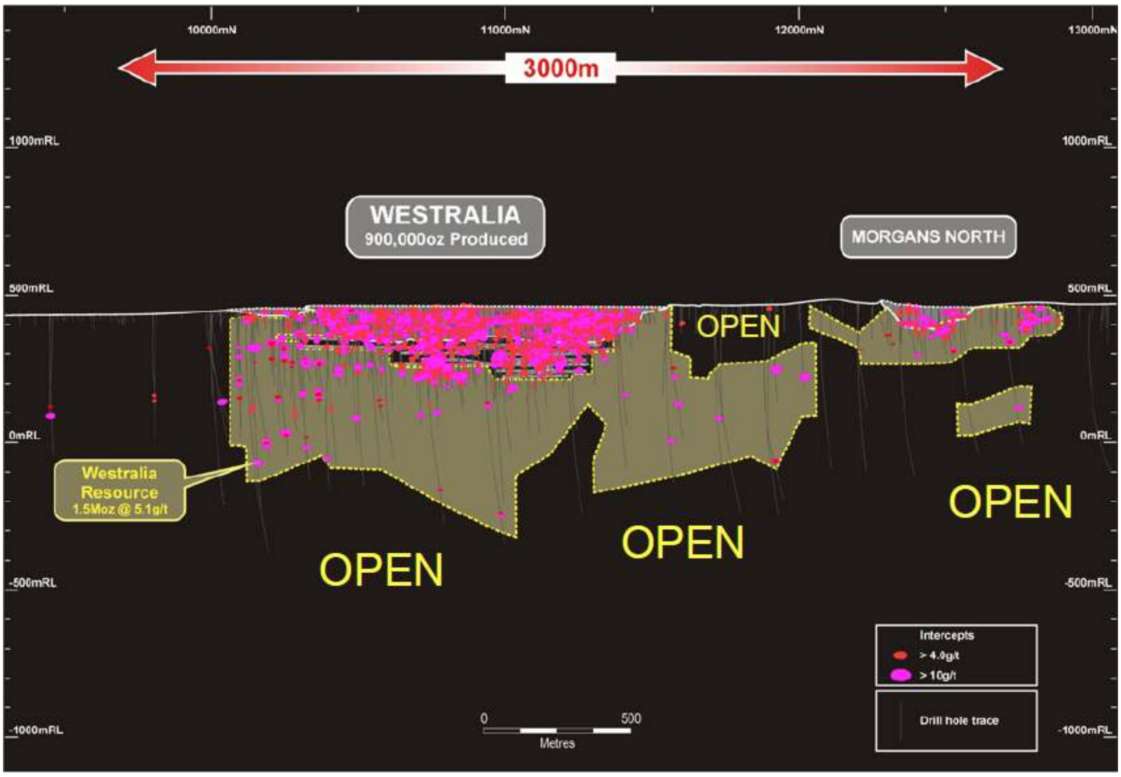
Source: Company

The 1.5moz Westralia resource sits below the historic open pit and includes over 2,000oz per vertical metre, but also includes 1.3moz in 440m vertical metres for ~3,000oz per vertical metre.

The average true width of the underground resource at Westralia is 3.6m.

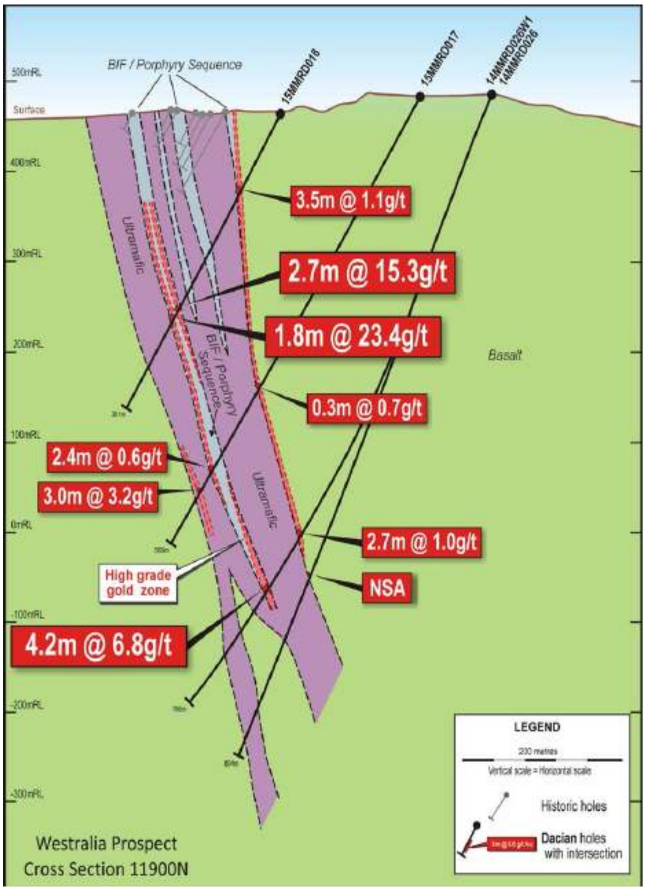
As the picture below shows, the company's hypothesis at Westralia has been the 2.8km zone comprising Westralia and Morgans North was in fact a continuously mineralised system – a thesis which the company's most recent drill programme has essentially confirmed.

Westralia Long section



Source: Company

Importantly, the new 1.5moz resource at Westralia includes an inferred resource in the new footwall BIF discovery (Banded Iron Formation), located between Westralia and Morgans North, comprising of **344koz at 9.1g/t** (at the Northern end of the system, see picture below).



Source: Company

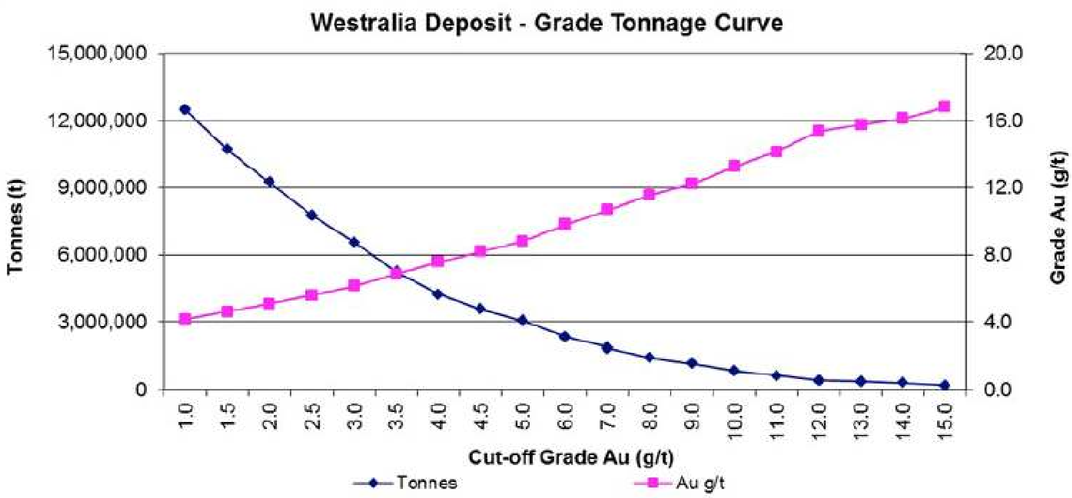
In July 2015, DCN announced the discovery of a significantly mineralised BIF unit at the northern end of Westralia.

This zone remains untested near-surface and will be drill tested in 2H CY15.

Dacian believes these results are “highly significant” and could lead to further exploration success.

There is another high-grade zone at the Southern end of the deposit which comprises **853koz @ 5.8g/t**.

The company also provided the grade/tonnage curve below, which highlights that if the cut-off is increased from 2g/t to 3g/t the resource is **1.3moz @ 6.1g/t** (vs. 1.5moz @ 5.1g/t).



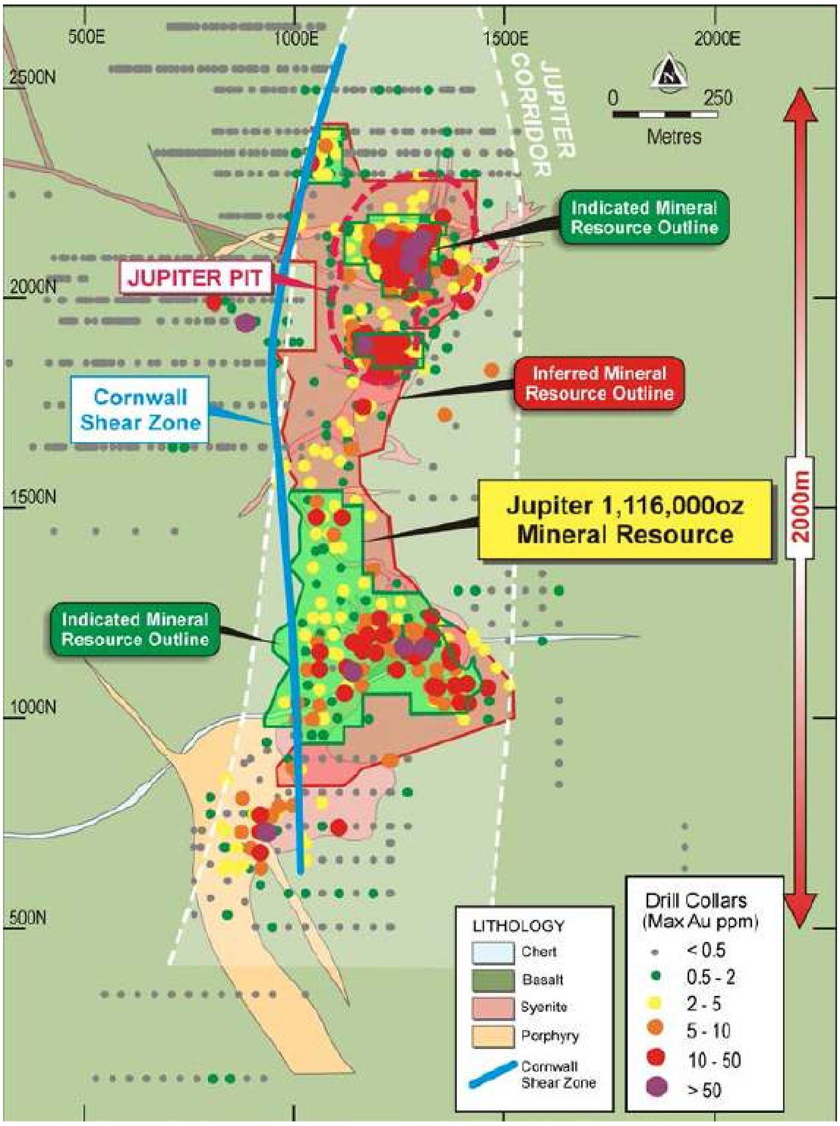
Source: Company

JUPITER

Jupiter was discovered in 1984 and mined between 1994-1996. Historic production was ~150koz from both CIL (2.4g/t, 93% recovery) and dump leach (0.9 g/t, 38% recovery).

The current Jupiter resource includes 1.1moz @ 1.3g/t, but includes a higher grade deposit known as Heffernans which comprises 532koz @ 1.8g/t and outcrops in a 25m hill.

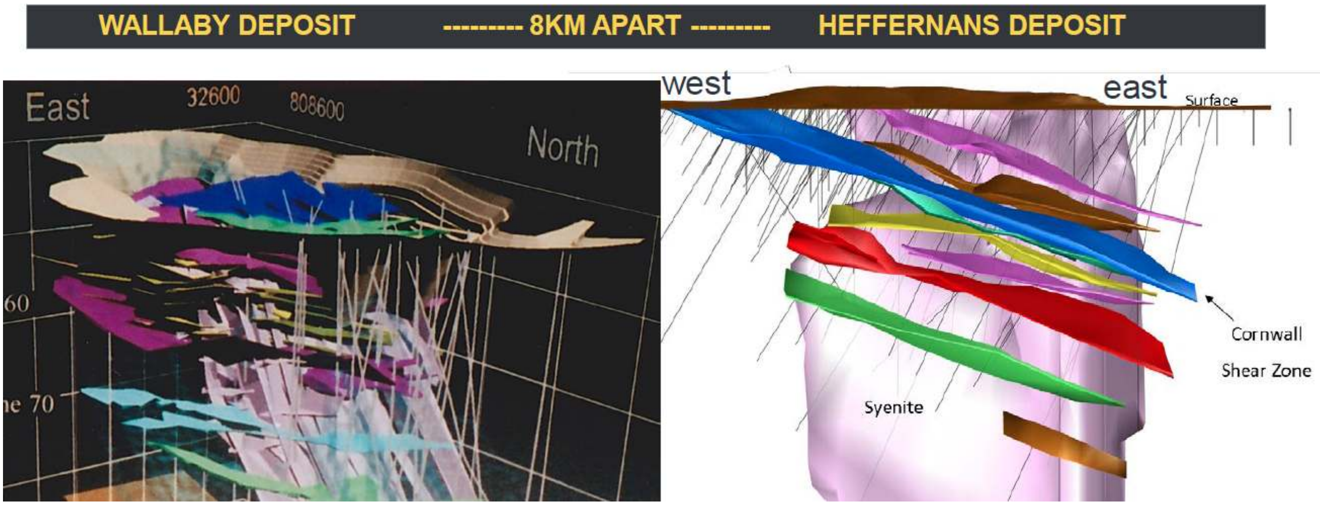
Jupiter will initially be an open pit prospect and contains 866koz in the top 200m at 4,300oz per vertical metre.



Source: Company

The mineralisation at Jupiter is syenite-hosted and appears to be very similar style of mineralisation to the nearby 7moz Wallaby deposit (~8km away).

The picture below illustrates these similar stacked lodes style of mineralisation with the syenite host shown in light pink. The company believes the Jupiter prospect has the potential to host a larger, deeper, syenite hosted gold-deposit similar to Wallaby.



Source: Company

HIGH QUALITY INFRASTRUCTURE

The company's projects sit on approved mining leases and are blessed with proximity to high quality infrastructure, including a new gas pipeline, sealed airstrip at Laverton (<25km away) existing camp and haul roads as well as an excellent supply of water.

DEVELOPMENT TIMETABLE

Dacian has flagged that it intends to release a Scoping Study for Mt Morgans within the next few weeks which will be upgraded to a Pre-Feasibility Study (PFS) by mid CY16. The company expects to complete a Bankable Feasibility Study (BFS) by end CY16 and a 12-month construction period for first gold in early CY18.

Our forecasts assume a somewhat slower path to production including an additional 6 months to complete a BFS and to obtain permits and finance for first gold in mid CY18.

PERMITTING

The company's projects sit on approved mining leases and the company does not expect any native title issues. Thus we expect the permitting process should be relatively straight forward.

THE RIGHT TEAM

In our view, Dacian has a very capable management team, most of whom are ex Avoca Resources Ltd. As such, this team has a proven track record of taking a junior WA-based gold explorer into production.

After the major resource upgrade at Diggers & Dealers this year (+78%), in our view, Dacian has now has a large enough resource base to give it the critical mass to begin pursing a credible development project at Mt Morgans.

Rohan Williams, Executive Chairman – Mr Williams was founding CEO and Managing Director of Avoca Resources Ltd, and led that company from its $7 million exploration IPO in 2002 until its merger with Anatolia Minerals in 2011 to form Alacer Gold Corp, which valued Avoca at $1 billion. Prior to his time with Avoca Resources Ltd, Mr Williams worked with WMC Resources Limited where he held Chief Geologist positions at St Ives Gold Mines and the Norseman Gold Operation. He has 25 years of experience, including over 19 years in the world class Kalgoorlie-Norseman gold belt.

Robert Reynolds, Non-Executive Director – Mr Reynolds was the Non-Executive Chairman of Avoca Resources Ltd from 2002 until it merged with Anatolia Minerals to form Alacer Gold Corp in 2011, and has extensive experience in mineral exploration, development and mining operations. A Chartered Accountant with over 35 years commercial experience in the mining sector. Mr Reynolds was a long term Director of Delta Gold Limited and was a Director of Extorre Gold Mines Limited when it was acquired by Yamana Gold for C$414m in August 2012.

Barry Patterson, Non-Executive Director – Mr Patterson is a mining engineer with over 50 years of experience in the mining industry and is a co-founder, and Non-Executive Director, of ASX listed GR Engineering Limited. Mr Patterson was also a founding shareholder of leading engineering services provider JR Engineering, which became Roche Mining after being taken over by Downer EDI in 2002. He also co-founded contract mining companies Eltin, Australian Mine Management and National Mine Management.

James Howard, Project Manager – Mr Howard is a mining engineer and prior to joining Dacian Gold, was responsible for the construction of Atlas Iron's 3Mtpa greenfields Abydos iron ore project in the Pilbara of WA. During the period 2007-2012, Mr Howard worked for Avoca Resources Ltd, initially as mining manager at Avoca's 1 Mtpa underground Trident Gold Mine, and then as Project Manager responsible for constructing the Chalice Underground Mine.

Dan Baldwin, Exploration Manager – Mr Baldwin is a geologist with 20 years experience in Australia and Canada. Prior to joining Dacian, Mr Baldwin held roles of Exploration Manager for Avoca Resources and VP Exploration (Australia) for Alacer Gold Corporation. Prior to Avoca, he worked with Gold Fields Ltd where he held Chief Geologist and Mineral Resource Manager positions at Agnew Gold Mines and numerous mining and exploration positions with WMC Resources Limited at St Ives and Olympic Dam.

THE RIGHT TIME TO BUILD A GOLD MINE

While the broader resource market has been under pressure for some time, with the falling Australian dollar the ASX gold space is looking in much better shape, with many producers now enjoying healthy cash margins of >50%.

One of the consequences of a cooling resource market, is an increase in the availability of highly skilled labour as well as a very competitive climate for mining service companies resulting in much better prices for mining and development companies.

In parallel, the collapse of the oil price has led to significant savings across the board.

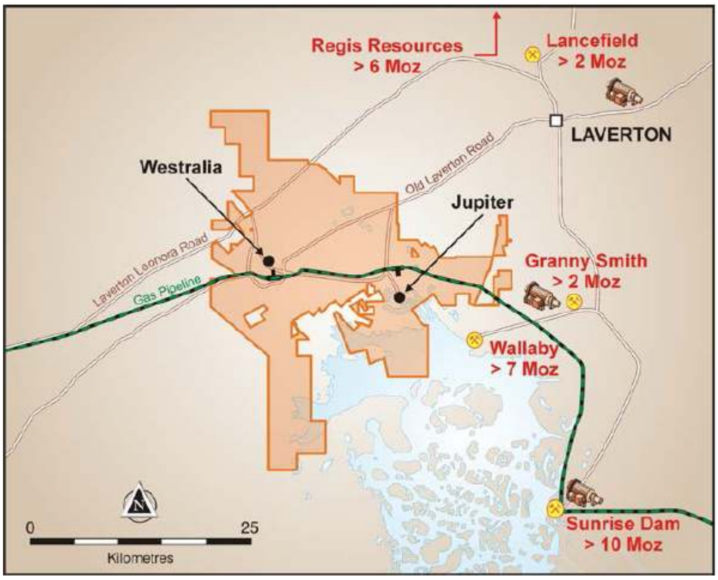
Big picture, there has been a significant pull back in input prices for building and operating mines, when coupled with the rapidly weakening A$ and low prevailing oil prices, it is actually a very good time to be building a mine.

When combined with a high quality development team like Dacian (which for many investors is the most important consideration of all), we are confident the company should be able to attract the necessary capital to build Mt Morgans.

WHY A BID FROM GOLD FIELDS IS HIGHLY LIKELY

In our view, there are a number of potential suitors for Dacian, including Northern Star, Evolution and Metals X, but we believe the most likely candidate is Gold Fields.

Gold Fields owns the **3.5mtpa Granny Smith CIP plant which is located nearby**, <15km from Jupiter and ~25km from Westralia, and **currently has 1.8mtpa of unutilised capacity**[1].



Source: Company

Gold Fields has also committed to trying to fill its Australian mills, through a combination of:

3. **Exploration**: 2015 budget is a substantial A$85m for 456,000m of drilling
4. **"Actively Seeking M&A Opportunities"**[2]

Simplistically speaking, assuming only 1moz of DCN's 3moz resource is mined, we estimate the value to Gold Fields could be at least ~A$300m, compared to DCN's fully diluted market cap of just ~A$69m.

Therefore, on our forecasts, **if Gold Fields stumped up an A$100m cash bid for DCN (or ~94c, a ~45% premium), we believe it would probably still be accretive for Gold Fields shareholders to the tune of at least ~A$200m**.

Bottom line: We believe the question of a Gold Fields approach to DCN is more a question of *when* rather than if, and is probably contingent on infill drilling at Westralia providing more confidence on continuity of mineralisation.

Gold Fields provided a detailed presentation on the Granny Smith operation on the last site analyst visit in July 2014[3].

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[1] Gold Fields Q2 2015 conference call transcript, p6
https://www.goldfields.com/pdf/presentations/2015/conference_call_transcript_20150821.pdf

[2] Gold Fields Diggers & Dealers presentation, August 2015, p29
https://www.goldfields.co.za/pdf/presentations/2015/sustaining_fcf_and_growing_the_exploration_pipeline.pdf

[3] Gold Fields site visit to Granny Smith, July 2014
https://www.goldfields.com/pdf/presentations/2014/16072014_stuart_mathews.pdf

INVESTMENT PROPOSITION

This section provides an in-depth look at our valuation assumptions for Dacian.

VALUATION

Our valuation of Dacian is based on DCF-based approach, with a significant 50% discount applied to account for the early stage of development and to accommodate the potential development risks which lie ahead. The table below summarises our key assumptions.

	BOEQ	Commentary
Throughput	2mtpa	Company presentation
Recovery	91%	Our assessment based on historical recoveries of 90-93% and a blend of underground and open pit ore
Gold production	~190kozpa	Assumes a blended head grade of 3.2g/t from open pit and underground ore is achievable
AISC	<A$1,100/oz	Sub US$800/oz. Based on current unit costs of comparable operating WA-based gold mines
Royalties	2.5% + 1.0%	2.5% WA state royalty + 1.0% vendor royalty capped at 500koz
Initial mine life	~5 years	Effectively assuming a mining inventory of ~1moz or 30% of the defined 3moz resource base
Total capex	~A$150m	Regis built the 2mtpa Moolart Well plant several years ago for A$67m (with Mintrex). We expect the Mt Morgans plant will likely require additional crushing and grinding capacity. We have also allowed for the construction of two declines at Westralia and pre-stripping at Jupiter.
Sustaining capex	~A$20m p.a.	Based on our assessment and comparable mines
US$ gold price	US$1,100/oz	A modest discount to the spot price of ~US$1,140/oz
A$/US$ Exchange Rate	Forward curve	Essential spot of 0.715 falling to 0.67 over 5-years
Post Tax IRR	~50%	We estimate the post-tax IRR of Mt Morgans is likely to be a very competitive ~50%
Un-risked NPV	**A$210m**	Based on a DCF-based approach using a 7% nominal discount rate (5% real)
Discount applied	50%	Given early stage of development
Risk Adjusted NPV	**A$105m**	

Source: Company, Blue Ocean

We provide more detail on some of our other underlying assumptions on the following page.

In our analysis, we assume 3 primary ore sources:

1. Open pit ore from Jupiter at 1.6g/t (assumes 10% dilution)
    - Sourced primarily from Heffernans deposit: 532koz @ 1.8g/t
    - We assume a strip ratio of 7:1 and mining costs of A$3.80/t
2. Underground ore from Westralia south at 4.9g/t (assumes 15% dilution)
    - Sourced from southern Westralia resource of 853koz @ 5.8g/t
    - We assume underground mining costs of A$90/t
5. Underground ore from Westralia north at 7.7g/t (assumes 15% dilution)
    - Sourced from northern Westralia BIF resource of 344koz @ 9.1g/t
    - We assume underground mining costs of A$90/t

We also assume ~60% of ore is sourced from open pit sources (~1.2mtpa) and 40% from underground sources (~800ktpa), based on two modest ~400ktpa underground mines, one at each end of Westralia.

We assume a 2mtpa processing plant with processing and G&A costs of A$25/t ore and A$5/t ore respectively.

We provide a detailed profile of operating assumptions and cash flows for Mt Morgans on page 16 of this report.

FUNDING ASSUMPTIONS

We assume the company funds our estimated A$150m in development capital at Mt Morgans using traditional project finance with a funding mix comprising 50/50 debt/equity. We include an additional A$20m in the funding need for working capital.

We assume two capital raisings, A$20m in 2H CY15 to fund exploration and studies and A$85m in 1H CY17 to fund project development. We assume both fund raisings are undertaken at a 10% discount to the last closing price.

PRICE TARGET & RATING

Our $1.05 price target represents ~1.0x our risk-adjusted NAV and an implied return of 64%.

STRATEGIC TARGET

To derive our longer-term $1.50 Strategic Target we assume Dacian is able to define a longer mine life of 7-8 years (vs. our base case of 5 years) based on a mining inventory of ~1.5moz (vs. our base case of ~1moz) or ~50% of the current 3moz resource base.

NEAR-TERM CATALYSTS

There a number of near-term catalysts for Dacian:

(1) **Sept 2015**: The release of the Scoping Study for Mt Morgans is imminent
(2) **2H CY15**: We expect the company to raise ~A$20m to fund infill drilling and studies
(3) **Ongoing**: Exploration results
(4) **Mid CY16**: Release of the PFS for Mt Morgans

KEY RISKS

Dacian is exposed to all the normal risks associated with developing and operating mining projects, including permitting, funding and construction risk.

Given the early stage nature of the Mt Morgans project, other key risks for Dacian include metallurgical recoveries (albeit somewhat offset by the fact Mt Morgans is a brownfields operation), as well as a successful infill drilling program to confirm ore bodies are sufficiently continuous to support a viable mining operation.

Many investors may also expect ongoing exploration success (and in our view that is likely) and thus Dacian also carries exploration risk.

Assuming the company makes the transition into production, the company's revenues will be derived from the sale of gold. Fluctuations in the gold price as well as the Australian dollar could impact the company's cash flow, profitability and share price.

Dacian's shares also carry an embedded Australian sovereign risk as the company's development projects are based in Western Australia.

MODEL SUMMARY – FINANCIALS & VALUATION

Stock Details					
Recommendation:	BUY			Enterprise Value	$66m
Target	$1.05	Share Price	$0.65	Diluted MCap	$69m
NAV	$1.08	52 Week High	$0.65	Diluted Shares	106m
Implied Return	62%	52 Week Low	$0.25	Free Float	100%
				Avg Daily Value	$0.03m

Macro Assumptions	**FY15E**	**FY16E**	**FY17E**	**FY18E**	**FY19E**
Exchange Rate (A$/US$)	0.84	0.70	0.69	0.68	0.68
Gold Price (US$/oz)	1,224	1,100	1,100	1,100	1,100
Gold Price Realised (A$/oz)	1,464	1,563	1,595	1,611	1,623

Profit & Loss (A$m)	**FY15E**	**FY16E**	**FY17E**	**FY18E**	**FY19E**
Revenue	-	-	-	-	258
Operating Costs	-	-	-	-	(150)
Operating Profit	**-**	**-**	**-**	**-**	**108**
Corporate & Other	(1)	(2)	(2)	(2)	(4)
Exploration Expense	(5)	(8)	(5)	(4)	(2)
EBITDA	**(6)**	**(9)**	**(7)**	**(6)**	**102**
D&A	(0)	(0)	(0)	(0)	(28)
EBIT	**(7)**	**(9)**	**(7)**	**(6)**	**74**
Net Interest Expense	0	0	0	0	(6)
Pre-Tax Profit	**(6)**	**(9)**	**(7)**	**(6)**	**68**
Tax Expense	-	-	-	-	(20)
Underlying Profit	**(6)**	**(9)**	**(7)**	**(6)**	**47**
Signficant Items (post tax)	-	-	-	-	-
Reported Profit	**(6)**	**(9)**	**(7)**	**(6)**	**47**

Cash Flow (A$m)	**FY15E**	**FY16E**	**FY17E**	**FY18E**	**FY19E**
Operating Cashflow	(1)	(2)	(2)	(2)	104
Tax	-	-	-	-	-
Net Interest	0	0	0	0	(6)
Net Operating Cash Flow	**(1)**	**(1)**	**(2)**	**(2)**	**97**
Exploration	(6)	(9)	(6)	(4)	(2)
Capex	(0)	(4)	(1)	(150)	(20)
Acquisitions / Disposals	-	-	-	-	-
Other	(0)	(0)	(0)	(0)	(0)
Net Investing Cash Flow	**(6)**	**(12)**	**(7)**	**(154)**	**(22)**
Equity Issue	-	20	85	5	1
Borrowing / Repayments	(0)	-	-	85	(85)
Dividends	-	-	-	-	-
Other	(0)	-	-	-	-
Net Financing Cash Flow	**(0)**	**20**	**85**	**90**	**(84)**
Change in Cash Position	(6)	6	76	(66)	(9)
FX Adjustments	-	-	-	-	-
Cash Balance	**4**	**11**	**87**	**21**	**12**

Balance Sheet (A$m)	**FY15E**	**FY16E**	**FY17E**	**FY18E**	**FY19E**
Cash	4	11	87	21	12
Other Current Assets	0	0	0	0	0
PP&E	0	4	5	155	147
Exploration & Development	8	9	10	10	10
Other Non Current Assets	0	0	0	0	0
Total Assets	**13**	**24**	**102**	**186**	**169**
Debt	0	0	0	85	0
Other Liabilities	2	2	2	2	22
Net Assets	**12**	**22**	**100**	**100**	**147**

Ratio Analysis		**FY15E**	**FY16E**	**FY17E**	**FY18E**	**FY19E**
Diluted Shares	m	99	133	279	285	286
EPS - Diluted	Ac	(6.5)	(7.4)	(4.4)	(2.1)	16.6
P/E	x	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**3.9x**
CFPS - Diluted	Ac	(0.8)	(1.1)	(1.1)	(0.8)	34.2
P/CF	x	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**1.9x**
FCF - Diluted	Ac	(1.1)	(4.0)	(1.1)	(53.5)	29.2
P/FCF	x	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**2.2x**
Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A$m	65	58	(18)	133	57
EV/EBITDA	x	**(10.1x)**	**(6.3x)**	**2.6x**	**(22.2x)**	**0.6x**
ROE	%	(55%)	(41%)	(7%)	(6%)	32%
ROA	%	(48%)	(38%)	(7%)	(3%)	28%
Net Debt / (Cash)		(4)	(11)	(87)	64	(12)
Gearing (ND/(ND+E))	%	n.m.	n.m.	n.m.	39%	(9%)
Gearing (ND/E)	%	n.m.	n.m.	n.m.	64%	(8%)

	P&P Reserves			**M&I Resources**			**Inferred**
	mt	g/t	moz	mt	g/t	moz	moz
Westralia	-	-	-	2.2	4.7	0.33	1.19
Jupiter	-	-	-	13.1	1.4	0.60	0.48
Transvaal	-	-	-	0.8	5.5	0.14	0.07
Other	-	-	-	3.7	0.8	0.10	0.14
Sub Total	**-**	**-**	**-**	**19.7**	**1.8**	**1.17**	**1.88**
Total						**3.0**	

Earnings Sensitivity			FY19E	FY20E	FY19E	FY20E
			A$m	A$m	%	%
Gold Price	US$/oz	+10%	23	23	36%	34%
Exchange Rate	A$/US$	-10%	25	26	40%	37%

Valuation	**Discount**	**Stake**	**A$m**	**A$/sh**
Mt Morgans (un-risked)		100%	211	2.12
Mt Morgans (risk adjusted)	50%	100%	105	1.06
Exploration			20	0.20
Corporate & Other			(21)	(0.21)
Debt			-	-
Cash			2.6	0.03
Risk adjusted NAV			**107**	**1.08**

Source: IRESS, Company data, Blue Ocean estimates

MODEL SUMMARY – OPERATIONAL INPUTS & FREE CASH FLOW

Macro Assumptions		FY18E	FY19E	FY20E	FY21E	FY22E
Exchange Rate	A$/US$	0.68	0.68	0.67	0.67	0.67
Gold Price	US$/oz	1,100	1,100	1,100	1,100	1,100
Gold Price Realised	A$/oz	1,611	1,622	1,634	1,637	1,637

Operational Summary		FY18E	FY19E	FY20E	FY21E	FY22E
Mt Morgans - Mining						
Open Pit Ore						
Percent of Mill Feed	%	-	60%	60%	60%	60%
Open Pit Mill Feed	kt	-	1,005	1,200	1,200	1,200
Open Pit Head Grade	g/t	-	1.6	1.6	1.6	1.6
Underground Ore						
Percent of Mill Feed	%	-	40%	40%	40%	40%
Underground Mill Feed	kt	-	670	800	800	800
Underground Head Grade	g/t	-	5.7	5.7	5.7	5.7
Mt Morgans - Processing						
Mill Throughput	mt	-	1.7	2.0	2.0	2.0
Head Grade	g/t	-	3.2	3.2	3.2	3.2
Recovery	%	-	91%	91%	91%	91%
Gold Production	koz	-	159	190	190	190
All-in Sustaining Cost	A$/oz	-	1,109	1,083	1,075	1,067

FCF Contribution	A$m	FY18E	FY19E	FY20E	FY21E	FY22E
Mt Morgans						
Revenue		-	258	310	310	310
Operating Costs		-	150	179	178	176
Sustaining Capex		-	20	20	20	20
Sustaining Exploration		-	2	2	2	2
Corp Overheads		2	4	4	4	4
All-in Sustaining Margin		**(2)**	**82**	**104**	**107**	**108**

Group		FY18E	FY19E	FY20E	FY21E	FY22E
Gold Production	**koz**	**-**	**159**	**190**	**190**	**190**
All-in Sustaining Cost	A$/oz	-	1,109	1,083	1,075	1,067

Operations	A$m	FY18E	FY19E	FY20E	FY21E	FY22E
Revenue		-	258	310	310	310
All-in Sustaining Cost		2	176	205	204	202
All-in Sustaining Margin		**(2)**	**82**	**104**	**107**	**108**
Growth Capex		150	-	-	-	-
Growth Exploration		4	-	-	-	-
All-in Margin		**(156)**	**82**	**104**	**107**	**108**

Corporate	A$m	FY18E	FY19E	FY20E	FY21E	FY22E
Cash Tax		-	-	-	28	29
Other Items		0	0	0	0	0
FCF pre Debt Service		**(157)**	**82**	**104**	**78**	**79**
Net Interest		(0)	6	(1)	(3)	(4)
Debt Drawdown / (Repayment)		85	(85)	-	-	-
FCF post Debt Service		**(72)**	**(10)**	**105**	**81**	**82**

New Equity/Dividends	A$m	FY17E	FY18E	FY20E	FY21E	FY22E
Proceeds from Shares/Options		5	1	2	-	-
Dividends Paid		-	-	9	17	17
Change in Cash		**(66)**	**(9)**	**98**	**64**	**65**
Cash Balance		**21**	**12**	**110**	**174**	**239**

Source: IRESS, Company data, Blue Ocean estimates

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