



Doray Minerals SPECULATIVE BUY

24 October 2011

Loded for growth

Current Price: **\$1.30**

Ticker: **DRM**
Sector: **Materials**

Shares on Issue (m): **74.9**
Market Cap (\$m): **97.3**
Cash (\$m): **16.2**
Enterprise Value (\$m): **81.1**

52 wk High/Low: **\$1.73** **\$0.62**
12m Av Daily Vol (m): **0.24**

Directors:

Brett Fraser Non-Executive Chairman
Allan Kelly Managing Director
Heath Hellewell Technical Director
Jay Stephenson Non-Executive Director
Peter Alexander Non-Executive Director
Leigh Junk Non-Executive Director

Substantial Shareholders:

Directors 17.0%
Ramelius 6.6%
Quest Asset Partners 5.2%

Share Price Graph



Analysts:
Patrick Chang
Troy Irvin
Tim Serjeant

Upcoming Resource upgrade:

Doray Minerals (DRM) is drilling towards an interim Resource upgrade at the 80% owned Andy Well (3 rigs) due December 2011. Drilling is expected to conclude end of October or in early November.

Upon completion of this program, step out drilling will recommence at Wilber and exploration RC drilling will commence at other prospects at Andy Well as well as on other tenements including Side Well and Abbotts.

Impact:

Positive

Argonaut's updated estimate for Andy Well is 285-335koz @ 20-25g/t based on drilling completed so far.

View:

Positive

DRM is fast tracking development of the 80% owned Andy Well and concurrently pursuing aggressive exploration with a fully funded 130,000m drilling program.

Resource growth Potential:

- The Wilber Lode is still open along strike and at depth, extensional drilling is planned to test further strike extension to the south and north
- Numerous parallel structures such as Judy, Wendy and Bernie remain largely untested, and drilling at these prospects could lead to the Resource definition
- The upgraded Resource will provide clear evidence of a potential endowment at Andy Well that is well in excess of 500koz

Development Potential:

- High grade deposit could yield low capex and opex
- Recent drilling results have further extended strike and have increased ounces per vertical metre
- Potential regional consolidation with Ramelius Resources (RMS) taking a 6.6% stake in DRM

Recommendation:

Spec Buy

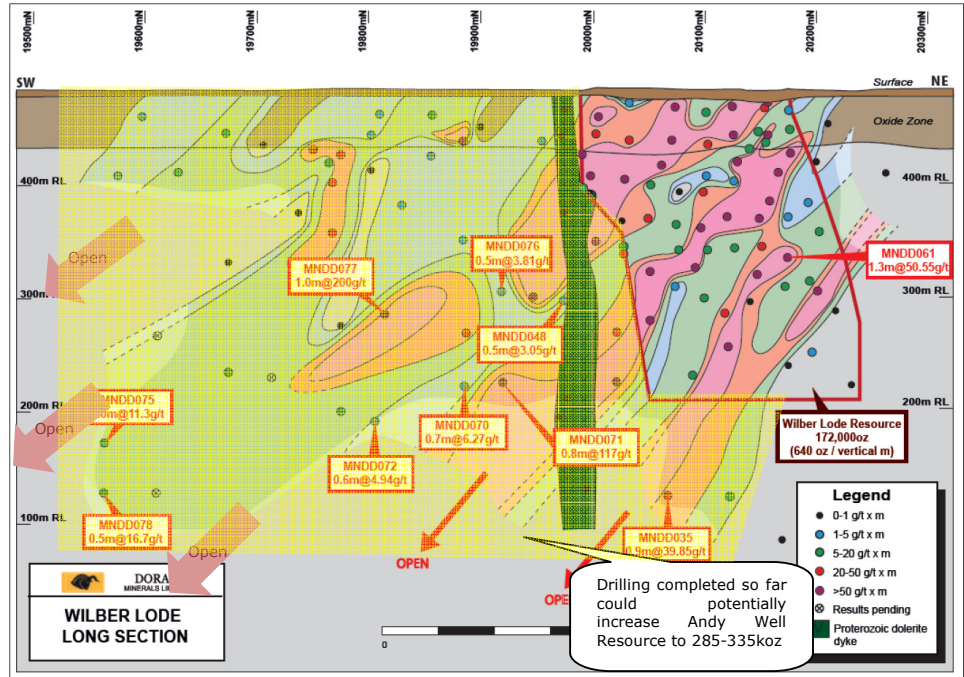
Andy Well is the king of Meekatharra in terms of grade. The grade is likely to translate into a low capex, low opex production scenario. Given the highly encouraging results so far and the strong likelihood of ongoing exploration success, we maintain our \$2.03 valuation and Speculative Buy recommendation.

Resource Potential (DRM 80%)

Recent drilling results could increase Resource at Andy Well to 285-335koz...

Based on the extensional drilling completed so far, the interim Resource at Andy Well could potentially increase to 285-335koz @ 20-25g/t.

Figure 1: Long section, Wilber Lode

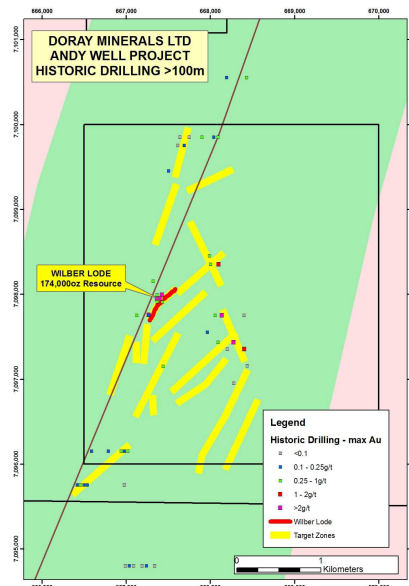


Source: DRM, modified by Argonaut

...exploration upside remains as the Wilber Lode is still open along strike and at depth...

As the Wilber Lode is still open along strike and at depth, and multiple parallel structure remain largely untested, Andy Well could have a total endowment well in excess of 500koz.

Figure 2: Multiple parallel structures to be tested



Source: DRM

...multiple parallel structures to be tested

Regional picture

Meekatharra has a number of gold projects advancing...

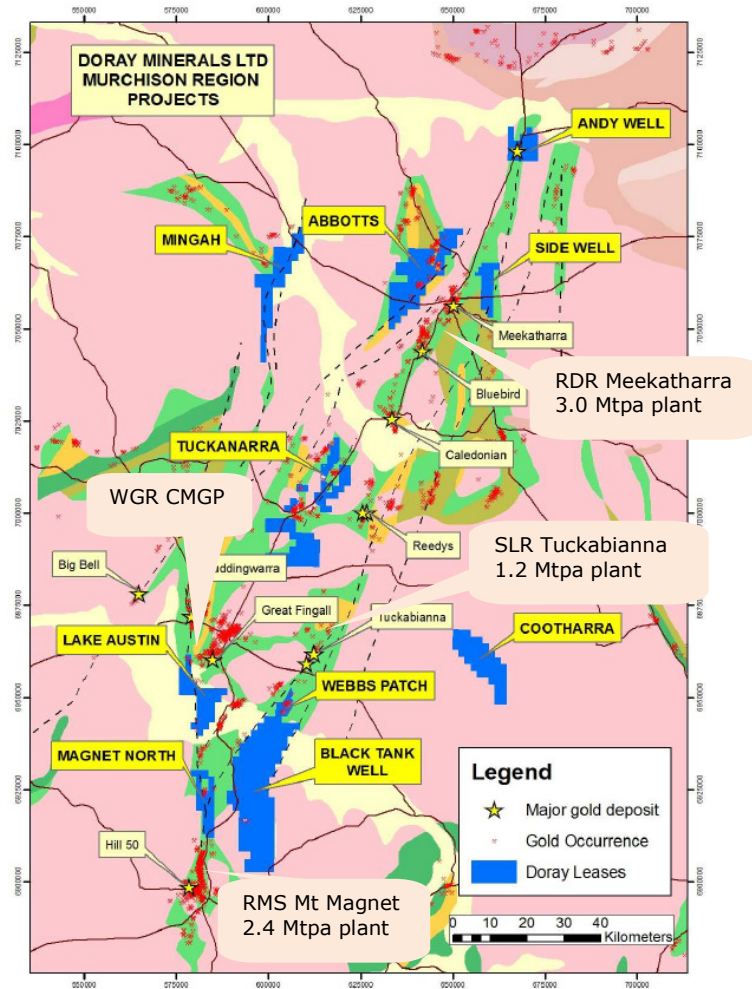
The Meekatharra region has several gold projects in development (refer to Figure 3). The region overall has an abundance of processing capacity, but a scarcity of high grade projects.

Some form of regional consolidation is considered likely. Although DRM is prudently evaluating a stand alone operation at Andy Well, potential exists for Andy Well to supply high grade ore to some of the under utilised plant in the region, currently relying on lower grade feed.

The potential of DRM has been recognised by Ramelius Resources (RMS), who has increased its holding of DRM to 6.6%. RMS's Mt Magnet Project is located ~240km south of Andy Well.

...region has an abundance of processing facility but lack of very high grade projects...

Figure 3: DRM holding in the Meekatharra region



...DRM has a strategic tenement holding in the region...

Source: DRM

Grade is king

Andy Well is one of the highest grade discoveries in Australia

Andy Well is the king of Meekatharra in terms of grade. The grade is likely to translate into a low capex, low opex under a production scenario. Given the highly encouraging results so far and the strong likelihood of ongoing exploration success, we maintain our Speculative Buy recommendation.

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