

# AUC: KGP Resource Upgrade to 3Moz; Supports OP development plans

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

PRICE  
**A\$0.03/sh**

TARGET PRICE  
**A\$0.15/sh**  
(FROM A\$0.14/sh)

RECOMMENDATION  
**SPECULATIVE BUY**  
(UNCHANGED)

ANALYST  
**MIKE MILLIKAN**  
MMILLIKAN@EUROZHARTLEYS.C..

## Event

Updated Mineral Resource Estimate (MRE) for the KGP (100% AUC) highlights higher contained ounces and grade, while resource confidence has improved. The latest MRE supports a standalone, large-scale, open pit operation (5Mtpa) and bodes well for increased reserves in the upcoming DFS targeted for Q4CY23.

## Impact

- Total KGP resources (Fig 2) are now **89Mt (+4%) grading 1.06g/t Au (+13%) for 3.04Moz (+15%)**, with ~80% of the contained ounces in the M+Ind category, which is 2.4Moz (+12%) grading 1.08g/t Au (+11%).
- The KGP contains one of the largest, undeveloped open pit, free-milling resources in WA, with project resources still open along strike and at depth, and regional upside.
- The current reserve for the KGP is 32Mt grading 1.25g/t Au for 1.28Moz, used in the PFS (Aug'22), which at the time implied a M+Ind conversion of 72%. Applying similar conversion factors could imply a reserve level of over 1.7Moz which provides opportunities to sustain higher production levels over a long mine life.
- AUC used an inventory of 44Mt grading 1.05g/t AU for 1.48Moz in the 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 flagged to be ~A\$300m for the increased scale 5Mtpa, cost inflated and inclusion of a 7% contingency.
- Attractive production levels for the first 6 years of the mine plan of 155kozpa @ ~A\$1,450/oz AISC, with peak forecast production of 174koz (Yr5), for capital payback in <2 years. We now see opportunities for the KGP to produce closer to 200koz, and sustain ~150kozpa over a longer production period.
- We slightly adjust our modelling for the anticipated improved inventory for the DFS, with our risk-adjusted KGP valuation (NPV10%) to \$0.14/sh (up from \$0.12/sh), and we note at current spot gold our NAV is \$0.22/sh (attractive spot P/NAV of 0.16x).
- On a basic EV/Resource metric AUC is currently trading A\$23/resource oz, well below our Developer/Advanced Explorer peer average of ~A\$80/resource oz, which implies average value of ~10cps for AUC, with more value to come from the pending reserve update.

## Action

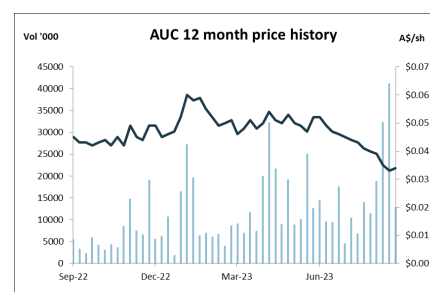
The KGP remains a highly attractive standalone open pit development with a long mine-life, and significant exploration upside. We continue to see good project value and M&A appeal. We maintain our **Speculative Buy recommendation** with a slightly improved **Price Target to \$0.15/sh** (up from \$0.14/sh).

## Catalysts

Ongoing exploration (resource drilling and results); Lithium exploration update; DFS (Q4CY23); Environmental and permitting approvals (2HCY24); FID (2HCY24), and gold price.

Share Price		0.034	A\$/sh
Price Target		0.15	A\$/sh
Valuation		0.14	A\$/sh
Shares on issue		2296	m
Market Capitalisation		78	A\$m
Enterprise Value		69	A\$m
Debt		0	A\$m
Cash		9.4	A\$m
Largest Shareholder		DG	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)	-9.3	1.0	1.2
EPS (Ac)	-0.7	3.9	2.2
EPS growth (%)	0.6	-6.6	-0.4
PER (x)	-4.8	0.9	1.5
EV:EBITDA (x)	-14.9	0.3	-0.4
EV:EBIT (x)	-12.1	0.3	-0.6
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

Market Statistics	Year End	30-Jun
<b>Share Price</b>	<b>0.034</b>	<b>A\$/sh Directors</b>
Issued Capital	2,296.1 m	G Jones NE Chair
Rights	68.0 m	Greentree MD/CEO
Options (var. prices)	103.2 m	D Rakich ED/CoSec
<b>Total Dil. FPOrd</b>	<b>2,467.3 m</b>	<b>Lockwood NED</b>
<b>Market Capitalisation</b>	<b>\$78.1 m</b>	<b>Holders</b>
Enterprise Value	\$68.7 m	Dundee 12.5%
Cash	\$9.4 m	Jupiter 9.7%
Debt	\$0.0 m	Directors 8.0%

Asset Valuation	Base Case
A\$m	A\$/sh
(+) 100% KGP (risk adj 90%)	321 0.140
(-) Corporate	(38) (0.016)
(+/-) Hedging	- -
(+) Exploration	30 0.013
(+) Unpaid Capital	- -
(+) Cash	9.4 0.004
(-) Debt	- -
<b>Total @ 10%</b>	<b>323 0.14</b>
Spot US\$1,917/oz A\$US\$0.638	535 0.22
<b>Price Target</b>	<b>0.15</b>

Forecast Production	2025f	2026f	2027f
<b>KGP - 100%</b>			
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%
<b>Gold Prod (koz)</b>	<b>-</b>	<b>150</b>	<b>160</b>
Cash Costs (A\$/oz)	-	851	1,334
<b>AISC (A\$/oz)</b>	<b>-</b>	<b>939</b>	<b>1,420</b>
<b>Assumptions</b>			
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)	-9	1	1
Earnings (A\$m)	-22	126	71
EPS (Ac/sh)	-0.7	3.9	2.2
EPS Growth (%)	60%	-658%	-44%
Earnings Ratio (x)	-4.8	0.9	1.5
E'prise Val. (A\$m)	208	57	-59
EV : EBITDA (x)	-15	0	-0.4
EV : EBIT (x)	-12	0	-0.6
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
<b>KGP (100%)</b>			
Proven	-	-	-
Probable	32.0	1.25	1.28
<b>Total</b>	<b>32.0</b>	<b>1.25</b>	<b>1.28</b>
<b>EV per oz</b>			<b>54</b>

Profit and Loss (A\$m)	2025f	2026f	2027f
(+) Gold revenue	-	364	389
(+/-) Hedging Revenue	-	-	-
(+) Interest Income	-	-	-
(+) Other Revenue	-	-	-
<b>Total Revenue</b>	<b>-</b>	<b>364</b>	<b>389</b>
(-) 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	-	-	-
<b>Net Profit</b>	<b>(22)</b>	<b>126</b>	<b>71</b>
(+/-) Net abnormal	-	-	-
<b>Net profit After Abnormal</b>	<b>(22)</b>	<b>126</b>	<b>71</b>

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)
<b>Operating Cashflow</b>	<b>(19)</b>	<b>161</b>	<b>126</b>
(-) Capex + Dev.	(300)	(4)	(4)
(-) Exploration	(4)	(5)	(6)
(-) Asset Purchased	-	-	-
(+) Asset Sale	-	-	-
(+/-) Other	-	-	-
<b>Investing Cashflow</b>	<b>(304)</b>	<b>(9)</b>	<b>(10)</b>
(+) Equity Issues	173	-	-
(+) Loan D'down/receivable	150	-	-
(+) Others	-	-	-
(-) Loan Repayment	-	(38)	(38)
(-) Dividends	-	-	-
<b>Financing Cashflow</b>	<b>323</b>	<b>(38)</b>	<b>(38)</b>
Net Cashflows	-	114	78
(+/-) FX Adj.	-	-	-
<b>EoP Cash Balance</b>	<b>13</b>	<b>128</b>	<b>206</b>

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

Resources	Mt	g/t	Moz
<b>KGP (100%)</b>			
Measured	38.1	1.10	1.35
Indicated	31.8	1.04	1.07
Inferred	18.9	1.02	0.62
<b>Total</b>	<b>88.9</b>	<b>1.06</b>	<b>3.04</b>
<b>EV per oz</b>			<b>23</b>

## 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 Mineral Resource Estimate (MRE) - 1 Sep'23

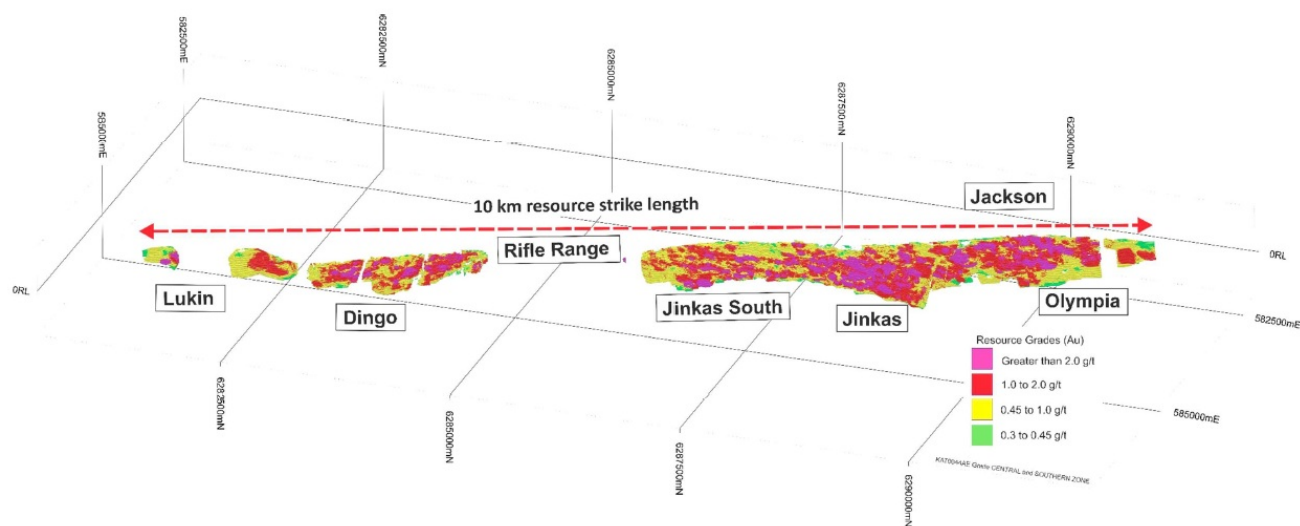
- Open pit cut-off grade of 0.45g/t Au, estimated to 150mRL (>220m bs)
- Underground cut-off grade 1.8g/t Au, estimated beneath 150mRL

Figure 2: KGP MRE (Sep'23)

Material	Category	Oxide			Transition			Fresh			Total		
		Mt	Grade (g/t)	Gold (Moz)	Mt	Grade (g/t)	Gold (Moz)	Mt	Grade (g/t)	Gold (Moz)	Mt	Grade (g/t)	Gold (Moz)
Open Pit	Measured	2.67	1.00	0.086	4.31	1.12	0.155	31.163	1.11	1.11	38.2	1.10	1.351
	Indicated	2.30	1.00	0.074	3.62	0.97	0.113	25.928	1.06	0.879	31.8	1.04	1.067
	Inferred	0.30	0.96	0.009	0.38	0.91	0.011	16.634	0.97	0.519	17.3	0.97	0.539
Underground	Inferred							0.729	3.03	0.071	0.729	3.03	0.071
Tailings	Inferred							0.87	0.35	0.010	0.87	0.35	0.0973
<b>Total</b>		<b>5.28</b>	<b>1.00</b>	<b>0.17</b>	<b>8.31</b>	<b>1.05</b>	<b>0.279</b>	<b>75.32</b>	<b>1.07</b>	<b>2.589</b>	<b>88.91</b>	<b>1.06</b>	<b>3.040</b>

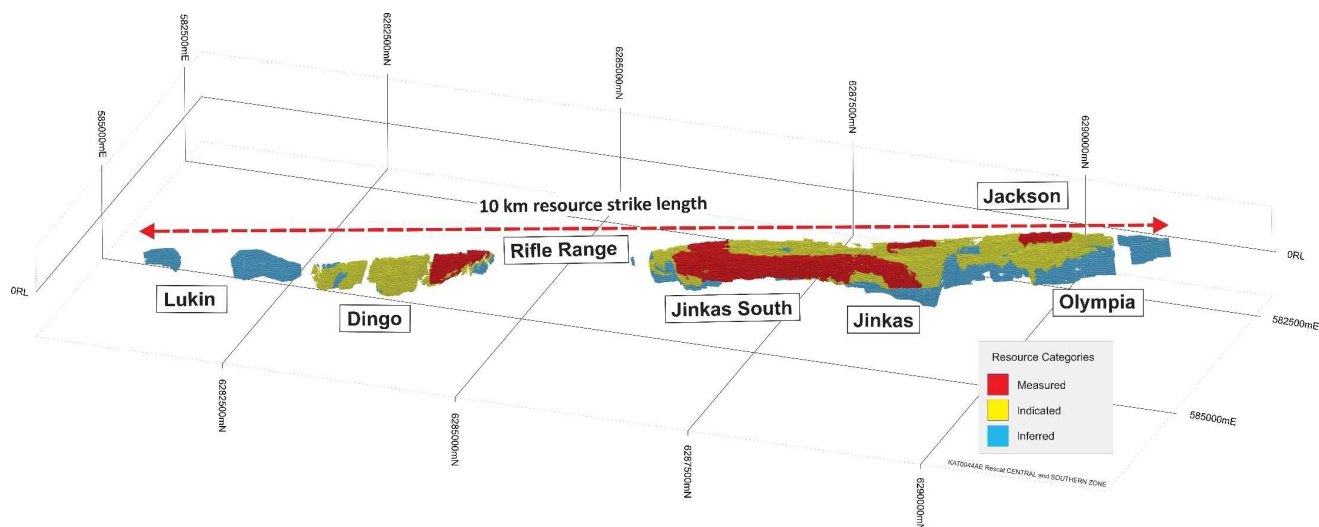
Source: Ausgold Ltd

Figure 3: KGP MRE Grade Distribution



Source: Ausgold Ltd

Figure 4: KGP MRE Block Model Classification



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 update 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 Q4CY23.
- 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.

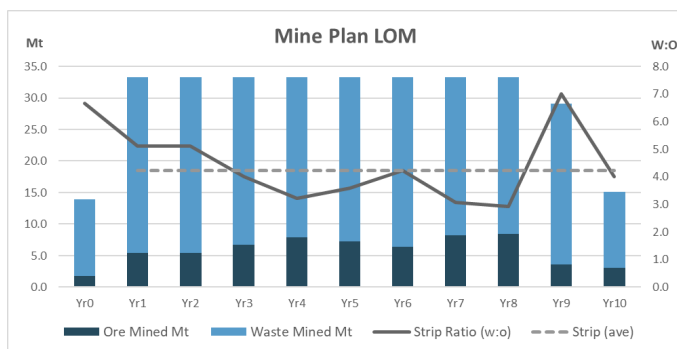
Figure 5: SS Outcomes vs PFS

Key Metrics	AUC PFS 3Mtpa	AUC SS 5Mtpa
Life of Mine (LOM)	11 years	9.75 years
Ore Tonnes Mined	32 Mt	44 Mt
<b>Ore Processing Rate</b>	<b>3.0 Mtpa</b>	<b>5.0 Mtpa</b>
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
<b>Financial Metrics</b>		
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
<b>Capex</b>		
Pre-prod capex	A\$225m	A\$297m
Sus capex	A\$31m	A\$38m
Closure costs	A\$8m	A\$13m

Source: Ausgold Ltd

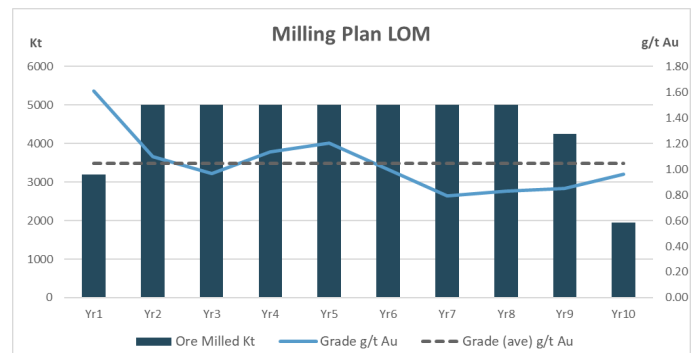
- AUC's development remains subject to completion of the DFS in Q4CY23, permitting, project financing the FID.

Figure 6: AUC SS - KGP Mine Plan LOM



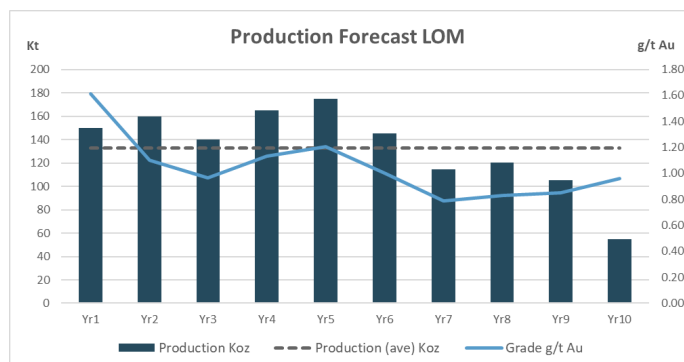
Source: Ausgold Ltd

Figure 7: AUC SS - KGP Processing Plan LOM



Source: Ausgold Ltd

Figure 8: AUC SS - KGP Production Forecast LOM



Source: Ausgold Ltd (subject to update)

Figure 9: KGP Key Milestones

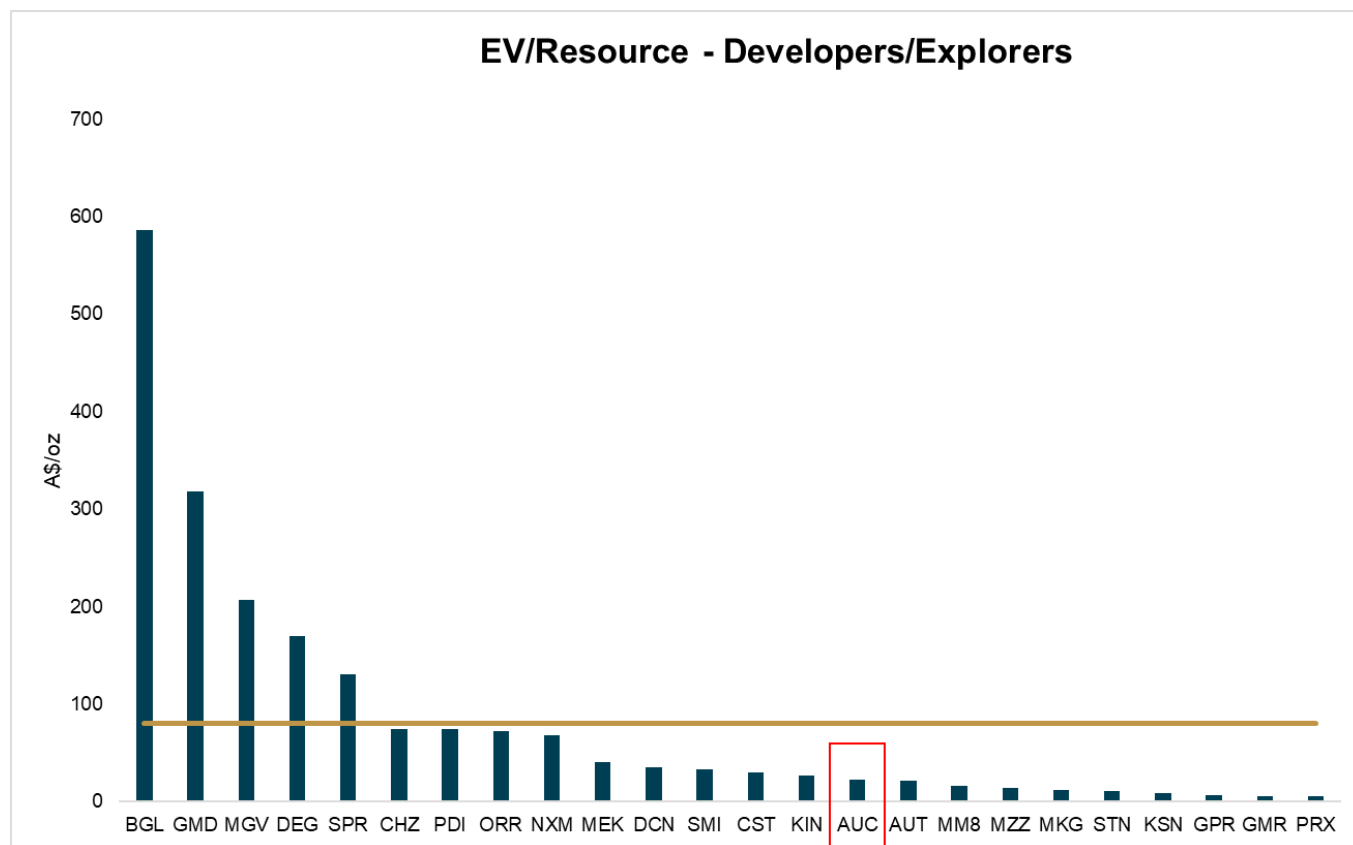
Key Milestone	Q2 CY2023	Q3 CY2023	Q4 CY2023	Q1 CY2024
KGP & Regional Exploration	✓	✓	✓	✓
KGP Mineral Resource Update		✓		
Lithium Exploration	✓	✓	✓	✓
KGP Feasibility Study	✓	✓	✓	
Permitting and Approvals	✓	✓	✓	✓

Source: Ausgold Ltd (subject to update)

## Peer Analysis

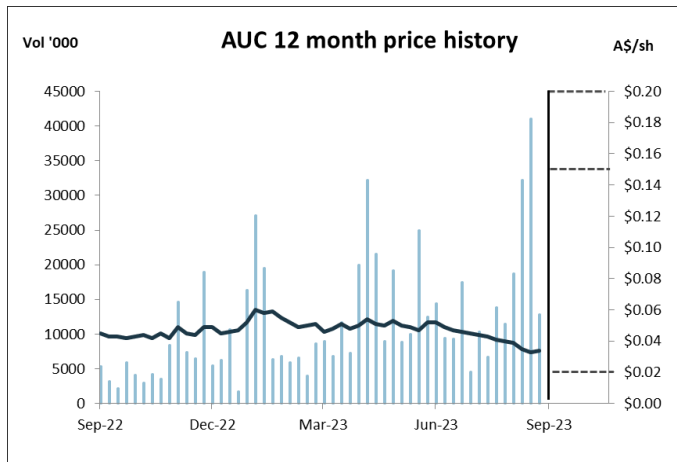
On a basic EV/Resource metric AUC is currently trading A\$23/resource oz, well below our Developer/Advanced Explorer peer average of ~A\$80/resource oz, which implies average value of ~10cps for AUC, with more value to come from the pending reserve update.

Figure 10: EV/Resource - Developers/Explorers (ASX)



Source: Euroz Hartleys

Figure 11: Price History, Bear, Base and Bull



Source: Euroz Hartleys

Figure 12: Bear, Base and Bull Scenarios

**Our Market Sensitivity**

Price Target \$0.15/sh  
Valuation \$0.14/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 22cps.

**Base Scenario \$0.14/sh**

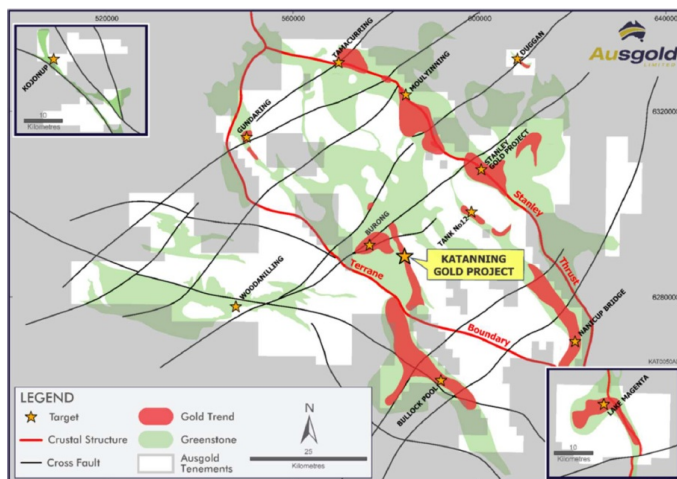
KGP can be developed as a standalone operation producing around our targeted production levels and cost assumptions. AUD gold prices remain around current levels and our long-term prices remain achievable.

**Bear Scenario \$0.02/sh**

Gold price falls over 15% and US\$ strengthen over 15%. Final studies fails to yield an economic project development, with funding difficulties.

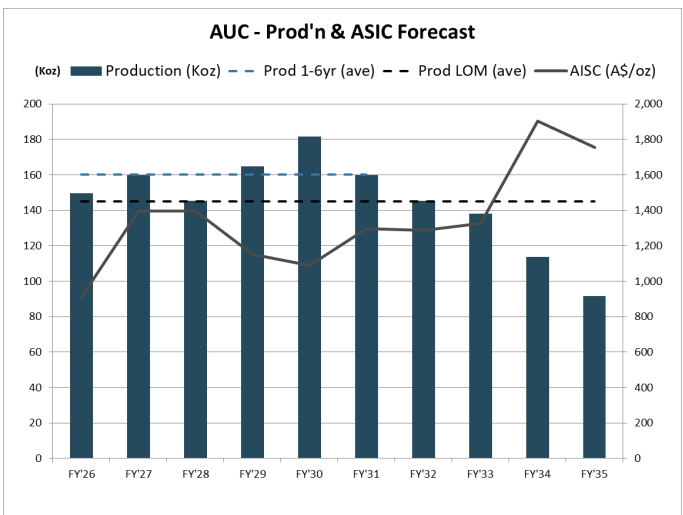
Source: Euroz Hartleys

Figure 13: KGP - Project Setting



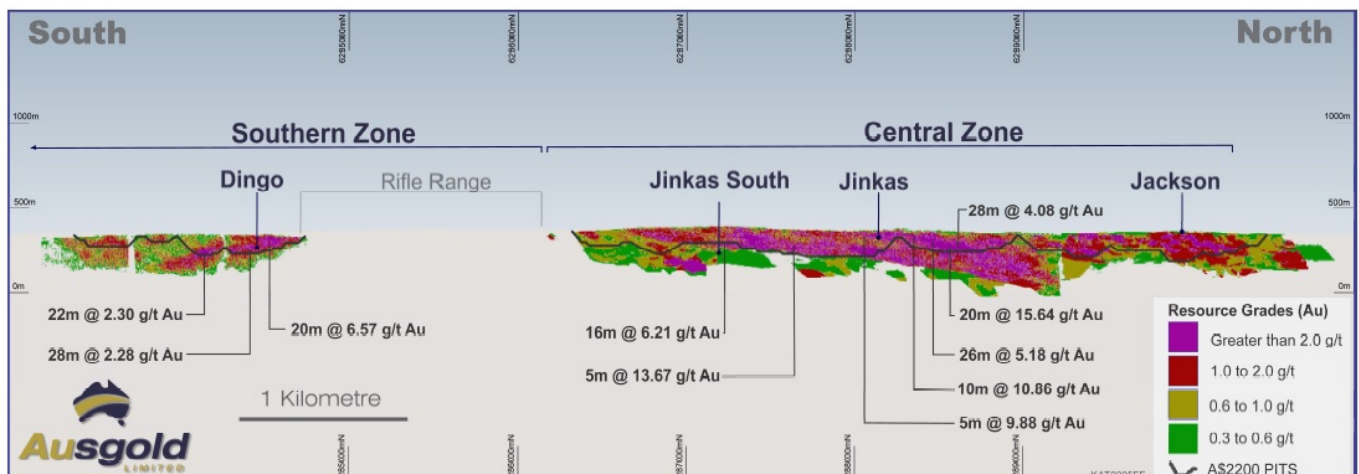
Source: Ausgold Ltd

Figure 14: EH Production Forecasts



Source: Euroz Hartleys, subject to change

Figure 15: KGP Key Deposits



Source: Ausgold Ltd

## Personal disclosures

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities, and we are not in possession of, nor does this Research contain any inside information.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research, nor has any attempt been made to influence this Research.

## Company disclosures

The companies and securities mentioned in this report, include:

Ausgold Limited (AUC.ASX) | Price A\$0.03 | Target price A\$0.15 | Recommendation Speculative Buy;

*Price, target price and rating as at 07 September 2023 (\* not covered)*

## Additional disclosures

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)

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)

## Other disclosures, disclaimers and certificates

### Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Limited (ACN 104 195 057) only.

Euroz Hartleys Limited is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys Limited on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys Limited.

### Disclaimer & Disclosure

Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

You should not act on any recommendation issued by Euroz Hartleys Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference. The author of this publication, Euroz Hartleys Limited, its directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.