



20th December 2019

Ausgold Ltd. (AUC) - Initiation

Speculative Buy

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Summary (AUD)

Ordinary Shares	990.1m
Unlisted Options	42.2m
Unlisted Performance Rights	35.0m
Market Capitalisation (m, undil.)	\$12.9
Net Cash/Equiv. (post placement)	~\$2.0m
Share Price (19/12/2019)	\$0.013
52 week high/low	\$0.027/\$0.012

Share Price Graph



Directors

Richard Lockwood	Non-Exec. Chairman
Dr Matthew Greentree	Managing Director
Denis Rakich	Exec. Director/Com. Sec.
Neil Fearis	Non-Exec Director
Geoffrey Jones	Non-Exec Director

Major Shareholders

Richard Lockwood	4.57%
Old Blood & Guts PL	4.07%
CS Third Nominees PL	3.92%
HSBC Custodian Nominees Ltd	2.95%

Investment Highlights

- Ausgold Limited (ASX: AUC) is a gold exploration and development company based in Western Australia. The flagship project is the 100%-owned Katanning Gold Project, located 275km south-east of Perth. Ausgold holds a ground position of +4,000km² in a relatively underexplored greenstone belt. The current JORC 2012 Resource at Katanning stands at 1.2Moz @ 1.1g/t. A number of untested drill-ready exploration targets have been identified within the tenement package.
- The most recent drilling program started in early December and will consist of 20 Reverse Circulation (RC) holes for 2,500m. Assays for this program are expected in January. The new drilling within the Central Zone will target extensions to recently identified high-grade gold mineralisation intercepted at the Jinkas South and Jackson areas. Previous intersections include:
 - 26m @ 6.6 g/t Au from 117m including 4m @ 37.2 g/t Au
 - 16m @ 6.2 g/t from 114m including 4m @ 22.4 g/t Au
 - 15m @ 3.7 g/t from 117m including 5m @ 10.4 g/t Au
- Reconnaissance rock chip sampling and auger programmes over six prospects are being conducted in the regional target areas and will be followed-up with aircore drilling. The RC drilling, which is scheduled to begin in Q1 CY20, will focus on the Central Zone and several other regional targets.

Katanning Gold Project – Location

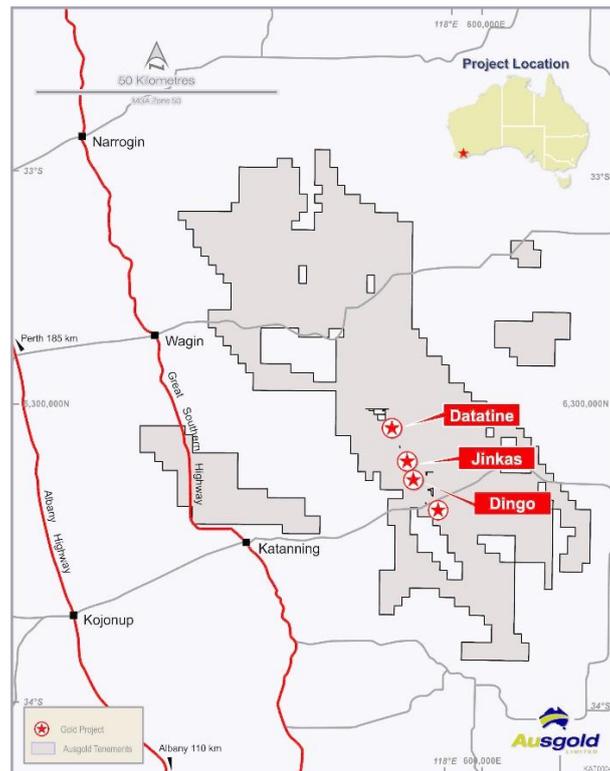


Figure 1 – Katanning Gold Project Tenement Location Map

Ausgold has held tenements in the area since 2009. Gold mineralisation at the Katanning Gold Project (KGP) occurs broadly as well-defined stacked lodes described as orogenic shear-hosted deposits that have undergone post-mineralisation deformation. High gold grades have a strong relationship with magnetic pyrrhotite, making targeting through VTEM a practical solution over a large region, particularly where transported cover has limited soil anomalism.

Mineral Resource

The current Mineral Resource stands at 33.9Mt @ 1.1g/t Au for 1.2Moz (cut-off of 0.6 g/t).

Resource category	Tonnes Mt	Grade (g/t au)	Contained gold (oz)
MEASURED	2.26	2.05	149,000
INDICATED	11.99	1.14	440,690
INFERRED	19.68	0.97	611,340
TOTAL RESOURCE	33.93	1.10	1,201,030

Table 1 – JORC 2012 Resource at the Katanning Gold Project (source: Ausgold Ltd announcement)

- Resources on granted Mining Leases
- Good metallurgical recoveries (90% overall recovery, with 20% gravity recovery). Additional work will be completed to confirm ore processing requirements
- Well supported by infrastructure - grid power, sealed roads & nearby townships (potential workforce)
- Significant potential to expand Resource across Ausgold's regional position with a strategic landholding covering 130km of prospective strike length (46 gold targets identified, including two newly identified gold mineralised trends parallel to main deposit; both with a strike length of ~10km)

- Planned drilling program targeting Resource extensions and other gold targets within 5 km of the main deposit (including underground potential)

Exploration/Work Program

The Katanning Gold Project has a number of notable drilling gap areas that will be the focus for Ausgold in the current exploration programs. This includes both down-dip potential and opportunities along strike. Jinkas North and South have over 1.2km of untested zones that are along strike from high grade lodges and have coincident geophysical (Fixed Loop EM, gravity and magnetic) and geochemical anomalies. Downhole EM has also been an effective tool in identifying new high grade targets at depth to drill. Additionally, the Rifle Range is also another area of interest that Ausgold will eventually look to drill within the upcoming programs.

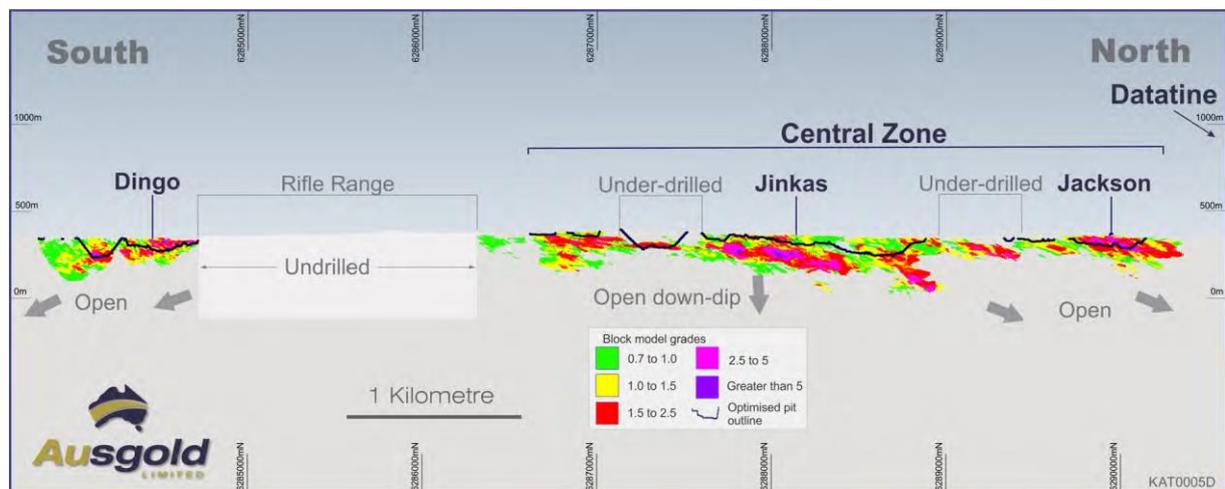


Figure 2 – Potential Resource Extensions at the Katanning Gold Project (source: Ausgold Ltd presentation)

Phase 1 RC Drilling Program (2,500m):

Ausgold is currently completing a 2,500m RC drilling program that will feed into a Resource upgrade in 2020. Drilling should be completed by Christmas and assays will be forthcoming in January. The drilling program consists of:

- RC drilling at Jinkas South (1,750m) – extension and infill of high-grade mineralisation (previous results include 26m @ 6.6g/t Au and 16m @ 6.2g/t). The current resource is open along strike with identified DHEM targets to be drilled.

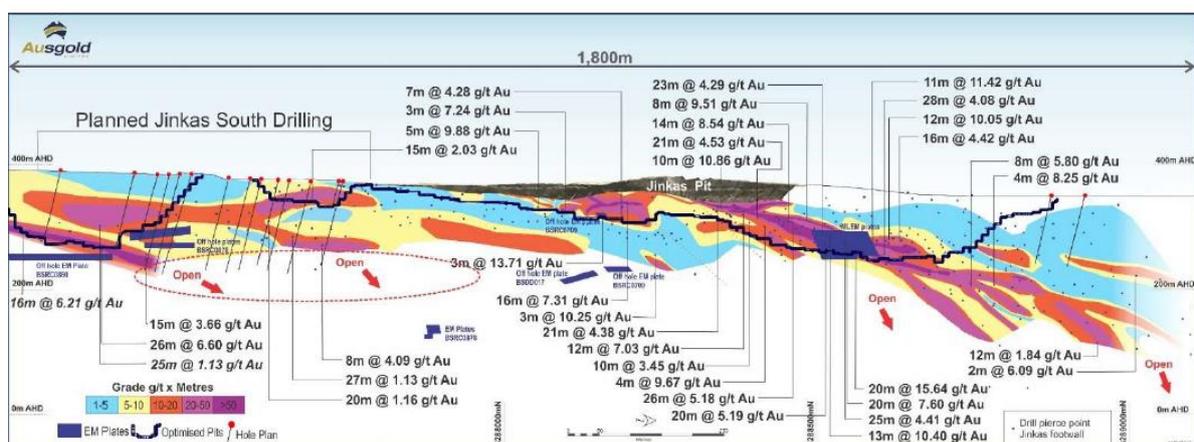


Figure 3 – Long Section showing previous drill intersections at Jinkas & Jinkas South (source: Ausgold Ltd presentation)

- RC drilling at Jackson (~750m) located in the northern portion of Central Zone. There is currently only wide spaced drilling over much of this trend (120m-spaced lines). Previously intersected high grade gold mineralisation, which requires both infill and extensional drilling to further enhance the quality of ounces.

Phase 2 RC Drilling Program (4,500m):

Ausgold is also likely to commence a further 4500m of RC drilling in February to follow-up on results from Phase One and several other targets including Jinkas North and Olympia.

Regional Programs:

- Auger and rock chip sampling
- Burong, Nanicip Bridge and Bullock Pool. The exploration program could consist ~2,000m of RC and ~500m of diamond drilling as part of a government co-funded drill program (\$150k rebate) that will start late in Q1 CY20

Ausgold is also planning an aircore drilling program in Q1 CY20 to focus on areas outside of the current Resource. These areas include:

- Northern KGP – area un-tested between Central zone and Datatine
- Meinmugan and Wishbone
- Burong infill – preparation of EIS co-funded drilling

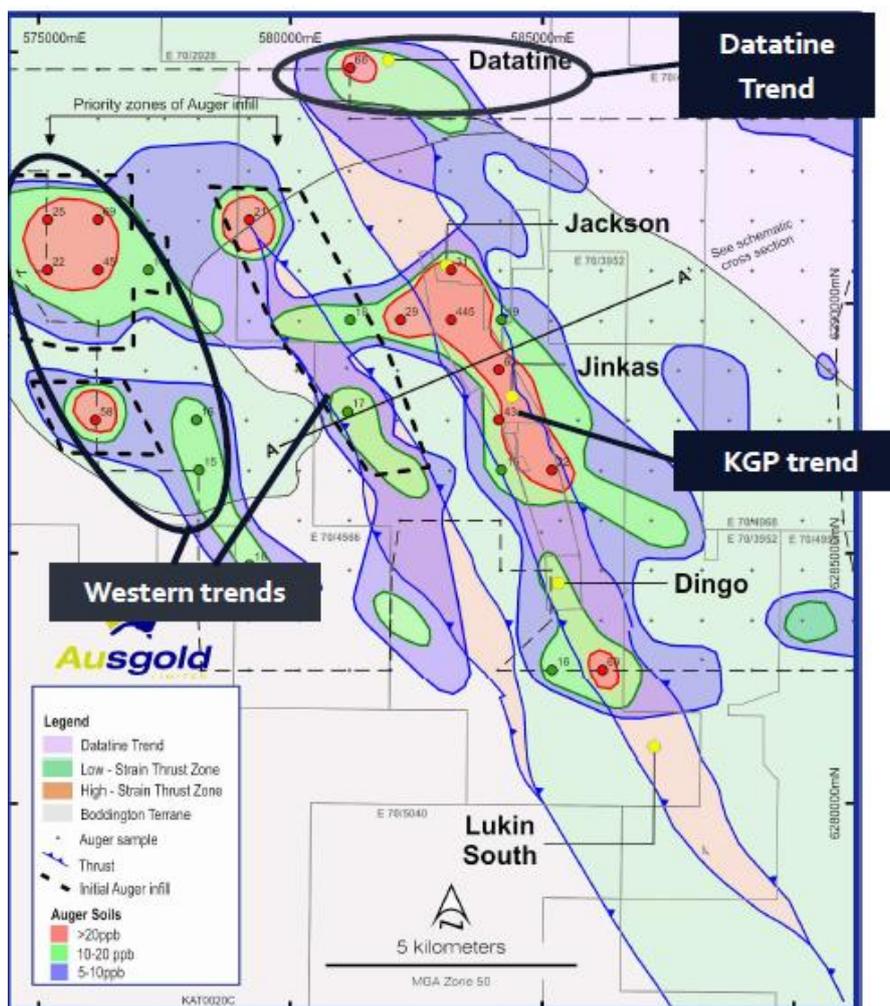


Figure 4 – Plan View of Known Western Trends at the Katanning Gold Project (source: Ausgold Ltd presentation)

Metallurgy

Test work on samples from the Katanning Gold Project (KGP) was undertaken over the period 1984 to 2014. This test work and the results from the plant operation in 1996/1997 have been used in interpreting the metallurgical behaviour of the material comprising the KGP. Treatment included both oxide and primary ore from the Jinkas Hill and Dingo Hill pits.

As a guide to the metallurgical properties of the ore, the following assumptions were made in the November 2019 Scoping Study based on previous operations:

- Bond ball mill work index = 25 kWh/t
- Milling circuit product size = 106µm (P80)
- Extraction circuit design is based on Gravity-Leach-Adsorption
- Gravity gold recovery = 20%
- Leach gold extraction recovery = 90%

Ausgold have acknowledged the need to improve the understanding of the metallurgy and the potential cost savings that can be derived from that. The optimisation process will be progressive in CY20 as additional drilling is done at each respective target and a more defined mining plan is structured around the growing resource base.

Project Infrastructure

The Katanning Gold Project is well-located in the south-west of Western Australia. This ideal positioning provides for a number of advantages with infrastructure. This was incorporated into the recently completed Scoping Study, but will be leveraged further as discussions continue with the local shire and other utility suppliers with any potential development progress. The following infrastructure items have been recognised as the prime advantages for the Katanning Gold Project:

Site Development and Access Roads

Existing shire roads will provide access to and from Katanning and the site.

Power Supply

Overhead power lines run adjacent to the project site and may provide part of the power requirements. Further discussions would need to be had with the utility supplier before being used within the mining operation.

Water Supply

Any potential operation would satisfy the raw water demand via bore fields for the process plant. The plant will use tailings thickener and a decant return system to maximise water recycle from the tailings storage facility.

Accommodation

Accommodation for the operation's potential workforce could be provided in Katanning approximately 35km from the project.

Scoping Study

The Scoping Study for KGP was completed in November 2019. Based on a proposed 1.25Mtpa standalone mining and processing operation, the Scoping Study demonstrated a potentially economic operating scenario.

Discount Rate	8%
Gold Price	A\$2,000
LOM Strip Ratio	6.0
Processing Rate	1.25Mtpa
LOM Production Target	7.2yrs
Average Mined Gold Grade (diluted)	1.29g/t Au
Gold Recoveries	90% (20% gravity)

Table 2 – Key Scoping Study Parameters and Assumptions

Pre-tax NPV	\$77m
IRR	28.2%
Payback Period	~2.5 years
C1 Operating Costs	A\$1,276/oz
AISC	A\$1,615/oz
Life-of-Mine (LOM)	~7.2yrs
Pre-production Capital Cost	~A\$102.5m
Net Cashflow	~A\$136m
Annual Production	~50kozpa

Table 3 – Financial Outcomes from Katanning Gold Project Scoping Study

The Study identified key areas where the Katanning Gold Project can be further optimised to provide improvement in project economics; these include:

- Further exploration in areas with limited drilling required to add mineable ounces and potentially reduce stripping ratios
- Metallurgical test work to optimise the current gold recovery estimates, throughput and plant performance and reduce operating costs
- Detailed assay test work of high-grade mineralisation where conservative top cuts have been applied to ensure the high-grade gold is captured in the mineable ounces.

The current Mineral Resource remains open both along strike and down-dip, and optimisation work indicates that the conceptual open pits are largely constrained by the limit of drill data. Ausgold will also need to confirm that the ground is geotechnically competent as is assumed from past mining records. High-grade gold targets have been identified at Jinkas South and Jackson which have the potential to add to the size and grade of the Katanning Gold Project Resource.

As mentioned previously, historic metallurgical test work and plant performance from the previous mining operation undertaken between December 1995 until May 1997 was used as the basis for the development of the Scoping Study. Ausgold notes that there needs to be a proper look at the metallurgy for different ore types or lithologies and will take a selection of samples representing head grades for each ore type to better establish gold grades and recoveries.

Other Projects

Ausgold also has three other exploration projects located in prospective mineral belts in WA and Queensland:

- **Doolgunna Station (Western Australia, JV with AIC Mines)**
Covers 176km² with copper-gold Volcanic Hosted Massive Sulphide (VHMS) targets in the Narracoota Volcanics west along strike from Sandfire Resources' Degruusa deposit.
- **Yamarna (Western Australia, 49% interest – in JV with Great Boulder Resources GBR.ASX)**
300km² of prospective ground within the Yamarna greenstone belt, limited drilling has identified Ni-Cu-Co mineralization and several untested VTEM anomalies exist.
- **Cracow (Queensland, 100% interest)**
200 km² of prospective ground over the Camboon Volcanics with native copper associated with highly altered rock chip samples having grades up to 1.8% Cu and 5.5 g/t Ag located north of Evolution Mining's Cracow deposit.

Directors

Richard Lockwood

Non-Executive Chairman

Mr Lockwood has forged a successful career in fund management and mining investment and was the founder of New City Investment Management, of which one of the five quote investment trusts he ran the specialist Geiger Counter Limited Uranium Fund. Mr Lockwood was formerly a Director of AIM-listed Kalahari Minerals which was acquired by CGNPC Uranium Resources Co. Ltd. Formerly a mining investment partner for Hoare Govett and McIntosh Securities he was involved in the development and financing of several gold and base metals projects in Europe, Australia and Africa. Mr Lockwood's intimate knowledge and experience in the mining and uranium industries is an asset to the Company during its current growth phase.

Dr Matthew Greentree

Managing Director

Dr Greentree holds a B.Sc. 1st Class (Hons) in Geology from Macquarie University and a Ph.D. in Geology from The University of Western Australia. He has over 20 years of experience in minerals exploration and mining in Australia, Asia, Africa and South America.

Dr Greentree is a highly experienced geologist with expertise in structural geology, exploration targeting in greenfield and brownfields environments, managing multidisciplinary studies and the evaluation of mineral projects. He is a member of the Australian Institute for Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG) and is Vice Chair of the AIG Western Australian Branch Committee and a member of the VALMIN Committee. Dr Greentree is an Adjunct Research Fellow at the Centre for Exploration Targeting at The University of Western Australia.

Denis Rakich*Executive Director and Company Secretary*

Mr Rakich is an Accountant and Company Secretary with extensive knowledge and experience within the mineral production and exploration industries. He is a member of CPA Australia and has served as a Director and/or Company Secretary for other ASX Listed companies within the resources sector. Mr Rakich is responsible for the financial, legal and corporate management of Ausgold Limited.

Neil Fearis*Non-Executive Director*

Mr Fearis is a leading corporate and commercial lawyer in Western Australia specialising in mergers and acquisitions, capital raisings and corporate reconstructions with a particular focus on the mining and resources sector. He has been in practice for more than 40 years and worked as a commercial lawyer in London, Sydney and Perth. He provides corporate and commercial legal advice to public company clients and has advised on some of the largest corporate transactions ever undertaken in Australia.

Prior to studying law, Mr Fearis spend several years engaged in mineral exploration in both Australia and Southern Africa and as a result has a good understanding of the practical issues facing companies developing resource projects in remote locations, both in Australia and overseas. Mr Fearis has been a Director of a number of ASX and TSX Listed companies, primarily though not exclusively in the resources sector.

Geoffrey Jones*Non-Executive Director*

Geoffrey is a civil engineer with over 30 years' experience in construction, engineering, minerals processing and project development in Australia and overseas. Geoff previously worked for Baulderstone Hornibrook, John Holland, Minproc Engineers and Signet Engineering before serving as Group Project Engineer for Resolute Mining Limited. Geoff is currently the Managing Director for GR Engineering Services.

Prior to joining GR Engineering Services in 2011, Geoff was the General Manager of Sedgman Limited's metals engineering business and was also responsible for the strategic development of the metals engineering division internationally.

Risks**Exploration Risk**

As with any junior resource company, there is always exploration risk associated with the targets that have been identified in the upcoming exploration campaign. Previous results cannot assure future drilling success and poor results may lead to an outcome whereby an economic resource is not discovered.

Market Conditions

Gold markets can fluctuate and this can have an effect on feasibility studies and economic mine grades. Ausgold is using conservative figures at this point to ensure the robustness of any potential mining scenarios. Nevertheless there are financial sensitivities in relation to commodity pricing (positive or negative) that need to be accounted for.

Funding

As with any exploration company, there is a constant requirement for funding to complete exploration programs and generate an economic Resource. This will need to be covered by funding from debt and/or equity, until the point at which the company can be funded through operational cash flow.

Management

A key aspect to the Ausgold business model is the technical strength of the management team. A strong understanding of the geology and being able to execute on a plan is paramount to early success. Ausgold has a suitable team in place and this will continue to be an important component as expenditure ramps up.

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