

## Over 1.0Moz in Resources

More to come; Scoping study end May

### Recommendation

**Strong BUY, Very High Risk**

### Price

**6.9c**

### Risked, NPV based Valuation

**22.5c**

### Commodity

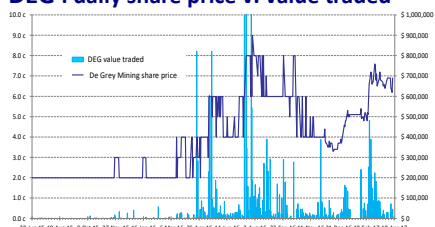
**Gold**

- On 3 April DEG announced an upgraded Mineral Resource Estimate for the Indee Gold Project, the option to acquire of which was announced on 8 February;
- Indee now has 538koz (JORC 2012), contained in 9.15Mt grading 1.8 g/t, up from 345koz (JORC 2004), contained in 6.66Mt at an average grade of 1.6 g/t as previously announced.
- The combined resources of Indee (538koz) and DEG's 100% owned Turner River is now over 1.0Moz.
- Beer & Co is very confident that DEG's Resources will increase further.
- Beer & Co.'s risked valuation of DEG is revised to 22.5c/share, assuming a gold price of \$1250/oz.

### Snapshot

Market Cap	\$12.0m
Cash on hand (31 Dec 2016)	\$0.95m
Shares on Issue	173.4m
52 Week High	10.0c
52 Week Low	2.0c
1 month / 6 month VWAP	6.9c / 5.4c

### DEG : daily share price v. value traded



DEG acquired Turner River (Pilbara) tenements in April 2003 and the discovery of Wingina Well was announced in December 2003.

After a change in management in December 2015, DEG focussed on its Turner River project, which has gold and base metals (VMS).

DEG announced the potential acquisition of the Indee gold project in February 2017. Indee is along strike from Turner River.

Combined, Turner River and Indee have over 1,000koz of JORC Resources, with significant further potential.

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### DEG upgraded Resources from Indee, from 345koz to 538koz

When announcing the acquisition of a binding 12-month option on Indee in February 2017, DEG announced a Mineral Resource Estimate of 6.66Mt grading 1.6g/t for 345koz in JORC 2004 Resources, of which 267koz was in Measured + Indicated (M+) categories.

On 3 April, DEG announced an update of the Resource estimate to JORC 2012 standard, incorporating the vendor's drilling, of 9.15Mt at 1.8g/t for 538koz.

### DEG now has over 1.0Moz in Resources at Indee-Turner River

DEG's resource estimate for Turner River remains 464koz from 9.7Mt grading 1.5g/t. In total, DEG now has over 1.0Moz, from nearly 19Mt grading 1.7g/t, from 100km of the Mallina Shear and 60km of the Tabba Tabba thrust.

### Beer & Co expects further upgrades to DEG's Resource estimate

DEG has areas, such as Towerana and Mallina, that require further drilling to bring into Resources. DEG also has identified many more prospective areas.

### Scoping Study results expected end May

DEG advised in their 3 April announcement that the results of a scoping study are expected by late May.

### Beer & Co.'s risked valuation is revised to 22.5c/share

Beer & Co models DEG as processing 2.0Mt/yr at an average diluted grade of 1.54g/t, compared with the Resource grade of 1.65g/t, producing about 90koz/yr at an average all-in cost, after project capital, of \$A 900/oz.

Beer & Co.'s valuation has been revised to 22.5c/share, with the mine life extended by 4 years, from 9 to 13 years, and first gold in early 2019. We also allow for higher capital and operating costs due to the fresh ore which is now clearly delineated.

### Beer & Co has a Strong BUY rating; Very High Risk

Beer & Co.'s risked valuation, based on a gold price of US\$ 1250/oz, is a multiple of the current share price.

There is significant upside to our valuation, but it is based on our estimates.

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## DEG : Upgraded Resources estimate

### Indee Resource Estimate upgraded

On 8 February 2017, DEG announced that it had secured an exclusive and binding 12-month option to evaluate and explore the Indee gold project, with the right to acquire it within 18 months.

Figure 1 shows the Mineral Resource Estimate (MRE) for Indee included in DEG's 8 February announcement, of 6.68Mt grading 1.6g/t for 345koz of contained gold, which was in accordance with JORC 2004 standard.

**Figure 1 : Indee – Initial Mineral Resource Estimate**

DEG has upgraded its Mineral Resource Estimate for Indee from JORC 2004 to JORC 2012 requirements

	Measured		Indicated		Inferred		TOTAL		
Withnell North	0.65 Mt	1.5 g/t	1.12 Mt	1.5 g/t	0.1 Mt	1.4 g/t	1.86 Mt	1.5 g/t	88 koz
Withnell South			0.74 Mt	1.6 g/t			0.74 Mt	1.6 g/t	38 koz
Withnell East			0.12 Mt	2.2 g/t			0.12 Mt	2.2 g/t	9 koz
Withnell West			0.74 Mt	1.4 g/t	0.3 Mt	1.3 g/t	1.01 Mt	1.4 g/t	44 koz
Camel 1			0.67 Mt	2.1 g/t			0.67 Mt	2.1 g/t	45 koz
Calvert			1.25 Mt	1.2 g/t			1.25 Mt	1.2 g/t	47 koz
Dromedary			0.20 Mt	1.9 g/t			0.20 Mt	1.9 g/t	12 koz
Toweranna					0.4 Mt	2.1 g/t	0.44 Mt	2.1 g/t	30 koz
Roe					0.4 Mt	2.6 g/t	0.39 Mt	2.6 g/t	33 koz
<b>TOTAL</b>	<b>0.65 Mt</b>	<b>1.5 g/t</b>	<b>4.84 Mt</b>	<b>1.5 g/t</b>	<b>1.2 Mt</b>	<b>2.0 g/t</b>	<b>6.68 Mt</b>	<b>1.6 g/t</b>	<b>345 koz</b>

Source : DEG ASX announcement, 8 February 2017

As shown in Figure 2, DEG has upgraded its MRE for Indee to 9.15Mt, grading 1.8g/t for 538koz of contained gold, in accordance with JORC 2012 requirements.

**Figure 2 : Indee – Updated Mineral Resource Estimate**

DEG has included drilling by the vendor at depth at Withnell

Which has increased the size of the MRE and also improved the grade.

		Measured		Indicated		Inferred		TOTAL			
Calvert	Oxide			0.43 Mt	1.3 g/t	0.05 Mt	0.8 g/t	0.48 Mt	1.2 g/t	19.3 koz	
	Fresh			0.56 Mt	1.3 g/t	0.23 Mt	1.2 g/t	0.79 Mt	1.3 g/t	33.1 koz	
Camel	Oxide	0.14 Mt	3.1 g/t	0.26 Mt	3.0 g/t	0.11 Mt	1.6 g/t	0.51 Mt	2.7 g/t	44.6 koz	
	Fresh			0.03 Mt	1.7 g/t	0.20 Mt	1.7 g/t	0.23 Mt	1.7 g/t	12.8 koz	
Roe	Oxide	0.04 Mt	2.8 g/t	0.05 Mt	2.5 g/t	0.11 Mt	1.5 g/t	0.21 Mt	2.0 g/t	13.5 koz	
	Fresh	0.00 Mt	2.5 g/t	0.06 Mt	3.4 g/t	0.11 Mt	2.4 g/t	0.18 Mt	2.8 g/t	15.8 koz	
Dromedary	Oxide	0.10 Mt	2.2 g/t	0.03 Mt	1.6 g/t	0.04 Mt	1.6 g/t	0.17 Mt	2.0 g/t	10.9 koz	
	Fresh			0.03 Mt	1.6 g/t	0.08 Mt	1.8 g/t	0.11 Mt	1.8 g/t	6.4 koz	
Withnell, to -100i	Oxide	0.57 Mt	1.3 g/t	0.22 Mt	1.6 g/t	0.15 Mt	1.1 g/t	0.94 Mt	1.3 g/t	40.0 koz	
	Fresh	0.45 Mt	1.4 g/t	2.55 Mt	1.7 g/t	0.96 Mt	1.7 g/t	3.96 Mt	1.7 g/t	215.6 koz	
Withnell, below 100i	Oxide			0.02 Mt	4.9 g/t	1.45 Mt	2.5 g/t	1.47 Mt	2.6 g/t	121.6 koz	
	Fresh					0.07 Mt	1.6 g/t	0.07 Mt	1.6 g/t	3.5 koz	
Hester	Oxide					0.03 Mt	1.2 g/t	0.03 Mt	1.2 g/t	1.3 koz	
	Fresh										
Sub-Total, Oxide			0.85 Mt	1.8 g/t	0.99 Mt	1.9 g/t	0.54 Mt	1.4 g/t	2.38 Mt	1.7 g/t	131.8 koz
Sub-Total, Fresh			0.45 Mt	1.4 g/t	3.26 Mt	1.7 g/t	3.07 Mt	2.1 g/t	6.78 Mt	1.9 g/t	406.6 koz
<b>TOTAL</b>			<b>1.31 Mt</b>	<b>1.6 g/t</b>	<b>4.24 Mt</b>	<b>1.8 g/t</b>	<b>3.60 Mt</b>	<b>2.0 g/t</b>	<b>9.15 Mt</b>	<b>1.8 g/t</b>	<b>538.4 koz</b>

Source : DEG ASX announcement, 3 April 2017

Comparing the data in Figure 1 with that in Figure 2 shows :

- For Calvert, Camel, Dromedary and Roe, the revised MRE is in line with the earlier estimate, but with detail changes;
- Hester has been added;
- Towerana has been omitted, with DEG explaining that the available date did not meet the JORC 2012 requirements;
- Withnell is now significantly larger, increasing from 3.7Mt to 6.4Mt, adding 199koz at an incremental grade of 2.3g/t; and
- Each of the deposits has their MRE divided between oxide and fresh material.

#### In summary

In announcing the acquisition of its interest in Indee, DEG included the available Resource estimate, which had been compiled by the previous operator, Range River Gold (RNG.ASX), and was compliant with the JORC 2004 Code.

DEG now has 538koz in Resources at Indee

DEG now has over 1Moz in Resources, over half of which is in the Measured + Indicated categories.

ASX rules allow companies to quote Resource estimates that are not compliant with the JORC 2012 Code only once. DEG has had all the available data reviewed to be able to compile a Resource estimate compliant with the 2012 JORC Code.

In doing so, DEG has included data from drilling by the vendor that was below Withnell and as a result the revised Resource estimate is similar to the previous estimate, except that the volume for Withnell is now 71% larger in terms of tonnes and 112% larger in terms of contained gold.

### Turner River

Figure 3 shows the MRE for DEG's Turner River tenements, while Figure 4 shows the update of the MRE announced on 3 April 2017.

**Figure 3 : Turner River – previous Mineral Resource Estimate**

	Measured		Indicated		Inferred		TOTAL		
Wingina Well									
Lode	0.78 Mt	4.1 g/t	0.12 Mt	3.8 g/t	0.2 Mt	4.1 g/t	1.09 Mt	4.1 g/t	144 koz
Halo	2.30 Mt	0.9 g/t	0.86 Mt	1.0 g/t	1.2 Mt	1.2 g/t	4.39 Mt	1.0 g/t	144 koz
Sub-Total, Wingina Well	3.08 Mt	1.7 g/t	0.99 Mt	1.4 g/t	1.42 Mt	1.6 g/t	5.49 Mt	1.6 g/t	288 koz
Mt Berghaus									
Central			0.21 Mt	1.8 g/t	2.33 Mt	1.2 g/t	2.54 Mt	1.3 g/t	106 koz
North Lode					0.43 Mt	1.5 g/t	0.43 Mt	1.5 g/t	21 koz
West Berghaus					0.54 Mt	0.8 g/t	0.54 Mt	0.8 g/t	14 koz
Sub-Total, Mt Berghaus			0.21 Mt	1.8 g/t	3.30 Mt	1.2 g/t	3.52 Mt	1.2 g/t	141 koz
Amanda					0.69 Mt	1.6 g/t	0.7 Mt	1.6 g/t	35 koz
<b>TOTAL</b>	<b>3.08 Mt</b>	<b>1.7 g/t</b>	<b>1.20 Mt</b>	<b>1.4 g/t</b>	<b>5.41 Mt</b>	<b>1.4 g/t</b>	<b>9.69 Mt</b>	<b>1.5 g/t</b>	<b>464 koz</b>

Source : DEG ASX announcements, 28 October 2016 and 25 January 2017

**Figure 4 : Turner River – Updated Mineral Resource Estimate**

	Measured		Indicated		Inferred		TOTAL		
Wingina Well Oxide	2.68 Mt	1.8 g/t	0.65 Mt	1.3 g/t	0.34 Mt	1.3 g/t	3.68 Mt	1.6 g/t	193.5 koz
Fresh	0.40 Mt	1.6 g/t	0.34 Mt	1.5 g/t	1.08 Mt	1.7 g/t	1.82 Mt	1.6 g/t	94.2 koz
Mt Berghaus Oxide			0.07 Mt	2.0 g/t	1.24 Mt	1.3 g/t	1.31 Mt	1.3 g/t	54.4 koz
Fresh			0.14 Mt	1.7 g/t	2.07 Mt	1.2 g/t	2.21 Mt	1.2 g/t	86.4 koz
Amanda Oxide					0.15 Mt	1.6 g/t	0.15 Mt	1.6 g/t	7.6 koz
Fresh					0.54 Mt	1.6 g/t	0.54 Mt	1.6 g/t	27.8 koz
Sub-Total, Oxide	2.68 Mt	1.8 g/t	0.72 Mt	1.4 g/t	1.73 Mt	1.3 g/t	5.13 Mt	1.5 g/t	255.5 koz
Sub-Total, Fresh	0.40 Mt	1.6 g/t	0.48 Mt	1.6 g/t	3.69 Mt	1.4 g/t	4.57 Mt	1.4 g/t	208.5 koz
<b>TOTAL</b>	<b>3.08 Mt</b>	<b>1.7 g/t</b>	<b>1.20 Mt</b>	<b>1.4 g/t</b>	<b>5.41 Mt</b>	<b>1.4 g/t</b>	<b>9.70 Mt</b>	<b>1.5 g/t</b>	<b>463.9 koz</b>

Source : DEG ASX announcement, 3 April 2017

Comparing Figures 3 and 4 shows :

- The total MRE is the same;
- The updated MRE has broken out oxide from fresh; and
- The updated MRE no longer breaks out the high-grade lode at Wingina.

DEG has significant further potential from

- Deposits at Towerana and Mallina;
- Drilling at depth below the resources at Calvert, Camel, Dromedary and Roe; and
- Further mineralisation identified but not yet defined along both the Tabba Tabba thrust and the Mallina shear

### Total : Over 1Moz

With 538koz in Resources at Indee plus 464koz in Resources at Turner River, DEG has over 1.0Moz in total Resources.

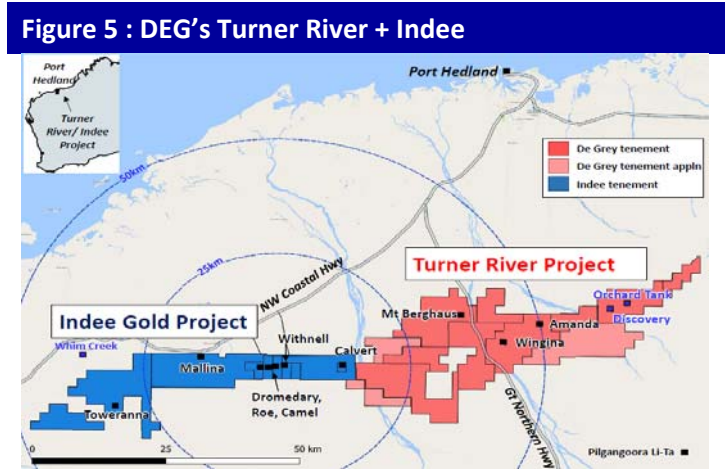
### Further Potential

Figure 5 shows DEG's tenement area at Turner River, in pink, and Indee, in blue, showing that Indee is contiguous with the tenements held by DEG before the acquisition.

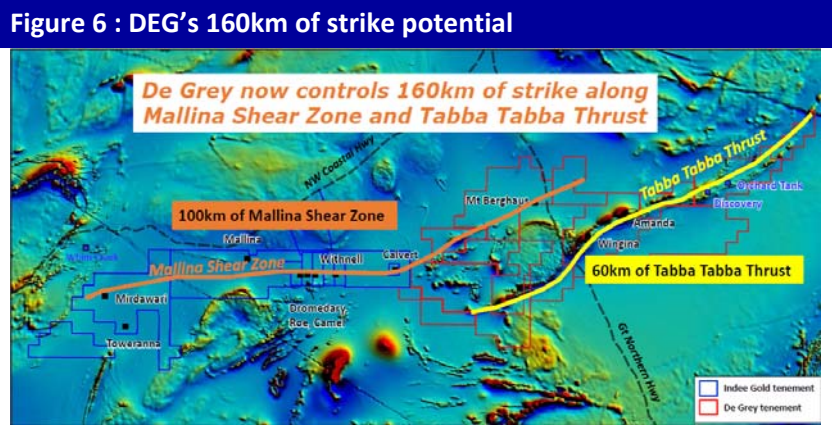
Figure 6 shows that within its tenements DEG estimates that it contains 160km of potentially mineralised strike, comprising :

- 100km of the Mallina Shear; plus
- 60km of the Tabba Tabba thrust.

Both Figure 5 and Figure 6 show the location of the currently identified mineralised areas. This suggests many areas with further potential.



Source : DEG ASX announcement, 3 April 2017



Source : DEG ASX announcement, 3 April 2017

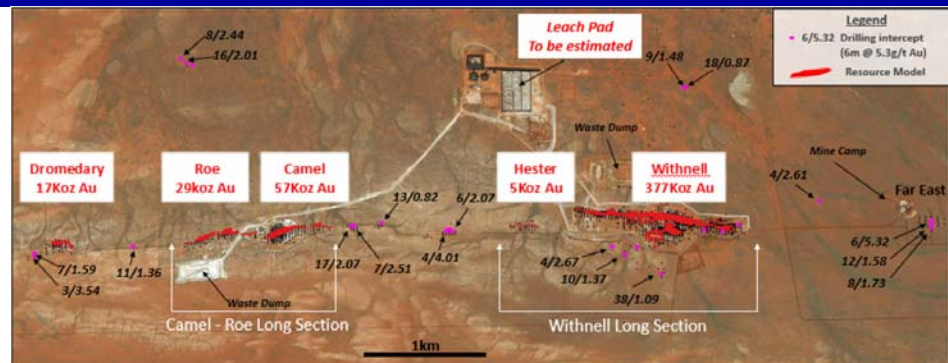
**Potential at Indee along strike**

Figure 7 shows a clearly defined mineralised trend at Indee, with obvious gaps due to an absence of drilling in some areas and only sporadic and shallow drilling in other areas.

Drilling to date has been determined largely by the presence of mineralised outcrops, while in many areas the shear is under shallow sand cover and has not been considered previously.

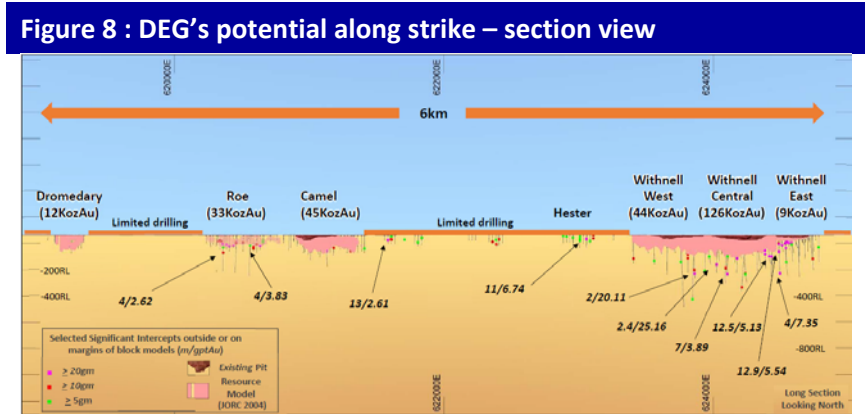
**Figure 7 : DEG's potential along strike**

DEG has significant potential for further mineralisation from infill drilling near Withnell



Source : DEG ASX announcement, 3 April 2017

Figure 8 shows a section view similar to Figure 7, clearly showing the lack of drilling in some areas and the sporadic and limited drilling on other areas.

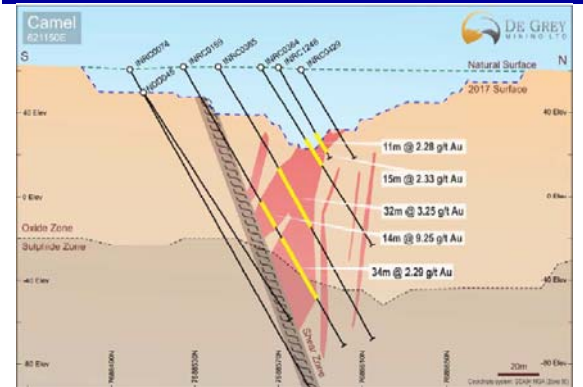


Source : DEG ASX announcement, 3 April 2017

Potential at Indee at depth

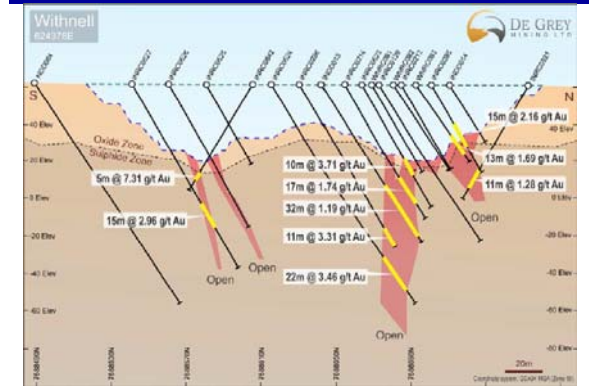
All the mineralised areas are open at depth, as shown in Figure 9.

Figure 9a : Camel open at depth



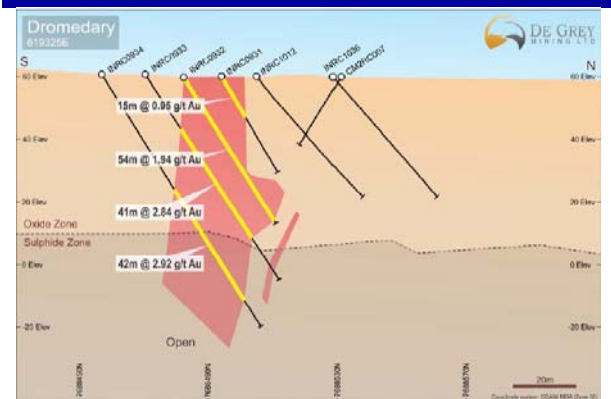
Source : DEG ASX announcement, 3 April 2017

Figure 9b : Withnell open at depth



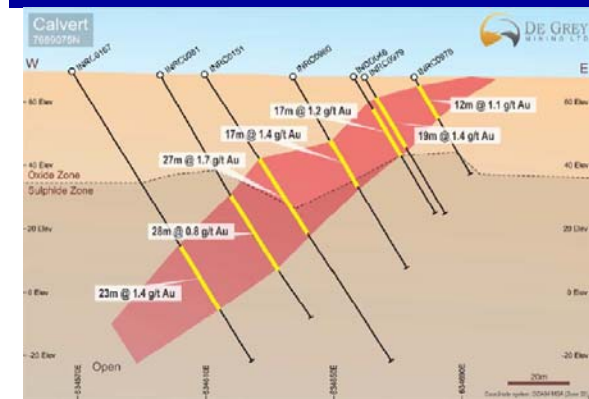
Source : DEG ASX announcement, 3 April 2017

Figure 9c : Dromedary open at depth



Source : DEG ASX announcement, 3 April 2017

Figure 9d : Calvert open at depth



Source : DEG ASX announcement, 3 April 2017

Further, DEG's 8 February announcement included a long list of drill intercepts that had not been included in the MRE.

DEG's 3 April revision to the Mineral Resource Estimate included the drilling at Withnell, but not at the other locations.

## Development of Indee-Turner River

### Scoping Study

DEG expect to report a revised scoping study by the end of May

In their 3 April announcement, DEG advised that it had commenced a scoping study, the results of which are expected by late May.

This is consistent with first gold early in 2019, as outlined in Beer & Co.'s 21 February research report on DEG.

### Beer & Co.'s estimated Development Parameters

Beer & Co expect DEG to report the results of a feasibility study by the end of CY 2017

The development parameters in this analysis are the same as those used in Beer & Co.'s 21 February research, except for 2 aspects :

- We have now added a further capital cost of \$10m to upgrade the expected plant to be able to treat fresh material
  - Increased crushing capacity, as fresh rock is harder and takes more crushing;
  - A float circuit; and
  - Fine grind capacity; and
- Revised mining inventory.

Other parameters remain the same :

- Focus on Indee, which has a granted Mining Lease and is also the site of previous operations, as shown in Figure 7;
- Project capital cost of \$88.5m to get into production, excluding the \$15m payment to be made to the vendor, but including the cost of feasibility studies;
- Detail of operating costs.

### Mining Inventory

Figure 10 shows the detail of the mining inventory assumed by Beer & Co in this analysis of DEG's Indee-Turner River operation, together with assumed metallurgical recovery, transport distance and strip ratio.

**Figure 10 : Beer & Co.'s mining inventory**

				Waste :	Distance	
				Ore	to mill	Recovery
<b>OXIDE</b>						
<b>Measured + Indicated Resources</b>						
Indee core	1.93 Mt	1.8 g/t	111 koz	3.0 : 1	4.0 km	94 %
Turner River	3.57 Mt	1.6 g/t	188 koz	6.0 : 1	40 km	94 %
<b>Inferred Resources</b>						
Indee core	0.59 Mt	1.3 g/t	24 koz	4.0 : 1	4.0 km	94 %
Turner River	1.90 Mt	1.2 g/t	73 koz	7.0 : 1	40 km	94 %
<b>Extensions</b>						
ROM pad	0.85 Mt	1.0 g/t	27 koz		0 km	90 %
Mallina	1.00 Mt	1.4 g/t	43 koz	5.0 : 1	15 km	90 %
<b>Sub-Total, Oxide</b>	<b>9.85 Mt</b>	<b>1.5 g/t</b>	<b>467 koz</b>			
<b>FRESH</b>						
<b>Measured + Indicated Resources</b>						
Indee core	3.90 Mt	1.6 g/t	205 koz	4.5 : 1	4.0 km	85 %
Turner River	0.93 Mt	1.5 g/t	46 koz	9.0 : 1	40 km	85 %
<b>Inferred Resources</b>						
Indee core	3.37 Mt	1.9 g/t	210 koz	6.0 : 1	4.0 km	85 %
Turner River	4.05 Mt	1.3 g/t	167 koz	10.5 : 1	40 km	85 %
<b>Extensions</b>						
Towerana	0.48 Mt	1.9 g/t	30 koz	7.5 : 1	35 km	85 %
Mallina	1.00 Mt	1.4 g/t	43 koz	7.0 : 1	15 km	85 %
Indee at depth	3.29 Mt	2.5 g/t	264 koz	7.5 : 1	4.0 km	85 %
<b>Sub-Total, Fresh</b>	<b>13.73 Mt</b>	<b>1.6 g/t</b>	<b>700 koz</b>			
<b>TOTAL</b>	<b>23.58 Mt</b>	<b>1.54 g/t</b>	<b>1,167 koz</b>			

Source : Beer & Co estimates

## Revised Valuation

### Operations

Figure 11 shows Beer & Co.'s projected operations for DEG's Indee-Turner River project, showing in detail the sequence from where ore is sourced and at what grade.

**Figure 11 : Beer & Co.'s estimated mining and processing for DEG's Indee-Turner River**

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
<b>OXIDE</b>															
<b>Measured + Indicated Resources</b>															
Indee core	0 kt	1,325 kt	608 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
Turner River	1.78 g/t	1.78 g/t	1.78 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
	0 kt	250 kt	1,000 kt	1,000 kt	1,000 kt	324 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	1.63 g/t	1.63 g/t	1.63 g/t	1.63 g/t	1.63 g/t	1.63 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
<b>Inferred Resources</b>															
Indee core	0 kt	0 kt	392 kt	197 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
Turner River	1.26 g/t	1.26 g/t	1.26 g/t	1.26 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
	0 kt	0 kt	0 kt	0 kt	0 kt	676 kt	1,000 kt	226 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	1.20 g/t	1.20 g/t	1.20 g/t	1.20 g/t	1.20 g/t	1.20 g/t	1.20 g/t	1.20 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
<b>Extensions</b>															
ROM pad	450 kt	400 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
Mallina	1.00 g/t	1.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
	0 kt	0 kt	0 kt	803 kt	197 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
<b>FRESH</b>															
<b>Measured + Indicated Resources</b>															
Indee core	0 kt	0 kt	0 kt	0 kt	803 kt	1,000 kt	1,000 kt	1,000 kt	92 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
Turner River	1.64 g/t	1.64 g/t	1.64 g/t	1.64 g/t	1.64 g/t	1.64 g/t	1.64 g/t	1.64 g/t	1.64 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	774 kt	152 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	1.54 g/t	1.54 g/t	1.54 g/t	1.54 g/t	1.54 g/t	1.54 g/t	1.54 g/t	1.54 g/t	1.54 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
<b>Inferred Resources</b>															
Indee core	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	908 kt	1,000 kt	1,000 kt	465 kt	0 kt	0 kt	0 kt
Turner River	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	1.93 g/t	0.00 g/t	0.00 g/t	0.00 g/t
	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	848 kt	1,000 kt	1,000 kt	207 kt	0 kt	0 kt	0 kt
	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	1.28 g/t	0.00 g/t	0.00 g/t
<b>Extensions</b>															
Towerana	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	482 kt	0 kt	0 kt	0 kt
Mallina	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	1.92 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	54 kt	946 kt	0 kt	0 kt
Indee at depth	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	0.00 g/t	0.00 g/t
	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	847 kt	2,000 kt	446 kt
	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t	2.49 g/t
<b>Total processed</b>	<b>450 kt</b>	<b>1,975 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>2,000 kt</b>	<b>446 kt</b>
	1.00 g/t	1.58 g/t	1.61 g/t	1.48 g/t	1.61 g/t	1.49 g/t	1.42 g/t	1.55 g/t	1.61 g/t	1.61 g/t	1.61 g/t	1.59 g/t	1.83 g/t	2.49 g/t	2.49 g/t

Source : Beer & Co estimates

Figure 12 shows the operational outcomes projected by Beer & Co from the mining and processing plan detailed in Figure 11, together with our assumptions on recoveries and resulting in annual gold production of about 90koz.

**Figure 11 : Beer & Co.'s projected operational outcomes for DEG's Indee-Turner River**

	Average / Total	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Waste moved	160 Mt	0 kt	5,475 kt	9,392 kt	10,803 kt	10,598 kt	11,176 kt	11,500 kt	13,048 kt	16,134 kt	16,500 kt	17,276 kt	12,184 kt	8,000 kt	1,785 kt	
Ore Mined	26.0 Mt	0 kt	1,575 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	446 kt	
Ore processed	26.9 Mt	450 kt	1,975 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	446 kt	
Gold head grade	1.99 g/t	1.00 g/t	1.58 g/t	1.61 g/t	1.48 g/t	1.61 g/t	1.49 g/t	1.42 g/t	1.55 g/t	1.61 g/t	1.61 g/t	1.61 g/t	1.59 g/t	1.83 g/t	2.49 g/t	
Recovery	87.7 %	85 %	93 %	94 %	92 %	90 %	90 %	90 %	86 %	85 %	85 %	85 %	85 %	85 %	85 %	
Gold produced	1,254 koz	12,263 oz	93,507 oz	97,099 oz	88,111 oz	92,986 oz	85,672 oz	81,615 oz	85,596 oz	88,111 oz	87,781 oz	87,781 oz	86,799 oz	99,776 oz	136,124 oz	

Source : Beer & Co estimates

Figure 12 shows that Beer & Co estimates All In costs for DEG's Indee-Turner River operations of just over AUD 900/oz.

**Figure 12 : Beer & Co.'s projected costs for DEG's Indee-Turner River**

AUD / oz	Average	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
C1	\$A 789/oz	519	630	700	730	825	887	939	1,002	1,018	1,018	1,078	775	483	504
AISC	\$A 906/oz	631	756	923	863	965	1,031	1,079	1,140	1,127	1,099	1,159	854	541	562

Source : Beer & Co estimates

The C1 costs shown in Figure 12 result from the costs detailed in Figure 13 and the gold production shown in Figure 11.

**Figure 13 : Detail of Beer & Co.'s projected costs for DEG's Indee-Turner River**

AUD	Average / Total	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Waste Removal	\$ 209m	\$ 0.0m	\$ 11.7m	\$ 19.0m	\$ 20.0m	\$ 20.5m	\$ 22.2m	\$ 23.3m	\$ 27.1m	\$ 32.3m	\$ 33.1m	\$ 33.1m	\$ 34.7m	\$ 25.7m	\$ 18.2m	\$ 4.1m
AUD /t ore	\$ 12.5/t	\$ 0.0/t	\$ 7.4/t	\$ 9.5/t	\$ 10.0/t	\$ 10.3/t	\$ 11.1/t	\$ 11.7/t	\$ 13.5/t	\$ 16.2/t	\$ 16.6/t	\$ 16.6/t	\$ 17.4/t	\$ 12.8/t	\$ 9.1/t	\$ 9.1/t
AUD /t material	\$ 2.0/t	\$ 0.0/t	\$ 2.1/t	\$ 2.0/t	\$ 1.8/t	\$ 1.9/t	\$ 2.0/t	\$ 2.0/t	\$ 2.1/t	\$ 2.0/t	\$ 2.0/t	\$ 2.0/t	\$ 2.0/t	\$ 2.1/t	\$ 2.3/t	\$ 2.3/t
Ore Extraction	\$ 66m	\$ 0.0m	\$ 4.4m	\$ 5.2m	\$ 5.0m	\$ 6.4m	\$ 7.1m	\$ 7.7m	\$ 8.9m	\$ 10.7m	\$ 10.9m	\$ 10.9m	\$ 11.3m	\$ 8.9m	\$ 7.0m	\$ 1.6m
AUD /t ore	\$ 4.1/t	\$ 0.0/t	\$ 2.8/t	\$ 2.6/t	\$ 2.5/t	\$ 3.2/t	\$ 3.5/t	\$ 3.9/t	\$ 4.5/t	\$ 5.3/t	\$ 5.5/t	\$ 5.5/t	\$ 5.6/t	\$ 4.5/t	\$ 3.5/t	\$ 3.5/t
Ore Transport	\$ 58m	\$ 0.0m	\$ 3.3m	\$ 6.9m	\$ 6.8m	\$ 7.1m	\$ 6.8m	\$ 6.8m	\$ 6.8m	\$ 6.8m	\$ 6.8m	\$ 6.8m	\$ 9.1m	\$ 4.1m	\$ 1.4m	\$ 0.5m
AUD /t ore	\$ 3.1/t	\$ 0.0/t	\$ 2.1/t	\$ 3.4/t	\$ 3.4/t	\$ 3.5/t	\$ 3.4/t	\$ 3.4/t	\$ 3.4/t	\$ 3.4/t	\$ 3.4/t	\$ 3.4/t	\$ 4.6/t	\$ 2.0/t	\$ 0.7/t	\$ 1.0/t
Mining Overhead	\$ 38m	\$ 0.0m	\$ 3.6m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 1.0m
AUD /t ore	\$ 2.2/t	\$ 0.0/t	\$ 2.3/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.3/t
TOTAL MINING COST	\$ 372m	\$ 0.0m	\$ 23.0m	\$ 35.4m	\$ 36.1m	\$ 38.3m	\$ 40.4m	\$ 42.2m	\$ 47.1m	\$ 54.1m	\$ 55.2m	\$ 55.2m	\$ 59.4m	\$ 43.0m	\$ 31.0m	\$ 7.1m
AUD /t ore	\$ 22.4/t	\$ 0.0/t	\$ 14.6/t	\$ 17.7/t	\$ 18.0/t	\$ 19.1/t	\$ 20.2/t	\$ 21.1/t	\$ 23.6/t	\$ 27.0/t	\$ 27.6/t	\$ 27.6/t	\$ 29.7/t	\$ 21.5/t	\$ 15.5/t	\$ 16.0/t
PROCESSING	\$ 224m	\$ 5.6m	\$ 20.6m	\$ 20.8m	\$ 20.8m	\$ 24.6m	\$ 25.4m	\$ 25.4m	\$ 28.4m	\$ 29.3m	\$ 29.3m	\$ 29.3m	\$ 29.3m	\$ 29.3m	\$ 29.3m	\$ 6.8m
AUD /t ore	\$ 13.5/t	\$ 12.4/t	\$ 10.4/t	\$ 10.4/t	\$ 10.4/t	\$ 12.3/t	\$ 12.7/t	\$ 12.7/t	\$ 14.2/t	\$ 14.6/t	\$ 14.6/t	\$ 14.6/t	\$ 14.6/t	\$ 14.6/t	\$ 14.6/t	\$ 15.3/t
SITE G & A	\$ 44m	\$ 1.3m	\$ 5.0m	\$ 5.0m	\$ 4.9m	\$ 5.0m	\$ 4.9m	\$ 4.8m	\$ 4.9m	\$ 4.9m	\$ 4.9m	\$ 4.9m	\$ 4.9m	\$ 5.0m	\$ 5.5m	\$ 1.3m
AUD /t ore	\$ 2.6/t	\$ 3.0/t	\$ 2.5/t	\$ 2.5/t	\$ 2.5/t	\$ 2.5/t	\$ 2.4/t	\$ 2.4/t	\$ 2.4/t	\$ 2.5/t	\$ 2.4/t	\$ 2.4/t	\$ 2.4/t	\$ 2.5/t	\$ 2.7/t	\$ 3.0/t
<b>TOTAL</b>	<b>\$ 640m</b>	<b>\$ 6.9m</b>	<b>\$ 48.5m</b>	<b>\$ 61.1m</b>	<b>\$ 61.7m</b>	<b>\$ 67.8m</b>	<b>\$ 70.7m</b>	<b>\$ 72.4m</b>	<b>\$ 80.4m</b>	<b>\$ 88.3m</b>	<b>\$ 89.4m</b>	<b>\$ 89.4m</b>	<b>\$ 93.6m</b>	<b>\$ 77.3m</b>	<b>\$ 65.7m</b>	<b>\$ 15.3m</b>
	<b>\$ 38.5/t</b>	<b>\$ 15.4/t</b>	<b>\$ 27.5/t</b>	<b>\$ 30.6/t</b>	<b>\$ 30.9/t</b>	<b>\$ 33.9/t</b>	<b>\$ 35.3/t</b>	<b>\$ 36.2/t</b>	<b>\$ 40.2/t</b>	<b>\$ 44.1/t</b>	<b>\$ 44.7/t</b>	<b>\$ 44.7/t</b>	<b>\$ 46.8/t</b>	<b>\$ 38.7/t</b>	<b>\$ 32.9/t</b>	<b>\$ 34.3/t</b>

Source : Beer &amp; Co estimates

Figure 13 shows the impact of the introduction of fresh ore as a significant increase in processing costs, with fist introduction in 2022 and then a further increase in 2025 when the operation has completed processing available oxide material.

## Beer & Co.'s Projected Cashflows for DEG

Figure 14 shows the detail of Beer & Co.'s projected cashflows for DEG's Turner River operations. It shows our projected revenue, less the cash costs shown in Figure 13 and also royalties and capital costs.

**Figure 14 : Detail of Beer & Co.'s projected cashflows for DEG's operations**

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
AUD/USD	0.741	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Gold price (USD/oz)	\$ 1,253/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz	\$ 1,250/oz
Gold sold	0 oz	12,263 oz	93,507 oz	97,099 oz	88,111 oz	92,986 oz	85,672 oz	81,615 oz	85,596 oz	88,111 oz	87,781 oz	87,781 oz	86,799 oz	99,776 oz	136,124 oz	30,376 oz	0 oz
Revenue	0.0	0.0	20.4	155.8	161.8	146.9	155.0	142.8	136.0	142.7	146.9	146.3	146.3	144.7	166.3	226.9	50.6
Cash Costs	0.0	0.0	(6.9)	(48.5)	(61.1)	(61.7)	(67.8)	(70.7)	(72.4)	(80.4)	(88.3)	(89.4)	(89.4)	(93.6)	(77.3)	(65.7)	(15.3)
Royalties	0.0	0.0	(0.7)	(5.5)	(5.7)	(5.1)	(5.4)	(5.0)	(4.8)	(5.0)	(5.1)	(5.1)	(5.1)	(5.1)	(5.8)	(7.9)	(1.8)
Dep'n & Amort'sn	0.0	0.0	(5.9)	(26.1)	(26.4)	(28.0)	(20.7)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	0.0
E B I T	0.0	0.0	6.9	75.8	68.6	52.0	61.0	65.1	56.9	55.3	51.4	49.8	49.8	44.0	81.1	151.2	33.6
Feasibility, etc	(1.0)	(7.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Purchase	0.0	0.0	(15.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction, etc	0.0	(40.0)	(40.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sus Cap Ex	0.0	0.0	0.0	0.0	(1.6)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	0.0	0.0
<b>Project Cashflow</b>	<b>(1.0)</b>	<b>(47.5)</b>	<b>(42.2)</b>	<b>101.8</b>	<b>93.5</b>	<b>70.5</b>	<b>79.7</b>	<b>65.1</b>	<b>56.9</b>	<b>55.3</b>	<b>51.4</b>	<b>49.8</b>	<b>49.8</b>	<b>44.0</b>	<b>81.1</b>	<b>153.2</b>	<b>33.6</b>

Source : Beer &amp; Co estimates

Figure 15 shows Beer & Co.'s resulting projections for DEG, including corporate overhead, taxes and equity raised.

**Figure 15 : Detail of Beer & Co.'s projected cashflows for DEG**

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Sales revenue	0.0	0.0	0.0	20.4	155.8	161.8	146.9	155.0	142.8	136.0	142.7	146.9	146.3	146.3	144.7	166.3
Interest revenue	0.0	0.0	0.1	0.0	0.6	1.7	2.4	3.0	3.7	4.3	4.9	5.5	6.1	6.7	7.3	7.8
Total Revenue	0.0	0.0	0.1	20.5	156.5	163.6	149.3	158.0	146.5	140.4	147.6	152.4	152.4	153.0	151.9	174.1
Cash Costs	(0.4)	(1.2)	0.0	(7.6)	(54.0)	(66.8)	(66.9)	(73.3)	(75.6)	(77.1)	(85.4)	(93.4)	(94.5)	(94.5)	(98.6)	(83.2)
Corporate Costs	(0.4)	(1.8)	(3.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(2.5)	0.0	0.0	0.0
Interest Expense	0.0	0.0	0.0	(4.0)	(5.8)	(4.4)	(2.9)	(1.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dep'n & Amort'sn	(0.0)	0.0	0.0	(5.9)	(26.1)	(26.4)	(28.0)	(20.7)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Pre-Tax Profit	(0.8)	(3.0)	(2.9)	(2.1)	65.6	60.9	46.6	57.9	63.9	56.2	55.2	52.0	53.4	56.5	51.3	88.9
Tax Expense	0.0	0.0	0.0	(0.4)	(18.4)	(17.1)	(13.0)	(16.2)	(17.9)	(15.7)	(15.5)	(14.5)	(15.0)	(15.8)	(14.4)	(24.9)
<b>NPAT</b>	<b>(0.8)</b>	<b>(3.0)</b>	<b>(2.9)</b>	<b>(2.5)</b>	<b>47.3</b>	<b>43.9</b>	<b>33.5</b>	<b>41.7</b>	<b>46.0</b>	<b>40.5</b>	<b>39.8</b>	<b>37.4</b>	<b>38.4</b>	<b>40.7</b>	<b>36.9</b>	<b>64.0</b>
Net Debt / (cash)	(1.2)	(0.5)	2.9	53.0	(38.7)	(109.3)	(168.2)	(231.3)	(275.9)	(316.3)	(355.9)	(392.7)	(431.9)	(472.7)	(508.2)	(585.5)
Change in Equity	0.0	3.5	47.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary shares - year end	166.2m	215.7m	791.1m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m
<b>Earnings per Share</b>	<b>(0.5c)</b>	<b>(1.7c)</b>	<b>(0.7c)</b>	<b>(0.3c)</b>	<b>5.8 c</b>	<b>5.4 c</b>	<b>4.1 c</b>	<b>5.1 c</b>	<b>5.6 c</b>	<b>5.0 c</b>	<b>4.9 c</b>	<b>4.6 c</b>	<b>4.7 c</b>	<b>5.0 c</b>	<b>4.5 c</b>	<b>7.9 c</b>

Source : Beer &amp; Co estimates



## Beer & Co.'s base case, risked valuation of DEG

Figure 16 shows the asset based detail of Beer & Co.'s valuation of DEG.

**Figure 16 : Beer & Co.'s valuation of DEG**

Beer & Co.'s risked, base case valuation of DEG is 22.5c/share

	discount rate = 12.0 %	30 June 2016		10-Apr-17	
		risk :	100%	Product	per share
<u>Indee-Turner River</u>					
M + I Resources	75 %	\$ 118m	\$ 88m	10.8 c	11.9 c
franking credits	45 %	\$ 29m	\$ 13m	1.6 c	1.7 c
Other Resources	60 %	\$ 55m	\$ 33m	4.1 c	4.4 c
franking credits	36 %	\$ 22m	\$ 8m	1.0 c	1.1 c
Extensions	40 %	\$ 18m	\$ 7m	0.9 c	1.0 c
franking credits	24 %	\$ 5m	\$ 1m	0.2 c	0.2 c
Lithium, base metals	nom.	\$ 2m	\$ 2m	0.2 c	0.1 c
Corporate	100 %	(\$27m)	(\$27m)	(3.3c)	(3.3c)
Equity raisings	100 %	\$ 41m	\$ 41m	5.1 c	5.2 c
Cash / Debt	100 %	\$ 1m	\$ 1m	0.1 c	0.1 c
<b>TOTAL</b>		<b>\$ 265m</b>	<b>\$ 169m</b>	<b>20.7 c</b>	<b>22.5 c</b>
		144.4m	F P O share:	48.0m	Options
		641.6m	later	28.9m	exercised

Source : Beer & Co estimates

At the time of writing this report, DEG has 173m shares on issue; of which 28.9m have been issued since 30 June 2016.

Beer & Co expects that DEG will need to raise more equity, probably in this quarter, to further progress its Indee – Turner river project.

## Conclusions

Figure 16 shows that estimated Resources have the greatest weight in the valuation as Beer & Co.'s modelling prioritises the more certain material.

This gives significant upside potential for :

- Reduction in the risk applied as the project is progressed and the degree of uncertainty in our estimation falls over time as more becomes known; and
- Optimisation of the project in terms of prioritisation of higher value ores as well as optimisation of the scale of the operation.

Beer & Co rate DEG as a Strong BUY

With Very High Risk

Beer & Co.'s risk weighted base case valuation of DEG is a multiple of the current share price. Also, Beer & Co sees significant further potential to our valuation as DEG works to de-risk and optimise the project.

As a result, Beer & Co rates DEG as a STRONG BUY.

However, while Beer & Co.'s valuation parameters are based on good comparisons and our estimates of costs are consistent with other well-known data, the parameters are Beer & Co estimates. Hence, until the conclusion of the scoping study, Beer & Co assesses DEG as Very High Risk.



## Important Information

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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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Recommendation : Beer & Co's investment recommendation is driven by the difference between our base case, risked valuation and the share price at the time. A Strong BUY recommendation means a very large difference (eg. over 100%), while BUY means a significant difference and Accumulate means a small, but positive difference. The recommendation is not independent of the uncertainty in Beer & Co's valuation.

Risk : Risk relates to the potential, over the long run, for an investor to lose money; it is a function of both the difference between our base case valuation and the uncertainty in our valuation due to the degree of estimation and/or uncertainties about project execution. Speculative means a high chance of loss; High risk means a good chance of loss and medium means some chance of loss, given the company size.

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