



## MOY's March quarter beats Beer & Co model

Wait until detailed quarterly before upgrading

**Recommendation**

**BUY, High Risk**

**Price**

**14.5c**

**Valuation**

**20c**

**Commodity**

**Gold**

- **MOY has pre-announced some of its march quarterly outcomes :**
  - **Production : 23,166oz (Beer &Co : 22,482oz)**
  - **All-In Costs : \$A 1195/oz (Beer & Co : \$A 1217/oz)**
  - **Cash on hand : \$A 14.6m, after paying last \$3.9m in debt (Beer & Co : \$13.2m, but \$1.1m extra due to higher gold production);**
- **Beer & Co now expects 2016 production of 87.8koz.**
- **Beer & Co will upgrade our MOY estimates after we get further detail from the March quarterly report.**
- **Beer & Co confirms our valuation of 20c/share, based on, effectively, the spot AUD gold price.**

**Snapshot**

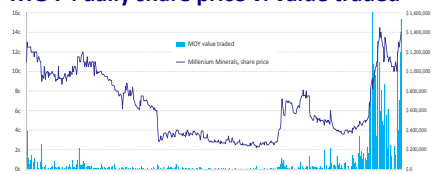
|                        |              |
|------------------------|--------------|
| Market Cap             | \$108m       |
| Net Cash               | \$14.6m      |
| As at 31 December 2015 |              |
| Shares on Issue        | 742.7m       |
| 52 Week High           | 15.0c        |
| 52 Week Low            | 2.3c         |
| 1 month / 6 month VWAP | 12.4c / 9.2c |

**MOY has pre-reported higher production for the March quarter**

MOY reported production of 23,166oz for the March quarter. This is significantly ahead of the rate to achieve guidance of 80koz – 85koz, though some of the higher production is due to higher grade material mined in December 2015.

On 7 April, Beer & Co upgraded our estimated production for 2016 to 87koz, by including processed grades above reserve, due to high grade drill intercepts reported by MOY on 22 February, 11 March and 5 April.

**MOY : daily share price v. value traded**



MOY began mining operations at Nullagine in September 2012. The operations were declared commercial in February 2013.

While the operations generated cash, the cash generated was, for 2014 and the first half of 2015, not enough to meet the required debt repayments.

The operations have been turned around and the debt has been re-paid.

MOY is now showing success in converting known mineralisation into mining inventory, which will drive further share price growth.

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**Beer & Co will wait until the March quarterly to upgrade further**

Beer & Co does not know the proportion of out-performance that was due to grad v. tonnes v. recovery; we will wait until the March quarterly to review the need to upgrade further.

**Cash costs in-line with Beer & Co's model, adjusted for more ounces.**

MOY reported All-In Sustaining Costs of \$A 1195/oz for the quarter. Beer & Co's model had AISC of \$A 1217/oz, before adjusting for the higher production, and \$A 1195/oz after adjusting). This includes

- Exploration costs of \$2.5m (Beer & Co estimate);
- Other sustaining capital costs of \$1.4m; and
- Corporate costs of \$1.25m (Beer & Co estimate).

Beer & Co's estimate for full-year 2016 AISC is \$A 1201/oz.

**Beer & Co affirms our valuation of 20c/share**

Beer & Co's valuation has increased, from 19.7c/share to 20.0c/share.

**Beer & Co affirms our BUY, High Risk, recommendation.**

MOY keeps delivering on exploration, costs and production.

Beer & Co affirms our BUY, High Risk, recommendation

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## MOY produced more ounces

### MOY announced 23,166oz for March quarter

MOY have guided to 80koz – 85koz for the 2015, or about 21koz each quarter.

MOY reported 23,166oz for the march quarter, which is more than 10% above guidance.

**MOY announced production of 23,166oz for the March quarter**

Beer & Co understand that at least part of the reason for the higher than guided production is that higher grade material was mined in December, but not processed at that time.

**This beats Beer & Co's recently upgraded model by 684oz.**

Other factors, in addition to higher grade, that could have contributed to the higher than guided production include :

- A greater volume of ore processed; and
- Higher recovery of gold in circuit.

We comment further on each of these three possible areas.

### Grade

**Beer & Co's revised 2016 production projection is now 87.8koz**

MOY's reported Proven and Probable Reserves, as at 31 December 2015 are 2.28Mt grading 1.44g/t.

Beer & Co expects that the grade of material that MOY will process during 2016 will be a higher grade, as outlined in Beer & Co's research report of 7 April.

In the absence of a reserve upgrade, Beer & Co will treat higher grades as a "one-off", due to lack of strong, verifiable evidence of its sustainability.

### Volume of ore processed

**We will need to wait until the full quarterly at the end of April to understand why the production was higher and if that has longer run valuation implications**

The feasibility study for MOY's Nullagine project was based on processing 1.5Mt/yr.

Current management recognised that the mill had the potential to do more, and the annualised average rate for the September quarter was 1.93Mt/yr, and for the last 3 quarters of 2015 was 1.89Mt.

Beer & Co understands that a sustainable rate over 2.0Mt/yr would require a modest amount of capital, but MOY would require more than 18 months of reserves before committing this capital.

The higher production in the March quarter could have been, at least partly, due to more than 475kt being processed.

Until advised to the contrary, Beer & Co will treat a volume of ore processed in a quarter above 475kt as a "one-off", to be evened out over time.

### Recovery

Beer & Co's model assumes recovery of 92% of the gold in ore.

MOY have been reporting recoveries of 93%, though the simple arithmetic of ounces poured divided by contained ounces has yet to give such values, which is at least partly due to a build-up of gold in the circuit.

Higher recoveries should be sustainable, and a life in recoveries from 92% to 93% adds about 3.5% to our valuation, increasing it to 21.0c/share.

## Adjusted cash costs in line

Reported cash costs were \$A 1195/oz, compared with guidance of \$1180 - \$1120/oz

Figure 1 shows the detail of Beer & Co's projected production for 2016 for MOY. It shows that, at this stage, Beer & Co has assumed that the higher than guided production was due to higher grades.

It also shows that Beer & Co's expected production for 2016 is now 87.8koz, compared with MOY's guided range of 80koz – 85koz.

After adjusting for the higher production, costs were in line with Beer & Co's modelling

**Figure 1 : Beer & Co's estimated production for MOY, 2016**

|                 | March Qtr 2016 | June Qtr 2016 | Sept. Qtr 2016 | Dec. Qtr 2016 | 2016 Total       |
|-----------------|----------------|---------------|----------------|---------------|------------------|
| Waste moved     | 2,185 kt       | 2,138 kt      | 2,138 kt       | 2,138 kt      | <b>8,598 kt</b>  |
| Ore processed   | 480 kt         | 475 kt        | 475 kt         | 475 kt        | <b>1,905 kt</b>  |
| Gold head grade | 1.63 g/t       | 1.50 g/t      | 1.50 g/t       | 1.60 g/t      | <b>1.56 g/t</b>  |
| Recovery        | 92.0 %         | 92.0 %        | 92.0 %         | 92.0 %        | <b>92.0 %</b>    |
| Gold produced   | 23,166 oz      | 21,077 oz     | 21,077 oz      | 22,482 oz     | <b>87,803 oz</b> |

Source : Beer & Co estimated

Figure 2 shows the detail of Beer & Co's cost estimates for MOY for 2016.

**Figure 2 : Beer & Co's estimated cash costs for MOY, 2016**

| AUD /oz         | March Qtr 2016 | June Qtr 2016 | Sept. Qtr 2016 | Dec. Qtr 2016 | 2016 Total   |                   |
|-----------------|----------------|---------------|----------------|---------------|--------------|-------------------|
| Waste Removal   | 245            | 264           | 264            | 250           | <b>255</b>   | \$A 22.4m         |
| Ore extraction  | 80             | 88            | 88             | 83            | <b>84</b>    | \$A 7.4m          |
| Ore Transport   | 74             | 58            | 14             | 13            | <b>40</b>    | \$A 3.5m          |
| Mining Overhead | 50             | 55            | 55             | 51            | <b>53</b>    | \$A 4.6m          |
| Processing      | 419            | 457           | 457            | 428           | <b>440</b>   | \$A 38.6m         |
| Site Admin      | 57             | 59            | 59             | 56            | <b>57</b>    | \$A 5.0m          |
| Royalties       | 48             | 48            | 48             | 48            | <b>48</b>    | \$A 4.2m          |
| Corporate Costs | 54             | 59            | 59             | 56            | <b>57</b>    | \$A 5.0m          |
| Sus. Capital    | 168            | 185           | 161            | 151           | <b>166</b>   | \$A 14.6m         |
| <b>TOTAL</b>    | <b>1,195</b>   | <b>1,272</b>  | <b>1,205</b>   | <b>1,136</b>  | <b>1,201</b> | <b>\$A 105.4m</b> |

Source : Beer & Co estimated

Figure 2 shows that Beer & Co expects higher costs in the June quarter due to slightly lower grades being processed.

In addition to the costs, note that MOY will improve their net cashflow from the September quarter onwards, as MOY delivers into the last of its commitment, of 14,361 ounces a quarter, for the hedge book in June.

MOY is generating good cash, and will generate more after the hedge book expires in June.

Beer & Co has the cost of the hedge book increasing due to higher AUD gold prices as the ounces delivered are priced at AUD 1458, compared with the actual average price of AUD 1654/oz in the March quarter and Beer & Co's projected price of AUD 1667/oz for the June quarter (and all future periods); a

## Conclusions

Beer & Co affirms our BUY, High Risk recommendation

Beer & Co affirms our BUY recommendation.

In our view, MOY keeps delivering on exploration, costs and production.



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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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