

Ausgold Limited AUC (\$1.50)

Recommendation: SPECULATIVE BUY

Targeting a New Gold Province

Analyst: Simon Tonkin

OUR VIEW

Ausgold Limited ("AUC") has utilised some of the latest advances in exploration technology to target areas in Australia that are highly prospective for gold and copper ore bodies. The company has pegged 12,500km² within Australia based on work by the Centre for Exploration Targeting, an internationally renowned group affiliated with the University of Western Australia and Curtin University. We recently visited AUC's flagship Katanning Gold Discovery located 300km southeast of Perth and were impressed with the potential to establish a new gold province. AUC has 15km of strike on its 80% owned JV ground with gold mineralisation (resources) and anomalism recorded along the entire length. Thus far at the Jinkas deposit AUC has discovered continuous mineralisation along 900m of strike. We are awaiting drill results (150 holes) from Dingo which is located 3km south of Jinkas with drilling underway at Jackson (2km north of Jinkas). This has the potential to prove up 8km of strike. In addition, AUC has secured a number of other highly prospective projects. We believe there is potential for a multi-million ounce gold discovery which could be the biggest new discovery since Tropicana. We have a Speculative Buy rating on AUC.

Investment Highlights

- Boddington South: Targeting a New Gold Province.** AUC has secured tenure over the majority of the Katanning greenstone belt. AUC's tenements contain parallel structures and similar geology to Newmont's 26Moz Boddington gold mine, the largest in Australia. AUC is targeting Boddington-style mineralisation which precipitates gold deposits on the contact between the granite (acid) and the mafic (alkaline) rocks. AUC has 15km of strike on its 80% owned JV ground with gold mineralisation (resources) and anomalism recorded along the entire length. In addition AUC has 85km of strike on its 100% owned ground and recently secured a further 33km from a 60% JV with Dominion Mining. Based on our analysis we believe there is multi-million ounce potential.
- Resource Estimate in May.** Drilling at Boddington South has initially focused on the Jinkas deposit (the largest in the area) thus far AUC has established in excess of 900m of gold mineralisation to a depth of 100m. Based current drilling we believe this has the potential to yield a resource of approximately 400koz Au at 3.5g/t Au. A resource estimate will be completed in May. Drilling has shifted to focus on the Dingo and Jackson orebodies which if mineralized could provide 8km of mineralized strike. AUC has planned a 100,000m RC/Diamond program in June and will test the orebody to a strike of 1.4km and to 500m depth.
- Favourable Mining Location.** The project is located 300km SE of Perth, Western Australia and within 30km from the wheat belt town of Katanning. The proximity to large centres means that it is an attractive location for miners and with significant infrastructure already in place.
- Excellent Management Team to Drive Discovery.** The team is led by Benjamin Bell a geologist and geophysicist with 15 years in the mineral industry which included a stint at Regis Resources. Robert Pett is Chairman with over 27 years' experience and has been involved in the successful exploration, development, operation and financing of more than ten mining projects worldwide.
- Other Projects Have Significant Potential.** AUC's other projects are highly prospective for further discoveries. The Yamarna project is the most progressed with a hit of 31m at 0.58% Cu and 0.35% Ni. AUC's Doolgunna Station project adjacent to Sandfire Resources DeGrussa discovery.
- Catalysts.** 1) Ongoing positive drill results Dingo/Jackson 2) May - Katanning Gold Discovery Resource Estimate 3) April Follow-up Drill Program at Yamarna.

Directors & Shareholders

Directors	Position
Robert Pett	Chairman
Benjamin Bell	CEO
Simon Trevisan	Executive Director
Richard Lockwood	Non-Executive Director
Christopher Kelsall	Non-Executive Director

Shareholders	Holding (%)
Transcontinental Group	17.7
CQS Asset Management	14.7
NEFCO Nominee Pty Ltd	8.7
Mr Denis Rakich	8.4
Tenalga Pty Ltd	7.7
Batterbury Holdings Pty Ltd	6.2

Company Statistics & Performance

Shares on issue (m)	93.8	3mth ADT (\$m)	0.192
ITM Options (m)	88.7	EV (\$m)	270.5
Market Cap. (\$m)	273.8	Debt est (\$m)	0.0
52 week range	\$0.12 - \$1.75	Cash est (\$m)	3.3



Disclosure: Patersons was lead manager in an IPO for AUC in December 2009 that raised \$10m at \$0.20/sh. Patersons received a fee for this service.

Figure 1: Project location

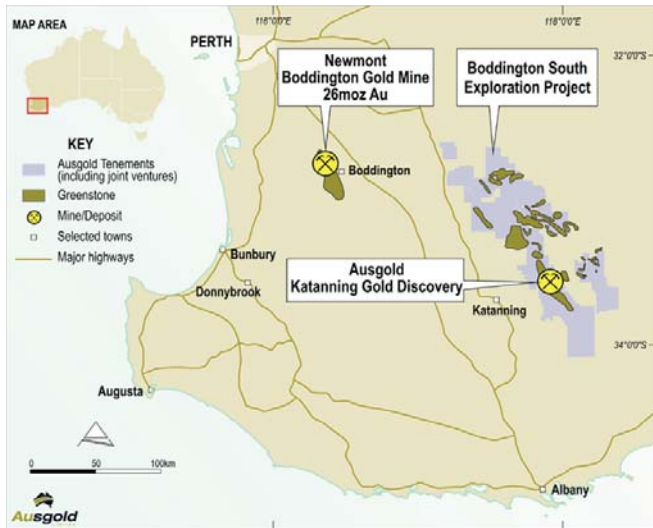


Figure 2: Granite-Mafic trend and gold occurrences

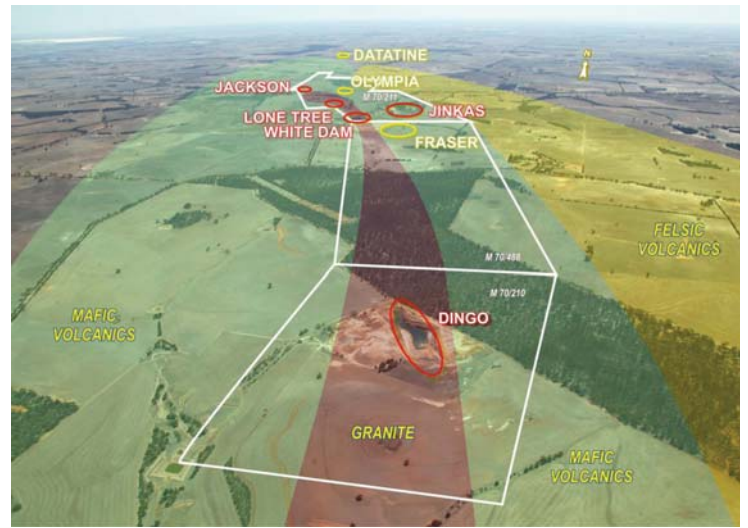


Figure 3: Project JV and Newmont mine location

