

FIRST-IMPRESSION | PUBLISHED ON 24 MAY 2023

KGP Scoped for larger scale 5Mtpa; DFS Q4CY23

AUC.ASX | AUSGOLD LIMITED | MATERIALS | METALS & MINING

PRICE
A\$0.05/sh

TARGET PRICE
A\$0.14/sh
(FROM A\$0.12/sh)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

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Event

Ausgold (AUC) releases the Scoping Study (SS) on a larger scale (5Mtpa) operation at the Katanning Gold Project (KGP), WA. The larger scale operation will provide the basis for the DFS targeted for Q4CY23.

Impact

- The increased throughput (67% up on assumed PFS scale) provides 30% higher LOM production and forecast EBITDA generation, while pre-prod capex increases ~32%, which is largely in-line of expectations.
- The open pit 5Mtpa operation is expected to exploit a larger resource, now presented at a lower cur-off grade of 0.45g/t Au (vs 0.6g/t Au in the PFS), providing a base of 85.6Mt @ 0.94g/t Au for 2.64Moz gold. An inventory of 44Mt @ 1.05g/t Au for 1.48Moz gold was used in the study, providing LOM ave production of 136kozpa @ A\$1,549/oz AISC (Fig 11) for 1.32Moz recovered gold.
- Attractive ave production for the first 6 years of the mine plan of 155kozpa @ est A\$1,450/oz AISC (up 23% from 126kozpa @ A\$1,370/oz AISC), with peak forecast production of 174koz (Yr5), for expected capital payback in under 2 years. Increased operating costs largely a factor increased mining costs (+25%) and slightly higher processing costs (+5%), but delivers a lower strip ratio (from ~9:1 to ~4:1).
- Pre-production capex of A\$297m for the increased scale 5Mtpa (up 32% from A\$225m 3Mtpa), cost inflated and includes a 7% contingency. We would envisage some cost refinements prior to the DFS release, and a larger reserve position to underpin a potentially higher debt to equity ratio upon FID.
- Comparable in scale and production potential to CMM's Mt Gibson Project (MGGP) which recently released its PFS (Apr'23), providing 152kozpa @ A\$1,420/oz AISC over first 7.5 years, 5Mtpa open pit with capex of A\$339m (incl. pre-strip), and again similar peak production 175koz (Yr7), and forecast payback period (< 2 years).
- Model update for the proposed 5Mtpa operation improves our risk-adjusted KGP valuation (NPV 10) to \$0.12/sh (up from \$0.09/sh). We recently lifted (~6%) our long-run gold price to US\$1,800/oz (+6%) or A\$2,432/oz, but we note at current spot gold our NAV is \$0.20/sh (spot P/NAV of 0.25x), highlighting further upside.
- Permitting being advanced, and assisted by having resources on granted mining licences, contained within freehold lands (not subject to native title). Full approvals targeted in late CY23.

Action

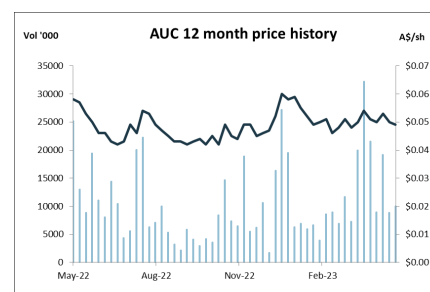
AUC provides significant production potential over a long and growing mine life. The forecast operating costs provide strong margins from a simple open pit mining operation. We continue to see good project value and M&A appeal. We maintain our **Speculative Buy** recommendation but upgrade our Price Target to \$0.14/sh (up from \$0.12/sh).

Catalyst

Ongoing exploration (resource drilling and results); Resource Update (Q3CY23); DFS (Q4CY23); Environmental and permitting approvals; and Gold price

Share Price	0.048	A\$/sh	
Price Target	0.14	A\$/sh	
Valuation	0.12	A\$/sh	
Shares on issue	2263	m	
Market Capitalisation	109	A\$m	
Enterprise Value	95	A\$m	
Debt	0	A\$m	
Cash	13.7	A\$m	
Largest Shareholder	Dun	12.5%	
Production F'cast	2025F	2026F	2027F
Prod'n (koz)-100%	0	150	160
Cash Cost (A\$/oz)	0	851	1334
AISC (A\$/oz)	0	939	1420
Assumptions	2025F	2026F	2027F
Gold Price US\$/oz	1825	1800	1800
AUDUSD	0.73	0.74	0.74
Key Financials	2025F	2026F	2027F
Revenue (A\$m)	0	364	389
EBITDA (A\$m)	-14	222	160
NPAT (A\$m)	-22	126	71
Cashflow (A\$m)	-19	161	126
CFPS (Ac)	-0.4	3.3	2.8
P/CFPS (x)	-13.0	1.4	1.7
EPS (Ac)	-0.7	3.9	2.2
EPS growth (%)	0.6	-6.6	-0.4
PER (x)	-6.8	1.2	2.2
EV:EBITDA (x)	-18.1	0.5	-0.1
EV:EBIT (x)	-14.7	0.5	-0.1
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%
ND:Net Debt+Equity (%)	27%	-15%	-55%
Interest Cover (x)	na	na	na

Performance



Source: IRESS, Euroz Hartleys

Market Statistics	Year End	30-Jun
Share Price	0.048	A\$/sh Directors
Issued Capital	2,262.8 m	G Jones NE Chair
Rights	68.0 m	Greentree MD/CEO
Options (var. prices)	103.2 m	D Rakich ED/CoSec
Total Dil. FPOrd	2,434.0 m	Lockwood NED
		T Kestell NED
Market Capitalisation	\$108.6 m	holders
Enterprise Value	\$94.9 m	
Cash	\$13.7 m	Dundee 12.5%
Debt	\$0.0 m	Jupiter 9.7%
		Directors 10.8%

Asset Valuation	Base Case	
	A\$m	A\$/sh
(+) 100% KGP (risk adj 90%)	263	0.116
(-) Corporate	(38)	(0.017)
(+/-) Hedging	-	-
(+) Exploration	30	0.013
(+) Unpaid Capital	-	-
(+) Cash	13.7	0.006
(-) Debt	-	-
Total @ 10%	269	0.12
Spot US\$1,975/oz A\$US\$0.661	475	0.20
Price Target	0.14	

Forecast Production	2025f	2026f	2027f
KGP - 100%			
Strip Ratio (w:o)	6.7	5.1	5.1
Ore Milled (kt)	-	3,200	5,000
Grade (g/t)	-	1.61	1.10
Recoveries (%)	-	90%	90%
Gold Prod (koz)	-	150	160
Cash Costs (A\$/oz)	-	851	1,334
AISC (A\$/oz)	-	939	1,420
Assumptions			
US\$ Gold (/oz)	1,825	1,800	1,800
FX (A\$/US\$)	0.73	0.74	0.74
A\$ Gold (/oz)	2,500	2,432	2,432

Ratio Analysis (A\$m)	2025f	2026f	2027f
CF (A\$m)	-19	161	126
CF / Sh (Ac/sh)	-0	3	3
CF Ratio (x)	-13	1	2
Earnings (A\$m)	-22	126	71
EPS (Ac/sh)	-0.7	3.9	2.2
EPS Growth (%)	57%	-658%	-44%
Earnings Ratio (x)	-6.8	1.2	2.2
E'prise Val. (A\$m)	253	102	-14
EV : EBITDA (x)	-18	0	-0.1
EV : EBIT (x)	-15	1	-0.1
Net Debt / ND+Eq (%)	27%	-15%	-55%
Interest Cover (x)	na	na	na
EBIT Margin (%)	na	1	0.3
ROE (%)	-8%	32%	15%
ROA (%)	-6%	26%	14%
Div. (Ac/sh)	0	0	0
Div. payout ratio (x)	0	0	0
Div. Yield (%)	0%	0%	0%
Div. Franking (%)	100%	100%	100%

Reserves	Mt	g/t	Moz
KGP (100%)			
Proven	-	-	-
Probable	32.0	1.25	1.28
Total	32.0	1.25	1.28
EV per oz			74

Profit and Loss (A\$m)	2025f	2026f	2027f
(+) Gold revenue	-	364	389
(+/-) Hedging Revenue	-	-	-
(+) Interest Income	-	-	-
(+) Other Revenue	-	-	-
Total Revenue	-	364	389
(-) Operating Costs	(8)	(137)	(223)
(-) Dep/Armort	(3)	(34)	(55)
(-) Writeoff (expl'n)	-	-	-
(-) O/H + News Bus Dev.	(6)	(6)	(6)
(-) Provisions	-	-	-
EBITDA	(14)	222	160
EBIT	(17)	187	105
(-) Interest Expense	(5)	(7)	(4)
NPBT	(22)	181	102
(-) Tax	-	(54)	(30)
(-) Minority Interest	-	-	-
Net Profit	(22)	126	71
(+/-) Net abnormal	-	-	-
Net profit After Abnormal	(22)	126	71

Cashflow (A\$m)	2025a	2026f	2027f
Net Profit	(22)	126	71
(+) WC adj.	-	-	-
(+) Dep/Amort	3	34	55
(+) Provisions & W/O	-	-	-
(+) Tax Expense	-	54	30
(-) Deferred Revenue	-	-	-
(-) Tax Paid	-	(54)	(30)
Operating Cashflow	(19)	161	126
(-) Capex + Dev.	(300)	(4)	(4)
(-) Exploration	(4)	(5)	(6)
(-) Asset Purchased	-	-	-
(+) Asset Sale	-	-	-
(+/-) Other	-	-	-
Investing Cashflow	(304)	(9)	(10)
(+) Equity Issues	173	-	-
(+) Loan D'down/receivable	150	-	-
(+) Others	-	-	-
(-) Loan Repayment	-	(38)	(38)
(-) Dividends	-	-	-
Financing Cashflow	323	(38)	(38)
Net Cashflows	-	114	78
(+/-) FX Adj.	-	-	-
EoP Cash Balance	13	128	206

Balance Sheet (A\$m)	2025a	2026f	2027f
Assets			
Cash	13	128	206
Current Receivables	0	0	0
Other Current Assets	0	0	0
Non-Current Assets	375	350	306
Total Assets	389	478	512
Liabilities			
Borrowing(s)	113	75	38
Current Accounts payable	1	1	1
Other Liabilities	2	2	2
Total Liabilities	115	77	40
Net Assets	275	401	472

Resources	Mt	g/t	Moz
KGP (100%) - LC 0.45g/t			
Measured	27.1	1.05	0.9
Indicated	41.7	0.92	1.24
Inferred	16.7	0.82	0.48
Total	85.6	0.94	2.64
EV per oz			36

Katanning Gold Project (KGP)

The KGP is located in an agricultural (wheat and sheep) region of south-west Western Australia, some 275km south-east of Perth, and 40km from the town of Katanning. The project can be accessed via a combination of sealed and unsealed roads, with the vast majority of AUC's tenure contained within freehold lands.

The KGP falls within the Youanmi Terrane (Lake Grace) and South West Terrane (Boddington) of the Archaean Yilgarn Craton, which is predominantly composed of granitic rocks but also contains a number of preserved greenstones. The Katanning, Tampia and Griffins Find goldfields of the Youanmi Terrane lie in proximity to a large volume of granulite metamorphic facies mafic and ultramafic rocks of the Corrigin Tectonic Zone.

Notable mineral deposits of the South West Terrane include: Newmont's Boddington gold-copper mine (+30Moz), Chalice Mining's Julimar nickel-copper-PGE deposit (+2Mt contained nickel equivalent), Carvel Minerals' Caravel-Calingiri copper deposit (+2.8Mt contained copper) and Ausgold's Katanning gold deposits (+2.2Moz gold).

Figure 1: KGP Location - South West Yilgarn WA



Source: Ausgold Ltd

KGP SS (May'23) Key Highlights:

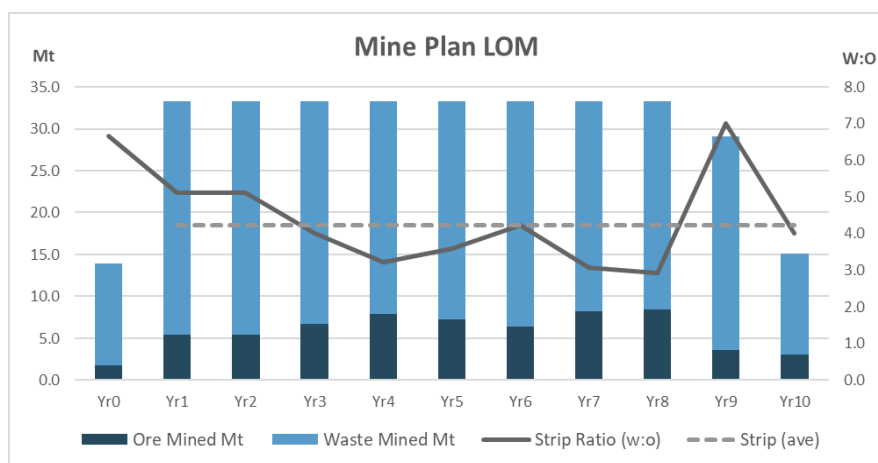
- Standalone 5Mtpa open pit operation (up from 3Mtpa in the PFS), and will form the basis for the DFS project scale.
- No update to the current ore reserve (32Mt @ 1.25g/t Au for 1.28Moz), with the next resource update expected Q3CY23 and updated reserves as part of the DFS release (Q4CY23).
- 2022 mineral resource reported at a lower cut-off grade of 0.45g/t Au (vs 0.6g/t Au used in the PFS) providing a larger inventory to convert and production targets over the life of mine (LOM).
- All of the potential mill feed of 44.7Mt @ 1.05g/t Au (+40% on the PFS) lowers the overall strip ratio from 9:1 to 6:1 or 4.1:1 due to the low stockpile which is expected to contain a further ~20Mt @ +0.3g/t Au.
- LOM production 136kozpa @ A\$1,549/oz AISC for ~10 years (1.32Moz recovered). Higher grade starter with years 1-6 providing 155kozpa @ A\$1,449/oz AISC est.
- Pre-production capex A\$297m - payback 1.67 years (using A\$2,750/oz gold price)
- Conventional gravity and CIL processing, recoveries +90% over LOM – all free milling ores, with further metallurgical test-work planned.
- AUC's financials NPV5 of A\$541m (post-tax), IRR 46%

Figure 2: KGP - SS Outcomes vs PFS, with update EH modelling assumptions

Key Metrics	AUC PFS 3Mtpa	AUC SS 5Mtpa	EH Base Case_old	EH Base Case_new
Life of Mine (LOM)	11 years	9.75 years	11 years	10 years
Ore Tonnes Mined	32 Mt	44 Mt	32 Mt	44 Mt
Ore Processing Rate	3.0 Mtpa	5.0 Mtpa	3.0 Mtpa	5.0 Mtpa
Stripping Ratio (w:o)	9.0	4.1	9.0	4.4
Average gold grade – years 1 - 6	1.47 g/t Au	1.12 g/t Au	1.48 g/t Au	1.17 g/t Au
Average gold production (recovered) – years 1 - 6	126 koz	155 koz	125.6 koz	221.6 koz
Average gold grade – LOM	1.25 g/t Au	1.05 g/t Au	1.24 g/t Au	1.04 g/t Au
Average gold production (recovered) – LOM	105 koz	136 koz	105.1 koz	132.4 koz
Recovered Gold	1.16 Moz	1.32 Moz	1.16 Moz	1.33 Moz
Financial Metrics				
Revenue	A\$2,669m	A\$3,641m	A\$2,811m	A\$3,235m
AISC – first 6 years production	A\$1,370/oz	A\$1,450/oz	A\$1,350/oz	A\$1,449/oz
AISC – LOM	A\$1,481/oz	A\$1,549/oz	A\$1,455/oz	A\$1,549/oz
Net free cashflow (pre-tax)	A\$746m	A\$1,141m	A\$771m	A\$1,008m
Net free cashflow (post-tax)	A\$540m	A\$770m	A\$549m	A\$705m
EBITDA – LOM	A\$981m	A\$1,627m	A\$962m	A\$1,360m
Payback period (post-tax)	1.75 years	1.67 years	<2 years	<2 years
NPV5 (pre-tax)	A\$515m	A\$819m	A\$485m	A\$638m
NPV5 (post-tax)	A\$364m	A\$541m	A\$328m	A\$432m
IRR post-tax	41%	46%	40%	42%
Gold Price Assumption	A\$2,300/oz	A\$2,750/oz	A\$2,297/oz	A\$2,432/oz
Capex				
Pre-prod capex	A\$225m	A\$297m	A\$230m	A\$310m
Sus capex	A\$31m	A\$38m	A\$32m	A\$40m
Closure costs	A\$8m	A\$13m	A\$10m	A\$15m

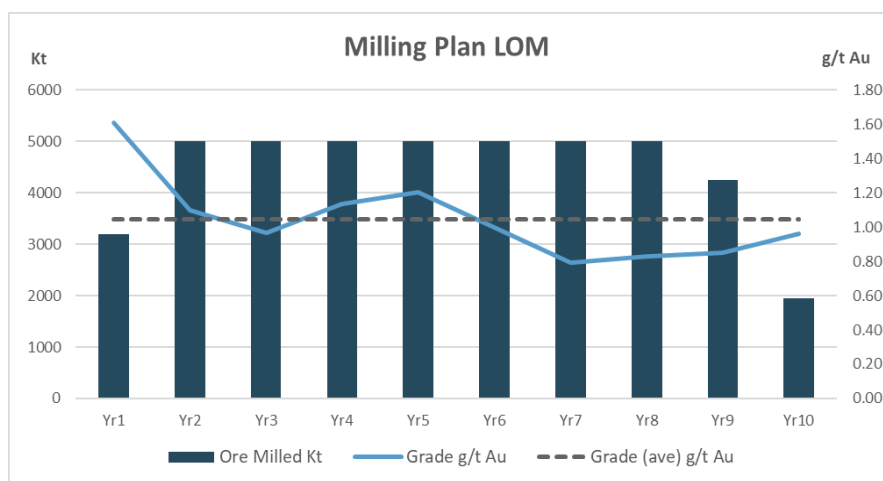
Source: Ausgold Ltd; Euroz Hartleys

Figure 3: KGP - Mine Plan LOM



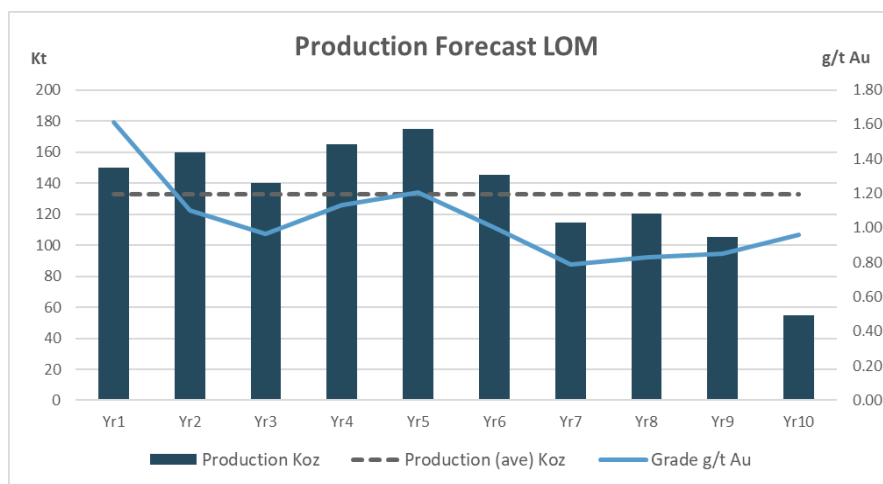
Source: Ausgold Ltd; Euroz Hartleys

Figure 4: KGP - Processing Plan LOM



Source: Ausgold Ltd; Euroz Hartleys

Figure 5: KGP - Production Forecast LOM



Source: Ausgold Ltd; Euroz Hartleys

Next steps:

Ongoing resource infill and extensional drilling, open pit mine schedule optimisation, more detailed metallurgy and environmental studies for key permitting commenced (targeting approvals late CY23). Next resource update target for Q3CY23 and DFS due for completion Q4CY23.

Figure 6: KGP - Development Timelines - Updated

Key Milestone	Q2 CY2023	Q3 CY2023	Q4 CY2023
KGP Exploration	✓		
KGP Mineral Resource Update		✓	
Regional Exploration	✓		
Lithium Exploration	✓	✓	✓
KGP DFS	✓	✓	✓
Project Financing and FID		✓	✓
Permitting and Approvals	✓	✓	✓

Source: Ausgold Ltd (remains subject to change)

Peer Analysis

AUC's KGP compares very well to CMM's next development project (Mt Gibson). Comparable in planned scale, production levels, costs and rough timing. We envisage a larger reserve position for the KGP and slightly improved recoveries upon DFS finalisation, for further value adds.

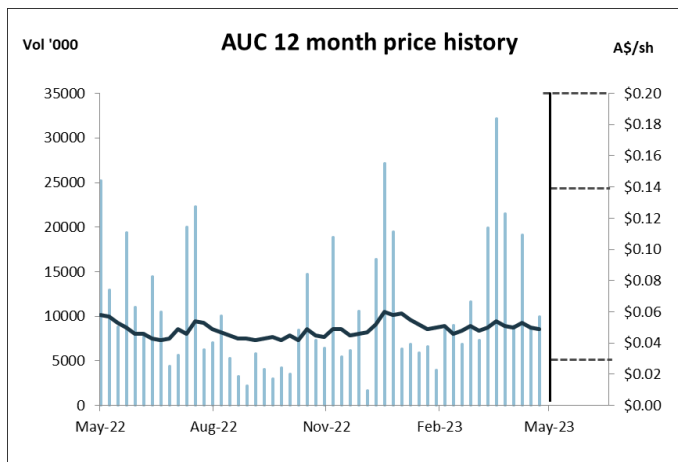
Figure 7: CMM Mt Gibson vs AUC Katanning

Company		Ausgold	Capricorn
ASX Code		AUC	CMM
Share	m	2262.8	376.0
Price	\$/sh	0.048	4.80
Mkt Cap	\$m	108.6	1804.6
Cash	\$m	13.7	119.5
Debt	\$m	0	50
Enterprise Value	\$m	94.9	1735.1
Fully funded EV	\$m	392	2074
Project		Katanning (KGP)	Mt Gibson (MGGP)
Location		WA	WA
% Ownership		100%	100%
Total Resource		2.64Moz @ 0.94g/t Au	2.76Moz @ 0.8g/t Au
M+Ind Resource		2.16Moz @ 1.01g/t Au	2.11Moz @ 0.9g/t Au
Lower cut-off grade		0.45g/t Au	0.4g/t Au
Reserve		1.28Moz @ 1.25g/t Au	1.45Moz @ 0.9g/t Au
M+Ind Resource to Reserve	%	59%	69%
FF EV/prod oz	x	2.9	7.7
Capex/Rsv oz	\$/oz	232	121
Mining method		Open Pit	Open Pit
Capex	A\$m	297	339
Strip Ratio	W:O	4.1	4.2
Throughput	Mtpa	5.0	5.0
Grade	g/t	1.05	0.93
Recoveries	%	90	92.6
LOM Production (ave) pa	koz	136	138
Peak Production	koz	174	175
Mine life	Yrs	9.75	9.7
AISC	A\$/oz	1,549	1,529
Capital payback	yr	1.7	1.9
NPV to capex	x	2.8	2.4
Gold Price	A\$/oz	A\$2,750/oz	A\$2,750/oz
FCF	A\$m	1,141	1,191
NPV5 pre tax	A\$m	819	828
Study		PFS/SS	PFS
Next Steps		DFS (Q4CY23)	Construction
Financed		No	Yes
Permitted		No	No
Construction Start		CY24/25	H2CY24
1st Gold pour		H2CY25	H2CY25

Source: Company Reports; Euroz Hartleys

AUC's development remains subject to completion of the DFS in Q4CY23, permitting, project financing the FID.

Figure 8: Price History, Bear, Base and Bull



Source: Euroz Hartleys

Figure 9: Bear, Base and Bull Scenarios

Our Market Sensitivity

Price Target \$0.14/sh

Valuation \$0.12/sh

Bull Scenario \$0.20/sh

Exploration success yields larger reserves which translate to increased mine life and higher sustainable production levels. AUD gold prices continue to increase with US\$ gold price sentiment improves. At current spot prices our AUC valuation is 20cps.

Base Scenario \$0.14/sh

KGP can be developed as a standalone operation producing around our targeted production levels and cost assumptions. AUD gold prices remain around current levels and our long-term prices remain achievable.

Bear Scenario \$0.03/sh

Gold price falls over 10% and US\$ strengthen over 10%. Final studies fails to yield an economic project development, with funding difficulties.

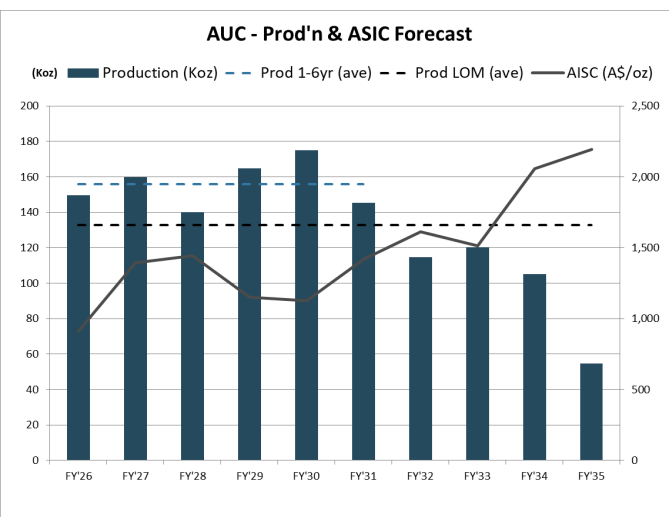
Source: Euroz Hartleys

Figure 10: KGP - Project Setting



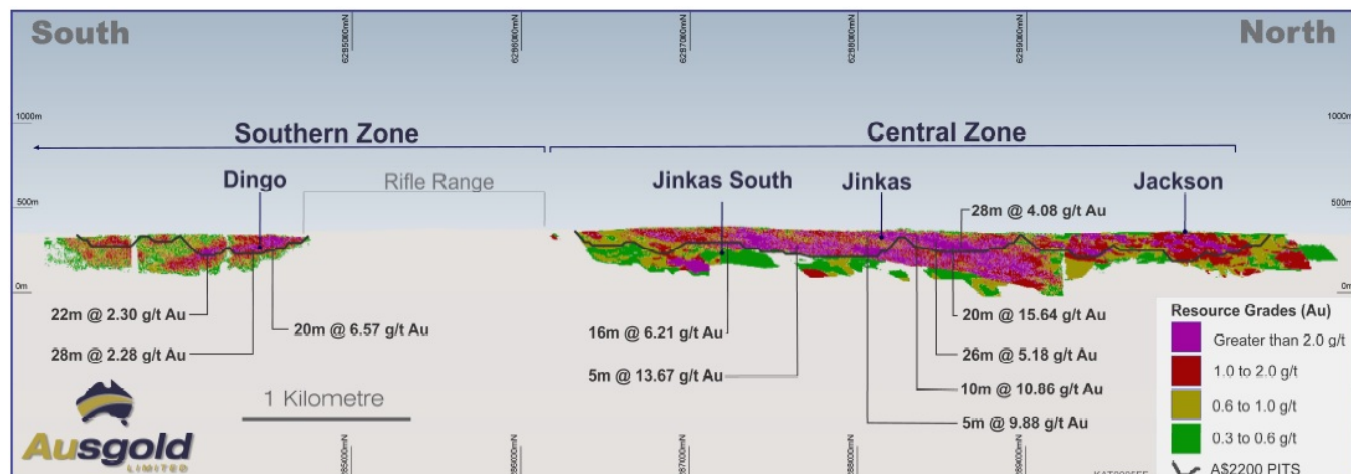
Source: Ausgold Ltd

Figure 11: Production Forecasts



Source: Euroz Hartleys, subject to change

Figure 12: KGP Key Deposits



Source: Ausgold Ltd

Figure 13: Sensitivities - Gold

Val/sh	Gold \$									
	\$0.12	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	-\$0.01	\$0.01	\$0.03	\$0.05	\$0.06	\$0.08	\$0.10	\$0.12	\$0.14
	10%	\$0.00	\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.12	\$0.14	\$0.16
	5%	\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.12	\$0.14	\$0.16	\$0.18
	0%	\$0.03	\$0.06	\$0.08	\$0.10	\$0.12	\$0.14	\$0.16	\$0.18	\$0.20
	-5%	\$0.05	\$0.07	\$0.10	\$0.12	\$0.14	\$0.16	\$0.19	\$0.21	\$0.23
	-10%	\$0.07	\$0.10	\$0.12	\$0.14	\$0.17	\$0.19	\$0.21	\$0.24	\$0.26
	-15%	\$0.09	\$0.12	\$0.14	\$0.17	\$0.19	\$0.22	\$0.24	\$0.27	\$0.29

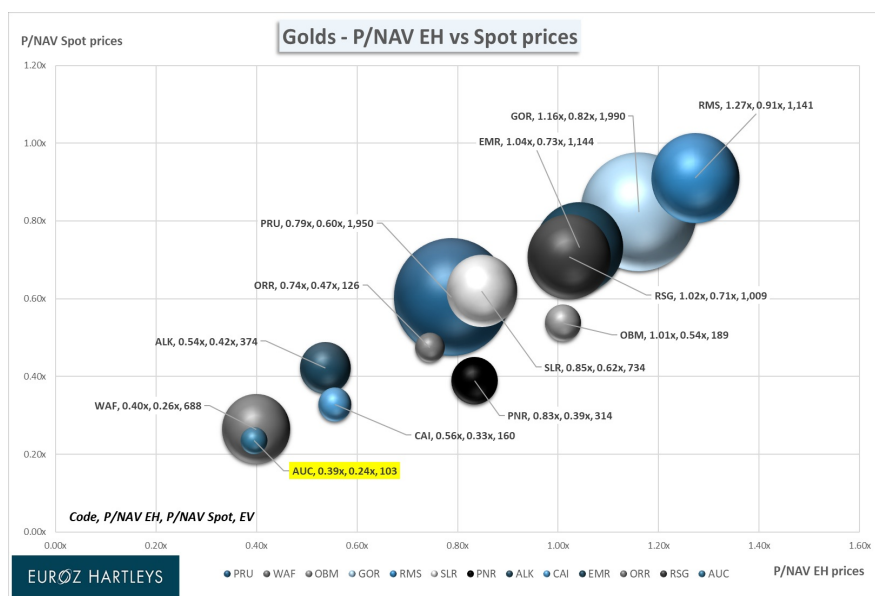
Source: Euroz Hartleys

Figure 14: Gold Price Forecasts

Euroz Forecast	FY'2025	FY'2026	FY'2027	LR
Gold (US\$/lb)	\$1,825	\$1,800	\$1,800	\$1,800
AUDUSD	\$0.73	\$0.74	\$0.74	\$0.74

Source: Euroz Hartleys (subject to change)

Figure 15: Selected Gold P/NAV EH vs Spot Prices



Source: Euroz Hartleys

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Ausgold Limited (AUC.ASX) | Price A\$0.05 | Target price A\$0.14 | Recommendation Speculative Buy;

Price, target price and rating as at 24 May 2023 (not covered)*

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