

AUC: Board Restructured with Funds Raised for KGP DFS and FID

AUC.ASX | AUSGOLD LIMITED | MATERIALS | GOLD

PRICE
A\$0.037/sh

TARGET PRICE
A\$0.120/sh
(FROM A\$0.150/sh)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

ANALYST
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Euroz Hartleys is currently acting as a Joint Lead Manager for a capital raising which is being completed for Ausgold Limited (AUC), for which it will earn fees.

Event

Ausgold (AUC) has committed to raise A\$38m (@ 3cps) in a two-tranche placement to institutional and sophisticated investors. T1 has settled for ~A\$14m, with T2 subject to AUC shareholder approval, being sought at a general meeting scheduled for July'24.

The Company recently refreshed its Board, with John Dorward, the highly regarded, former CEO of Roxgold Inc appointed as Executive Chairman; Adrian Goldstone from substantial shareholder Dundee Goodman appointed as Non-Executive Director (NED); and Mining Engineer Mark Turner appointed as independent NED.

Katanning Gold Project (KGP) Definitive Feasibility Study (DFS) is targeted for H2CY24, with permitting approval mid-CY25, for a Financial Investment Decision (FID) late-CY25.

Impact

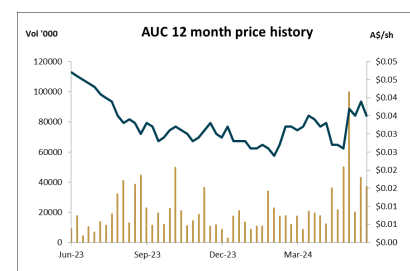
- The institutional placement was well supported by existing investors **Jupiter Asset Management** (now hold 12.7% of AUC), and **Dundee Corporation** (retaining its 10.9% interest). The proceeds are expected to be used for ongoing work programs at the +3Moz KGP to progress the project through the DFS to a FID; also for the settlement of some freehold land acquisitions; and ongoing regional exploration.
- The 100%-owned **KGP contains one of the largest, undeveloped open pit, free-milling resources in WA**. The current reserve is 1.28Moz @ 1.25g/t Au, used in the PFS (Aug'22), which at the time implied a M+Ind conversion of +70%. Applying similar conversion factors could imply a reserve level of over 1.6Moz, which provides opportunities to sustain higher production levels over a long mine life.
- AUC used an inventory of ~1.5Moz @ 1.05g/t Au in its larger-scale Scoping Study (May'23), with the **targeted 5Mtpa open pit operation** providing LOM production of 136kozpa @ A\$1,549/oz AISC over ~10yr mine life. Pre-production capex of ~A\$300m for the increased scale 5Mtpa operation is expected to be optimised in the DFS, and could include a staged development to reduce upfront costs.
- We update our modelling, diluting for the equity placement (T1+T2) and adjusted timing to first production, which remains subject to favourable DFS outcomes, financing and permitting. Our latest risk-adjusted KGP valuation (NPV10) is \$0.10/sh (from \$0.14/sh), and we note at current spot gold our NAV is \$0.18/sh.
- On basic EV/Resource and EV/Reserve oz metrics, AUC is trading ~A\$32/resource oz and ~A\$76/reserve oz, well below our Developer/Advanced Explorer peer ave of ~A\$60/resource oz and ~A\$150/reserve oz which implies average value of over 5cps for AUC, noting a reserve update is expected for the pending DFS.

Action

We continue to see the KGP as a highly-attractive standalone gold development with opportunities to sustain higher production levels over a long mine-life. The DFS is a major de-risking milestone in H2CY24, along with the permitting approvals due by mid-CY25. The optimal financing structure for the project is being assessed, and may include a potential staged development to reduce some upfront capex. Regional exploration potential continues to be unlocked, and has significant retained value, especially once processing infrastructure is established. We maintain our **Speculative Buy** recommendation with our latest **Price Target to \$0.12/sh** (from \$0.15/sh).

Share Price	0.037	A\$/sh	
Price Target	0.12	A\$/sh	
Valuation	0.10	A\$/sh	
Shares on issue	3563	m	
Market Capitalisation	132	A\$m	
Enterprise Value	97	A\$m	
Debt est	0.9	A\$m	
Cash est	36.0	A\$m	
Largest Shareholder	Jupiter	12.7%	
Production F'cast	2026F	2027F	2028F
Prod'n (koz)-100%	0	0	150
Cash Cost (A\$/oz)	0	0	851
AISC (A\$/oz)	0	0	1018
Assumptions	2026F	2027F	2028F
Gold Price US\$/oz	1945	1933	1875
AUDUSD	0.72	0.73	0.73
Key Financials	2026F	2027F	2028F
Revenue (A\$m)	0	0	382
EBITDA (A\$m)	-5	-5	239
NPAT (A\$m)	-12	-16	123
Cashflow (A\$m)	-11	-14	177
CFPS (Ac)	-0.1	-0.1	2.2
P/CFPS (x)	-24.9	-24.8	1.6
EPS (Ac)	-0.2	-0.3	2.3
EPS growth (%)	-0.4	0.4	-8.5
PER (x)	-16.8	-12.2	1.6
EV:EBITDA (x)	-33.0	-68.2	0.7
EV:EBIT (x)	-27.7	-46.2	0.9
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%
ND:Net Debt+Equity	-15%	37%	-7%
Interest Cover (x)	na	na	na

Performance



Source: IRESS

Market Statistics	Year End	30-Jun
Share Price	0.037	A\$/sh Directors
Issued Capital	3,562.8 m	J Dorward E Chair
Rights	37.7 m	Greentree MD/CEO
Options (var. prices)	142.5 m	Goldstone NED
Total Dil. FPOrd	3,743.0 m	M Turner NED
Market Capitalisation	\$131.8 m	Holders
Enterprise Value	\$96.7 m	Jupiter 12.7%
Cash	\$36.0 m	Dundee 10.9%
Debt	\$0.9 m	

Asset Valuation	Base Case	
	A\$m	A\$/sh
(+) 100% KGP (risk adj 90%)	344	0.092
(-) Corporate	(36)	(0.010)
(+/-) Hedging	-	-
(+) Exploration	30	0.008
(+) Unpaid Capital	3	0.001
(+) Cash	36.0	0.010
(-) Debt	(1)	(0.00)
Total @ 10%	376	0.10
Spot US\$2328/oz A\$US\$0.666	671	0.18
Price Target		0.12

Forecast Production	2026f	2027f	2028f
KGP - 100%			
Strip Ratio (w:o)	na	6.7	5.1
Ore Milled (kt)	-	-	3,200
Grade (g/t)	-	-	1.6
Recoveries (%)	-	-	90%
Gold Prod (koz)	-	-	150
Cash Costs (A\$/oz)	-	-	851
AISC (A\$/oz)	-	-	1,018
Assumptions			
US\$ Gold (/oz)	1,945	1,933	1,875
FX (A\$/US\$)	0.72	0.73	0.73
A\$ Gold (/oz)	2,690	2,633	2,554

Ratio Analysis (A\$m)	2026f	2027f	2028f
CF (A\$m)	-11	-14	177
CF / Sh (Ac/sh)	-0	-0	2
CF Ratio (x)	-25	-25	2
Earnings (A\$m)	-12	-16	123
EPS (Ac/sh)	-0.2	-0.3	2.3
EPS Growth (%)	-37%	37%	-851%
Earnings Ratio (x)	-16.8	-12.2	1.6
E'prise Val. (A\$m)	165	341	176
EV : EBITDA (x)	-33	-68	0.7
EV : EBIT (x)	-28	-46	0.9
Net Debt / ND+Eq (%)	-15%	37%	-7%
Interest Cover (x)	na	na	na
EBIT Margin (%)	na	na	0.5
ROE (%)	-5%	-7%	34%
ROA (%)	-4%	-4%	26%
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			76

Profit and Loss (A\$m)	2026f	2027f	2028f
(+) Gold revenue	-	-	382
(+/-) Hedging Revenue	-	-	-
(+) Interest Income	-	-	-
(+) Other Revenue	-	-	-
Total Revenue	-	-	382
(-) Operating Costs	-	-	(137)
(-) Dep/Amort	(1)	(2)	(54)
(-) Writeoff (expl'n)	-	-	-
(-) O/H + News Bus Dev.	(5)	(5)	(6)
(-) Provisions	-	-	-
EBITDA	(5)	(5)	239
EBIT	(6)	(7)	185
(-) Interest Expense	(6)	(9)	(10)
NPBT	(12)	(16)	176
(-) Tax	-	-	(53)
(-) Minority Interest	-	-	-
Net Profit	(12)	(16)	123
(+/-) Net abnormal	-	-	-
Net profit After Abnormal	(12)	(16)	123

Cashflow (A\$m)	2026f	2027f	2028f
Net Profit	(12)	(16)	123
(+) WC adj.	-	-	-
(+) Dep/Amort	1	2	54
(+) Provisions & W/O	-	-	-
(+) Tax Expense	-	-	53
(-) Deferred Revenue	-	-	-
(-) Tax Paid	-	-	(53)
Operating Cashflow	(11)	(14)	177
(-) Capex + Dev.	(140)	(160)	(8)
(-) Exploration	(3)	(2)	(4)
(-) Asset Purchased	-	-	-
(+) Asset Sale	-	-	-
(+/-) Other	-	-	-
Investing Cashflow	(143)	(162)	(12)
(+) Equity Issues	175	-	-
(+) Loan D'down/receivable	70	80	-
(+) Others	-	-	-
(-) Loan Repayment	-	-	(38)
(-) Dividends	-	-	-
Financing Cashflow	245	80	(38)
Net Cashflows	91	(96)	127
(+/-) FX Adj.	-	-	-
EoP Cash Balance	105	9	137

Balance Sheet (A\$m)	2026f	2027f	2028f
Assets			
Cash	105	9	137
Current Receivables	0	0	0
Other Current Assets	0	0	0
Non-Current Assets	221	380	339
Total Assets	327	390	476
Liabilities			
Borrowing(s)	70	150	113
Current Accounts payable	1	1	1
Other Liabilities	2	2	2
Total Liabilities	62	152	115
Net Assets	264	238	361

Resources	Mt	g/t	Moz
KGP (100%)			
Measured	38.1	1.10	1.35
Indicated	31.8	1.04	1.07
Inferred	18.9	1.02	0.62
Total	88.9	1.06	3.04
EV per oz			32

Katanning Gold Project (KGP)

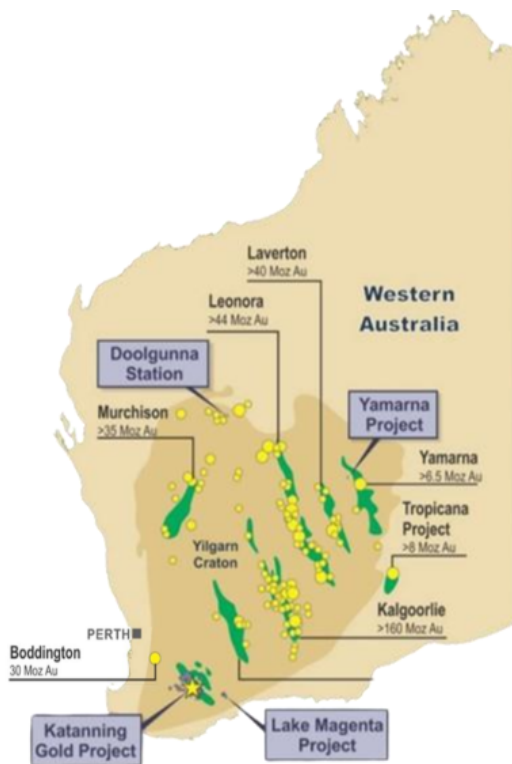
The KGP is located in an agricultural (wheat and sheep) region of south-west Western Australia, some 275km south-east of Perth, and 40km from the town of Katanning. The project can be accessed via a combination of sealed and unsealed roads, with the vast majority of AUC's tenure contained within freehold 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 (+3Moz gold).

AUC is currently completing an equity raise for A\$38m (@ 3cps) in a two-tranche placement. T1 has settled (~A\$14m), with T2 subject to AUC shareholder approval, anticipated at a general meeting scheduled for July'24. Use of proceeds for ongoing work programs at the KGP to progress the project through DFS to FID; also for the settlement of some freehold land acquisitions; and regional exploration. The acquisition of key farming properties expected to cover the main orebody and proposed infrastructure areas.

Figure 1: KGP Location - South West Yilgarn WA



Source: Ausgold Ltd

Figure 2: KGP Tenure - WA



Source: Ausgold Ltd

KGP Larger-scale Development Plans Scoped for DFS

- Standalone 5Mtpa open pit operation (up from 3Mtpa in the PFS), and will form the basis for the DFS project scale.
- No change to the current ore reserve (32Mt @ 1.25g/t Au for 1.28Moz), with updated reserves to be released as part of the DFS due H2CY24.
- AUC Scoping Study (May'23) provided 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.

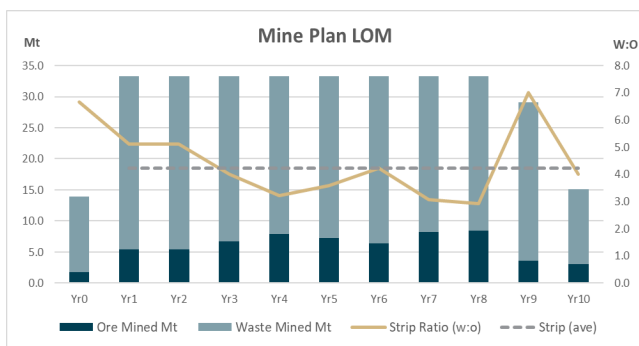
Figure 3: AUC Scoping Outcomes vs PFS

Key Metrics	AUC PFS 3Mtpa	AUC SS 5Mtpa
Life of Mine (LOM)	11 years	9.75 years
Ore Tonnes Mined	32 Mt	44 Mt
Ore Processing Rate	3.0 Mtpa	5.0 Mtpa
Stripping Ratio (w:o)	9.0	4.1
Average gold grade – years 1 - 6	1.47 g/t Au	1.12 g/t Au
Average gold production (recovered) – years 1 - 6	126 koz	155 koz
Average gold grade – LOM	1.25 g/t Au	1.05 g/t Au
Average gold production (recovered) – LOM	105 koz	136 koz
Recovered Gold	1.16 Moz	1.32 Moz
Financial Metrics		
Revenue	A\$2,669m	A\$3,641m
AISC – first 6 years production	A\$1,370/oz	A\$1,450/oz
AISC – LOM	A\$1,481/oz	A\$1,549/oz
Net free cashflow (pre-tax)	A\$746m	A\$1,141m
Net free cashflow (post-tax)	A\$540m	A\$770m
EBITDA – LOM	A\$981m	A\$1,627m
Payback period (post-tax)	1.75 years	1.67 years
NPV5 (pre-tax)	A\$515m	A\$819m
NPV5 (post-tax)	A\$364m	A\$541m
IRR post-tax	41%	46%
Gold Price Assumption	A\$2,300/oz	A\$2,750/oz
Capex		
Pre-prod capex	A\$225m	A\$297m
Sus capex	A\$31m	A\$38m
Closure costs	A\$8m	A\$13m

Source: Ausgold Ltd

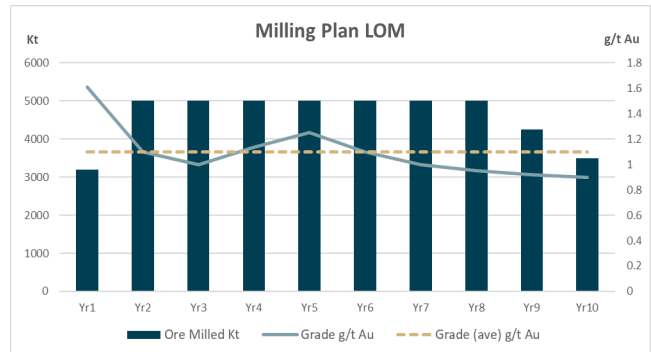
- AUC's development remains subject to completion of the DFS, permitting (mid-CY25), project financing and FID.

Figure 4: AUC SS - KGP Mine Plan LOM



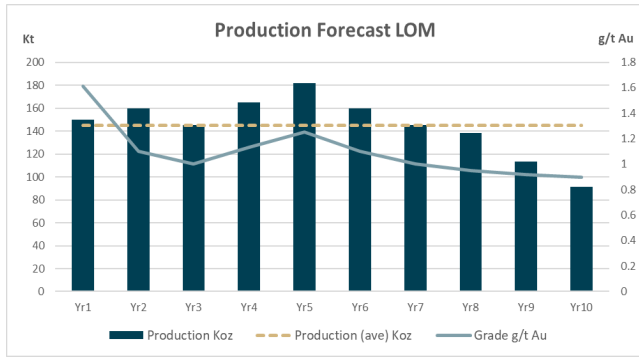
Source: Ausgold Ltd

Figure 5: AUC SS - KGP Processing Plan LOM



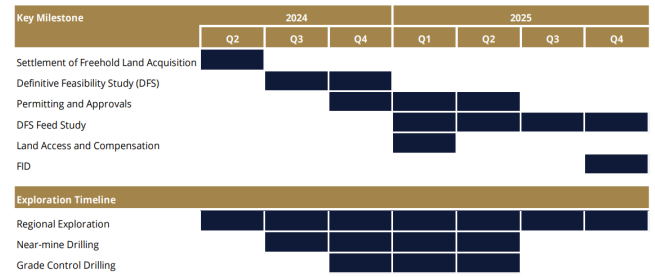
Source: Ausgold Ltd

Figure 6: AUC SS - KGP Production Forecast LOM



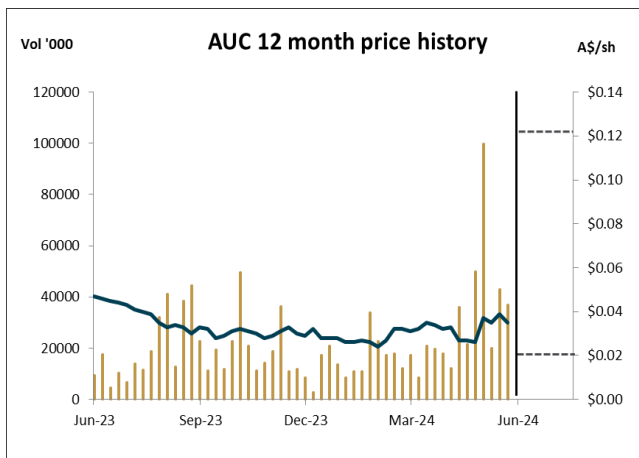
Source: Ausgold Ltd (subject to update)

Figure 7: KGP Key Milestones



Source: Ausgold Ltd (subject to update)

Figure 8: Price History, Bear, Base and Bull



Source: Euroz Hartleys

Figure 9: Bear, Base and Bull Scenarios

Our Market Sensitivity
Price Target \$0.12/sh
Valuation \$0.10/sh

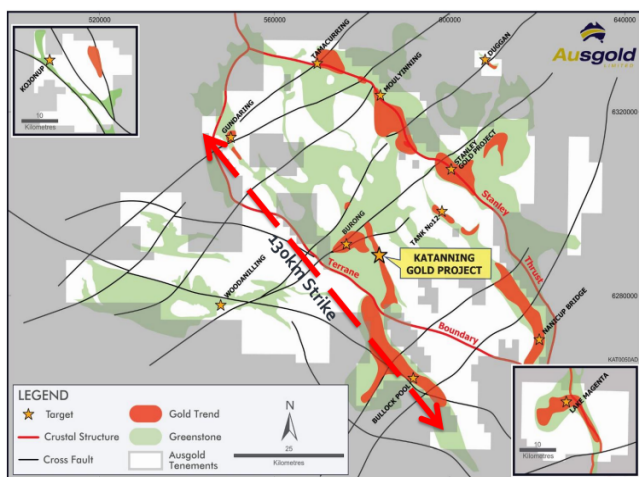
Bull Scenario \$0.20/sh
 Exploration success yields larger reserves which translate to increased mine life and higher sustainable production levels. AUD gold prices continue to increase with US\$ gold price sentiment improves. At current spot prices our AUC valuation is 18cps.

Base Scenario \$0.12/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 \$0.02/sh
 Gold price falls over 20% and US\$ strengthen over 10%. Final studies fails to yield an economic project development, with funding difficulties.

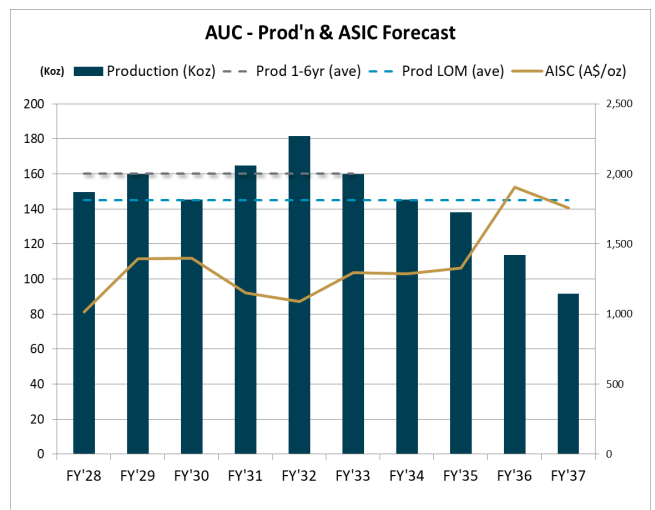
Source: Euroz Hartleys

Figure 10: KGP - Project Setting



Source: Ausgold Ltd

Figure 11: EH Production Forecasts



Source: Euroz Hartleys, subject to change

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Company disclosures

The companies and securities mentioned in this report, include:

Ausgold Limited (AUC.ASX) | Price A\$0.037 | Target price A\$0.120 | Recommendation Speculative Buy;

Price, target price and rating as at 19 June 2024 (not covered)*

Additional disclosures

Euroz Hartleys has received an allocation of shares and/or options as part of our fee for the provision of Corporate services. These holdings are maintained in our Nominee company, and may present a potential benefit to Euroz Hartleys when sold for: Ausgold Limited (AUC.ASX)

Euroz Hartleys declares that it has acted as underwriter to, and/or arranged an equity issue in, and/or been engaged in a capital raising during the last year. Euroz Hartleys has received a fee for these services from: Ausgold Limited (AUC.ASX)

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