

Ausgold Limited AUC (\$1.14)

Recommendation: SPECULATIVE BUY

Drilling continues as new MD sought

Analyst: Simon Tonkin

OUR VIEW

Ausgold Limited's (AUC) Managing Director Benjamin Bell resigned on 18 October to pursue other opportunities and the AUC Board is now searching for a new Managing Director to drive the company. AUC's flagship Boddington South Gold project has excellent potential to develop into a new gold province. Thus far at the Katanning Gold discovery AUC has identified strong gold anomalism over 18km with at least two parallel mineralised intrusive structures identified. Drilling campaigns have targeted the Jinkas, Dingo, Jackson/Olympia prospects where gold mineralisation has been defined by drilling over 2km of strike. The most recent results were from first pass drilling at Dingo which returned some excellent results including: 10m at 11.3g/t Au from 17m, 12m at 3.12g/t Au from 34m and 4m at 7.05g/t Au. Recently AUC raised \$25m attracting a number of significant global institutional investors to continue its aggressive exploration program at the Boddington South Gold project. AUC currently has 6 rigs on site drilling out a 4.25 kilometre section of the eastern mineralised corridor between Fraser in the south to Jinkas and north to Neighbours. In addition, AUC plans to drill a number of regional targets with the Boddington South Gold Project. AUC also owns a number of exciting regional projects with the most advanced being Yamarna and as well at the Doolgunna Station project near the DeGrussa copper-gold project. We retain our Speculative Buy rating.

Investment Highlights

- Boddington South Gold Project: Targeting a New Gold Province.** AUC has secured tenure over the majority of the Katanning greenstone belt. AUC's Katanning Gold discovery contains at least two parallel mineralised structures (Western and Eastern Corridor). AUC is targeting intrusive mineralisation which precipitates gold deposits on the contact between the granite (acid) and the mafic (alkaline) rocks. AUC has over 100km of strike on its 100% owned ground with gold mineralisation (resources) and anomalism recorded along 18km. In addition AUC has 33km strike from a 60% JV with Dominion Mining (DOM). AUC has commenced an aggressive 100,000m drill program which is targeting a section of the eastern mineralized corridor covering Fraser, Jinkas and Neighbours which appears to be a continuous zone of gold mineralization covering 4.25km of strike. The aim of this programme is to 1) deliver an initial JORC resource down to 150m and 2) scope the potential for ounces beyond this with deeper holes down to 400m. Dingo mineralisation has been extended to 1.2km and drilling at Jackson and Olympia should add further ounces. Based on this drilling we believe there would be excellent potential to define a multi-million ounce resource. An initial resource estimate is expected at the end of this programme.
- Awaiting New MD to Drive Project.** With the surprise departure of Ben Bell who left to join a grass roots exploration company in Africa AUC will need to fill the void. We believe the appointment of a quality Managing Director with good geological/mining experience will be a key catalyst for the stock. In the meantime, the Chairman Robert Pett has assumed MD responsibilities. Mr Pett has over 27 years' experience and has been involved in the successful exploration, development, operation and financing of more than ten mining projects worldwide.
- 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.
- Other Projects Have Significant Potential.** AUC's other projects are highly prospective for further discoveries. The Yamarna project is the most progressed. AUC also holds the Doolgunna Station project which is adjacent to Sandfire's (SFR) DeGrussa copper-gold project. The ground was pegged 12 months before the Sandfire discovery.
- Catalysts.** (1) Appointment of New Managing Director (2) Ongoing positive drill results (3) Resource estimate 2012.

Management & Shareholders

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

Shareholders	Holding (%)
Simon Trevisan	14.1
Credit Suisse	8.1
JP Morgan	7.6
Ivan Rakich	6.8
Ian Murchison	6.1
Geiger Counter	5.1
Robert Pett	4.9
Top 20	83.4

Company Statistics & Performance

Shares on issue (m)	117.9	3mth ADT (\$m)	0.245
ITM Options (m)	86.4	EV (\$m)	228.3
Market Cap. (\$m)	245.1	Debt est (\$m)	0.0
52 week range	\$0.41 - \$1.80	Cash est (\$m)	16.9

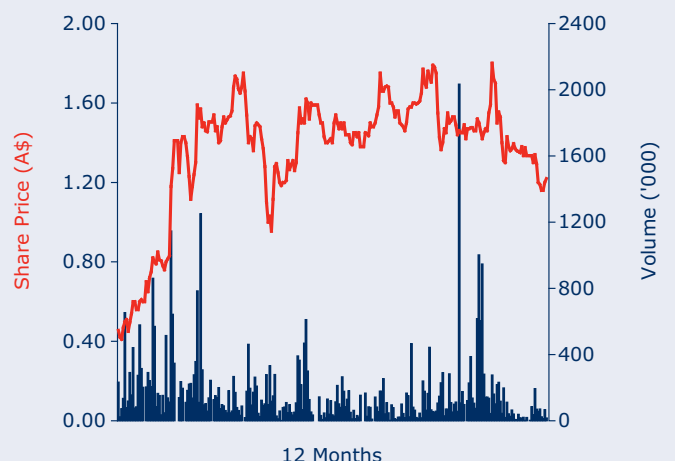


Figure 1: AUC Project Location

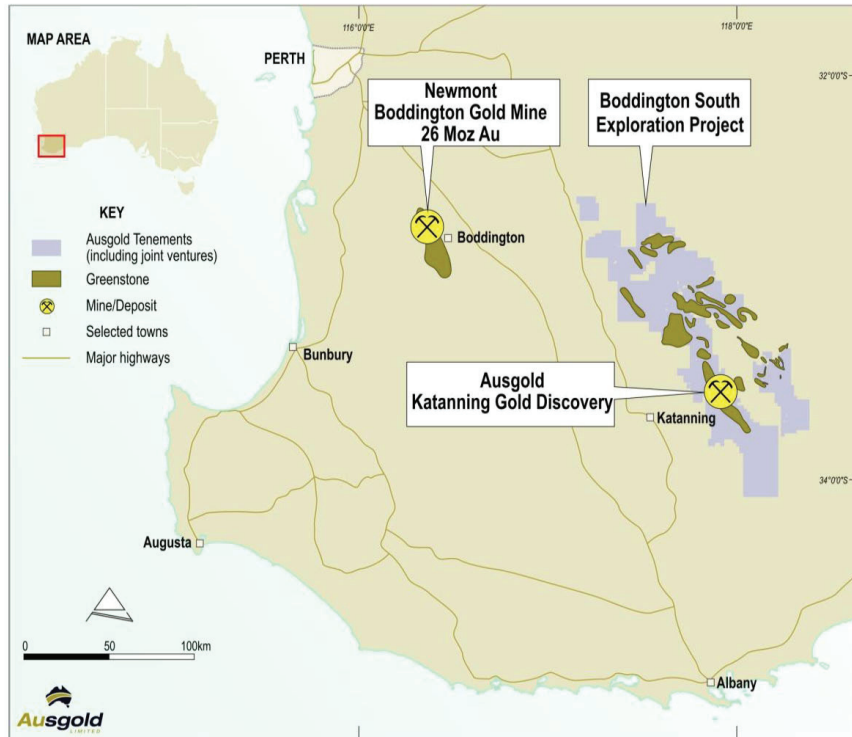


Figure 2: Boddington South Project: Highlighting Two Mineralised Corridors

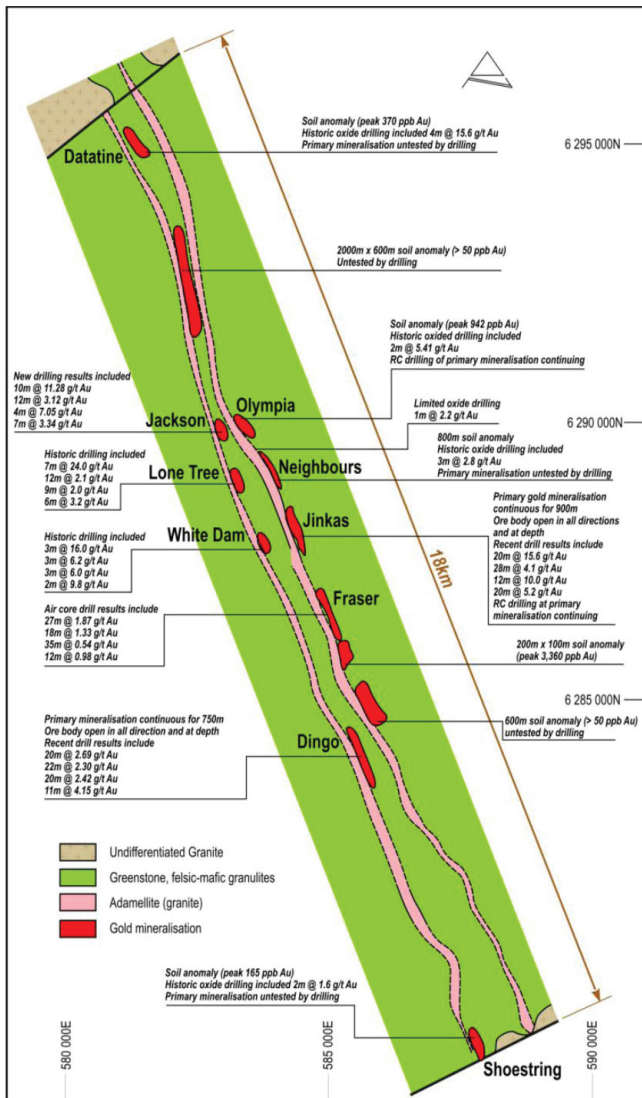


Figure 3: Eastern Corridor Looking South

