

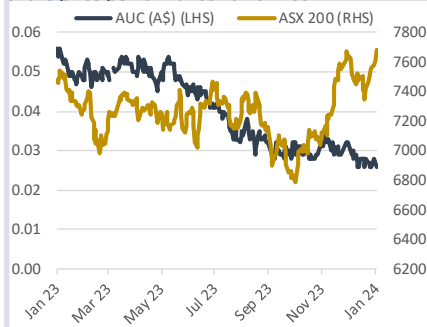


SPEC BUY

Current Price A\$0.03
Price Target A\$0.13

Ticker	ASX: AUC		
Sector:	Metals & Mining		
Shares on issue (m)	1,851		
Market Cap (A\$m)	50		
Net cash (debt) (A\$m)	3		
Enterprise Value (A\$m)	47		
52 Week High	0.03		
52 Week Low	0.06		
ADTO (msh)	1.6		
Key Metrics	FY24E	FY25E	FY26E
P/E (x)	(5.1)	(3.8)	(3.1)
EV/Ebit (x)	(7.1)	(1.8)	(18.5)
EV/Ebitda (x)	(7.4)	(1.9)	(19.1)
FCF yield (%)	(36.1%)	(239.3%)	(454.8%)
Dividend yield (%)	0.0%	0.0%	0.0%
Financial Summary	FY24E	FY25E	FY26E
Revenue (A\$m)	0	0	0
Ebitda (A\$m)	(7)	(10)	(13)
Ebit (A\$m)	(10)	(13)	(16)
Earnings (A\$m)	0	0	0
Op cash flow (A\$m)	(8)	(13)	(16)
Capex (A\$m)	0	(101)	(206)
Free CF (A\$m)	(7)	(11)	(13)
Debt (cash) (A\$m)	(0)	(31)	197
Gearing (%)	(4%)	(28%)	62%
Gold production (koz)			
Katanning	0.0	0.0	0.0
AISC			
Katanning	0	0	0

Share price performance vs ASX 200



Source: Factset, Argonaut

Please refer to important disclosures from page 5

Thursday, 1 February 2024

Ausgold (AUC)

Katanning Update

Analyst | Patrick Streater

Quick Read

Ausgold's 3Moz Katanning Gold Project (KGP) is nearing the finish line with the DFS due for completion in Q2 2024. The KGP development scenario would see construction of a 5Mtpa operation producing 136kozpa over a 9.7-year mine life. Argonaut maintains its Speculative Buy recommendation with no change to our \$0.13 valuation. Once permitting and approvals in place, the KPG offers up long mine life asset for existing mid-tier miners with declining production outlooks.

Key points

Development activities in the MQ: Project development activities in the next quarter will include:

- Installation of production bores followed by test pumping
- Visual and noise impact studies
- Mining and General Purpose lease application for key project infrastructure sites
- Field site inspections at the tailings and plant sites

FID targeted for Q4 2024 / Q1 2025: Initial financing discussions are underway with AUC having received several expressions of interest. We estimate a minimum of A\$300M capex required to take KPG into production. AUC has mentioned that Non-dilutive funding options are being considered given the potential dilution under a 100% AUC build scenario.

Approvals: Final reports for seasonal flora and fauna studies are expected Q1CY24 which will be incorporated into the Assessment on Referral Information (ARI) to be submitted to the EPA. Mine waste characterisation studies and preliminary noise and visual impact assessments are complete.

Project may need a partner: Given the scale of the proposed 5Mtpa plant build and large scale open operation, maximising the value of KPG may be best served under operation of an existing producer.

Property purchase: In September last year AUC entered into binding agreements to acquire two properties that cover the key operating and infrastructure areas. Total consideration was A\$10.7M with a balance owing of A\$7.5M due for payment in April. Acquisition of these properties was key milestone that allows AUC's to progress its development activities unhindered by land access constraints.

Valuation & recommendation

Speculative Buy recommendation maintained with no change to valuation at \$0.13. Our A\$0.13 price target is derived from a 50/50 weighting of NPV using Argonaut's [gold price outlook](#) and at current spot prices. Completion on the DFS and final environmental approvals may trigger a take-over bid.

Figure 1 – Earnings and valuation summary

Ausgold Ltd

ASX: AUC	Share price (A\$)	A\$0.03
	Market Cap (A\$m)	50
Analyst: Patrick Streater www.argonaut.com	Shares (m)	1,851

Key metrics	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
EPS (Ac)	(0.17)	(0.41)	(0.24)	(0.20)	3.14	3.21
DPS (Ac)	0.00	0.00	0.00	0.00	0.00	0.00
P/E (x)	nm	(5.1)	(3.8)	(3.1)	0.2	0.2
EV/Ebit (x)	(5.0)	(7.1)	(1.8)	(18.5)	0.2	(0.9)
EV/Ebitda (x)	(5.0)	(7.4)	(1.9)	(19.1)	0.2	(0.8)
EV/Production (x)					236	(1,128)
Free cash flow yield (%)	(41.4%)	(36.1%)	(239.3%)	(454.8%)	422.1%	436.8%
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net debt (cash) (A\$m)	(9.1)	(0.4)	(30.8)	196.5	(14.4)	(232.7)
Gearing (%)	(13.1%)	(3.6%)	(27.7%)	62.1%	(4.9%)	(87%)

Profit & Loss	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
Sales revenue (A\$m)	0.0	0.0	0.0	0.0	482	521
Operating costs (A\$m)	0.0	(2.5)	(2.4)	(2.4)	(234.3)	(265.1)
Exploration expense (A\$m)	(5.3)	(1.5)	(3.3)	(3.1)	(5.4)	(5.6)
Corporate overhead (A\$m)	(2.9)	(2.7)	(4.5)	(7.4)	(8.7)	(8.9)
Ebitda (A\$m)	(8.1)	(6.7)	(10.2)	(12.9)	233.7	241.3
Depreciation (A\$m)	0.0	(0.3)	(0.4)	(0.4)	(32.1)	(35.4)
Ebit (A\$m)	(8.1)	(7.0)	(10.6)	(13.3)	201.6	205.9
Net interest (A\$m)	0.1	(2.7)	(2.6)	(2.8)	(2.9)	(3.1)
Pre-tax profit (A\$m)	(8.1)	(9.7)	(13.2)	(16.1)	198.6	202.8
Tax (A\$m)	0.0	0.0	0.0	0.0	59.6	60.8
Underlying earnings (A\$m)	(8.1)	(9.7)	(13.2)	(16.1)	258.2	263.6
Exceptional items (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Reported Earnings (A\$m)	(8.1)	(9.7)	(13.2)	(16.1)	258.2	263.6

Cash flow statement	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
Net profit (A\$m)	(4.0)	(9.7)	(13.2)	(16.1)	258.2	263.6
Depreciation (A\$m)	0.0	0.3	0.4	0.4	32.1	35.4
Exploration, interest and tax (A\$m)	(5.3)	1.4	(0.2)	0.2	(61.3)	(62.3)
Working Capital (A\$m)	(0.8)	(0.0)	0.5	(0.0)	(0.0)	(0.0)
Other (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow (A\$m)	(10.1)	(8.0)	(12.5)	(15.5)	229.1	236.7
Capital expenditure (A\$m)	0.0	0.0	(100.6)	(205.8)	(8.1)	(8.4)
Exploration expenditure (A\$m)	(10.6)	(3.0)	(6.5)	(6.0)	(10.0)	(10.0)
Other (A\$m)	0.0	(7.0)	0.0	0.0	0.0	0.0
Free cash flow (A\$m)	(20.7)	(18.0)	(119.6)	(227.3)	210.9	218.3
Dividends (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Equity (A\$m)	12.0	10.0	150.0	0.0	0.0	0.0
Debt draw / (repay) (A\$m)	0.5	(0.3)	200.0	(0.0)	(100.0)	(100.0)
Net cash flow (A\$m)	(8.2)	(8.3)	230.4	(227.3)	110.9	118.3

Balance sheet	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
Current assets						
Cash at bank (A\$m)	9.4	0.4	230.8	3.5	114.4	232.7
Receivables (A\$m)	0.2	0.2	0.1	0.1	0.1	0.1
Inventories (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Other (A\$m)	0.3	0.0	0.0	0.0	0.0	0.0
Current assets (A\$m)	9.9	0.6	230.8	3.5	114.5	232.8
Non-current assets						
PP&E and Development (A\$m)	0.8	0.5	100.7	306.0	282.0	255.0
Exploration & evaluation (A\$m)	69.9	71.4	74.6	77.6	82.6	87.6
Other (A\$m)	1.0	1.0	1.0	1.0	1.0	1.0
Non-current assets (A\$m)	71.7	72.9	176.3	384.7	365.7	343.6
Total assets (A\$m)	81.5	73.4	407.1	388.2	480.1	576.4

Current liabilities						
Payables (A\$m)	0.4	0.4	0.1	0.1	0.2	0.2
Short-term debt (A\$m)	1.2	0.0	40.0	40.0	20.0	0.0
Other (A\$m)	0.3	0.0	0.0	0.0	0.0	0.0
Current liabilities (A\$m)	1.9	0.5	40.2	40.2	20.2	0.2
Non-current liabilities						
Long-term debt (A\$m)	0.0	0.0	160.0	160.0	80.0	0.0
Lease liabilities (A\$m)	0.7	0.2	0.2	0.2	0.2	0.2
Provisions (A\$m)	0.0	60.6	63.6	66.8	70.2	73.7
Employee provisions (A\$m)	1.2	1.2	1.2	1.2	1.2	1.2
Other (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities (A\$m)	1.9	62.0	225.0	228.2	151.5	75.0
Total liabilities (A\$m)	3.9	62.5	265.2	268.4	171.7	75.2
Net assets (A\$m)	77.7	11.0	141.9	119.8	308.4	501.1

Equity						
Contributed equity (A\$m)	121.2	131.2	281.2	281.2	281.2	281.2
Accumulated earnings (losses)	(42.6)	(120.2)	(139.3)	(161.4)	27.2	219.9
Total attributable equity	78.6	11.0	141.9	119.8	308.4	501.1
Minorities (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity (A\$m)	78.6	11.0	141.9	119.8	308.4	501.1

Source: Argonaut Research, January 2024

Recommendation SPEC BUY

Price Target (A\$)	A\$0.13
TSR (%)	381%



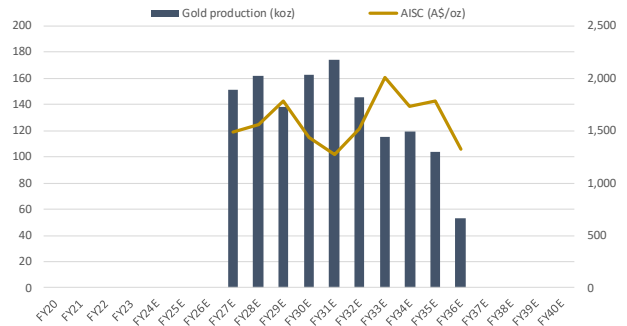
Commodity price assumption	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
Gold price (US\$/oz)	1,832	2,014	2,188	2,125	2,075	2,089
A\$/US\$ exchange rate (x)	0.673	0.652	0.650	0.650	0.650	0.650
Gold price (A\$/oz)	2,722	3,091	3,365	3,269	3,192	3,213

Mine production details	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
Gold production						
Katanning (koz)					151	162
Total (koz)					151	162

AISC	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
Katanning (A\$/oz)					1,485	1,556

Group (A\$/oz)	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
					1,485	1,556

Production Outlook



Reserves and Resources

Ore reserves	Ore (mt)	(g/t)	(koz)
Project			
Katanning	44	1.05	1,480
Other			
Total	44	1.05	1,480
EV/Reserve (A\$/oz)			28

Mineral Resources

Project	Ore (mt)	(g/t)	(koz)
Katanning	89	1.06	3,039
Total	89	1.06	3,039
EV/Resource (A\$/oz)			13

Board and Management

Matthew Greentree	Non-Executive Chairman
Denis Rakich	Managing Director & Chief Executive Officer
Richard Lockwood	Non-Executive Director

Substantial shareholders

Shares (m)	Stake (%)
Dundee Corp.	231.4 10.1%
Jupiter Precious Metals Fund	179.0 7.8%
Directors	131.9 5.7%

Valuation

Asset	Spot Prices		Argonaut forecasts	
	A\$m	A\$/sh	A\$m	A\$/sh
Katanning	825	0.10	701	0.09
Resources	96	0.04	89	0.03
Hedge book	0	0.00	0	0.00
Corporate overhead	(41)	(0.02)	(39)	(0.01)
Unpaid capital	118	0.01	118	0.01
Cash	5	0.00	3	0.00
Debt	(0)	(0.00)	(0)	(0.00)
Total	1,002	0.14	871	0.12
Price Target (50/50 spot/base case)				0.13



Eight Key Charts

Figure 2: Katanning production and AISC

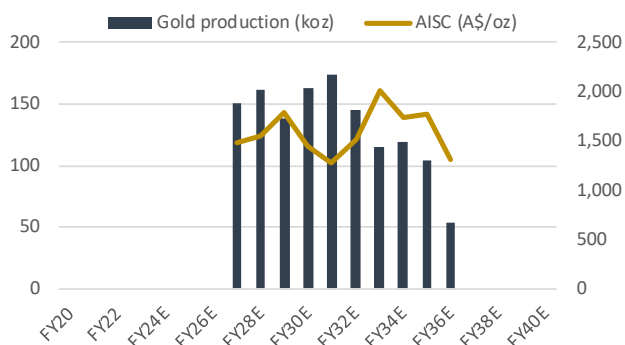


Figure 3: Katanning quarterly production and AISC

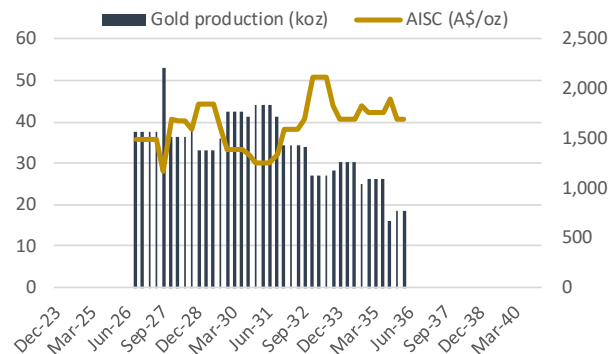


Figure 4: Katanning throughput and grade

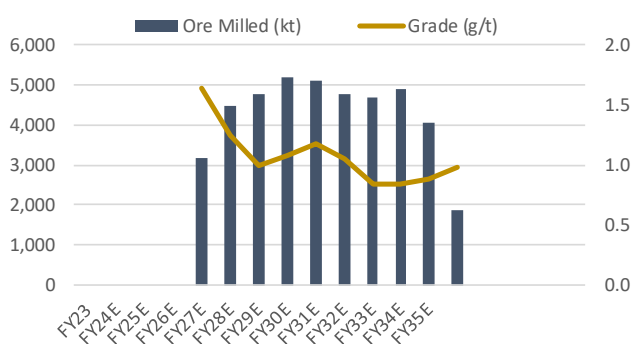


Figure 5: Katanning quarterly throughput and grade

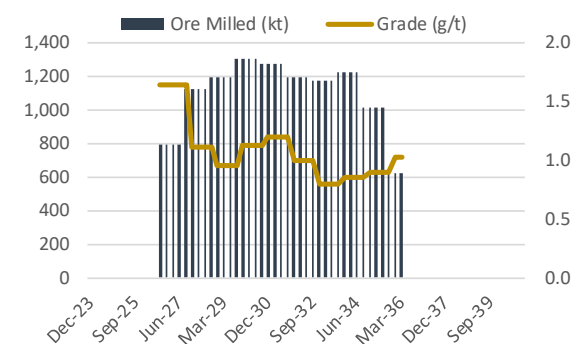


Figure 6: Reserves by deposit

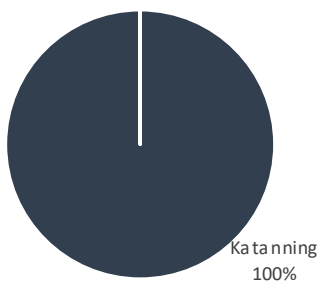


Figure 7: Resources by deposit

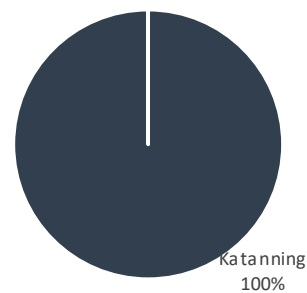


Figure 8: Net cash build vs market cap

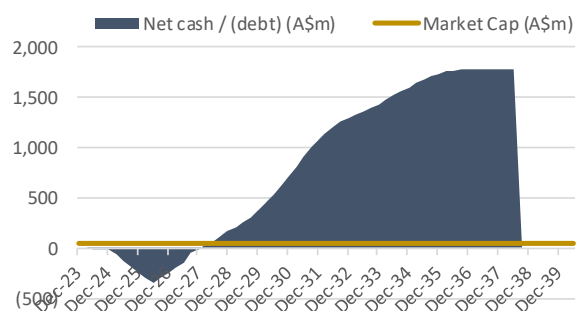
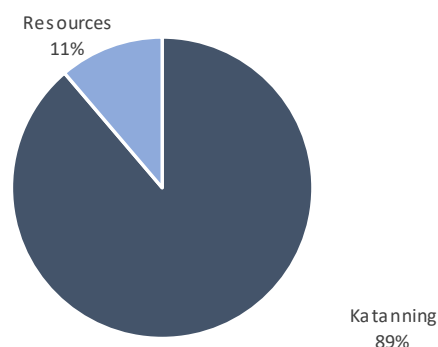


Figure 9: NPV Breakdown



Sources Fig 2-9: Bloomberg, Argonaut Research, January 2024

Valuation

Argonaut's Ausgold valuation is maintained at \$0.13/sh

Argonaut's Katanning valuation is based on a discounted cash flow valuation of the project incorporating the mining physicals provided in the May-2023 5Mtpa Scoping Study. A real, after-tax discount rate of 6% is used. Future tax benefits are added back as an estimate of present value. Argonaut's valuation assumes a total gold production from Katanning of 1.32Moz over a 9.75-year mine life with production commencing Q4CY26. We incorporate A\$297M of pre-production capex as per AUC's 5Mtpa Scoping study estimates. We model future equity dilution events at the current share price. Our base case valuation assumes project construction under Ausgold ownership, but we recognise the possibility of a takeover event post-DFS and receipt of all necessary approvals.

Figure 10 – Valuation summary, project February 2024

Valuation Asset	Spot Prices		Argonaut forecasts	
	A\$m	A\$/sh	A\$m	A\$/sh
Katanning	825	0.10	701	0.09
Resources	96	0.04	89	0.03
Hedge book	0	0.00	0	0.00
Corporate overhead	(41)	(0.02)	(41)	(0.02)
Unpaid capital	118	0.01	118	0.01
Cash	5	0.00	5	0.00
Debt	(0)	(0.00)	(0)	(0.00)
Total	1,002	0.14	872	0.12
Price Target (50/50 spot/base case)				0.13

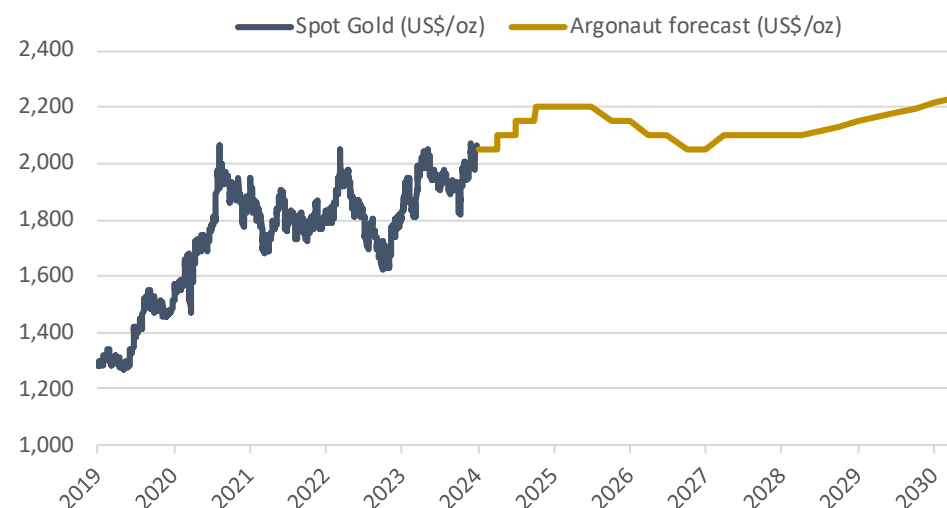
Source: Argonaut Research

Argonaut has a bullish outlook on gold.

Gold prices have strengthened in recent months, with spot gold rising 13% from the October 2023 lows. The spot gold price is now up 26% from the lows in November 2022. We expect to see further strength in gold prices in 2024 with our forecasts calling for a further 6-7% rise in the spot price to US\$2,200/oz by the end of the year. Beyond 2024 we assume a more stable outlook, with our long-term price in real terms US\$1,850/oz.

We expect gold prices to peak at US\$2,200/oz in 2024

Figure 11: We forecast further strength in gold prices in 2024



Source: Bloomberg, Argonaut Research, January 2024

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Important Disclosure

Ausgold Ltd (AUC): Argonaut acted as Lead Manager to the Placement to raise \$12M in April 2023 and received fees commensurate with this service. Argonaut holds or controls 30M options exercisable at \$0.06 expiring 31 March 2025.

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