



Gold

GOLD EXPLORERS RULE OF THUMB – A SIMPLE VALUATION TOOL

In an environment of a rising US\$ gold price and a general resources boom, it is becoming harder to find value plays amongst the Australian junior gold explorers as many have experienced considerable share price gains over the past 6 months. The easy gains have been made but now stock picking becomes essential to find those companies that are still undervalued relative to their peers.



Lead

The table on the next page highlights listed Australian gold explorers with a single (or major) project in Australia. We have ranked them using one of the more simple valuation tools – gold multiples analysis. We have chosen an Enterprise Value per Reported Resource Ounce multiple to compare these explorers given its simplicity and speed of application.



Copper

From the table, it appears that a general rule of thumb of A\$60-\$100/oz is an acceptable starting point in the current market.

However, it is the wide range in values at the top and bottom end of the table (A\$20-\$253/oz) that leads us into our next and key point – that a simple multiples approach is not enough when looking at gold stocks.



Platinum

MULTIPLES ARE NOT ENOUGH – EXPAND THE PICTURE, IMPROVE THE ANALYSIS

An examination of multiples alone is not sufficient to say whether an investment opportunity exists or not. There are many facets to a potential gold project that go well beyond just the number of ounces reported in the resource category. Potential investors need to look behind the multiples and take heed of such elements as:



Nickel

- Quality of the resource – location, grade, cost to extract, capital, stage of development, leverage to gold price, etc;
- A measure of exploration 'upside' – what is the likelihood of the company extending the resource, and how much is likely to be extractable;
- Reporting transparency – is the company giving enough information for the investor to understand all the elements;
- Recent share price history – has the share price (and hence enterprise value) risen or fallen and what has been the driver of this;
- Quality of management – experience, capability and track record.



Iron

To examine the potential impact these elements may have on the multiples approach taken, we have also included in the table information (where available) that may assist in answering some of the above questions.



Aluminium

Broadly, we find that those explorers with more advanced stage projects, as well as those with higher grades and lower indicated operating costs, appear to attract higher multiples from the market. Those that are still at the earlier development stages (or with lower reporting transparency) are not rated as highly.



Zinc

Interestingly, none of the 3 explorers with reported 'Resource Potential' numbers appear to be valued on that basis, with Bendigo Mining (at \$15/oz), Ballarat Goldfields (at \$9/oz) and Citigold (at \$5/oz) well below the indicative range determined above.



Silver

CAPTURING VALUE IN THE CURRENT GOLD MARKET

Following the recent gold price volatility, we believe now is a good time to be applying a bit more science around potential investment opportunities in order to capture value in the current gold market climate.

ASX Gold Explorers Ranking by Enterprise Value per Reported Resource Ounce (A\$EV/oz)

Gold Explorer	ASX	Share Price (cps)	EV (A\$M)	Key Project	Gold Resource / Resource Potential (Moz)	EV per Resource Ounce / Resource Potential Ounce	Stage of Development	Production Target (Koz pa)	Capex (A\$M)	Cash Cost A\$/oz	Grade (g/t)	Timing
Bendigo Mining	BDG	20.0	\$177	New Bendigo	0.7 / 12.0	\$253 / \$15	BFS	100-500	50-60	200	12.0	1-1.5yrs
Sedimentary Holdings	SED	25.0	\$55	Cracow (30%)	0.8	\$232	Construction	120	48	220	10.0	<1yr
Batavia Mining	BTV	14.5	\$23	Deflector	0.2	\$133	Scoping Study	100	na	330	9.5	+1yr
Dioro	DIO	12.5	\$45	Frog's Legs (49%)	0.8	\$124	Dewatering	100	10	280 - 310	5.7	<1yr
Ballarat Goldfields	BGF	14.5	\$67	Ballarat	0.7 / 6.7	\$96 / \$9	Resource Drilling	100-200	50	350	10.7	2yrs
Tanami Gold	TAM	22.5	\$53	Coyote/Larranganni	0.6	\$93	BFS	na	na	na	4.7	1-1.5yrs
Siberia Mining	SIB	59.0	\$85	Siberia/Lady Ida	0.9	\$90	Resource Drilling	100	na	na	2.5	<1yr
Taipan Resources/ Nustar	TAI	4.7	\$27	Paulsens	0.3	\$88	Construction	100	13	305	12.2	<1yr
Haoma Mining	HAO	18.5	\$32	Mickey's Find	0.4	\$76	Resource Drilling	na	na	na	1.0	na
Range River Gold	RNG	33.0	\$26	Indee (51% to 70%)	0.5	\$75	Scoping Study	50	na	na	1.9	1.5-2yrs
Citigold Corporation	CTO	19.0	\$74	Warrior	1.0 / 15.0	\$74 / \$5	Feasibility	40-250	6-151	217	8.4	<1yr
Alkane Exploration	ALK	34.0	\$42	Tomingley	0.7	\$57	Feasibility	60-70	23	na	2.4	+2yrs
Perseverance Corp.	PSV	33.0	\$101	Fosterville	1.8	\$56	Construction	110	75	321	4.5	<1yr
Renison Consolidated	RSN	7.7	\$17	Toms Gully	0.3	\$52	Reserve Drilling	35 - 40	na	350	7.0	1yr
Jackson Gold	JAK	21.5	\$9	Wallbrook	0.2	\$46	Exploration	na	na	na	2.0	na
Northern Gold	NNG	30.0	\$36	Burnside JV (50%)	1.7	\$44	On Hold	70-80	nil	na	2.7	<1yr
Gleneagle Gold	GLN	38.0	\$14	Fortnum	0.3	\$44	Resource Drilling	na	na	na	2.1	1yr
Westonia	WEZ	36.0	\$36	Westonia	1.0	\$36	BFS	100	40	na	1.3	<1yr
Oroya	ORO	17.5	\$21	Mt Gibson	0.6	\$34	BFS	50 - 60	na	350 - 400	2.5	<1yr
Midas Resources	MDS	24.5	\$14	Fortitude	0.5	\$28	Pre-feasibility	na	na	na	2.2	1.5-2yrs
Metex Resources	MEE	9.9	\$18	LEJV(50%)/ Lancefield	1.2	\$20	Trial Mining	na	na	na	3.3	<1yr
					Sector Average	\$83/oz						

The Alchemist

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