

Ausgold Limited AUC (\$1.36)

Recommendation: SPECULATIVE BUY

A New Gold Province in the Making

Analyst: Simon Tonkin

OUR VIEW

Ausgold Limited's ("AUC") 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 targeting 1) extensions to Dingo and Jackson 2) infill drilling at Jinkas and 3) testing other targets. 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 project 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).
- Resource Estimate End of 2011:** We expect AUC to release its maiden resource estimate by the end of the year. AUC has commenced an aggressive 100,000m drill program which is targeting to extend Jinkas to 1.5km in strike (currently 900m) and 500m depth (currently 100m). In addition, extend the Dingo mineralisation to 1.2km (currently 750m) and 400m depth (currently 100m). In addition, 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.
- 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. 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) Ongoing positive drill results (2) 2H/2011 Metallurgical Results (3) End 2011 Maiden Katanning Resource Estimate (4) August Follow-up drilling at Yamarna.

Directors & Shareholders

Directors	Position
Robert Pett	Non-Exec Chairman
Benjamin Bell	CEO
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)	0.194
ITM Options (m)	86.4	EV (\$m)	259.8
Market Cap. (\$m)	277.8	Debt est (\$m)	0.0
52 week range	\$0.31 - \$1.80	Cash est (\$m)	18.0

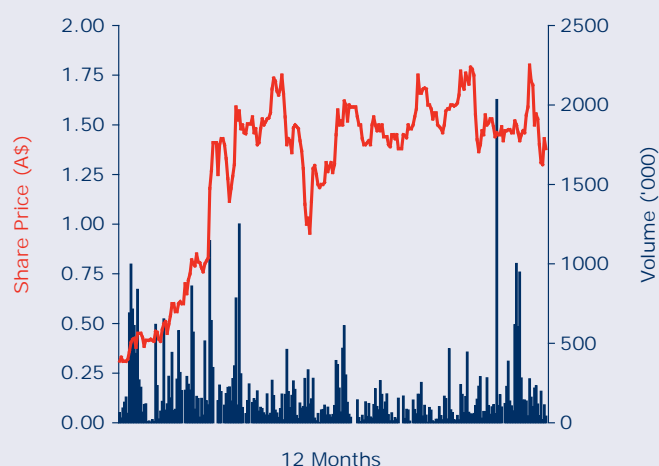


Figure 1: AUC Project Location

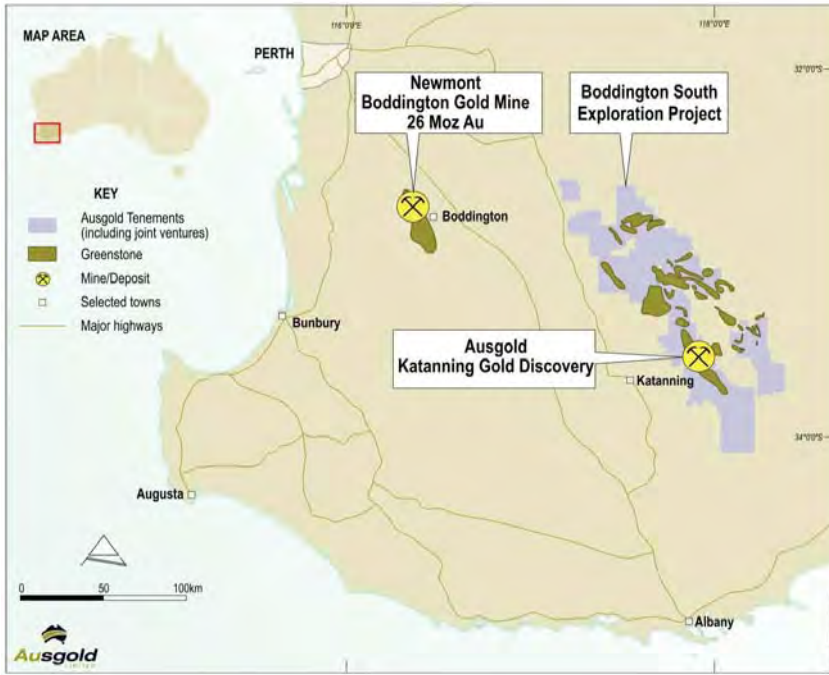
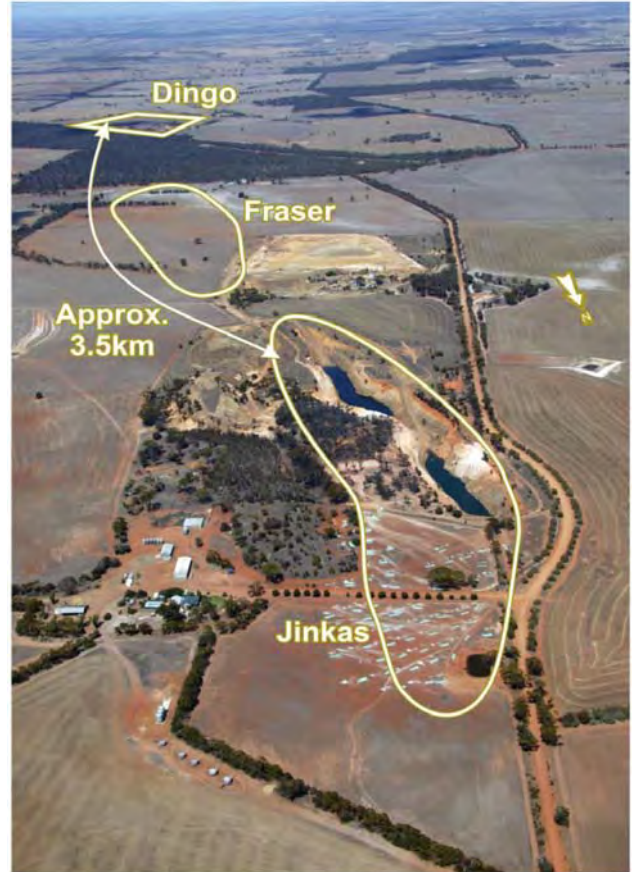
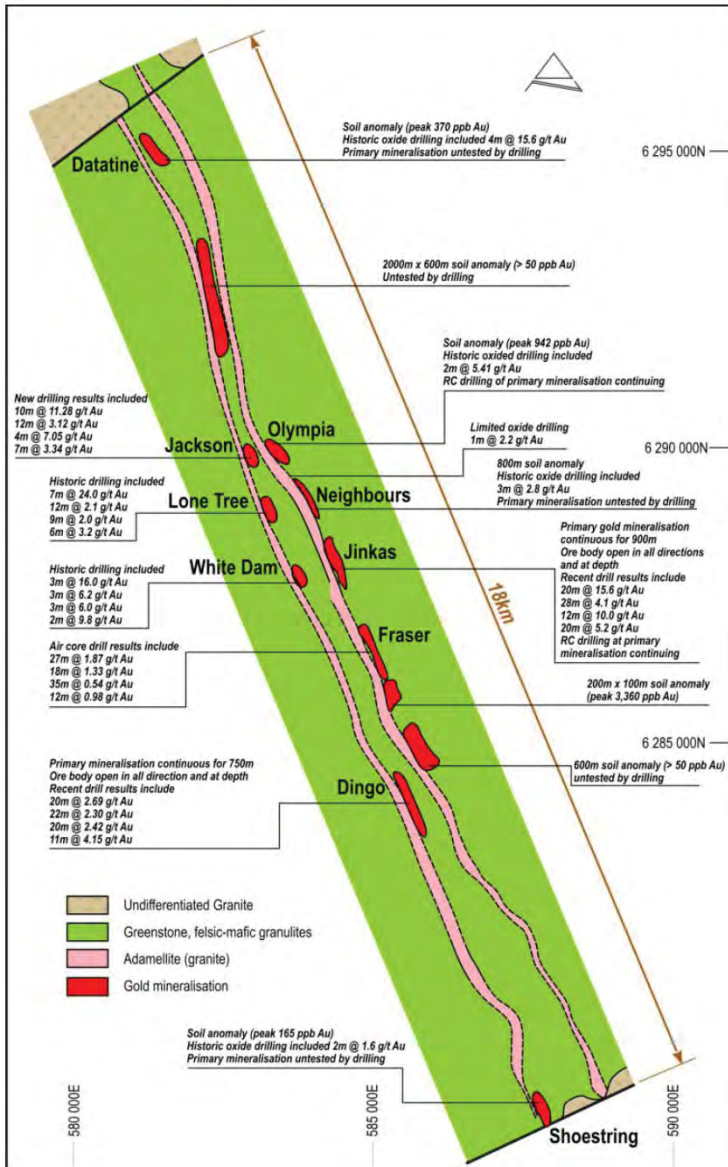


Figure 2: Boddington South Project - Highlighting Two Mineralised Corridors

Figure 3: Eastern Corridor Looking South



Disclosure: Patersons acted as lead manager for a two tranche placement that raised \$25m at \$1.35/sh for AUC in June/ July 2011. Patersons Securities was lead manager in an IPO for AUC in December 2009 that raised \$10m at \$0.20/sh. It received a fee for these services.