MUTINY GOLD

Research Note

PATERSONS
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BURIED TREASURE

Mutiny Gold Limited (MYG) has recently announced the completion of its "Mine Operators Review" of the Deflector project by the Company's new management, under the leadership of Tony James. The practical review was of the 2013 Definitive Feasibility Study update (2013 DFS). The outcome surprised on the upside with key changes including lower All In Sustaining cash costs of A$723/oz (2013 DFS: 801/oz) and a Project NPV (8%) of A$111m (2013 DFS: A$100m). While funding still remains the Project's biggest hurdle, we are confident in MYG's ability to secure a funding solution and have incorporated the Mine Operators Review into our financial model. This has resulted in a valuation of A$0.07/sh with no exploration upside built in, and we therefore reiterate our Speculative Buy recommendation.

- **Mine Operators Review:** The Mine Operators Review has resulted in a number of key changes to the 2013 DFS. The new plan focuses on the underground portion of the Project which will reduce open pit volume by 80%, dramatically reducing the stripping ratio and enabling early access to the underground mine. These changes have resulted in a higher Project NPV (8%) of A$111m (2013 DFS: A$100m) and lower All In Sustaining costs of A$723/oz (2013 DFS: A$801/oz). However, the Life of Mine (LOM) has decreased slightly to 5.9 years (2013 DFS: 6.2 years) and pre-production capex has increased marginally to A$67.6m (2013 DFS: A$62m). We highlight that the capex of A$67.6m includes a crusher (A$10m) and an accommodation village (A$5.5m) which were not included in the 2013 DFS capex of A$62m, as they were planned to be leased. On a like-for-like basis, with these costs included, the capex outcome compares favourably with the 2013 DFS ($67.6m vs $77.5m).

- **Funding solution remains the key catalyst:** We have modelled funding for the Deflector Project on a ~60:40 debt-equity split. Despite tight debt markets, we see financing ~A$45-50m of the A$80m capital requirement (including working capital) as highly achievable. The relatively high grades of the Project should withstand typical lender constraints to grade, mine life and price assumptions which should culminate in a solution being reached. The remaining ~40% of the funding is assumed by way of a straight equity issue. We see this as prudent balance sheet management; however note that our valuation is sensitive to dilution as we have assumed that funds are raised at the current share price.

Year End June 30	2013A	2014F	2015F	2016F
Reported NPAT ($m)	6.1	(1.4)	(3.0)	1.9
Recurrent NPAT ($m)	6.1	(1.4)	(3.0)	1.9
Recurrent EPS (cents)	1.3	(0.2)	(0.2)	0.1
EPS Growth (%)	na	na	na	na
PER (x)	2.4	(14.7)	(17.2)	27.0
EBITDA ($m)	5.3	(2.3)	(0.6)	8.7
EV/EBITDA (x)	2.2	(5.0)	(19.6)	1.3
Capex ($m)	0.0	0.0	15.2	62.2
Free Cashflow	6.1	(3.8)	(20.2)	(58.8)
FCFPS (cents)	1.3	(0.6)	(1.3)	(3.6)
PFCF (x)	2.4	(5.5)	(2.6)	(0.9)
DPS (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

18 August 2014

12mth Rating		Spec Buy
Price	A$	0.03
Target Price	A$	0.07
12m Total Return	%	108.3
RIC: **MYG.AX**		BBG: **MYG AU**
Shares o/s	m	644.7
Free Float	%	100.0
Market Cap.	A$m	20.6
Net Debt (Cash)	A$m	3.2
Net Debt/Equity	%	10.2
3m Av. D. T'over	A$m	0.02
52wk High/Low	A$	0.05/0.02
2yr adj. beta		1.22
Valuation:		
Methodology		DCF
Value per share	A$	0.07

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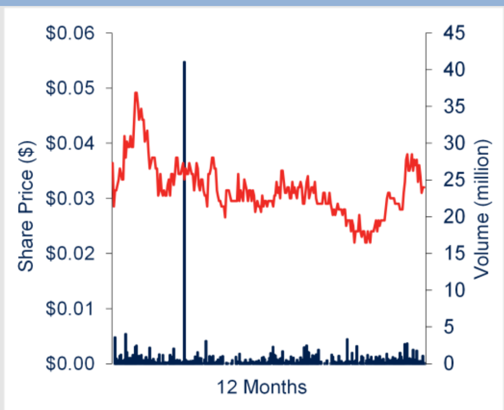
12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	20.0	28.6	30.0
Rel. S&P/ASX 300	16.9	25.9	23.9

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Continuing to deliver

Completion of the Mine Operators Review: On 4 August 2014, MYG announced the completion of its Mine Operators Review which was a review of the 2013 DFS. The Company has simplified the Project, improved a number of Project financial metrics and generated a new ore reserve statement **(Figure 1)**. We highlight the relatively high copper and silver grade embedded within the orebody which should derive significant by-product credits and is therefore a key driver behind the relatively low All In Sustaining cost of A$723/oz.

Figure 1: Updated ore reserve statement

Classification	Tonnes	Au (g/t)	Au (oz)	Cu (%)	Cu (t)	Ag (g/t)	Ag (oz)
Proven	908,000	5.3	153,000	1.3	11,000	9.4	274,000
Probable	873,000	6.0	168,000	0.5	4,000	3.1	86,000
Total Reserve	**1,781,000**	**5.6**	**322,000**	**0.9**	**16,000**	**6.3**	**36,000**

Source: Mutiny Gold Limited

Key changes to the Project include a reduction in open pit volume by 80%, which provides early access to the underground mine, an increase in NPV (8%) before tax to A$111m (2013 DFS: A$100m), a decrease in All In Sustaining cash costs to A$723/oz (2013 DFS: A$801/oz) and an increase in pre-production capital to A$67.6m (2013 DFS: A$62m). We highlight that the capex of A$67.6m includes a crusher (A$10m) and an accommodation village (A$5.5m) which were not included in the 2013 DFS capex of A$62m as they were planned to be leased. These costs were estimated to be ~A$10m each and if included, the 2013 DFS capex would increase to ~A$77.5m. A more detailed comparison between the Mine Operators Review and the updated 2013 DFS can be seen below in **Figure 2**.

Figure 2: Comparison between Mine Operators Review and 2013 DFS

	Unit	Mine Operators Review	2013 DFS	Difference
Gold price	U$/oz	1,300	1,555	-16%
Average production rate	Ktpa	380	380 (Stage 1)	0%
Capital expenditure	A$m	67.6	77.5[1]	-18%
Cash cost	A$/oz	549	638	-14%
All in sustaining cash cost	A$/oz	723	801	-10%
LOM	Years	5.9	6.2	-6%
LOM revenue	A$m	611	749	-18%
IRR before tax	%	50	50	0%
NPV (8%) before tax	A$m	111	100	11%

1. *To form a comparison on a like for like basis we have added the estimated cost of a crushing plant (A$10m) and an accommodation village ($5.5m), which were planned to be leased, to the 2013 DFS's stated A$62m start-up capital.*

Source: Mutiny Gold Limited

Drilling results for Deflector Extensions: During July, MYG announced that it had completed its 24 Reverse Circulation (RC) drill hole program which showed nine significant intersections. The results showed extensions of gold/copper mineralisation to the Central and Contact Lodes associated with the Deflector Project. Key intercepts include 1.0m at 9.01 g/t Au and 0.11% Cu from 110m and 1.0m at 7.33 g/t Au and 1.11% Cu from 129m. The key read through is that there remains potential to increase the Deflector Project's Resource beyond and below the current margins, although it is fair to say that results fell short of our expectations. We highlight that the prospects of discovering extensions to the Deflector deposit will be determined by additional geological interpretation and drilling.

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Exploration success at Mary Celeste: On 6 June, MYG announced exploration success at its 100% owned Mary Celeste prospect. MYG drilled a total of 917m and validated previously highlighted Sub-audio magnet (SAM) targets. A total of 15 holes were drilled which returned a key intercept of 2m at 1.23g/t Au from 39m. While the result is mildly positive from an immediate economic perspective, it's positive from an exploration context as it confirms that the SAM identified targeting works and that potential extensions to Deflector exist along the 7km corridor as the discovery hole for Deflector in 1991 was 1m at 1.9g/t. The Company is continuing the SAM surveys in the Deflector corridor and will use to develop other targets for follow up drilling.

New Board and Management: During April, MYG announced a new Board of Directors which now consists of Allan Brown (Non-Executive Chairman, former Non-Executive Deputy Chairman), Anthony (Tony) James (Managing Director), Rowan Johnston (Executive Director of Operations, former Non-Executive Director) and Kelvin Flynn (Non-Executive Director). The reinvigorated Board brings together a fresh focus on developing the Deflector deposit. Key new appointments include Mr James, who is a Mine Engineer with 30 years' experience in open pit and underground operations, mining and project management. Mr James is credited with bringing Avoca's Trident underground mine into production as well as commissioning and building the Higginsville processing plant and infrastructure in 2008. Mr Flynn, another recent appointment to the Board, is a qualified Chartered Accountant with more than 20 years' of investment banking and corporate advisory experience including private equity and special situation investments in the mining and resources sector. Mr Flynn is the founder and Managing Director of private equity and advisory firm Sirona Capital and has held various leadership positions in Australia and Asia including Executive Director/Vice President with Goldman Sachs and Managing Director of Alvarez & Marsal in Asia.

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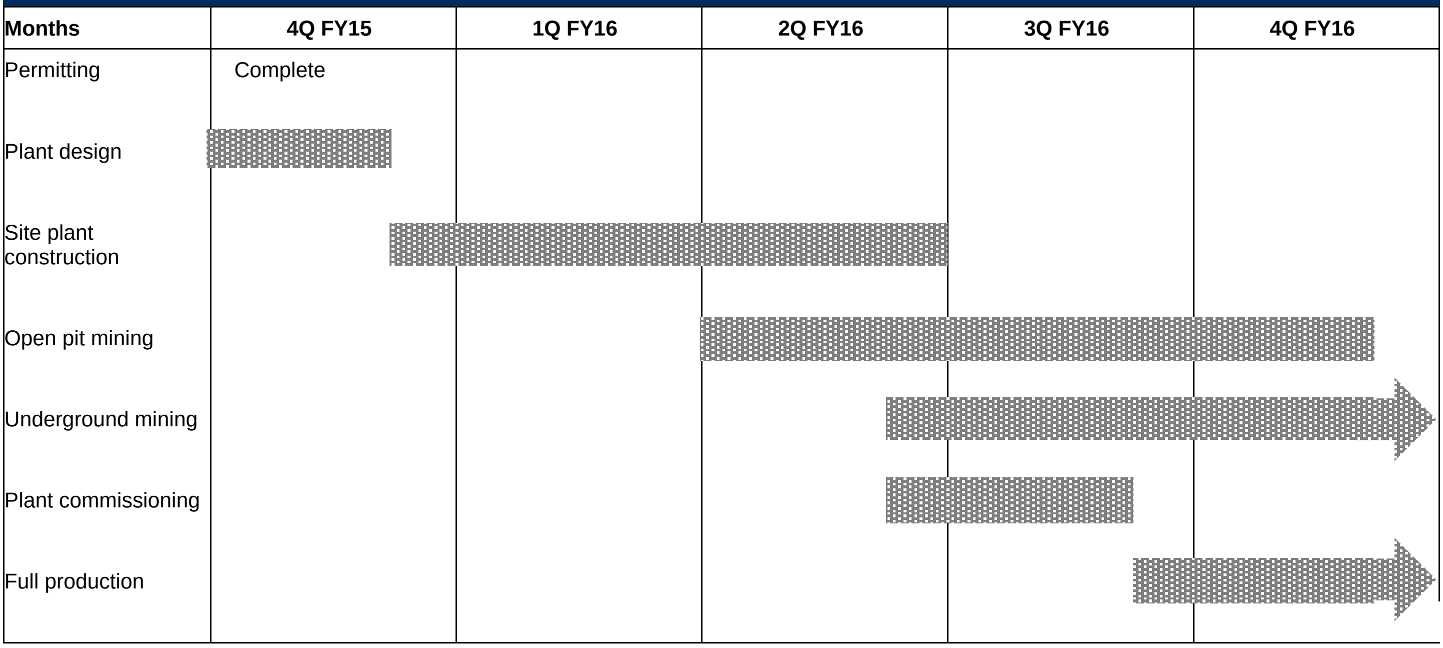
Moving forward

Funding solution remains the key catalyst: We have modelled funding for the Deflector Project on a ~60:40 debt-equity basis. Despite tight debt markets, we see financing ~A$45-50m of the A$80m capital requirement (which includes A$67.6m pre-production capex plus working capital) as highly achievable. The relatively high grades of the Project should withstand typical lender constraints to grade, mine life and price assumptions which should culminate in a solution being reached. The remaining ~40% of the funding is assumed by way of a straight equity issue. We see this as prudent balance sheet management; however note that our valuation is sensitive to dilution when funds are raised at the current share price. In our model we have assumed A$30m in fresh equity being raised in FY15 at around the current share price which would see an additional 1bn shares issued.

Figure 3: Estimated Project timeline



Source: Patersons Securities Limited

Further exploration: During the Mine Operators Review all exploration work associated with the Gullewa Gold Project, outside of the Deflector resource, was technically reviewed and ranked in priority. The Company highlighted and ranked four areas of exploration:

1. **Deflector Corridor:** Host to the Deflector gold (591,000oz), copper (27,000t) and silver (631,000oz) deposit. Extensions of Deflector and other similar style resources are believed to exist over seven kilometres Deflector corridor predominately under shallow cover. MYG has identified four high priority targets which include 4m at 2.3g/t Au from 22m at Jack Sparrow and 2m at 1.1g/t Au from 39m at Mary Celeste. These shallow drill intercepts were obtained from the cover/rock interface and are yet to be followed up.
2. **Quartermaster:** This area is relatively unexplored with some minor historical surface workings. MYG is currently completing a SAM survey over this target area. Quartermaster is in line with the Deflector corridor and is adjacent to a small intrusive which has geological similarities to the Deflector corridor.
3. **Brandy Hill:** The Brandy Hill area is located at the southern end of the Salt Creek Fault and was subject to gold exploration in the late 1990's and early 2000. Follow up work is required to test known geophysical and geochemical anomalies.
4. **Gullewa:** This area hosts previously mined deposits including the King Solomon mine that are all open at depth with the potential to host a second underground mining complex.

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Background

Mutiny Gold (MYG) has been listed on the Australian Stock Exchange since July 2006 and currently holds a well advanced tenement package known as the Gullewa Project in the mid-west region of Western Australia. The Deflector gold-copper deposit is the Company's flagship asset with MYG targeting production by early to mid-2016. The DFS on Deflector was updated in September 2013 and reviewed a second time during mid-2014. The second review, which was known as the Mine Operators Review, returned impressive economics.

The Rocksteady Iron Project also sits within the Gullewa tenement package and offers some development potential. The renewed Board has reduced expenditure on the Project and, in our opinion; it would make sense for this to be divested.

Figure 4: MYG mining and exploration assets (100% owned)

Source: Mutiny Gold Limited

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Capital Structure

Following the share placement and subsequent entitlements issue earlier this year, that included the introduction of Ausdrill Limited (ASL) as a strategic investor, MYG's current capital structure is outlined in Figure 5. The Company has a fully diluted market capitalisation (at A$0.032/sh) of A$22.0m and an Enterprise Value of A$25.2m (June Q 2014 debt of A$6.3m and cash of A$3.1m).

The register remains open with major shareholders accounting for only ~20% of the issued capital.

Figure 5: MYG capital structure

Ordinary shares		
Total number (m)		
678.2		

Options		
Total number (m)	**Exercise price (A$/sh)**	**Expiry Date**
84.6	0.05	15-Aug-15
10.0	0.15	21-Sep-15
10.0	0.03	03-Apr-16
1.9	0.15	31-Dec-17
2.3	0.20	31-Dec-17
2.7	0.25	31-Dec-17
2.7	0.30	31-Dec-17
2.7	0.35	31-Dec-17

Source: Mutiny Gold Limited

Finance solution the key to development

The key catalyst for MYG is to obtain favourable Project Finance in the near term. Debt funding for mining projects remains tight, however, we believe the robust economics of the Project should see a solution reached in the near term. At this stage we are assuming a ~60:40 debt-equity arrangement, which we see as achievable even when considering the volatility of the gold market and lack of certainty around consensus forecasts. The relatively high grades, and impressive endowment of c1,160oz of gold and 40t of copper per vertical metre (pvm) of the Project should withstand typical lending constraints to grade, mine life and price assumptions, which should culminate in a solution being reached.

The remaining ~40% of the funding is assumed by way of a straight equity issue. We see this as prudent balance sheet management; however we note that our valuation is sensitive to dilution when funds are raised at the current share price. In our model we have assumed A$30m in funds being raised in FY15 at A$0.03/sh, which would see an additional ~1bn shares issued.

In August 2013, MYG announced that it had renegotiated a Metal Purchase Agreement (MPA) with Sandstorm Gold Ltd as part of restructuring the proposed finance package. The revised MPA has seen Sandstorm agree to reduce the size of the Company's financing facility from US$41m to US$6m being the amount already drawn down by MYG. In exchange for the amended MPA, Sandstorm has reduced its right to purchase gold from the Deflector copper-gold Project from 15% to 2.6% allowing MYG near full revenue exposure.

Development strategy

On obtaining financing, MYG will look to bring the Deflector Project into production as soon as possible. We are forecasting a production start-up by mid-2016 (late FY16) which assumes 6 months to complete Project financing and detailed engineering and 12 months for plant construction and site works.

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Deflector – the flagship asset

Deflector is MYG's flagship asset. The deposit was acquired in July 2010 from Canadian Company Red Hill Resources (RHR.TSXV) for a total of ~A$13m cash and 40m shares. Major milestones since acquisition include completion of a scoping study and DFS, a DFS review, a Mine Operators Review, plant construction agreements with GR Engineering and extensive drilling, which culminated in an updated resource and reserve statement.

The completion of the Mine Operators Review of the 2013 DFS was announced in August 2014 and concluded that Deflector would produce payable metal of 365koz of Au, 18t of Cu and 325oz of Ag over 5.9 years of mine-life at an average operating cash cost of A$549/oz.

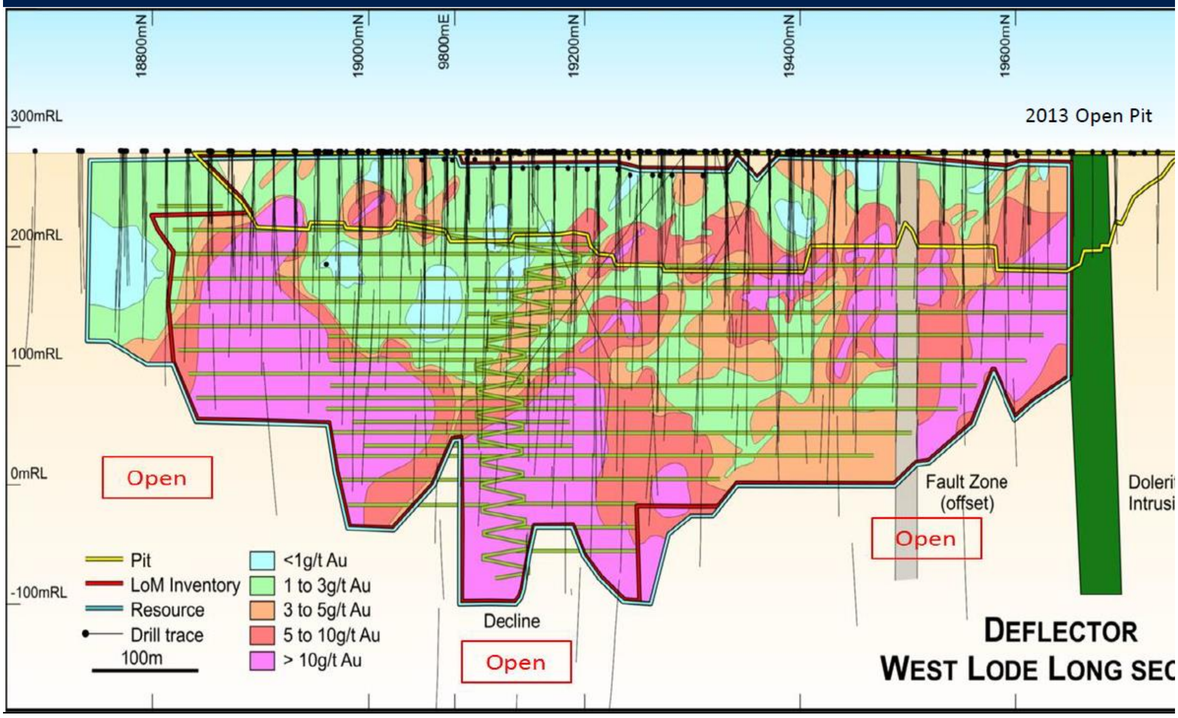
The outcomes of a revised Mine Operators Review were released in August 2014 which included a lower All In Sustaining cash cost of A$723/oz (2013 DFS: A$801/oz) and a higher NPV (8%) of A$111m (2013 DFS: A$100m). We note that the Mine Operators Review did include a marginally higher start-up capital cost of A$67.6m (2013 DFS: A$62m). The lower operating costs, and subsequently higher NPV, were driven by a reduction in open pit volume by 80% and the relocation of the processing facility to the mine site which will minimise ore haulage and infrastructure costs. We also highlight that the Mine Operators Review will had an average production rate at 380ktpa whereas the 2013 DFS had a stage 1 production rate of 380ktpa and a ramp up to a stage 2 production rate of 480ktpa.

All the necessary permits and approvals were received from Regulatory Authorities in early 2013 for the Deflector Project to commence mining.

Project geology and mineralisation

The Deflector deposit is situated within a northeast striking volcano-sedimentary sequence that contains basalts, ultramafics, felsic volcanics, and black shales. A granitic intrusion to the west and trachyandesite intrusion to the east along with two northeast-trending shear zones characterise the deposit geology. Mineralisation tends to be confined to within the shear zones. The current gold-silver-copper resource is delineated in three sub-parallel lodes known as the West Lode, Central Lode, and Contact Lodes.

Figure 6: Long Section of the Western Lode of the Deflector deposit



Source: Mutiny Gold Limited

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The West and Central Lodes are hosted within a massive basaltic unit, with the Contact Lodes occurring along the boundary between basalt to the west and sediments to the east. Sulphide minerals associated with the Deflector mineralisation are typically pyrite and chalcopyrite, with minor amounts of pyrrhotite. Mineralised quartz-sulphide veins range from 1-5m in width and are generally vertical to sub-vertical over a strike length of up to 1km. Current resources remain open along strike in both directions and are defined to a maximum depth of 380m.

We note that the Mine Operators Review is targeting the most profitable sections of the orebody which has caused an increase to the cut-off grade when measuring reserve. This has caused a decrease in the overall reserve to 1.78Mt of ore with contained metal of 322kt of Au, 16t of Cu and 360kt of Ag. This is in contrast to the October 2012 reserve of 2.3Mt of ore with contained metal of 367koz of Au, 19kt of Cu and 441koz of Ag. We highlight a key attribute to the Deflector deposit is the relatively high copper grade embedded within the orebody which should derive significant by-product credits and is therefore a key driver behind the relatively low All In Sustaining cost of A$723/oz. It's likely that ore now excluded from the new reserve numbers may still be mined at a later date.

Figure 7: Resource and Life of Mine Production Inventory for the Deflector deposit

Deflector Mineral Resource Statement

Classification	Tonnes	Au (g/t)	Au (oz)	Cu (%)	Cu (t)	Ag (g/t)	Ag (oz)
Measured	1,164,000	6.0	223,000	1.5	17,000	10.9	407,000
Indicated	1,043,000	7.3	246,000	0.6	7,000	4.2	140,000
Measured and Indicated	**2,207,000**	**6.6**	**468,000**	**1.1**	**24,000**	**7.7**	**547,000**
Inferred	658,000	5.8	122,000	0.5	3,000	3.9	82,000
Total	**2,865,000**	**6.4**	**591,000**	**0.9**	**27,000**	**6.8**	**628,000**

Life of Mine Production Inventory

Classification	Tonnes	Au (g/t)	Au (oz)	Cu (%)	Cu (t)	Ag (g/t)	Ag (oz)
Measured	903,000	5.4	157,000	1.3	12,000	9.6	279,000
Indicated	875,000	6.3	178,000	0.5	4,000	3.2	91,000
Inferred	470,000	5.0	76,000	0.4	2,000	3.0	45,000
Total	**2,248,000**	**5.7**	**411,000**	**0.8**	**18,000**	**5.7**	**415,000**

Source: Mutiny Gold Limited

Upside to the current resource

We see good potential for the current resource to be increased over time. The exploration plan is well supported by a Sub-Audio Magnetics (SAM) survey which confirmed the existing Deflector resource signature to continue at least 450m north and 950m south for a combined strike length of ~2,200m. The SAM survey technique also led to successful early stage exploration at Mary Celeste where MYG drilled a total of 15 holes which returned a key intercept of 2m at 1.23g/t Au from 39m.

To date, the Deflector Project's mineralisation along strike and at depth is limited by lack of drilling and with a dedicated exploration program the likelihood of growing the resource is high.

Regionally, MYG has identified a number of targets with similar structural settings to the Deflector deposit. A corridor of basalts and mafics surrounding the Gearless Well Intrusive with later stage faults provide some interesting drill targets and add to the longer term resource potential of the region. As colluvium cover is common across the landholding, geophysics is the key for vectoring in on further Deflector style targets. We envisage a meaningful program of testing these targets to be unlikely until the Company is in a positive cash flow position.

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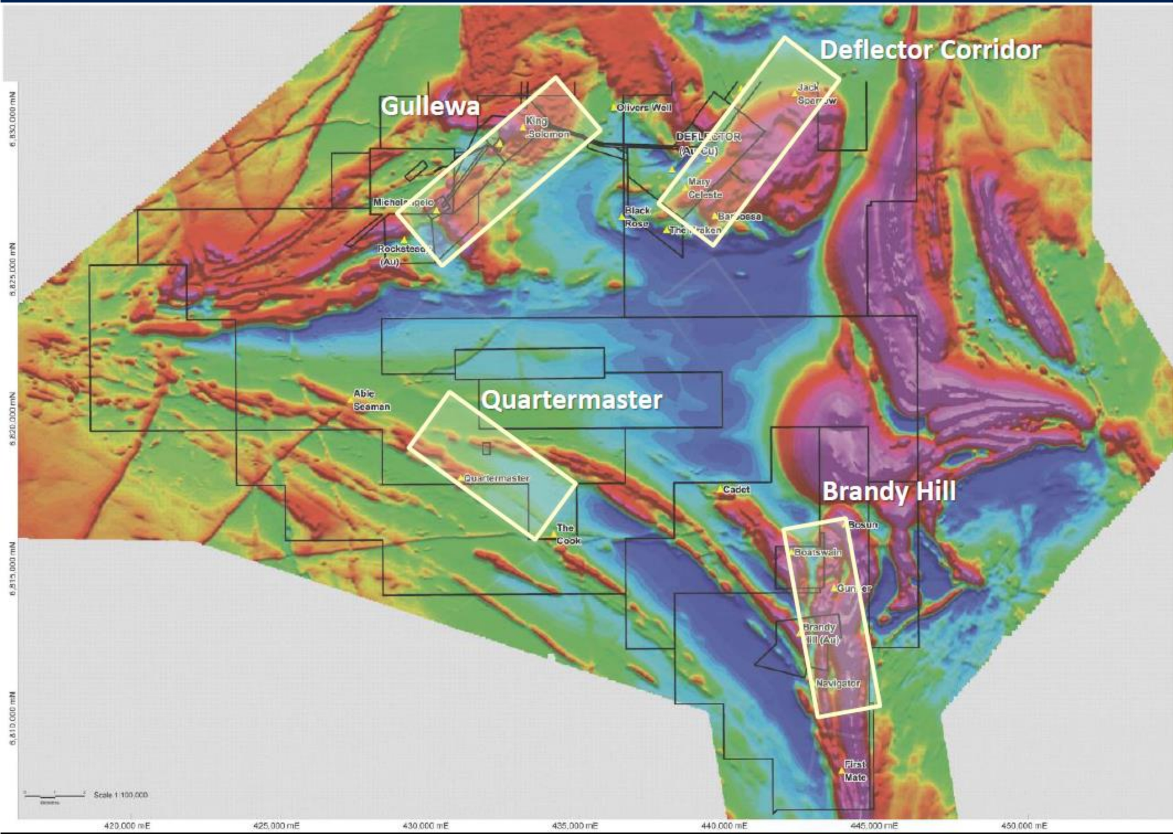
Figure 8: Regional exploration targets

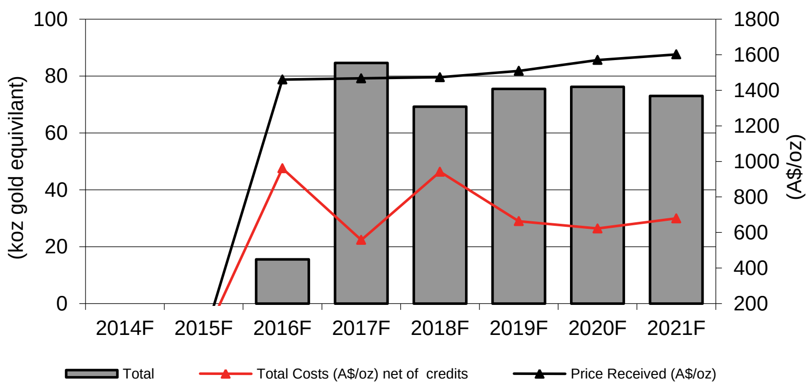


Source: Mutiny Gold Limited

Production profile

Outcomes from the Mine Operators Review are based on life of mine production inventories. Mining commences with an open pit designed to mine oxide and transitional ore in the first ten months while the underground mine is established from an access point adjacent to the Central Lode. This will allow underground access three months after the open pit commences. Underground production is planned to be synchronised with open pit production to ensure continuity in metal production. Average mine production over the Project is planned to be 380ktpa where previously, production was planned to be initially begin at 380ktpa before an upgrade which would have increased production rates to 480ktpa. The LOM inventory average production rates per year are now expected to be 63koz of Au, 2.6kt of Cu and 60koz of Ag. The processing plant is currently designed to produce both gold dore and gold/silver/copper concentrate metal streams through gravity and flotation.

Figure 9: Patersons forecast production profile



Source: Patersons Securities Limited

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The open pit is planned to be selectively mined using conventional methods. Two historic, very shallow open pits have been mined at Deflector on the Main and Central Lodes and these are planned to be cutback.

Underground mining is slated to utilise Long Hole Open Stoping methods from a single decline. Average thickness of the orebody will be ~2.5m, typically varying from 1.5-5.5m. Stope dilution in underground mining has been assumed at 10% and mining recovery is estimated at 95% for the majority of the stopes. Dilution is significantly higher in development drives and, in our opinion, there is significant opportunity to reduce the amount of ore dilution and thus increase the grade of the ore to the processing plant.

Metallurgical recoveries are outlined in Figure 10. Oxide material has the poorest recoveries with gold expected to be 78% and copper to be 65%. The well-proven and widely-used Controlled Potential Sulphidation (CPS) methodology is used to treat the oxide material. CPS is, or has been, used successfully at the Boddington, Red Dome, Telfer and Golden Grove copper/gold operations.

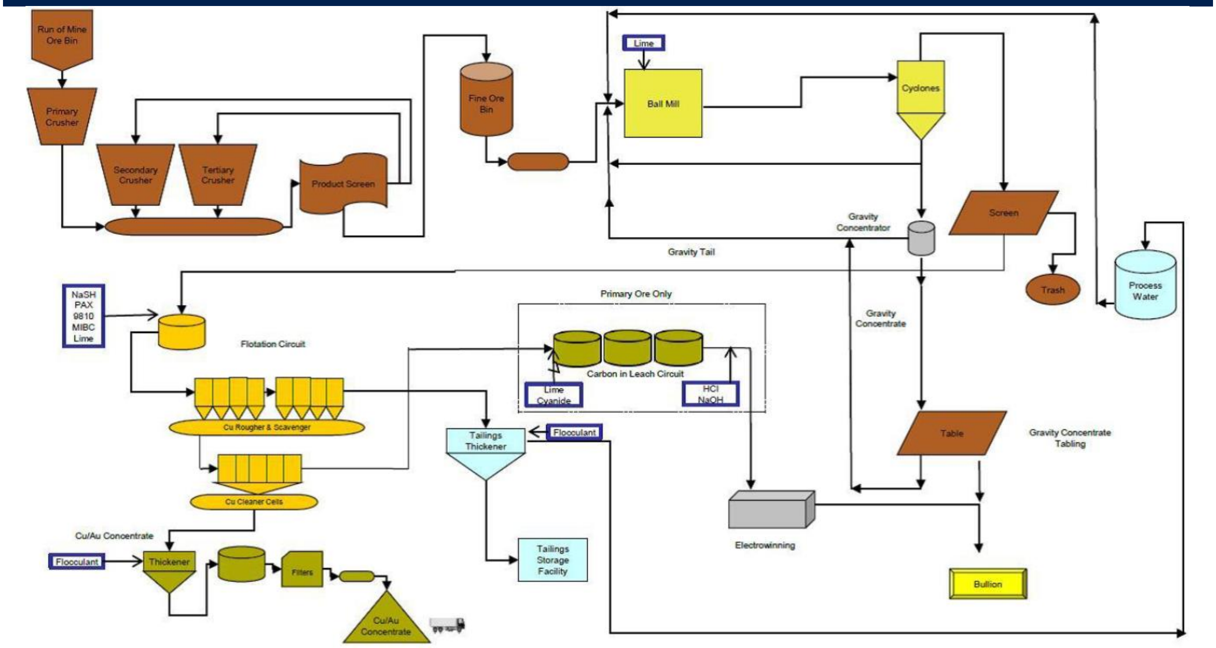
As mining progresses through the weathering profile into the primary or fresh rock, which makes up >80% of the expected mill feed, gold recovery is expected to average 91% and copper is expected to average 93%. Importantly, gravity recoveries also increase in the fresh ore as gold grades improve at depth, which should translate to reduced operating costs in the later stages of mining.

Figure 10: Metal Recovery (Concentrate Grade)

Metal Recovery (Concentrate Grade)	Oxide	Transition	Primary
Gravity Au	39%	45%	56%
Flotation Au	39% (97g/t)	47% (34g/t)	35% (39g/t)
Flotation Cu	65% (35%)	81% (20%)	93% (21%)
Total Au	78%	92%	91%
Total Cu	65%	81%	93%

Source: Mutiny Gold Limited

Figure 11: Deflector metallurgical recoveries and process flow sheet



Source: Mutiny Gold Limited

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Valuation

Our base case valuation on MYG is A$0.067/sh, which factors in little upside for mine life extensions or upgraded production scenarios. We have assumed funding for the Project at a ~60:40 debt equity ratio. Our financing assumption has the Company raising $80m which provides a working capital buffer and sufficient cash reserves for debt servicing. Obtaining ~A$45-50m in bank financing is a key value driver for the stock as equity dilution at the current share has a significant impact on valuation. By way of example, if we assume the Project to be 80% debt funded our valuation would increase by ~24% to around A$0.083/sh.

We have based our DCF derived valuation on the Company's updated DFS and key outcomes are highlighted in Figure 12. At the Project level, assuming a 5% discount rate, the Deflector Project has an NPV A$89.0m which assumes a six year mine life producing an average of ~70kozpa Au equivalent. Our model assumes production starting at the beginning of FY16 which we see as conservative if a favourable funding outcome can be reached in the near term.

Figure 12: Valuation (at 5% discount rate)

Valuation	A$m	A$/sh
Deflector	89.0	0.06
Exploration	0.0	0.00
Unpaid capital	33.2	0.02
Corporate	(6.9)	(0.00)
Forwards	0.0	0.00
Investments	0.0	0.00
Cash (est)	3.1	0.00
Debt	(6.3)	(0.01)
NAV	**112.2**	**0.067**

Source: Patersons Securities Limited

In our view an investment in MYG is speculative considering the uncertainty around funding. However, with strong management and a quality asset capable of generating considerable cash flow, we see significant upside to the Company's current share price once a funding solution is reached.

Risks

Funding risk: As per MYG's June Q report the Company has a cash balance of A$3.05m. In securing Project financing, there can be no assurances that this capital will be available at a reasonable cost, nor can we discount the possibility of further dilution as part of the financing.

Commodity price and exchange rate risk: In an operational scenario revenue generated by MYG will be a direct function of the prevailing commodity price and exchange rates. Financial results could be significantly impacted by negative movements in these two factors. Assumptions made in our valuation are subject to change which could have a negative impact in the way we view the Company.

Exploration risk: Exploration is inherently risky and there is no guarantee that economic extensions to the current resource will be delineated. Further drilling at Deflector could be a major catalyst for share price re-rating.

Execution risk: As with developing any greenfield Project, risks around the execution and development are inherent. While we don't see the Deflector Project as facing any fundamental construction or processing risks, potential delays in the ramp-up to positive cash flow could see pressure on the Company's cash balance.

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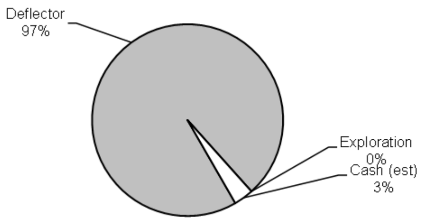
Mutiny Gold Ltd

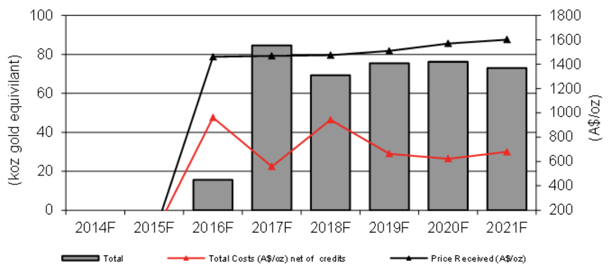
Valuation	A$m	A$/sh
		0.032
Deflector	89.0	0.06
Exploration	0.0	0.00
Unpaid capital	33.2	0.02
Corporate	(6.9)	(0.00)
Forwards	0.0	0.00
Investments	0.0	0.00
Cash (est)	3.1	0.00
Debt	(6.3)	(0.01)
NAV	**112.2**	**0.067**
(@ 5% discount rate)		

NAV Sensitivity	A$m	A$/sh
NAV(nom) @ 8% disc.	94.43	0.06
NAV(nom) @ 0% disc.	151.38	0.09

Valuation Summary



Gold Production Summary (in gold equivilant)



Reserve and Resource	Mt	Au (g/t)	Au (koz)	Cu (%)	Cu (kt)	Ag (g/t)	Ag (koz)
Reserve							
Deflector	1.78	5.6	320	0.9	16	6.3	360
Measured & Indicated Resource							
Deflector	1.78	5.8	335	0.90	16	6.5	370
Inferred Resource							
Deflector	0.47	5.0	76	0.4	2	3.0	45
Total Resource	**2.25**	**5.7**	**411.0**	**0.80**	**18**	**5.7**	**415**

Rocksteady Iron Project	Mt	Fe	SiO2
Indicated Resource	1.10	51.90	14
Inferred Resource	0.06	48.80	19.7

Directors

Name	Position
Allan Brown	Non-Executive Chairman
Rowan Johnston	Executive Director
Tony James	Managing Director
Kelvin Flynn	Non-Executive Director

Year End June 30

Assumptions	2013A	2014F	2015F	2016F	2017F
A$:US$	1.03	0.92	0.92	0.89	0.87
Gold (US$/oz)	1598	1295	1296	1290	1278
Silver (US$/oz)	28.58	20.63	20.70	20.85	21.20
Copper (US$/lb)	3.49	3.18	3.22	3.20	3.19

Target Price Sensitivity	-10%	0%	+10%	Change
FX (A$:US$)	0.09	0.07	0.05	-24%
Gold Price	0.05	0.07	0.08	26%

Production Summary (koz Au Equiv)	2013A	2014F	2015F	2016F	2017F
Deflector	0.0	0.0	0.0	15.6	84.6
Total	**0.0**	**0.0**	**0.0**	**15.6**	**84.6**

Cost Summary - gold equivilant	2013A	2014F	2015F	2016F	2017F
Total Costs (A$/oz) net of credits	na	na	na	961	558
Price Received (A$/oz)	na	na	na	1,460	1,467

Profit & Loss (A$m)	2013A	2014F	2015F	2016F	2017F
Sales Revenue	**0.0**	**0.0**	**0.0**	**22.7**	**124.2**
Other Income	12.1	0.1	1.4	1.8	1.0
Operating Costs (gross/pre-credits)	0.0	0.0	0.0	12.7	76.3
Exploration Exp.	0.0	0.0	0.0	1.0	1.0
Corporate/Admin	6.7	2.4	2.0	2.1	2.1
EBITDA	**5.3**	**(2.3)**	**(0.6)**	**8.7**	**45.7**
Depn & Amort	0.0	0.0	0.0	2.4	12.9
EBIT	**5.2**	**(2.3)**	**(0.6)**	**6.3**	**32.8**
Interest	0.3	0.0	2.4	4.4	3.8
Abnormals (pre-tax)	0.0	0.0	0.0	0.0	0.0
Operating Profit	**4.9**	**(2.3)**	**(3.0)**	**1.9**	**29.1**
Tax expense	(1.1)	(0.9)	0.0	0.0	0.0
Abnormals (post-tax)	0.0	0.0	0.0	0.0	0.0
NPAT	**6.1**	**(1.4)**	**(3.0)**	**1.9**	**29.1**
Normalised NPAT	**6.1**	**(2.0)**	**(3.0)**	**1.9**	**29.1**

Cash Flow (A$m)	2013A	2014F	2015F	2016F	2017F
Adjusted Net Profit	6.1	(2.0)	(3.0)	1.9	29.1
+ Interest/Tax/Expl Exp	(0.8)	(0.6)	2.4	5.4	4.8
- Interest/Tax/Expl Inc	(2.4)	1.6	4.4	6.4	5.9
+ Depn/Amort	0.0	0.0	0.0	2.4	12.9
+/- Other	0.0	0.0	0.0	0.0	0.0
Operating Cashflow	**7.6**	**(4.3)**	**(5.0)**	**3.3**	**40.9**
- Capex	0.0	0.0	15.2	62.2	8.4
- Working Capital Increase	1.5	(0.5)	0.0	0.0	0.0
Free Cashflow	**6.1**	**(3.8)**	**(20.2)**	**(58.8)**	**32.5**
- Dividends (ords & pref)	0.0	0.0	0.0	0.0	0.0
+ Equity raised	0.3	4.8	30.0	0.0	0.0
+ Debt drawdown (repaid)	(8.6)	0.0	50.0	0.0	(15.0)
Net Change in Cash	**(2.2)**	**1.0**	**59.8**	**(58.8)**	**17.5**
Cash at End Period	2.1	3.1	62.8	4.0	21.5
Net Cash/(Debt)	(4.2)	(3.2)	6.5	(52.3)	(19.8)

Balance Sheet (A$m)	2013A	2014F	2015F	2016F	2017F
Cash	2.1	3.1	62.8	4.0	21.5
Total Assets	40.2	43.8	120.8	122.7	136.7
Total Debt	6.3	6.3	56.3	56.3	41.3
Total Liabilities	8.8	9.7	59.7	59.7	44.6
Shareholders Funds	31.4	34.1	61.1	63.0	92.1

Substantial Shareholders	m	%
Ausdrill Ltd	55.56	9.1

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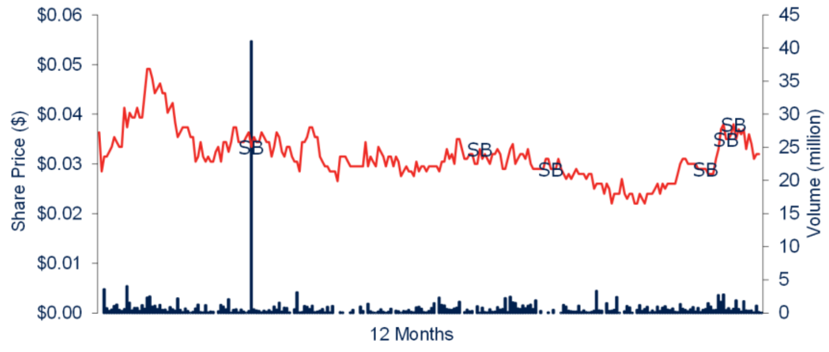
Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
11 Nov 13	Research Note	0.11	0.04	SB	
17 Mar 14	Resources Review	0.08	0.03	SB	-8.6%
24 Apr 14	Research Note	0.06	0.03	SB	-6.3%
18 Jul 14	Hot off the Press	0.06	0.03	SB	
30 Jul 14	Hot off the Press	0.06	0.04	SB	33.3%
04 Aug 14	Hot off the Press	na	0.04	SB	
	Current Share Price		0.03		-15.0%

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