

PREDICTIVE DISCOVERY LTD (PDI)

Maiden high grade resource at Bongou

Predictive Discovery Limited recently announced a maiden JORC resource estimate for its Bongou gold deposit at the Bonsiega Project in Burkina Faso.

The Bongou maiden resource estimate is 2.2Mt @ 2.6g/t for 184koz (0.8g/t cutoff) with a high grade portion of 1.1Mt @ 3.8g/t for 136koz (2.0g/t cutoff). Bongou is a thick, steeply dipping gold mineralised granite body with an average width of ~30m making it amenable to bulk tonnage open pit mining. The Bongou deposit remains open at depth and to the southwest. The current resource estimate for Bongou demonstrates a grade, tonnage profile amenable to a potentially high margin gold project although additional scale is required. As such PDI is now focused on identifying further mineralised granite bodies within close proximity to Bongou and within the Samira Hill Greenstone Belt.

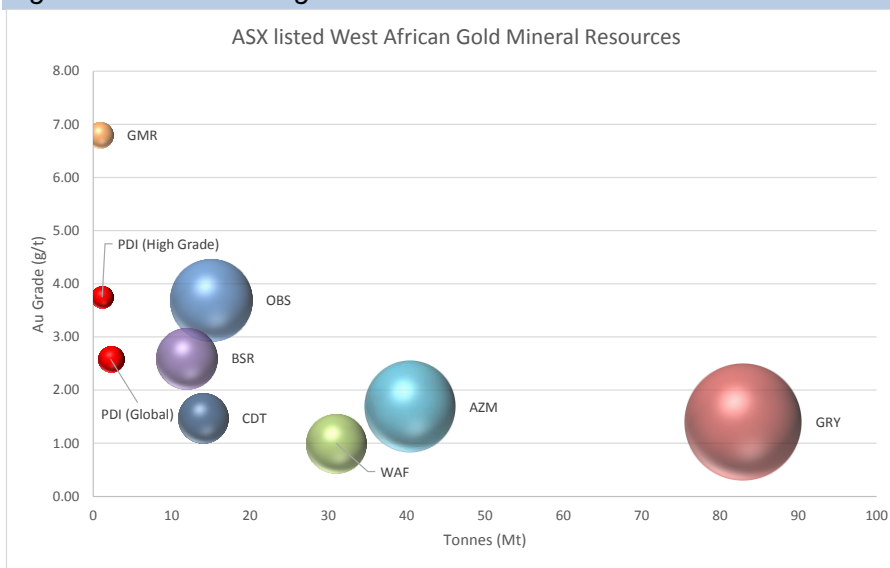
Great start, now we look for more of the same

We see PDI's maiden resource at Bongou as a good start for the Bonsiega Project. The project has potential for multiple 'Bongou-type' discoveries. Drilling in the next field season will be directed at high grade targets within 20km of Bongou. If PDI can make further 'Bongou-type' discoveries it could move the Bonsiega project towards a potential development scenario. We look forward to PDI following up a number of granite-hosted gold prospects at Bonsiega that have shown potential for further discoveries.

Maintain our Speculative Buy recommendation

The Bongou maiden resource compares well to PDI's West African focused peers. The high grade at Bongou sees PDI well positioned with one of the higher grade deposits of the entire ASX listed West African gold sector, albeit at lower tonnes. Further discoveries of a similar type would add the tonnes necessary for PDI to break away from its peers. With an EV of ~\$3.7m PDI is highly leveraged to the potential for further discoveries of high grade 'Bongou-type' deposits. We maintain our Speculative Buy recommendation.

Fig. 1: West African gold Mineral Resources



Source: Hartleys Research

Brief Business Description:
West African gold explorer

Hartleys Brief Investment Conclusion
Focused on identifying another Bongou at the Bonsiega project in eastern Burkina Faso

Chairman & MD
Phil Harman (Non Executive Chairman)
Paul Roberts (Managing Director)

Top Shareholders

Aurora Minerals Ltd	17.2%
Board & Management	7.9%
Lowell Resources	7.0%

Company Address
Level 2, 33 Ord St
West Perth, WA, 6005

Issued Capital 387.9m
- fully diluted 387.9m

Market Cap A\$4.7m
- fully diluted A\$4.7m

Cash (30 Jun 14a) A\$0.9m

Debt (30 Jun 14a) A\$0.0m

EV A\$3.7m

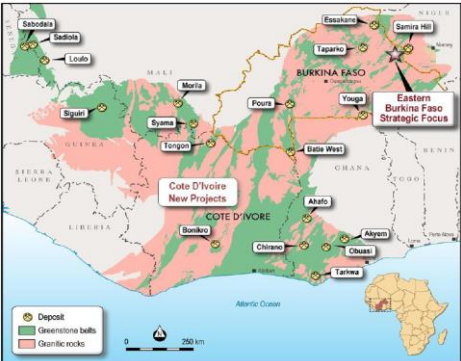
EV / Resource Oz \$20/oz



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Predictive Discovery Limited for which it has earned fees and continues to earn fees.

SUMMARY MODEL

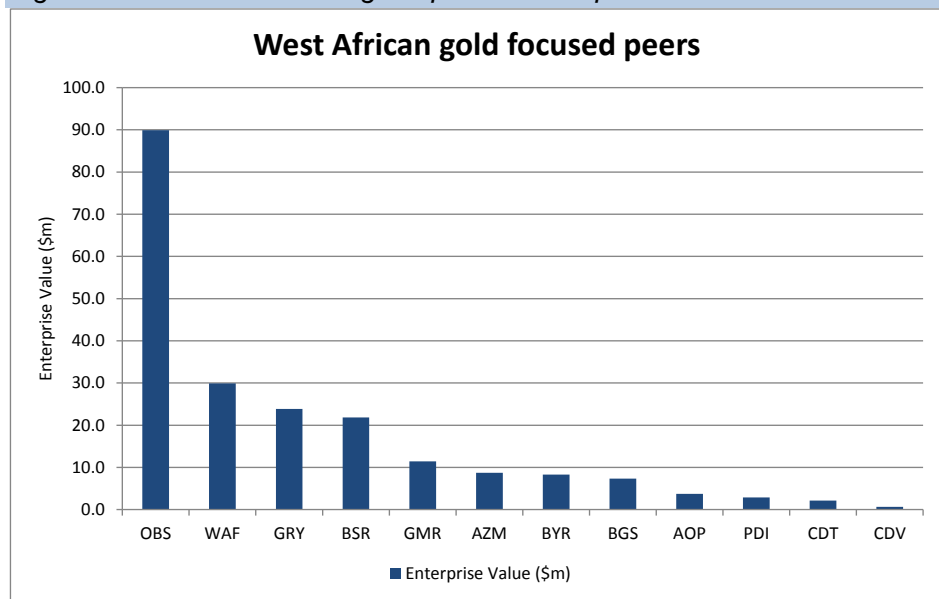
Predictive Disc Ltd PDI		Share Price \$0.012		Sep-14 Speculative Buy	
Key Market Information				Directors	
Share Price		\$0.012		Phil Harman (Non Executive Chairman)	Level 2, 33 Ord St
Market Capitalisation		\$4.7m		Paul Roberts (Managing Director)	West Perth, WA, 6005
Net Debt (cash)		-\$0.9m		Phil Henty (Non Executive Director)	+61 8 9216 1000
Issued Capital		387.9m		Tim Markwell (Non Executive Director)	
Issued Capital (fully diluted ITM options)		387.9m			
Options		10.5m		Ian Hobson (Company Secretary)	http://www.predictivediscovery.com
Issued Capital (fully diluted all options)		398.4m			
EV		\$3.7m			
Projects				Company Details	
	Interest	Location	Commodity	Top Shareholders	m shs %
Bonsiega Project	100%	Burkina Faso	Gold	Aurora Minerals Ltd	66.69 17.2%
Bangaba Project	95%	Burkina Faso	Gold	Board & Management	30.62 7.9%
Tyekanyebi Prospect	100%	Burkina Faso	Gold	Lowell Resources	27.00 7.0%
Boussouma Prospect	95%	Burkina Faso	Gold		
Kokumbo Prospect	90%	Cote d'Ivoire	Gold		
Ferkessedougou Permit	100%	Cote d'Ivoire	Gold		
Kounahiri Permit	100%	Cote d'Ivoire	Gold		
Boundiali Permit	100%	Cote d'Ivoire	Gold		
Kounahiri Permit	100%	Cote d'Ivoire	Gold		
				JORC Resources	
				Mt	Grade (g/t)
					Metal
					LC
				Bongou	2.55 2.32 190Koz Au 0.4g/t Au
				Bongou	2.22 2.58 184Koz Au 0.8g/t Au
				Bongou	1.13 3.75 136Koz Au 2.0g/t Au
				Bongou	0.62 4.80 96Koz Au 3.0g/t Au
Investment Summary				Newsflow	
Actively exploring for gold in Burkina Faso and Cote d'Ivoire, West Africa				Project	
Bongou discovery at Bonsiega project in Burkina Faso with multiple 'Bongou-type' targets to test				Q1 FY15 Further exploration results for Cote d'Ivoire prospects Cote d'Ivoire	
Exploration upside from large land holding in the highly prospective birimian greenstone belts				Q2 FY15 Further drilling at Bonsiega for 'Bongou type' orebodies Bonsiega	
Early stage exploration in Cote d'Ivoire shows prospectivity for further discoveries				Q3 FY15 Maiden drill program at Cote d'Ivoire prospects Cote d'Ivoire	
Further opportunities throughout Burkina projects by following up previous high grade intercepts					
Unpaid Capital				No (m)	\$ (m)
Options				Ave Pr	% Ord
20-Aug-15				6.000	1.50
11-Jul-15				0.500	0.16
30-Oct-15				2.000	0.30
31-Mar-17				8.000	0.18
Various				9.131	-
				25.631	2.131
					0.08
					6.6%
Comments					
Exploration company focusing on high grade ounces in Bukina Faso and Cote d'Ivoire Leveraged to exploration success/improved market sentiment for West African gold					
Source: PDI					
P&L	FY2013F	FY2014F	FY2015F		
Net Revenue	na	na	na		
Total Costs	na	na	na		
EBITDA	na	na	na		
Deprec/Amort	na	na	na		
EBIT	na	na	na		
Net Interest	na	na	na		
Pre-Tax Profit	na	na	na		
Tax Expense	na	na	na		
NPAT	loss	loss	loss		
Abnormal Items	na	na	na		
Reported Profit	loss	loss	loss		
Analyst: Scott Williamson				Last Updated: 05/09/2014	
Phone: +61 8 9268 3045					
Sources: IRESS, Company Information, Hartleys Research					

PEER COMPARATIVES

A recent consolidation of the sector has reduced the number of West African focused explorer / developers. Poor sentiment has also seen some of the explorers change focus to other commodities and regions. PDI has one of the lowest enterprise values of the entire West African gold sector at ~\$3.7m compared to a sector average of ~\$18m. The maiden resource at Bongou sees PDI with an EV / Resource Oz metric of ~\$20/oz compared to a sector average of ~\$25/oz.

Fig. 1: West African gold peers enterprise value

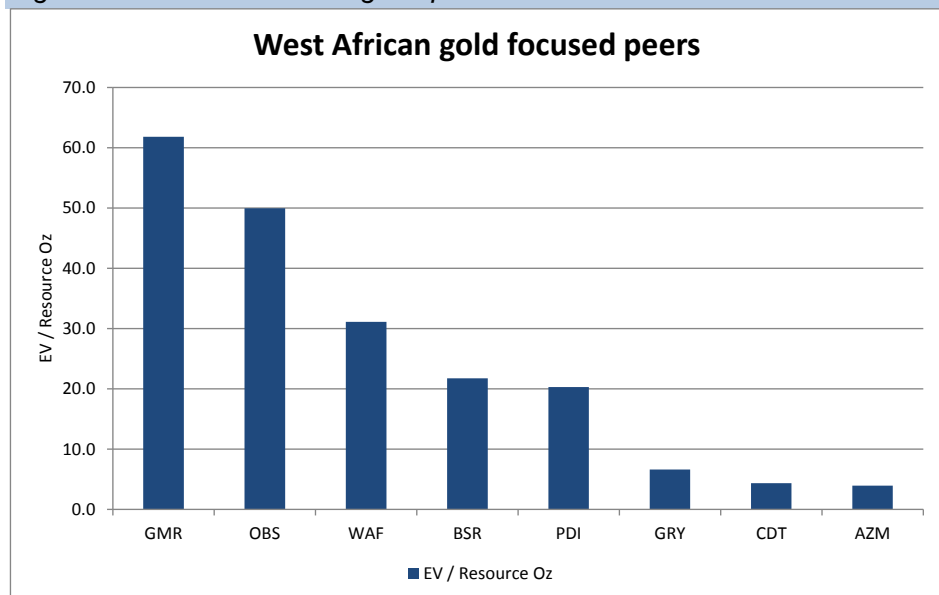
PDI has an EV of ~\$3.7m compared to a West African gold sector average of ~\$18m



Source: Hartleys Research

Fig. 2: West African gold peers EV / Resource Oz

PDI has an EV/Resource Oz metric of ~\$20/oz compared to a West African gold sector average of ~\$25/oz



Source: Hartleys Research

Fig. 3: West African gold focused peers

Name	Status	Code	Share price	Mkt Cap A\$m	EV	Resources			Metrics
						Mt	Au(g/t)	Au (Moz)	EV/Resource Oz
Orbis Gold	Explorer / Developer	OBS	38.000	95.0	89.9	15	3.70	1.80	49.9
Gryphon Minerals	Explorer / Developer	GRY	14.500	58.2	23.9	83	1.40	3.60	6.6
West African Resources	Explorer / Developer	WAF	0.120	32.4	29.9	31	1.00	0.96	31.1
Bassari Resources	Explorer / Developer	BSR	0.020	23.0	21.9	12	2.60	1.01	21.7
Azumah Resources	Explorer / Developer	AZM	0.036	12.9	8.7	40	1.69	2.20	4.0
Golden Rim Resources	Explorer / Developer	GMR	0.012	12.7	11.4	0.9	6.80	0.19	61.8
Burey Gold	Explorer	BYR	0.025	10.2	8.3	na	na	na	na
Birimian Gold	Explorer	BGS	0.011	9.5	7.4	na	na	na	na
Apollo Consolidated	Explorer	AOP	0.035	2.2	0.7	na	na	na	na
Predictive Discovery	Explorer	PDI	0.012	4.7	3.7	2.2	2.6	0.2	20.3
Castle Minerals	Explorer	CDT	0.025	3.2	2.9	14.0	1.48	0.67	4.4
Cardinal Resources	Explorer	CDV	0.055	3.0	2.1	na	na	na	na

Source: Hartleys Research

RECOMMENDATION

We have no valuation for PDI being an early stage explorer

As an early stage explorer we have no valuation for PDI. We expect share price volatility as with all early stage explorers. If PDI are able to de-risk the Bonsiega project by identifying further high grade bodies we would expect a re-rating of the share price in line with the typical life cycle of a successful explorer. We consider PDI to be a high risk/high reward investment given the early stage nature and West African exposure. We see PDI well positioned to benefit from a turnaround in sentiment for West African gold and leveraged to further high grade gold discoveries. We maintain our Speculative Buy recommendation.

PDI requires further high grade ounces and will require funding for further exploration programs

RISKS

Key risks for PDI are identifying further high grade ounces at Bonsiega and obtaining funding for further exploration. Another key risk is the political and security risks associated with exploring in Burkina Faso and Cote d'Ivoire. Weather, land access, contractor availability, retaining key people are all risks.

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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