

Great results from deeper drilling

Quarterly beat on grade

Recommendation

Accumulate, High Risk

Price

26c

Valuation

27c

Commodity

Gold

- The detail of MOY's quarterly report shows that MOY produced more gold than expected due to higher grade of treated ore, at 1.65g/t
 - After allowing for higher cap.ex, AISC of \$A 1193/oz is slightly better than Beer & Co's model, of \$A 1198/oz
- With 45.9koz produced to end June, Beer & Co expects MOY to raise its guidance of 80koz – 85koz for 2016
- MOY will announced an upgrade of Resources and Reserves in October.
- Beer & Co affirms valuation of 27c, based on current commodity prices.
- MOY is a very good exposure to rising gold prices. We revise our recommendation to Accumulate.

Snapshot

Market Cap	\$182m
Net Cash	\$20.4m
Shares on Issue	742.7m
52 Week High	12.5c
52 Week Low	2.6c
1 month / 6 month VWAP	20.2c / 13.9c

MOY : daily share price v. value traded



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

Following a change in management in December 2014, the operations have been turned around. MOY is now debt free with significant free cash.

MOY has over 1.0Moz in Resources, but only 160koz in Reserves. In late 2015, MOY began a \$10m a year program to boost Reserves and mine life.

The Nullagine area has more than 30 further shallow oxide prospects as well as, and prospects for deeper mineralisation and refractory material in Resources as a possible later option.

Author : Pieter Bruinstroop
pbruinstroop@beerandco.com.au

MOY produced 45.9koz in 2016 H1, v guidance 80 – 85koz for 2016

MOY reported June quarter production of 22.8koz at AISC of \$A 1193/oz. MOY beat expected production by treating 462kt of ore, below 475kt expected, grading 1.65g/t v. 1.5g/t expected.

After adjusting for higher royalties and higher exploration spending, Beer & Co's model cost was \$A 1198/oz v. \$A 1193/oz reported.

Beer & Co expects MOY to upgrade guidance

Beer & Co now expects MOY to produce 90koz for 2016. We expect MOY to upgrade production guidance.

MOY to upgrade Resource estimate in October

MOY has reported many, many good drill results. MOY will upgrade its Resources and Reserves estimate in October.

Beer & Co's valuation of MOY assumes that MOY invests \$10m in each of 7 years, defining 2.0Mt of Reserves at an average grade of 1.5g/t.

Beer & Co is confident that MOY will show a god return from the more than \$10m that is expected to have been invested in drilling during the first 3 quarters of 2016, plus \$5m in development.

Beer & Co's valuation sensitive to throughput, grade and gold price

There are many more bullish views on gold now than even 3 months back, due to heightened global uncertainty.

Beer & Co revises our recommendation to Accumulate

Beer & Co's base case valuation of MOY is only 4% higher than the share price.

MOY has shown that it is a good exposure to higher gold prices, and MOY has good potential for further operational improvement.

While Beer & Co expects to upgrade our valuation of MOY, the current gap between the current price and our risked valuation causes Beer & Co to revise our valuation to Accumulate.

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Great Results from deeper drilling

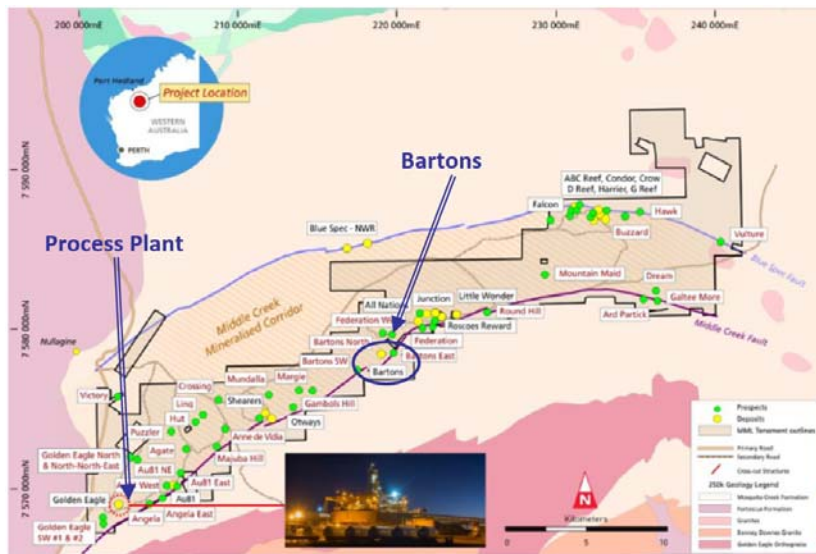
Bartons

On 28 July, MOY announced results from its first 4 RC holes of its deeper drilling programme. This first programme targeted mineralisation below the existing operations at Bartons.

Figure 1 shows the location of Bartons, within MOY's Nullagine operations.

MOY has reported the assay results from 4 RC holes drilled below the pit at Bartons

Figure 1 : Bartons, part of MOY's Nullagine operations



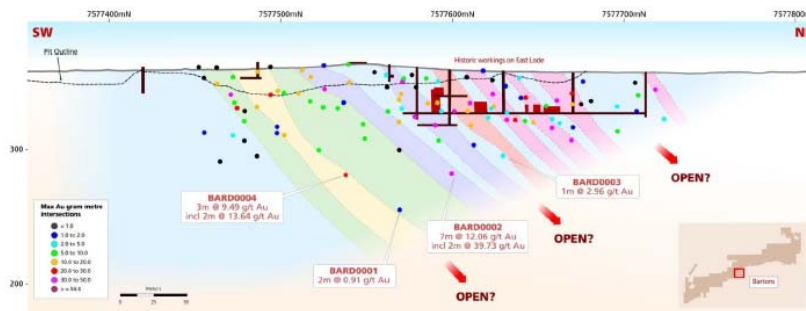
Source : MOY, 28 July 2016 ASX announcement, Beer & Co

Figure 2 shows Bartons east lode and the intercepts from each of the 4 holes that were drilled into this lode.

Each of the 4 holes intersected the east lode

And located a secondary lode

Figure 2 : Bartons east lode, long section

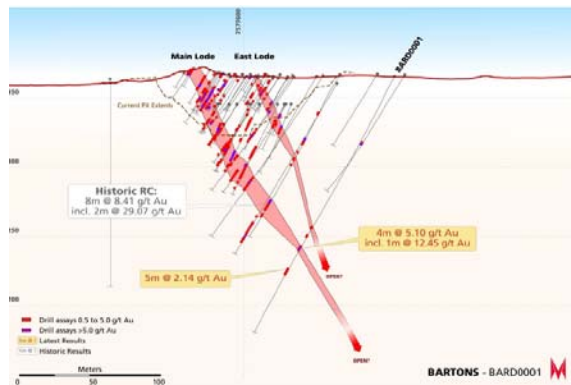


Source : MOY, 28 July 2016 ASX announcement

Figure 3 shows the drill traces from each of these first 4 holes. It also shows

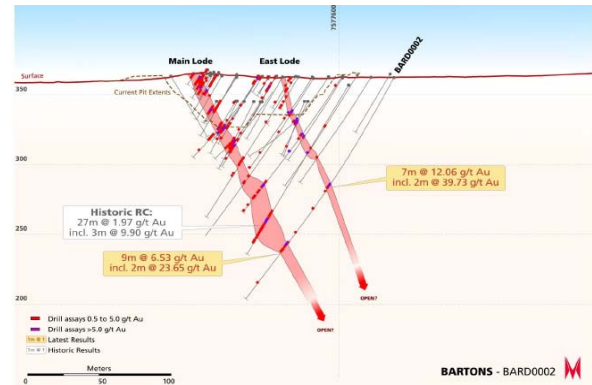
- Continuity of high grade mineralisation in the main lode below the existing open pit; and
- The location of a secondary east lode.

Fig 3a : Bartons, east lode – hole BARD0001



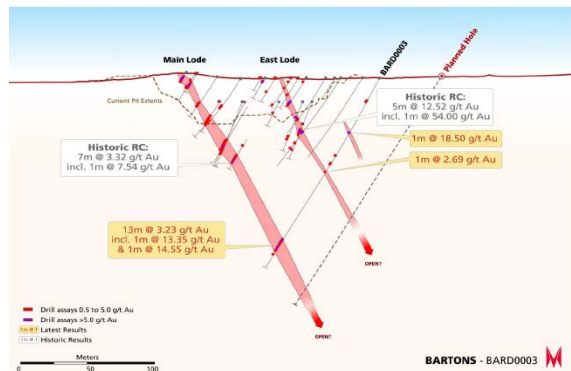
Source : MOY, 28 July 2016 ASX announcement

Fig 3b : Bartons, east lode – hole BARD0002



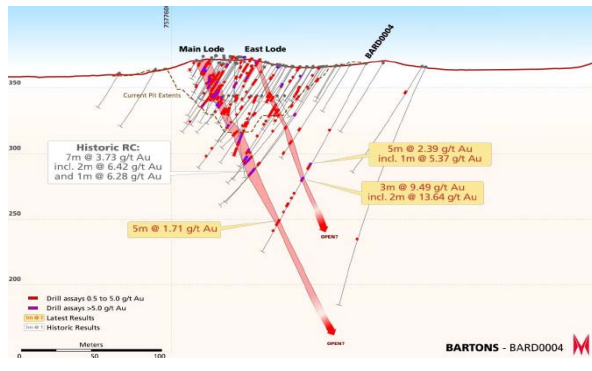
Source : MOY, 28 July 2016 ASX announcement

Fig 3c : Bartons, east lode – hole BARD0003



Source : MOY, 28 July 2016 ASX announcement

Fig 3d : Bartons, east lode – hole BARD0004



Source : MOY, 28 July 2016 ASX announcement

Results from this drilling include :

- 4m grading 5.1g/t from 139m in BARD0001;
- 7m grading 12.06g/t from 88m in BARD0002
 - and a further 9m grading 6.53g/t from 139m;
- 13m grading 3.73g/t, including 1m art 13.35g/t and 1m at 14.55g/t, from 127m in BARD0003
 - and a further 1m grading 18.5g/t from 42m; and
- 3m grading 9.49g/t from 97m in BARD0004.

MOY reported good grades over good widths from each of the 4 holes drilled

MOY will undertake a scoping study on treating primary material,

Incorporating existing stockpiles

Implications

MOY currently has a significant volume of primary material that has been stockpiled from mining activities at Golden Eagle. Some of this material was processed and reported poor recovery, which is why it was stockpiled.

If MOY is able to define a sufficient quantity of high grade primary material, then it will execute a scoping study on establishing a circuit to treat this material

- Is there a process that will provide economic returns, such that the increase in recovery provides a sufficient return on the capital required; and
- Should this extra circuit, adding to mil capacity, or should it displace some of the existing capacity to treat oxide ores.

MOY June Quarterly

Operations

Figure 4 shows the key operational outcomes reported by MOY, and compares them with Beer & Co's projections for the June quarter and for September.

Figure 4 : MOY Operations, June quarter, 2016

MOY produced more gold by processing slightly fewer tonnes at a higher grade

	March Quarter	June Quarter, 2016 MOY	Beer & Co	projected Sept. Qtr
Material moved ('k bcm)	777	887	943	943
Ore processed ('000 t)	507	462	500	500
grade (g/t gold)	1.46	1.65	1.50	1.50
gold produced (oz)	23,166	22,760	22,186	22,186
reported recovery	91 %	91 %	92 %	92 %
All In Costs (AUD /oz)	1,195	1,193	1,198	1,214

Source : MOY Quarterly, 29 July 2016, Beer & Co

It shows that the grade processed by MOY was higher than expected, leading to higher gold production, while tonnes processed were less than expected.

Financials

Figure 5 shows MOY's financial outcomes for the June quarter.

Figure 5 : MOY financial outcomes, June quarter, 2016

MOY is projecting a significant rise in exploration, development and production costs for the September quarter

AUD m	March Quarter	Projected June Qtr, 2016 MOY	Beer & Co	Actual June Qtr	Projected Sept Qtr MOY	Beer & Co
Revenue	34.5		35.4	36.8		39.1
Exploration	(2.6)	(2.0)	(2.5)	(3.2)	(4.7)	(2.5)
Development	(0.6)	(1.6)	(0.9)	(0.9)	(3.7)	(0.1)
Production	(23.2)	(24.9)	(22.0)	(24.5)	(27.8)	(21.1)
Corporate	(1.0)	(1.3)	(1.3)	(1.4)	(1.29)	(1.3)

Source : MOY Quarterly, 29 July 2016, Beer & Co

It shows that

- Compared with projected annual expenditure of \$10m on drilling, MOY expects to have invested \$10.5m by the end of September;
- MOY projected production costs in the September quarter are 13.5% higher than was incurred in the June quarter; and
- MOY project a significant rise in development costs.

Conclusions

Beer & Co's valuation assumes that :

- MOY invests \$10m in drilling for each of the next 7 years;
- MOY proves up 2.0Mt grading 1.5g/t in reserves each year; and
- MOY invests a further \$4m each year to develop these reserves, much of which is extensions to the existing operations.

As shown in Figure 6, Beer & Co's valuation is very sensitive to the grade assumed for future feed, and also sensitive to both throughput and the gold price assumed.

Fig 6a : MOY valuations, at US\$ 1350/oz

	1.40 g/t	1.50 g/t	1.60 g/t
1.8 Mt/yr	20.2 c	23.2 c	26.2 c
2.0 Mt/yr	23.6 c	27.1 c	30.5 c
2.2 Mt/yr	27.2 c	31.1 c	35.1 c

Source : Beer & Co estimates

Fig 6b : MOY valuations, at US\$ 1400/oz

	1.40 g/t	1.50 g/t	1.60 g/t
1.8 Mt/yr	22.3 c	29.7 c	28.6 c
2.0 Mt/yr	25.9 c	29.5 c	33.1 c
2.2 Mt/yr	29.7 c	33.8 c	38.0 c

Source : Beer & Co estimates

In Figure 6, Beer & Co has assumed an AUD-USD rate of 0.750.

As shown in Figure 7, Beer & Co has revised our valuation to 27c. This assumes a gold price of \$1325 for the September quarter and \$1350 thereafter.

Figure 7 : Beer & Co risked, base case, valuation

	discount rate = 12.0 %	31 December 2015			1-Aug-16
		risk :	100%	Product	per share
Nullagine Reserves	100%	\$ 76m	\$ 76m	9.8 c	5.7 c
franking credits	60%	\$ 10m	\$ 6m	0.8 c	0.9 c
Nullagine Extensions	70%	\$ 179m	\$ 125m	16.2 c	17.3 c
franking credits	42%	\$ 51m	\$ 21m	2.7 c	2.9 c
Exploration	100%	(\$ 52m)	\$ 0m	0.0 c	0.0 c
Hedge	100%	(\$ 6m)	(\$ 6m)	(0.8c)	(0.3c)
Corporate	100%	(\$ 27m)	(\$ 27m)	(3.5c)	(3.4c)
Cash / Debt	100%	\$ 8m	\$ 8m	1.0 c	3.9 c
Equity raisings	100%	\$ 1m	\$ 1m	0.1 c	0.1 c
TOTAL		\$ 238m	\$ 203m	26.2 c	27.1 c
Shares on issue		742.7m	F P O shares	32.0m	Options
				32.0m	Ops. Ex'd

Source : Beer & Co estimates

Beer & Co revises our valuation to 27c

Assuming \$1325/ oz gold for the September quarter and \$1350/oz thereafter

Final Comments

Beer & Co sees good upside potential in MOY

In our most recent update, of 28 July, Beer & Co showed how the MOY share price had moved with leverage to the gold price.

Figure 6 shows the leverage that Beer & Co's valuation of MOY has to changes in grade as well as gold price.

MOY will upgrade its estimates of Resources and Reserves in October, which is likely to lead to an upgrade in our valuation :

We revise our recommendation to Accumulate

- A reduction in the risk applied, with more of the feed in reserves, and less in extensions to operations, which is more risky; and
- A possible up-lift in projected grade.

While Beer & Co sees good upside potential in MOY, our base case, risked, valuation is only a premium of 4% to the current share price.

Beer & Co revises our recommendation on MOY to Accumulate, High Risk.

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Report prepared by : Pieter Bruinstroop pbruinstroop@beerandco.com.au

BEER & CO PTY LTD ABN 88 158 837 186,
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

Melbourne Office:

Suite 4, Level 2, Bank House

11 - 19 Bank Place,

Melbourne, Vic, Australia 3000

Telephone: (+613) 9600 3599

Facsimile: (+613) 9602 2291

Email: info@beerandco.com.au

Web: www.beerandco.com.au