

12 August 2011

**ASX Code | MOY**  
**Speculative Buy**  
**12 Month Target – 8cps**

#### Capital Structure

|                                       |           |
|---------------------------------------|-----------|
| Sector                                | Materials |
| Share Price (A\$)                     | 0.022     |
| Fully Paid Ordinary Shares (A\$b)     | 1.49      |
| Options (ex \$0.075, exp 28/2/13) (m) | 67.6      |
| Options (ex \$0.29, exp 19/12/11) (m) | 1.7       |
| Market Capitalisation (Undil) (\$m)   | 32.8      |
| Approx Cash (A\$m)                    | 16.5      |

#### Directors & Management

|                 |                   |
|-----------------|-------------------|
| Peter Rowe      | Non Exec Chairman |
| Richard Procter | Non Exec Director |
| Ross Gillon     | Non Exec Director |
| Simon Durack    | Non Exec Director |
| Brian Rear      | CEO               |

#### Major Shareholders

|                                  |       |
|----------------------------------|-------|
| Merrill Lynch (Australia)        | 18.5% |
| RBC Dexia Inv Serv Noms Aust P/L | 16.0% |
| JP Morgan Noms Aust Ltd          | 11.6% |

#### Analyst

|             |                 |
|-------------|-----------------|
| Guy Le Page | +61 8 9321 3277 |
|-------------|-----------------|

#### Share Price Performance



## Millennium Minerals Limited

### Millennium draws step closer to Nullagine Gold Project production...gold price firms

#### Investment Highlights

- ❑ 2H 2011 has been productive for **Millennium Minerals** with a successful one for one A\$23 million underwritten rights issue (March 2011), joint ventures with Gallard Resources and Creasy Group of Companies together with further encouraging drill results from the All Nations, Bartons, Shearers, Otways and Golden Eagle prospects at the Company's flagship Nullagine Gold Project.
- ❑ Together with A\$16.5 million in cash, an A\$35 million syndicated debt facility and a A\$10 million lease facility, **Millennium Minerals** requires a further A\$25 million in equity to enable project construction to commence. Permitting is already underway.
- ❑ Proven and Probable Reserves (0.50 g/t gold cut-off) stand at 10.45Mt @ 1.7 g/t containing 567,800 ounces of gold from Measured and Indicated Resources of 34.4Mt @ 1.13 g/t for 1.3 M ozs of gold. Importantly a total of 28.1Mt @ 1.15 g/t for 1.03M ozs is in the Measured and Indicated category. We anticipate substantial resource upgrades in the near term.
- ❑ Results from infill and step out drilling (4/5/2011, 6/6/2011) has successfully intercepted ore grade mineralisation and extended mineralisation both along strike and down dip at Golden Eagle. Mineralisation has been extended a further 275 metres to the south-west with much of the mineralisation likely to fall within the extended pit design. 5,100 metres of RAB and 1,500 of RC drilling are planned.
- ❑ Infill and step out drilling at Bartons and All Nations also confirmed that mineralisation remains open to the southeast, northeast and at depth. Shallow oxide mineralisation indicates potential for further resource upgrades to the north. 2,000 metres of RC drilling is planned at Shearers with potential for pit extensions.
- ❑ At Otways ore grade intercepts also extended mineralisation a further 200 metres to the north and 100 metres southwest. A further 2,000 metres of RC drilling is planned in the near term.
- ❑ The project represents a seven year, 1.50M tpa Carbon-In-Leach operation recovering 504,000 oz of gold at a C1 + C2 cash cost of A\$750/oz (industry average A\$687/oz) and a CAPEX of A\$79M. Stripping ratios are favourable (3.71:1) from relatively shallow pits. Based on our lower case scenario of A\$1,411 per ounce (spot price A\$1,646), **RM Research** estimate an Internal Rate of Return of 60% and a LOM EBIT of A\$246M and an NPV (10%) of A\$91M. At A\$1,646, NPV climbs to A\$200m or 8.0 cps. Each year of mine life extension, based on similar current grade, tonnage and operating cost parameters, is likely to add in the range of A\$20M to A\$25M in net cash flow per annum.
- ❑ **RM Research** anticipates that the proposed plant will become a preferred treatment option for existing and future gold resources in a 40-50km radius.
- ❑ Management and directors have a wealth of mining experience including Chairman Peter Rowe (Chemical Engineer) and Metallurgist and CEO Brian Rear with over 35 years experience in development.

#### Outlook

| ASSET VALUATION     | A\$m          | A\$/sh       |
|---------------------|---------------|--------------|
| Nullagine NPV @ 10% | 200.0         | 0.080        |
| Exploration         | 2.00          | 0.001        |
| Cash                | 25.00         | 0.009        |
| Debt                | -25.00        | -0.009       |
| <b>TOTAL</b>        | <b>202.00</b> | <b>0.081</b> |

The Company remains in a strong position and requires a further A\$25 million in equity to commence project construction. The robust gold price and recent exploration successes together with the JV on tenements to the SW Golden Eagle bode well for further pit extensions and resource upgrades. 12 month target has been increased to 8 cps (5cps).

*Nullagine project remains on track for the commencement of construction in late 2011*

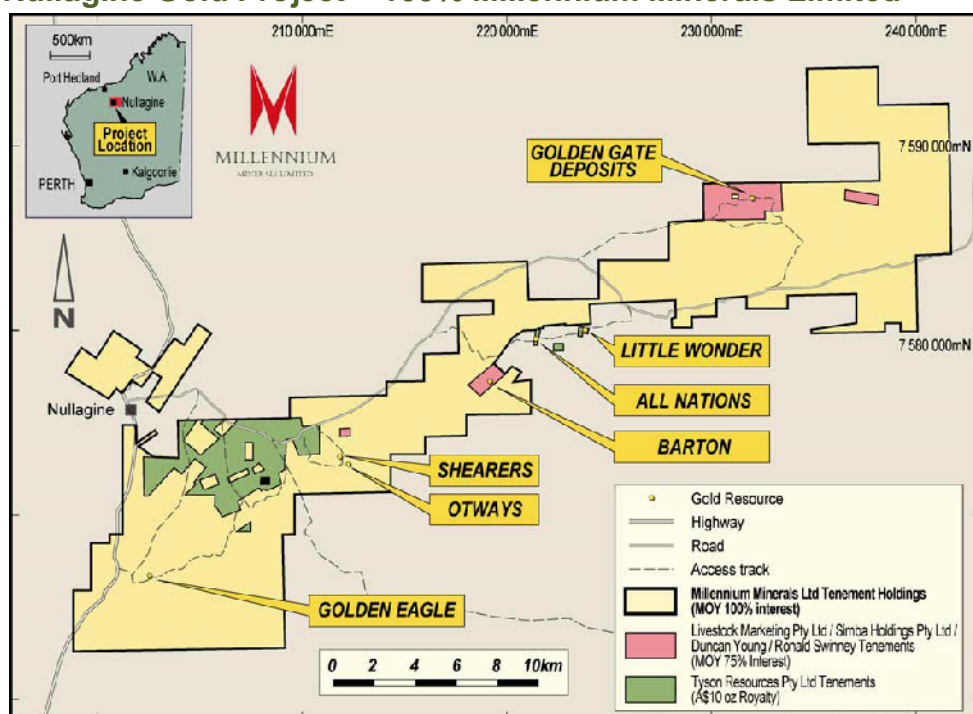
**FIGURE 1:** Nullagine Deposit location plan (source: Millennium Minerals Ltd, ASX Announcement 6<sup>th</sup> June 2011).

## COMPANY BACKGROUND

**Millennium Minerals Ltd** ("Millennium Minerals" or "the Company"), was floated on the Australian Securities Exchange ("ASX") as Cloncurry Mining Company NL in February 1993. The Company changed its name to Wedgetail Exploration NL in May 2000, then **Millennium Minerals** in March 2008. The Company is focusing on gold exploration and development at the Nullagine Gold Project near Nullagine in the East Pilbara region of Western Australia. Recent escalations in the gold price, reserve upgrades, further exploration success and an increase in mine life from 5 to 7 years have enhanced project economics since the completion of the BFS in 2007 and further optimisation studies completed in late CY 2010 and 2011.

## PROJECT OVERVIEW

### Nullagine Gold Project – 100% Millennium Minerals Limited



The Nullagine Gold Project is situated 10km from the town of Nullagine and consists of 12 deposits from the largest, Golden Eagle in the south west of the tenement area, to the Golden Gate Deposits around 35km to the North East. The project area includes Measured, Indicated and Inferred Resources of 34.3 Mt @ 1.13 g/t for a total of 1.24 million ounces of gold.

**TABLE 1:** Mineral Resources for Millennium Minerals using 0.50g/t gold cut-off grade (source: Millennium Minerals Ltd, ASX Announcement 12<sup>th</sup> May 2011).

### Reserves and Resources

| RESOURCES*         | Measured    |             | Indicated |             | Inferred   |             | Total       |             |                  |
|--------------------|-------------|-------------|-----------|-------------|------------|-------------|-------------|-------------|------------------|
| Deposit            | Mt          | Grade       | Mt        | Grade       | Mt         | Grade       | Mt          | Grade       | Ounces           |
| Golden Eagle       | 14.84       | 1.1         | 5.44      | 0.9         | 4.63       | 0.9         | 24.91       | 1           | 805,600          |
| Bartons            | 1.33        | 1.5         | 0.85      | 1.5         | 0.37       | 1.7         | 2.55        | 1.5         | 125,000          |
| All Nations        | 1.11        | 1.3         | 0.19      | 1           | 0.14       | 1.1         | 1.45        | 1.3         | 58,000           |
| Golden Gate (ABCD) |             |             | 0.58      | 3.2         | 0.11       | 2.6         | 0.68        | 3.1         | 69,000           |
| Shearers           | 0.26        | 1.4         | 1.43      | 1.2         | 0.04       | 1.1         | 1.73        | 1.2         | 67,700           |
| Otways             | 0           | 0           | 1.14      | 0.9         | 0.91       | 0.8         | 2.05        | 0.8         | 54,000           |
| Little Wonder      | 0           | 0           | 0.45      | 1.2         | 0          | 0           | 0.58        | 1.2         | 17,300           |
| Falcon             | 0           | 0           | 0.09      | 3.9         | 0.04       | 4.4         | 0.14        | 4           | 18,000           |
| Condor             | 0           | 0           | 0.08      | 3.3         | 0.04       | 3.5         | 0.11        | 3.3         | 12,000           |
| Harrier            | 0           | 0           | 0.1       | 1.8         | 0.04       | 1.8         | 0.14        | 1.8         | 8,000            |
| Crow               | 0           | 0           | 0.02      | 4.5         | 0.02       | 4.5         | 0.04        | 4.5         | 5,000            |
| G_Reef             | 0           | 0           | 0.03      | 2.1         | 0          | 0           | 0.03        | 2.1         | 2,000            |
| <b>TOTALS</b>      | <b>17.5</b> | <b>1.11</b> | <b>10</b> | <b>1.21</b> | <b>6.3</b> | <b>1.03</b> | <b>34.3</b> | <b>1.13</b> | <b>1,241,600</b> |

**TABLE 2:** Ore Reserves for Millennium Minerals using 0.50g/t gold cut-off grade (source: Millennium Minerals Ltd, ASX Announcement 12<sup>th</sup> May 2011).

| RESERVES      | Proven   |                  | Probable   |                  | Total      |                   | Ounces         |
|---------------|----------|------------------|------------|------------------|------------|-------------------|----------------|
|               | Deposits | Tonnes           | Grade      | Tonnes           | Grade      | Tonnes            |                |
| Golden Eagle  |          | 6,422,000        | 1.6        | 740,000          | 1.4        | 7,162,000         | 356,000        |
| Bartons       |          | 874,000          | 1.8        | 450,000          | 1.9        | 1,324,000         | 78,000         |
| All Nations   |          | 484,000          | 1.7        | 15,000           | 1.7        | 499,000           | 27,000         |
| Golden Gate   |          | 336,000          | 3.6        | 81,000           | 3.8        | 417,000           | 49,000         |
| Shearers      |          | 161,000          | 1.6        | 169,000          | 1.5        | 330,000           | 16,000         |
| Otways        |          | 0                | 0          | 308,000          | 1          | 308,000           | 10,000         |
| Little Wonder |          | 0                | 0          | 195,000          | 1.2        | 195,000           | 8,000          |
| Falcon        |          | 0                | 0          | 77,000           | 3.9        | 77,000            | 10,000         |
| Condor        |          | 0                | 0          | 73,000           | 3.1        | 73,000            | 7,000          |
| Harrrier      |          | 0                | 0          | 41,000           | 2          | 41,000            | 2,500          |
| Crow          |          | 0                | 0          | 20,000           | 4.1        | 20,000            | 3,000          |
| G Reef        |          | 0                | 0          | 8,000            | 2          | 8,000             | 500            |
| <b>TOTALS</b> |          | <b>8,277,000</b> | <b>1.7</b> | <b>2,177,000</b> | <b>1.7</b> | <b>10,454,000</b> | <b>567,000</b> |

Reserves and resources were based largely around one metre fire assayed samples with kriging used as the resource estimation technique.

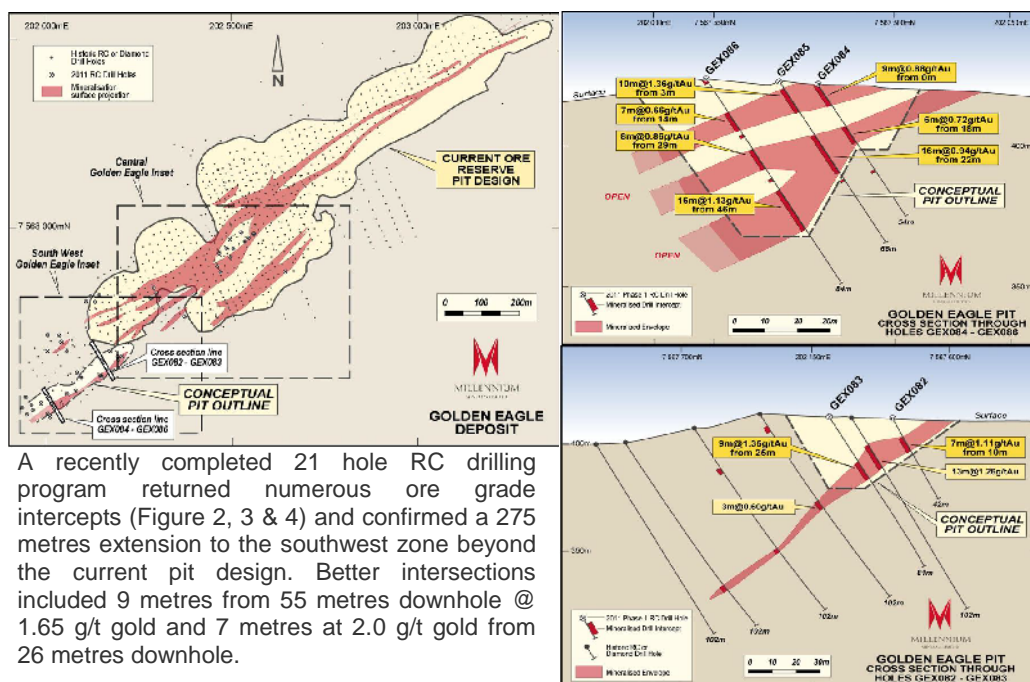
### Golden Eagle

Gold mineralisation at Golden Eagle is predominantly associated with steeply dipping, north easterly striking en echelon quartz-carbonate veins/quartz veins of variable thickness. Mineralisation is hosted in weakly metamorphosed siltstone and sandstone units of the Mosquito Creek formation and dip between 30-50 degrees northwest.

**FIGURE 2:** Golden Eagle SW plan (Source: Millennium Minerals Ltd, AGM Update, May 2011).

**FIGURE 3:** Golden Eagle SW cross section through holes GEX 084- GEX 086 (Source: Millennium Minerals Ltd, AGM Update, May 2011).

**FIGURE 4:** Golden Eagle SW cross section through holes GEX 082- GEX 083 (Source: Millennium Minerals Ltd, AGM Update, May 2011).



A recently completed 21 hole RC drilling program returned numerous ore grade intercepts (Figure 2, 3 & 4) and confirmed a 275 metres extension to the southwest zone beyond the current pit design. Better intersections included 9 metres from 55 metres downhole @ 1.65 g/t gold and 7 metres at 2.0 g/t gold from 26 metres downhole.

A further 5,100 metres of RAB and 1,500 metres of RC is planned to follow up this 2 kilometre long mineralised corridor. Further resource upgrades are anticipated in the September Quarter.

### Shearers and Otways

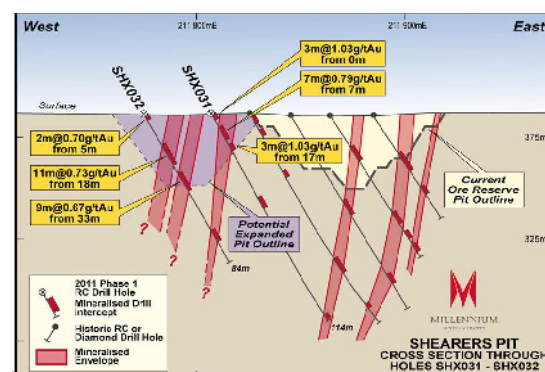
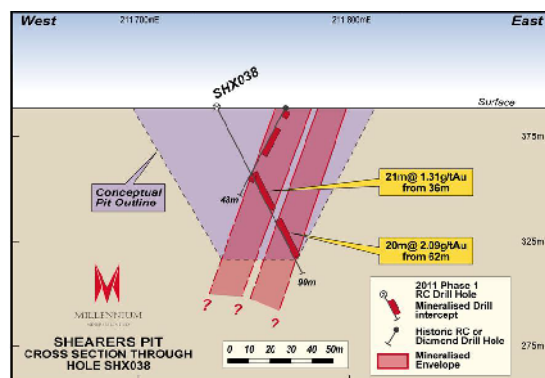
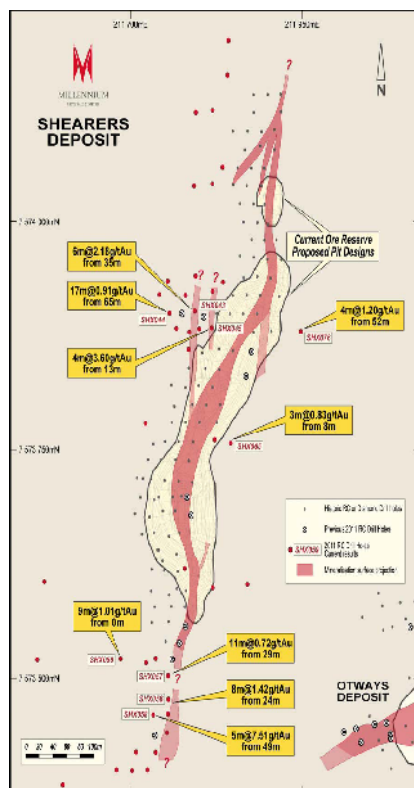
Recent drilling at the Shearers and Otway Deposits (Figure 5, 6 & 7) also returned significant mineralised intersections including 5 metres at 7.5 g/t gold from 49 metres downhole. The last two phases of drilling have been successful in extending mineralisation to the northwest by a further 200 metres and to the southwest by 140 metres. Two new zones of mineralisation to the East and West of the Main Shearers lode were also identified. 2,000 metres of RC drilling is also planned for the September Quarter.



**FIGURE 5:** Shearers deposit plan view (source: Millennium Minerals Ltd, AGM Update, May 2011).

**FIGURE 6:** Shearers cross section through SHX 031 – SHX 032 (source: Millennium Minerals Ltd, AGM Update, May 2011).

**FIGURE 7:** Shearers cross section through SHX 038 (source: Millennium Minerals Ltd, AGM Update, May 2011).



**TABLE 3:** Millennium Minerals Ltd production metrics (**RM Research** internal modelling August 2011).

| Production Outline      |      |
|-------------------------|------|
| Ore production (Mt)     | 10.5 |
| Ore grade (g/t Au)      | 1.70 |
| Processing recovery (%) | 89%  |
| Gold production (koz)   | 504  |
| Mining strip ratio      | 3.71 |
| Life of mine (years)    | 7    |

**TABLE 4:** Millennium Minerals Ltd cost breakdown (**RM Research** internal modelling August 2011).

| Cost Breakdown                  |      |
|---------------------------------|------|
| CAPEX (incl working cap (A\$m)) | 78.3 |
| OPEX                            |      |
| -Mining + Haulage (A\$/t)       | 16.7 |
| -Processing (A\$/t)             | 16.5 |
| -Admin (A\$/t)                  | 2.60 |
| -Total (A\$/t)                  | 35.8 |
| C1 Cash Costs                   | 739  |

**TABLE 5:** Millennium Minerals Ltd project economics (**RM Research** internal modelling August 2011).

| Project Economics      |     |
|------------------------|-----|
| Revenue (A\$m)         | 778 |
| Operating Costs (A\$m) | 405 |
| Net Cash Flow (A\$m)   | 281 |
| EBIT (A\$m)            | 249 |
| NPV (10%) (A\$m)       | 91  |
| IRR (%)                | 60  |

**TABLE 6:** Millennium Minerals Ltd Heap Leach Scoping Study (Millennium Minerals Ltd Corporate Update, March 2010).

| Heap Leach Scoping Study |       |
|--------------------------|-------|
| Gold Price (A\$)         | 1,185 |
| Ore Treated (mt)         | 10    |
| Avg Grade (g/t gold)     | 0.82  |
| Recovery (%)             | 65    |
| OPEX (A\$ tonne treated) | 12    |
| CAPEX (A\$m)             | 35    |
| IRR (%)                  | 44    |

## Mining Study

The Mining Study contemplates a seven year (two stage) 1.50 Mt per annum carbon-in-leach operation based on an ore reserve of 10.5Mt grading 1.8 g/t gold and recovering 504,000 ounces of gold (Table 3).

Stage 1 over the first four years will treat oxide ore from around 12 planned pits at a rate of around 1.50Mt and producing nominally 72,000 ounces of gold per annum. Stage 2 includes the introduction of a Heap Leach operation commencing in year 3 that

aims to level out gold production in the remaining years of forecast production. No allowance has been made for further exploration success or the treatment of other reserves in the district.

Total capital expenditure is estimated at approximately A\$78 million (including working capital of A\$6.3 million and A\$40.42 million for the plant) with C1 + C2 costs of approximately A\$739/ounce including mining costs of A\$16.70/tonne (Table 4, 5).

On our lower case scenario of A\$1,275/ounce and a US\$: A\$ exchange rate of 0.99, the project would generate revenue in the order of A\$770 million and an undiscounted EBIT of A\$249 million with a 35 month payback.

**RM Research** consider there is excellent potential to extend the mine life beyond the current seven years based on existing exploration upside on the project area and other resources in the district that are likely to look for a toll treating option at the proposed plant. As an example, if the mine life could be extended for a further 12 months, it would generate in the order of \$25 million in net cash flow based on similar metrics outlined above.

## Heap Leach Project

The possibility of a heap leach project is also being investigated (Table 6) with the primary target being the 5 Mt of <0.50 g/t gold (currently classified as waste) together with lower grade mineralisation (0.4 to 0.90 g/t gold) SW of Golden Eagle.

Preliminary calculations indicate the potential for up to 20 Mt. This remains a conceptual study and carries significant risk in our view. Based on a gold price of A\$1,180 and a throughput of 2Mt per annum the project has potential to generate over A\$100 million over a five year life (Table 6). Due to the conceptual nature of the project, **RM Research** has not assigned any value to the low grade/waste material at this stage.

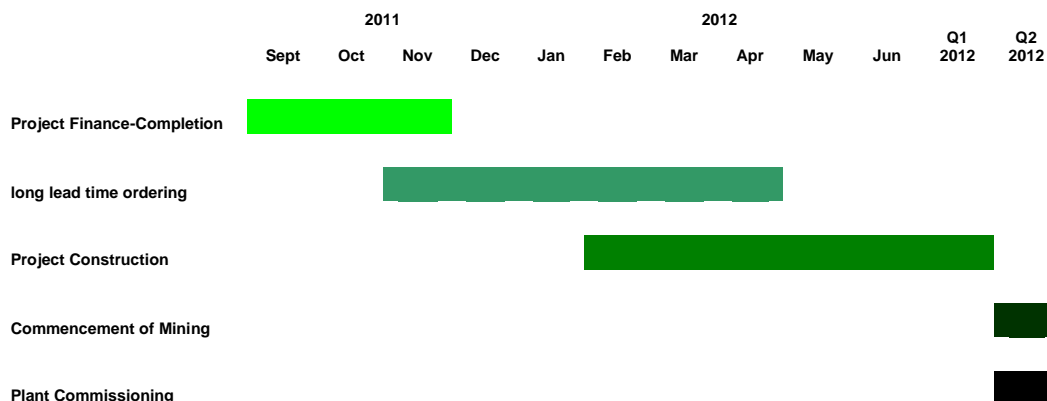
**FIGURE 10:** Nullagine Gold Project development schedule (Source: Millennium Minerals Ltd, AGM Update, May 2011).

*We have pushed out our Development Schedule due to delays in finalising the remaining equity to allow project construction to commence*

**FIGURE 11:** Millennium Minerals Ltd joint venture with Creasy Group of Companies (source: Millennium Minerals Ltd ASX Announcement, 6<sup>th</sup> April 2011).

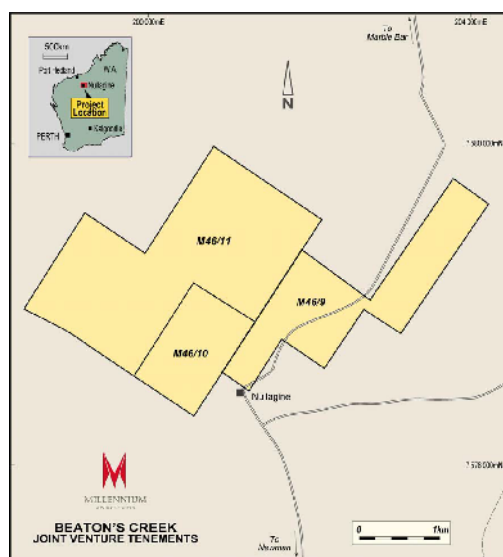
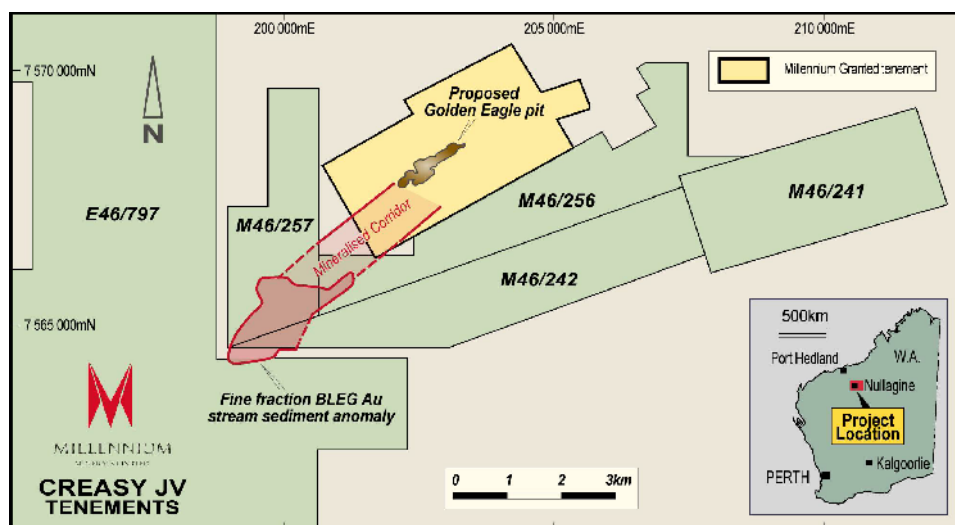
**FIGURE 12:** Beaton's Creek Project (Source: Millennium Minerals Ltd, ASX Announcement, 5 April 2011).

## Development Schedule



## JOINT VENTURES

The Company entered into a farm-in and joint venture (ASX Announcement, 6/4/2011) with the Creasy Group of Companies whereby **Millennium Minerals** will acquire a 70% interest in the gold rights associated with tenements immediately southwest of the Golden Eagle mining leases 46/241, 46/242, 46/256 and 46/257 and exploration license 46/797 (Figure 11).



Given the proximity to the plant, exploration success here has an excellent chance of extending the mine life. Earlier reconnaissance exploration has traced gold mineralisation along strike from Golden Eagle into these JV tenements.

**Millennium Minerals** also executed a farm-in agreement with Galliard Resources whereby Galliard will earn a 70% interest in three mining leases (M46/9, M46/10 and M46/11 (Beaton's Creek Project) that are considered non-core to the Company's Nullagine Gold Project (Figure 12).

Galliard will issue **Millennium Minerals** A\$500,000 worth of Galliard Resources shares and Galliard Resources will spend up to A\$1.50 million over two years together with procuring (at cost) a Bankable Feasibility Study within 5 years.

## COMPARATIVE VALUATION

**FIGURE 13:** Explorers v Developers Enterprise Value per ounce of gold JORC Resources (source: **RM Research** internal modelling August 2011).



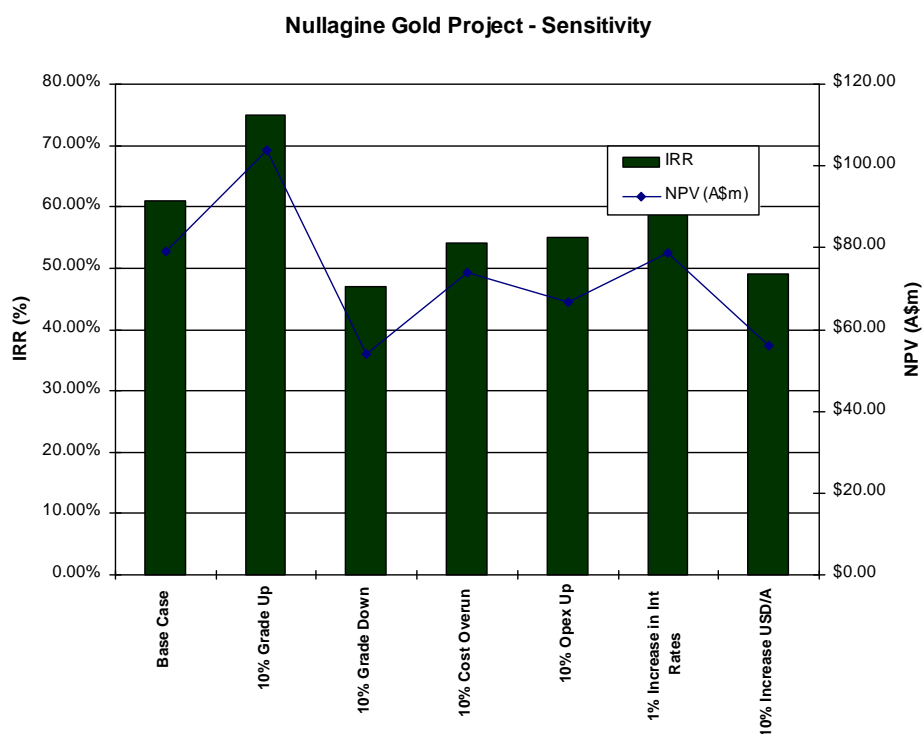
We have included both Australian and offshore explorers (mostly West African explorers) which shows **Millennium Minerals** trading at a very modest Enterprise Value of A\$13.0 per ounce of gold (A\$20/oz **RM Research** January 2011 report) (Figure 13) of total resources against an average of around A\$104 per resource ounce (A\$126/ounce since our last report January 2011). Projected life of mine C1 + C2 operating costs fall within the third quartile of ASX Listed gold producers and developers at A\$711/ounce (average A\$687/ounce).

## SENSITIVITY ANALYSIS

**FIGURE 14:** Nullagine Project Sensitivity Analysis of lower case scenario (Source: **RM Research** internal modelling August 2011).

*The project is particularly sensitive to movements in the gold price and A\$:US\$ exchange rates...*

*...a 10% increase in grade increases NPV by around A\$25 million*





## DIRECTORS AND MANAGEMENT

### **Peter Rowe**

*Peter was previously General Manager of Boddington Gold Mine, one of the largest gold developments in Australia in recent years*

Mr Rowe has broad mining industry experience gained over a 35 year career based mainly in Australia and South Africa. Following 20 years with Anglo American and De Beers, he moved to Australia in the early 1990s. Mr Rowe was project director of the Fimiston Expansion (Kalgoorlie Super Pit), general manager of the Boddington Gold Mine and Boddington Expansion Project and managing director and CEO of Bulong Nickel. He headed up AngloGold Ashanti Australia and then moved to Johannesburg where he recently retired from his position there as executive VP - business effectiveness. He is a non-executive director with five ASX listed companies and holds a chemical engineering degree and is a Fellow of the AusIMM and of the Australian Institute of Company Directors.

### **Non-Executive Chairman**

### **Richard Procter** BSc (Eng), MBA, MIMMM, C Eng

*Richard has extensive experience in the resource sector*

Mr Procter is a mining engineer with over 30 years broad international experience encompassing roles in the corporate, operations, contracting and mine development areas. Mr Procter has held senior industry positions that have demonstrated leadership and management of base and precious metal mining companies (including both underground and open pit operations); the assessment and development of projects including definitive/bankable feasibility studies and converting studies into mining operations; managed teams undertaking mining asset evaluations and valuations (for mergers and/or acquisitions). He also has been involved in many mining operation start ups (both small and large scale) - as well as the re-engineering of organisations. Mr Procter continues to provide technical and strategic planning advice to both mining and industrial companies.

### **Non-Executive Director**

### **Ross Gillon** – BJuris, LLB

Mr Gillon is a solicitor in Perth and has previously been a director of a number of exploration companies. Mr Gillon was appointed a Non-Executive Director of the Company on 16/6/2003.

### **Non-Executive Director**

### **Simon Durack**—CA, B. Comm, Post Grad Dip Bus, FCIS

Mr Durack is an experienced Chartered Accountant, practicing Company Secretary and Director, and brings to the Company over 29 years experience gained working in Australia, South East Asia and Europe. Mr Durack has held many senior Financial, Secretarial and Director positions with both large public and private entities in a diverse range of industries.

### **Non-Executive Director**

### **Brian Rear**—B.Min.Eng. MSc, MBL, MAICD

*Brian's experience has included the development of three greenfields projects*

Mr Rear is a graduate of the Western Australian School of Mines (AWASM Metallurgy), The Royal School of Mines (MSc London, Mineral Process Design, DIC) and holds a Masters Degree in Business Leadership from the Business School of the University of South Africa. He is a member of the Australian Institute of Company Directors. He has extensive experience in process engineering, project development and company management having successfully developed three green-field projects and the turnaround of a fourth covering base metals and thermal coal. His career includes stints with Rio Tinto, Anglo Vaal Limited, Straits Resources and CopperCo Limited.

### **Chief Executive Officer**





*Recent exploration success at All Nations, Bartons, Shearers, Otways and Golden Eagle gives encouragement for further resource upgrades*



## BULLS AND BEARS

### The Bulls Say

- ❑ Even on our lower case scenario, project economics are impressive with an IRR of 60% assisted by recent strong gold prices which have pushed the NPV based on Spot Gold (US\$1,746) to A\$200m/8.0 cps.
- ❑ Further promising gold intersections at Shearers, Otways and Golden Eagle, together with the recent JV with Creasy Group of Companies on adjoining tenements south of Golden Eagle give encouragement for further increases in gold resources together with an extension of mine life.
- ❑ Following the securing of a A\$35m debt facility, successful A\$23 million rights issue and A\$10 million lease facility, the Company remains in a strong financial position. A further A\$25 million is required to complete the financing for the A\$78 million Nullagine Project.
- ❑ Discussions are ongoing with third party resources in the Nullagine area which should provide additional ore feed over time to what would otherwise be stranded resources.
- ❑ Management and directors have significant international and domestic experience with the development of green and brown fields' projects.
- ❑ Subject to financing, **RM Research** envisages few delays in the project development with key approvals already in place.

### The Bears Say

- ❑ Project economics are relatively modest by public company standards (NPV A\$91 million) however potential to increase reserves and therefore mine life should make this more attractive over time.
- ❑ There is a risk that the approximate A\$25 million equity raising will not proceed due to market conditions or possible negative sentiment towards the Company.
- ❑ Given the medium grades the project is highly sensitive to swings in the gold price and exchange rate. Hedging will potentially play an important role in mitigating this risk.
- ❑ Variability in gold grades is also a risk to gold production – and will require intensive grade control supervision in the smaller high grade pits.

## CONCLUSION

Despite a choppy year on the ASX, **RM Research** believes that **Millennium Minerals** remains in an excellent position on the back of its existing finance facilities and successful A\$23 million rights issue completed earlier this year. We are optimistic, once market conditions stabilise, that the Company will be able to secure the remaining A\$25 million in equity required to commence construction. While the project is relatively small by International standards, the base case scenario delivers an EBIT of A\$246 million over 8 years with a payback of around 35 months. Based on recent increase in the gold price, project economics have been significantly enhanced. At A\$1,646 spot gold, NPV jumps to A\$200m or 8.0 cps!

Further encouragement in the June Quarter has been the exploration success at All Nations, Bartons, Shearers, Otways and Golden Eagle together with the joint Venture with the Creasy Group of Companies – all positive for further extensions to the existing pit designs and a substantial resource upgrade in the September Quarter. As production draws closer, we anticipate additional interest from third party resources in the district which will supplement existing production from the Company.

The medium grade is a significant risk and the project remains highly sensitive to fluctuations in gold grades and exchange rates. Again, financing remains the next risk however the fairly robust economics together with the relatively low capital requirements should not present any major impediments.

**RM Research** rates the Company as a **Speculative Buy**.

| CAPITAL STRUCTURE                  | 2012F | 2013F | 2014F | 2015F |
|------------------------------------|-------|-------|-------|-------|
| # Shares (m)                       | 1,490 | 2,740 | 2,740 | 2,740 |
| Listed Opt (ex 7.5c, 28/02/13) (m) | 35    | 35    | 35    | -     |
| Exercise Price (A\$)               | 0.075 | 0.075 | 0.075 | -     |
| Unl Opt (ex 20-30c, 11/12 (m)      | 25.7  | -     | -     | -     |
| Capital Raising-amt (A\$m)         | 25    | -     | -     | -     |
| Issue Price (A\$)                  | 0.02  | 0     | 0     | 0     |
| # Shares Issued (m)                | 1,250 | -     | -     | -     |
| Total Shares on issue (m)          | 2,740 | 2,740 | 2,740 | 2,740 |
| Total Opt on issue (m)             | 61    | 35    | 35    | -     |
| Share Price (A\$)                  | 0.026 | 0.026 | 0.026 | 0.026 |
| Market Capitalisation (A\$m)       | 71.2  | 71.2  | 71.2  | 71.2  |

| PRODUCTION FORECASTS        | 2012F             | 2013F             | 2014F             | 2015F             |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Gold Production (oz)        | 59,918            | 75,816            | 64,417            | 60,557            |
| <b>TOTAL (oz)</b>           | <b>59,918</b>     | <b>75,816</b>     | <b>64,417</b>     | <b>60,557</b>     |
| Gold Price (A\$/oz)         | \$1,600           | \$1,760           | \$1,936           | \$2,130           |
| Cash Costs (A\$/oz)         | \$594.70          | \$597.45          | \$683.63          | \$751.25          |
| <b>Cash Margin (A\$/oz)</b> | <b>\$1,005.30</b> | <b>\$1,162.55</b> | <b>\$1,252.37</b> | <b>\$1,378.35</b> |

| PROFIT & LOSS              | 2012F       | 2013F        | 2014F        | 2015F        |
|----------------------------|-------------|--------------|--------------|--------------|
| Gold Sales                 | 95.9        | 133.4        | 124.7        | 129.0        |
| <b>TOTAL REVENUE</b>       | <b>95.9</b> | <b>133.4</b> | <b>124.7</b> | <b>129.0</b> |
| Operating Costs (A\$m)     | 38.5        | 49.0         | 47.2         | 48.7         |
| Dep/Amort (A\$m)           | 2.7         | 8.0          | 8.1          | 8.1          |
| Financing Costs (A\$m)     | 0.7         | 2.2          | 1.9          | 1.5          |
| Corporate Overheads (A\$m) | 1.5         | 1.5          | 1.6          | 1.6          |
| EBIT (A\$m)                | 53.2        | 74.9         | 67.8         | 70.5         |
| Interest Expense (A\$m)    | 0.7         | 2.2          | 1.9          | 1.5          |
| EBT (A\$m)                 | 52.5        | 72.7         | 66.0         | 69.0         |
| Abnormal Gain (A\$m)       | -           | -            | -            | -            |
| Operating Profit (A\$m)    | 52.5        | 72.7         | 66.0         | 69.0         |
| Tax (A\$m)                 | -           | 10.8         | 0.2          | 1.9          |
| <b>NPAT</b>                | <b>52.5</b> | <b>62.0</b>  | <b>65.8</b>  | <b>67.1</b>  |

| FINANCIAL POSITION              | 2012F       | 2013F       | 2014F       | 2015F       |
|---------------------------------|-------------|-------------|-------------|-------------|
| <b>ASSETS</b>                   |             |             |             |             |
| -Cash + Debtors (A\$m)          | 3.8         | 4.9         | 3.9         | 3.2         |
| -Property, Plant & Equip (A\$m) | 74.0        | 68.0        | 59.8        | 51.7        |
| <b>TOTAL ASSETS</b>             | <b>77.8</b> | <b>72.9</b> | <b>63.6</b> | <b>54.9</b> |
| <b>LIABILITIES</b>              |             |             |             |             |
| Debt (A\$m)                     | 39.0        | 27.0        | 15.0        | 3.0         |
| Tax Creditor (A\$m)             | -           | 2.4         | 2.0         | 1.5         |
| Trade Creditors (A\$m)          | 5.8         | 6.4         | 5.9         | 6.1         |
| <b>TOTAL LIABILITIES</b>        | <b>44.8</b> | <b>35.8</b> | <b>23.0</b> | <b>10.6</b> |
| <b>NET ASSETS</b>               | <b>33.0</b> | <b>37.1</b> | <b>40.6</b> | <b>44.4</b> |
| <b>EQUITY</b>                   |             |             |             |             |
| Share Capital                   | 25.0        | 25.0        | 25.0        | 25.0        |
| Retained Earnings               | (3.7)       | 0.4         | 3.9         | (4.4)       |
| <b>TOTAL</b>                    | <b>21.3</b> | <b>25.4</b> | <b>28.9</b> | <b>20.6</b> |

| SURPLUS FUNDS                | 2012F         | 2013F       | 2014F       | 2015F       |
|------------------------------|---------------|-------------|-------------|-------------|
| <b>Net Profit</b>            | <b>52.5</b>   | <b>62.0</b> | <b>65.8</b> | <b>67.1</b> |
| + Working Capital Adj        | -             | -           | -           | -           |
| +Dep/Amort                   | 2.7           | 8.0         | 8.1         | 8.1         |
| -Exploration Expenditure     | 1.0           | 1.5         | 1.6         | 1.7         |
| -Capex                       | 76.7          | 2.0         | -           | -           |
| -Loan Repayment              | 8.6           | 9.8         | 9.8         | 9.8         |
| -Dividends                   | -             | -           | -           | -           |
| -Assets Purchased            | -             | -           | -           | -           |
| <b>CASH FLOW</b>             | <b>(31.1)</b> | <b>56.7</b> | <b>62.5</b> | <b>63.8</b> |
| +Equity (Rts,plc,opts)       | 25.0          | -           | -           | -           |
| +Loan Drawdown               | 39.0          | -           | -           | -           |
| <b>PERIOD SURPLUS (A\$m)</b> | <b>32.9</b>   | <b>56.7</b> | <b>62.5</b> | <b>63.8</b> |

| EARNINGS RATIOS | 2012F  | 2013F | 2014F | 2015F |
|-----------------|--------|-------|-------|-------|
| CFPS (c)        | (0.01) | 0.02  | 0.02  | 0.02  |
| CFM (x)         | (2.29) | 1.26  | 1.14  | 1.12  |
| EPS (c)         | 0.02   | 0.02  | 0.02  | 0.02  |
| PER (x)         | 1.36   | 1.15  | 1.08  | 1.06  |
| DPS (c)         | -      | -     | -     | -     |
| Div Yield (%)   | -      | -     | -     | -     |

| ASSET VALUATION      | A\$m           | A\$/sh       |
|----------------------|----------------|--------------|
| Nullagaine NPV @ 10% | 200.0          | 0.080        |
| Exploration          | 2.00           | 0.001        |
| Cash                 | 25.00          | 0.009        |
| Debt                 | -25.00         | -0.009       |
| <b>TOTAL</b>         | <b>202.000</b> | <b>0.081</b> |

| RESERVES & RESOURCES     | mt          | g/t         | Oz               |
|--------------------------|-------------|-------------|------------------|
| Golden Eagle             | 20.1        | 1.16        | 749,000          |
| Shearers                 | 2.03        | 0.93        | 61,000           |
| Bartons                  | 2.55        | 1.51        | 125,000          |
| All Nations              | 1.45        | 1.25        | 58,000           |
| Golden Gate (ABCD Reef)  | 0.68        | 3.12        | 69,000           |
| Golden Gate Satellites   | 0.46        | 3.1         | 45,000           |
| Little Wonder            | 0.85        | 1.17        | 31,000           |
| <b>TOTALS</b>            | <b>27.3</b> | <b>1.26</b> | <b>1,107,000</b> |
| <b>Equity Share Gold</b> | <b>27.3</b> | <b>1.26</b> | <b>1,107,000</b> |

| EARNINGS FORECASTS | 2012F  | 2013F  | 2014F  | 2015F  |
|--------------------|--------|--------|--------|--------|
| Production (oz)    | 9,918  | 75,816 | 64,417 | 60,557 |
| Cash Cost (\$/oz)  | 595    | 597    | 684    | 751    |
| Net Profit (A\$m)  | 52.5   | 62.0   | 65.8   | 67.1   |
| Cash Flow (A\$m)   | (31.1) | 56.7   | 62.5   | 63.8   |

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|                        |  |
|------------------------|--|
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| <b>Speculative Buy</b> | We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk. |
| <b>Hold</b>            | A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.                   |
| <b>Sell</b>            | Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.                       |

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