

## Ausgold Limited

### Developing its mid-tier potential

Ausgold Limited (ASX:AUC) is an ASX-listed gold exploration and development company focused predominantly on developing its Katanning gold project in south-west Western Australia. In August, the company reported its Pre-Feasibility Study and maiden ore Reserve on Katanning. The reserve was 32Mt at 1.25g/t Au for 1.25Mozs for the life of the project. The current resource is 2.16Moz at an average grade of 1.21g/t Au. The PFS had determined that the project could sustain an 11-year production life, averaging 105k ounces a year from open-pit mining, with higher-grade, front-ended results of 126k ounces a year forecast production in the first six years. The PFS envisaged a 3Mtpa processing facility on-site, with total pre-production capital expenditure of \$225m. The project is forecasted by the PFS to deliver post-tax cashflows of \$547m, and an NPV of \$364m using a A\$2,300 gold price. Ausgold raised \$16.6m in March 2022 to help complete the PFS and undertake the current drilling programme. The company ended the year with \$10.9m cash in hand, positioning it to advance its Definitive Feasibility Study (DFS).

### Portfolio description

The company's flagship project is Katanning, which is located 275km south-east of Perth and approximately 40km north-east of the wheatbelt town of the same name. The current resource at Katanning is 2.16Moz gold with an average grade of 1.21g/t. Ausgold acquired Katanning via a farm-in with Great Southern Resources in 2010, at that time agreeing to earn up to 80% of the project. The company acquired the remaining 20% in 2011. The project had previously been mined from 1995 to 1997 with ore processed on-site, producing 20,000 ounces at an average grade of 2.4g/t. This was at a time when the gold price was under US\$400/oz and ultimately led to the closure of the two pits, Jinkas and Dingo Hill. Under Ausgold's ownership, the scope of Katanning has expanded significantly in scale and resource size. Katanning is the most advanced project in Ausgold's portfolio which also includes the Doolgunna Station copper-gold project and the Yamarna nickel-copper-cobalt project in Western Australia and the Cracow gold project in Queensland.

### Current drilling programme is expanding Katanning's potential

Ausgold is currently undertaking a drilling programme designed to expand the scale opportunity at Katanning and its 2.16Moz resource (to which the company has already added 0.916Moz). New drilling has been designed to add to the near-surface resource. Reverse circulation (RC) drilling at the Jinkas lode and Duggan prospect has intersected high-grade gold mineralisation. At Jinkas, drilling intersected 4m at 17.05g/t Au from 207m, 7m at 6.99g/t Au from 133m, 6m at 4.00g/t Au from 252m And 3m at 7.01g/t Au from 168m, identifying further potential beneath current pits. At Duggan, which is northeast of the Katanning gold project, the results included 4m at 9.3g/t Au from 84m, 1m at 43.2g/t Au from 52m and 5m at 1.15g/t Au from 10m. The company is continuing its drilling programme.

### On the path to completing its DFS

Ausgold anticipates that it will complete the DFS by Q4 CY2023, positioning the company to begin, subject to funding, pre-production works on Katanning towards the end of FY24 and into FY25. Whilst the longer-term fundamentals continue to support a positive outlook for gold prices, the market is being impacted by short-term headwinds on price with continued pressure on global economies from volatile currencies and inflation data. The forecast range is wide with the only firm consensus outlook being that the gold price could test new lows through the remainder of 2022. In an environment of rising interest rates and potentially lower gold prices, financing risks will rise across both equity and debt sources.

#### Share Details

ASX code	AUC
Share price	\$0.04
Market capitalisation	\$86.5M
Number of shares	2,029.5M
Total unlisted options on issue	48.0M
Net cash at 30-Jun-2022	\$10.9M

#### Share Price Performance (12 months)



#### Upside Case

- Progressing to DFS stage
- Further scale identified in current PFS for larger operation
- Large exploration upside identified in current drilling programme with discovery potential from gold, Ni-PGE and Li based on proximity to three world-class deposits (Greenbushes, Boddington and Julimar)

#### Downside Case

- Significant capital required to develop the project
- Inflation and rising interest rates materially impact the costs and return on the project
- Falling commodity prices would potentially impact investment case

#### Catalysts

- Updated Resource with near-surface extension of the defined resource
- Further gold, Ni-PGE and Li discoveries from regional exploration programmes
- Finalising DFS
- Successful project financing

#### Comparative Companies (Australia & NZ)

BCN, BC8, GMD, MG, V, STK, TUL

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## FINANCIAL SERVICES GUIDE

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