

ARX GOLD CORPORATION

Huge Potential in the Land Down Under

Rob Goldman
rob@goldmanresearch.com

April 16, 2013

Aaron Schweitzer
aaron@goldmanresearch.com

ARX GOLD CORPORATION (OTC:BB – DUCP - \$0.0175)

Price Target: \$0.30

Rating: Speculative Buy

COMPANY SNAPSHOT

ARX Gold Corporation (formally known as Daulton Capital Corp.) is a natural resource company focused on precious metals. Management's corporate philosophy is to be a shareholder Value creator, with the objective of exploring, acquiring and operating Gold projects in Australia and other countries to generate real value beginning with the major ARX Springs Gold Project in Queensland, Australia.

KEY STATISTICS

Price as of 4/16/13	\$0.0175
52 Wk High – Low	\$0.25 – 0.01
Est. Shares Outstanding	4.4B
Market Capitalization	\$81.6M
3 Mo Avg Vol	171,000
Exchange	OTC:BB

COMPANY INFORMATION

ARX Gold Corporation
Level 13-40 Creek Street
Brisbane QLD Australia 4000
888.408.9402
www.arxgold.net

INVESTMENT HIGHLIGHTS

Leveraging the historical mining successes in the region and on the site itself, ARX Gold Corporation appears poised to take advantage of one of the most attractive mining opportunities in the industry.

The ARX Springs Gold site is located at Coonambula near Eidsvold in Queensland Australia, a proven producer of gold dating back to 1867. The area has a strong history of reserves and existing reserves are backed by extensive assays.

The size of the ARX opportunity is simply huge. Based on test results ARX has adopted a potential recovery per tonne of between 0.9 gpt to 1.8 gpt depending on production and operational factors. If the 350,000,000 tons of material available for mining for an estimated 20 year production life is processed and fully exploited, it could mean billions in cash flow.

ARX has licensed a proprietary extraction method that will not only improve efficiency but allow for more gold to be extracted. Furthermore, ARX will not require the typical huge infrastructure costs associated with mining operations, *enabling greater profitability even at the earliest stages.*

With a long history of mining success, and a need for only limited infrastructure capital to mine the unusually shallow depth on the site, we believe that DUCP offers great potential. Production should commence within 12 months following the start of material stockpiling and we believe that as milestones occur, DUCP should trade substantially higher. We rate DUCP Speculative Buy with a \$0.30 price target.

ARX GOLD CORPORATION (OTC:BB - DUCP)

COMPANY OVERVIEW

Headquartered in Brisbane, Australia, ARX Gold Corporation is a gold exploration, mining, and production company with projects in Australia. In the fourth quarter of 2012, the Company changed its name from Daulton Capital Corp to ARX Gold Corporation and installed a new management team focused on the exploration, acquisition and development of gold resource projects, and continues to invest in the expansion of exploration activities. The Company also continues to seek out opportunistic special situations that can add to its portfolio of assets within the resource sector. In exchange for the license for the project described below, along with the recapitalization and restructuring of the firm, ARX will pay prior parties a fixed royalty of \$7.5 million and, to reduce operating costs, pay a partner a production and processing royalty based upon the value of the extracted resource.

As part of its unique approach to the mining industry, ARX has exclusively licensed a proprietary extraction method that will not only improve efficiency but allow for more gold to be extracted. The Company uses the more traditional gravity separation method in its pre-processing phase. However, in the main processing stage, ARX plans to implement its exclusively licensed technology to allow for separation of micro-fine gold particles that cannot be extracted using traditional technology, thus yielding a recovery rate of more gold per ton than traditional methods alone. We should note that not only are these methods cost effective, but they do not require the typical heavy infrastructure investment associated with the mining space. As a result, with this method and the relationship with processing partners, ARX can generate profitability at the earliest of production stages.

ARX Springs Project

The ARX Springs Project, covering an area of approximately 4,000 acres located in the Coonambula, the vicinity of Eidsvold, Queensland, is the Company's first major project and offers huge potential.

The ARX Springs Gold site is located at Coonambula near Eidsvold in Queensland Australia, a proven producer of gold from a historical perspective. The Queensland area was the site of the Australian gold rush of 1867 and home to some of the major mining sites from the large firms like BHP Billiton Limited (NASDAQ - BHP) and Rio Tinto (NASDAQ - RIO).

The deposit is described as alluvial grade sand and gravel resource with a varying depth of resource within a continuous surface area of 1600 ha. The earliest geological reports identified a tertiary glacial till that is prominent in both the ARX site and area where the majority of the alluvial deposits occur and surveys have indicated the presence of gold. The recoverable grade is contained within paleo channels of alluvial sand, gravel and conglomerate associated with gravel beds of old alluvium and minor alluvial deposits. Alluvial deposits, or placer deposits, are a loose accumulation of stream-deposited sediments, including sands, silts, clays or gravels. These deposits typically contain gold, platinum and other gemstones.

The average depth of resources estimated from extensive drilling is at between 15 m to 20 m. The targeted recovery from the resource is dependent upon operational factors once the project is in production and the consistent average recovery of the targeted yield.

ARX GOLD CORPORATION (OTC:BB - DUCP)

The shallow depth, combined with the Company's extraction methods, ARX should be able to begin stockpiling material for processing and later production in very short order, relative to typical projects. This is a major advantage for the Company.

The ARX site was previously owned by a variety of companies via fragmented licenses and the site and area has a history of intermittent working by small-scale mining and various private operators. Today, the site is now owned exclusively by ARX with a secured and renewable license. The area has a strong history of reserves and existing reserves are backed by extensive assays. Based on company test results management has adopted a potential recovery per tonne of between 0.9 gpt to 1.8 gpt depending on production and operational factors.

The size of the ARX opportunity is simply huge. If the 350,000,000 tons of material available for mining for an estimated 20 year production life is processed and fully exploited, it could mean billions in cash flow.



Figure I. Depiction of Area
Source: ARX Gold Corporation

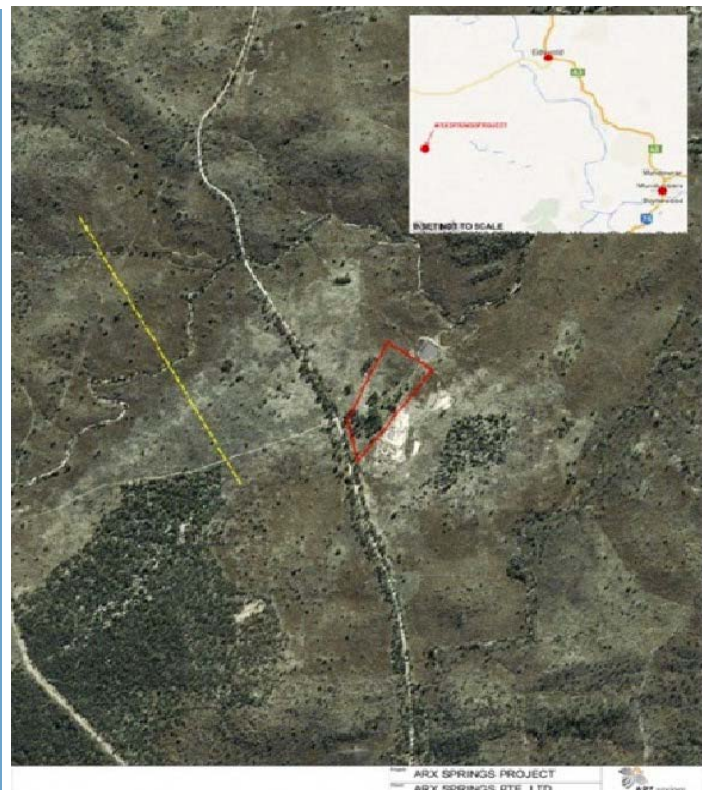


Figure II. Satellite View of Arx Spring Project
Source: ARX Gold Corporation

Initial development has commenced on the ARX Springs project site and limited resource mined for processing treatment has already been stockpiled. Future material will be stockpiled while construction works are under way and there will be sufficient material mined before the production plant is commissioned, in order to provide an adequate supply of resource for processing.

ARX GOLD CORPORATION (OTC:BB - DUCP)

We estimate that this phase will begin within 90 days following a capital funding. Management estimates that its capital equipment requirements are only 10% of typical mining operations, enabling the start of operations in short order and the commencement of production within 12 months after the funding is completed.

INDUSTRY OVERVIEW

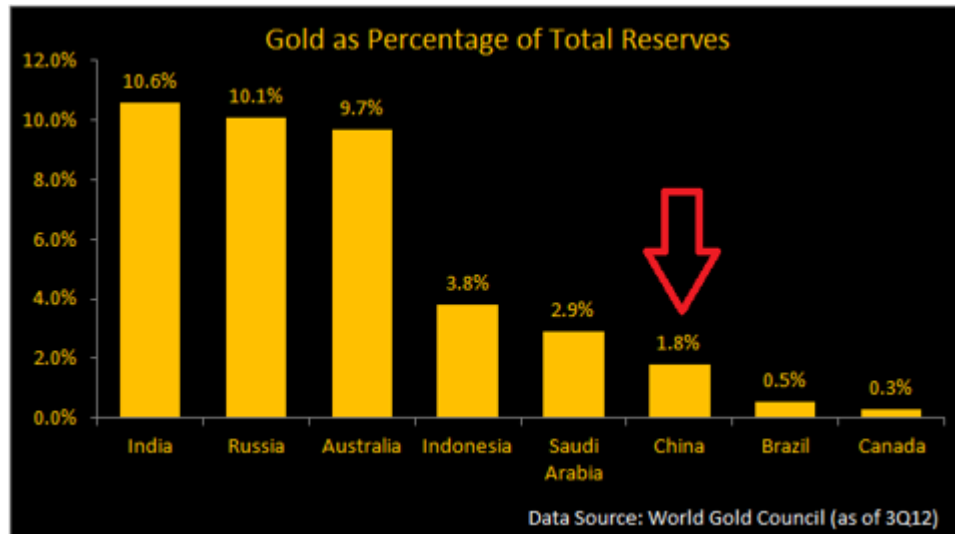
Following a sustained, multi-year rise, the price of gold has endured an abrupt decline recently and is in bear market territory as inflation fears and other factors have spawned a virtual selling panic. Still, long-term themes remain favorable and clearly the price of the yellow metal is likely closer to the bottom rather than the top, which bodes very well for investors initiating positions in this investment class via equities. Importantly, Australia remains one of the most important players and sources of gold in the space.

At the end of the day, worldwide demand due to political unrest, high sovereign debt levels, low interest rates, monetary easing, and decreasing currency values will drive price increases which in turn should drive gold prices higher. In the U.S., the Federal Reserve's continued commitment to quantitative easing and increasing money supply reaffirms one of these driving factors. Thus, ARX is poised to capitalize on the continued gold boom, in our view.



Chart I. 5-Year Price Range for Gold
Source: www.Kitco.com

ARX GOLD CORPORATION (OTC:BB - DUCP)



THE ARX GOLD EXECUTIVE TEAM

Brian Smith, Chief Executive Officer

Brian Smith has been appointed CEO of the company. He is also Managing Director of Arx Springs Pty Ltd a subsidiary company operating in Australia. He has a strong history within the precious mining industry particularly in Australia. His expertise is focused on development implementation, funding, improvement and expansion of the mining technology and production.

Tom Verdon, Director

From 2004 to 2010, Mr. Verdon was Head of Bespoke Investment Solutions for Dexia Private Bank Jersey. In this capacity he managed the Bank's private equity business, as well as establishing a number of key relationships with Family Offices in the Gulf, Sovereign Wealth Funds and Ultra High Net-Worth Middle Eastern families.

In 2010, Mr. Verdon joined Deutsche Bank, as a Director of the Bank's African private wealth management business. During this time, he had responsibility for developing the Bank's private wealth management business in: Kenya, Uganda, Tanzania, Nigeria and Ghana. He provided advisory insight on private equity deals to the Uganda Safari Company and TPS Serena Group amongst others and in addition was the lead advisor to the Central Bank of Lesotho in relation to the fixed income portion of their reserves portfolio.

Mr. Verdon is 48 years old and holds a law degree from the University of Wales. He is a member of the Society of United Kingdom Investment Professionals and holds the Advanced Diploma in Financial Planning for Australia.



ARX GOLD CORPORATION (OTC:BB - DUCP)

RISK FACTORS

As is the case with most early stage mining and exploration companies, DUCP's biggest overall risk factor is not achieving success in "striking gold" in its primary project. In our view, the primary risk factor is related to any missteps or delays the commencement of meaningful resource surface extraction. Considering the enormous length of the region's and site's production history and data, we deem it unlikely that gold mineralization will not occur. A near term risk is access to capital. In order to fund continued exploration and then production, DUCP management must maintain access to capital. Still, given that the needs for capital are a fraction of the usual requirements due to the unique resource depth and extraction methods, we believe that this access to capital on fair terms should be favorable to the company and investors. With a solid management team, we are confident that DUCP will be in good financial shape throughout this process and achieve profitability early on in the production stage. Separately, while the number of shares outstanding is large, the public float represents less than 10% of this figure, which should provide ample liquidity going forward.

CONCLUSION

With a long history of mining success in the region, a unique extraction strategy and partnership, and a need for only limited infrastructure capital to mine the unusually shallow depth of the resources on the site we believe that DUCP offers great potential and a quick road to profitability. Based on company test results management has adopted a potential recovery per tonne of between 0.9 gpt to 1.8 gpt depending on production and operational factors. **The size of the ARX opportunity is simply huge. If the 350,000,000 tons of material available for mining for an estimated 20 year production life is processed and fully exploited, it could mean billions in cash flow.**

The start of meaningful material stockpiling and surface resource extraction should occur within 90 days following a modest infrastructure capital funding and we believe that production should commence within 12 months thereafter. As these and other milestones occur, DUCP should trade substantially higher. We rate DUCP Speculative Buy with a \$0.30 price target.

ARX GOLD CORPORATION (OTC:BB - DUCP)

Recent Trading History For DUCP

(Source: Stockta.com)





ARX GOLD CORPORATION (OTC:BB - DUCP)

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

Disclaimer

This *Opportunity Research* report was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research* and *Goldman Opportunity Research*. The *Select* product reflects the Firm's internally generated stock ideas while the *Opportunity* product reflects sponsored research reports. It is important to note that while we may track performance separately, we utilize the same coverage criteria in determining coverage of all stocks in both research formats. While stocks in the *Opportunity* format may have a higher risk profile, they typically offer greater upside as well. *Goldman Small Cap Research* has been compensated by a third party in the amount of \$4,000 for a research subscription service. The Firm does not accept any equity compensation. All information contained in this report was provided by the Company. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report or note is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed.

This report does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with FINRA, the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TWO TRIANGLE CONSULTING GROUP, LLC WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF



ARX GOLD CORPORATION (OTC:BB - DUCP)

THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *TWO TRIANGLE CONSULTING GROUP*, LLC WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: www.goldmanresearch.com