

## AURIC MINING LIMITED (ASX:AWJ)

Equity Research Report – 20 August 2024

### Capital Structure

Current share price	\$0.25
Intrinsic value per share <sup>1</sup>	\$0.54
Potential upside	108%
Ordinary shares on issue	148,553,371
Market capitalisation	\$37.8m
Total options	7,800,000
Total shares and options	156,353,371

<sup>1</sup>Based on a gold price of A\$3,100. See page 12 for valuation

### Major Shareholders

Mark English	6.35%
Steven Morris	4.87%
John Utley	4.84%
Aaron Muller	4.23%
Stephen Strubel	3.45%

### Board of Directors

- Steven Morris – Non-Executive Chairman
- Mark English – Managing Director
- John Utley – Technical Director

### Key Achievements To Date

- Remarkably progressed from tenement acquisition to being listed on the ASX, to mining and generating cash in under 3 years
- AWJ banked \$4.77m in cash from stage 1 of the Jefferys Find Gold Project, where 9,741 ounces of gold were mined and sold
- The Munda gold project has strong economic viability with the potential to generate up to \$136m in cash profit, based on a gold price of A\$3,100

### Research Team

**Nathan Oyet** – Head of Research

**Stuart Craigie** – Associate Director

**Introduction.** Auric Mining Ltd (ASX: AWJ) is a junior gold producer based in Western Australia, poised for significant growth due to the significant potential in their flagship gold projects. AWJ owns a high-quality portfolio of gold assets in the prolific Widgiemooltha-Norseman region of Western Australia. The company's flagship project is the Munda Gold Deposit, which hosts a sizeable indicated and inferred mineral resource of 198,700 ounces at 1.38g/t gold.

**Exceptional Cash Profits Await at Munda.** A scoping study announced to the market on Munda in June 2023, outlined exceptional economics with a projected positive cashflow of \$76.9m over a 13-quarter mine life based on a conservative gold price assumption of A\$2,600/ounce. The potential surplus cash flows are substantially higher at current gold prices, around A\$3,700/ounce. Based on the scoping study, AWJ will commence operations at Munda with a starter pit with a mine life of 3 months and a low capital investment of \$1.3m. The starter pit will also require a working capital investment of ~\$6.0m and is expected to produce \$8.7m in surplus cash.

**Currently Generating Cash from Jefferys Find.** Over the past 12 months, the focus has been on production from Jefferys Find Gold Mine under a joint venture with BML Ventures, an experienced mining contractor. Stage 1 of the project was completed in Q4 FY23 where 9,741 ounces were produced, generating \$4.8m in surplus cash for Auric. Stage 2 of Jefferys Find commenced in February 2024 and is expected to generate between \$8m and \$10m in cash for AWJ based upon a gold price of A\$3,600 per ounce. The company expects its first cash payment of ~\$2m from stage 2 during Q3 FY24.

**Significantly Undervalued with Strong Fundamentals.** Despite the substantial cash flow potential of AWJ's projects, the company's current market capitalisation stands at just \$37.8m. This presents investors with a unique opportunity to invest in AWJ at a fraction of its intrinsic value. With its projects either operational or about to come online, no debt, upcoming catalysts, and a strong management team, the company offers a compelling investment case with significant upside. In the current favourable macro environment for gold, AWJ is our preferred option for gaining exposure to the precious metal.

## MINING AND EXPLORATION PROJECT OVERVIEW

Auric Mining was established to explore for and develop gold and other mineral deposits in the Widgiemooltha-Norseman area, of Western Australia. Currently, Auric has three projects with tenements covering 282 km<sup>2</sup>. Auric holds the rights to gold on all tenements, including those held in the name of Mt Edwards Critical Metals Pty Ltd. AWJ holds 100% of all mineral rights at its tenements. A map of the tenements is provided on page 15 of this report.

### Widgiemooltha Gold Project & Munda Gold Project

The Widgiemooltha Gold Project (“WGP”), located near the town of Widgiemooltha, combines 21 tenements, including 5 granted Mining Leases. All tenements are highly prospective for gold mineralisation, including the Munda Gold Project. The combined Inferred and Indicated Mineral Resource estimate for Munda at 0.5g/t cut-off is 4.48Mt @ 1.38g/t Au for 198,700 ounces of gold.

### Jeffreys Find Project

The Jeffreys Find Project is 50km northeast of Norseman and combines 2 tenements, including 1 granted Mining Lease. It holds the Jeffreys Find gold deposit with gold mineralisation extending from the surface to at least 110m in vertical depth and thickest near the surface. The deposit is currently being mined in partnership with BML Ventures.

### Spargoville Project

The Spargoville Project is located 30km north of Widgiemooltha and combines 8 tenements. It lies in the same stratigraphy, along strike from the Wattle Dam Gold Mine, which produced 268,000 ounces of gold @ 10g/t from 2006-13, one of Australia’s highest-grade mines at that time.

## JEFFREYS FIND PROJECT

### Project Overview

The Jeffreys Find Gold Project comprises granted Mining Lease 63/242 and Miscellaneous Licence 63/97 which are 100% held by Auric Mining through a subsidiary, Jeffreys Find Pty Ltd. The Jeffreys Find Project is 50km northeast of Norseman in Western Australia, approximately 750km from Perth. The project includes the Neo Prospect and the Jeffreys Find gold deposit which is currently being mined in partnership with BML Ventures Pty Ltd.

### Mineral Resource Estimate

In an announcement dated 2 March 2021, AWJ reported the details of the Jeffreys Find Mineral Resource estimate of 47,200 ounces at 0.5g/t cutoff, which are provided below.

Category	Tonnes (millions)	Au (g/t)	K oz
Indicated	0.91	1.26	36.9
Inferred	0.30	1.08	10.3
Total	1.21	1.22	47.2

### Metallurgical Testing

On 6 May 2022, AWJ announced the metallurgical test work results on composite samples (both fresh and oxide) from the Jeffreys Find Deposit. The test work results were impressive, with a head grade of 1.58 Au g/t and 1.45 Au g/t for oxide (transitional) ore and fresh ore, respectively. The reported gold recovery rate was 94.99% for oxide

ore and 90.16% for fresh ore. Overall, no issues were found that would impede ore processing and gold extraction at Jeffreys Find. The successful test work demonstrated the deposit's potential for efficient gold recovery through conventional processing methods.

### Mining Agreement with BML Ventures

To take advantage of the opportunity at Jeffreys Find, AWJ entered into an agreement with BML Ventures on the 24th of August, 2022. BML is a privately owned company based in Kalgoorlie with a strong track record of funding, developing, and operating shallow open-pit gold mines. Under the agreement, BML is conducting open pit mining of the Jeffreys Find Deposit on behalf of AWJ. All costs associated with the mining of the gold deposit, such as mining, payment of haulage, staff, equipment, and contractors, are being incurred and paid by BML. In return for taking on this risk, BML will receive all surplus cash from selling the gold produced from Jeffreys Find until costs have been fully recovered. As part of the agreement, BML also entered into a commercial arrangement with FMR Investments to handle the toll milling of ore from the Jeffreys Find gold deposit at FMR's Greenfields Mill, 3km east of Coolgardie. The toll milling cost is \$50 per tonne of ore processed.

Under the agreement with BML, mining and toll milling costs will first be paid out of gold sales revenue from Jeffreys Find. The remaining excess surplus cash will then be split 50/50 between AWJ and BML. This deal optimises the project for AWJ by avoiding the time, complexity and costs of mobilising equipment and hiring contractors independently. It also avoids the need for AWJ to fund its proportionate share of working capital for the project. With BML handling mining operations, AWJ can realise returns from Jeffreys Find more quickly than if it was running the project alone. The deal also enables the company to focus on moving the Munda project towards production.

### Stage 1 – Starter Pit

Mining at the project is being split into two stages: a starter pit and a final pit. On 17 May 2023, BML commenced Stage 1 of the open pit mining at Jeffreys Find. During Stage 1, which has now been completed, 175,865 tonnes of ore were processed.

#### First Blasting at Jeffreys Find in May 2023



Source: Auric Mining Limited

#### Almost 180,000 tonnes of ore were mined and processed during stage 1



On 19 July 2023, a maiden campaign of toll milling commenced with the first parcel of 36,180 dry metric tonnes from the starter pit. A total of 1,721 ounces was poured from the first parcel of ore on the 7<sup>th</sup> of August, 2023 with a reconciled head grade of 1.58g/t at a recovery of 93.04%, which was in line with earlier metallurgical testing. The gold recovered was sold at the Perth Mint on the 25<sup>th</sup> of August, 2023 for an average price of \$2,939 per ounce.

**Cameron Alexander, General Manager of Commercial Development at Perth Mint, hosting AWJ Management at their refinery in Western Australia**



Source: Auric Mining Limited

Following on from the first campaign, the second milling campaign commenced on 11 September 2023. During this second campaign, 139,685 tonnes of ore was mined and processed, yielding a total of 8,021 ounces of gold at a reconciled grade of 1.93 Au g/t at a recovery rate of 92.58%.

In total, the Stage 1 starter pit of the Jeffreys Find Gold Mine produced 9,741 ounces of gold from 175,865 dry metric tonnes of ore milled at a grade of 1.86 Au g/t with an impressive gold recovery rate of 92.51%. The table below provides statistics from Jeffreys Find production at the completion of Stage 1.

	1 <sup>st</sup> Parcel (Campaign)	2 <sup>nd</sup> Parcel (Campaign)	Stage One Complete
Dry Tonnes Milled	36,180	139,685	175,865
Grade (Au g/t)	1.58	1.93	1.86
Mill Recovery	93.04	92.58	92.51
Ounces of Gold Produced	1,721	8,021	9,741
Average Sale Price per ounce	\$2,939	\$3,020	\$3,006
Gold Revenue	\$5,057,527	\$24,227,126	\$29,285,024

After deducting the Western Australia gold royalty, the net revenue stood at \$28.9m. With total cash costs encompassing mining, haulage, and milling costs totalling \$19.9 million, this left a surplus cash balance of \$9.5m, which was evenly distributed between BML and AWJ.

Summary of Jeffreys Find Stage 1 Final Results	
Gold revenue	\$29,285,024
Other revenue	\$156,564
Total revenue	\$29,441,588
Total cash costs	\$19,909,511
Total Surplus cash	\$9,532,077
50% Surplus cash share to AWJ	\$4,766,039

AWJ received ~\$4.8m from Stage 1 which surpassed the initial budgeted cash receipts of approximately \$4.0m from this stage of the project. This performance is mainly attributed to a significantly higher average gold price realised of \$3,006/oz, compared to the budgeted price of \$2,600/oz. AWJ's prudent management of the project is evident from the successful completion of Stage One of Jeffreys Find, with cash flow exceeding expectations.



A picture of the Jeffreys Find ore body showing gold mineralisation evidenced by darker zones

Source: Canary Capital

### Stage 2 – Final Pit

On 22 February 2024, AWJ commenced Stage 2 of mining at Jeffreys Find, during which the company expects to extract 300,000 tonnes of ore. So far, AWJ has processed 66,566 tonnes of ore across 2 gold processing campaigns that have grossed \$10.8m in sales revenue. The average gold price achieved was \$3,634/oz with a head grade of 1.51g/t Au and a mill recovery of 91.9%. Although the first cash inflow from stage 2 is expected during the third quarter of 2024, AWJ expects to process an additional 84,000 tonnes to yield an extra \$14m in gold sales. Stage 2 is expected to generate surplus cash to Auric of \$8-10m with milling activities slated to conclude by the early 2025.

	1 <sup>st</sup> Campaign	2 <sup>nd</sup> Parcel Campaign	Total Stage 2 (ongoing)
Dry Tonnes Milled	30,024	36,542	66,566
Grade (Au g/t)	1.44	1.57	1.51
Mill Recovery	90.38%	93.0%	91.9%
Ounces of Gold Produced	1,256	1,710	2,966
Average Sale Price per ounce	\$3,549	\$3,697	\$3,634
Gold Revenue	\$4,457,343	\$6,322,313	\$10,779,656

## WIDGIEMOOLTHA (MUNDA) GOLD PROJECT

### Project Overview

The Widgiemooltha Gold Project includes AWJ's flagship Munda Gold Project. The project comprises 21 tenements, including 5 granted Mining Leases. All tenements are highly prospective for gold mineralisation. The Munda Gold Project is located approximately 34 km southwest of the mining town of Kambalda and is conveniently situated 5km west of the township of Widgiemooltha.

### Mineral Resource Estimate

In an announcement dated 28 January 2022, AWJ reported the details of the Munda Project Resources estimate, which are provided below. These estimates indicate a total mineral resource estimate of 198,700 ounces (4,481,000 tonnes grading 1.39 g/t Au) at the 0.5 Au g/t cut-off point.

**Resource Table for the Munda Gold Project**

Au g/t Cutoff	Indicated			Inferred			Total		
	Mtonnes	Au g/t	KOz	Mtonnes	Au g/t	KOz	Mtonnes	Au g/t	Oz
0.2	8.928	0.75	215.3	2.807	0.61	54.7	11.735	0.72	270.0
0.3	6.113	0.98	193.0	1.597	0.88	45.4	7.710	0.96	238.4
0.4	4.598	1.19	176.3	1.070	1.15	39.5	5.668	1.18	215.8
0.5	3.684	1.38	163.1	0.797	1.39	35.6	4.481	1.38	198.7
0.6	3.052	1.55	152.0	0.633	1.61	32.7	3.685	1.56	184.7
0.8	2.240	1.86	133.9	0.450	1.98	28.7	2.690	1.88	162.6
1.0	1.737	2.14	119.4	0.353	2.28	25.9	2.090	2.16	145.3

### Metallurgical Testing

On 11<sup>th</sup> May 2022, AWJ announced the metallurgical test work results on a fresh composite sample for a single drill hole at Munda. The testing returned a high gold recovery rate of 96.57% at a head grade of 1.78 g/t Au. The metallurgical test work results for Munda showed no red flags which will affect gold recovery rates during the milling process.

### Munda Scoping Study

#### Study Overview

On June 28, 2023, AWJ announced the completion of a scoping study for open-pit mining and third-party toll treatment of the Munda gold deposit. The scoping study examined the project's technical and economic feasibility. These numbers will change based on results from the current grade control drilling program.

#### Financial Modelling

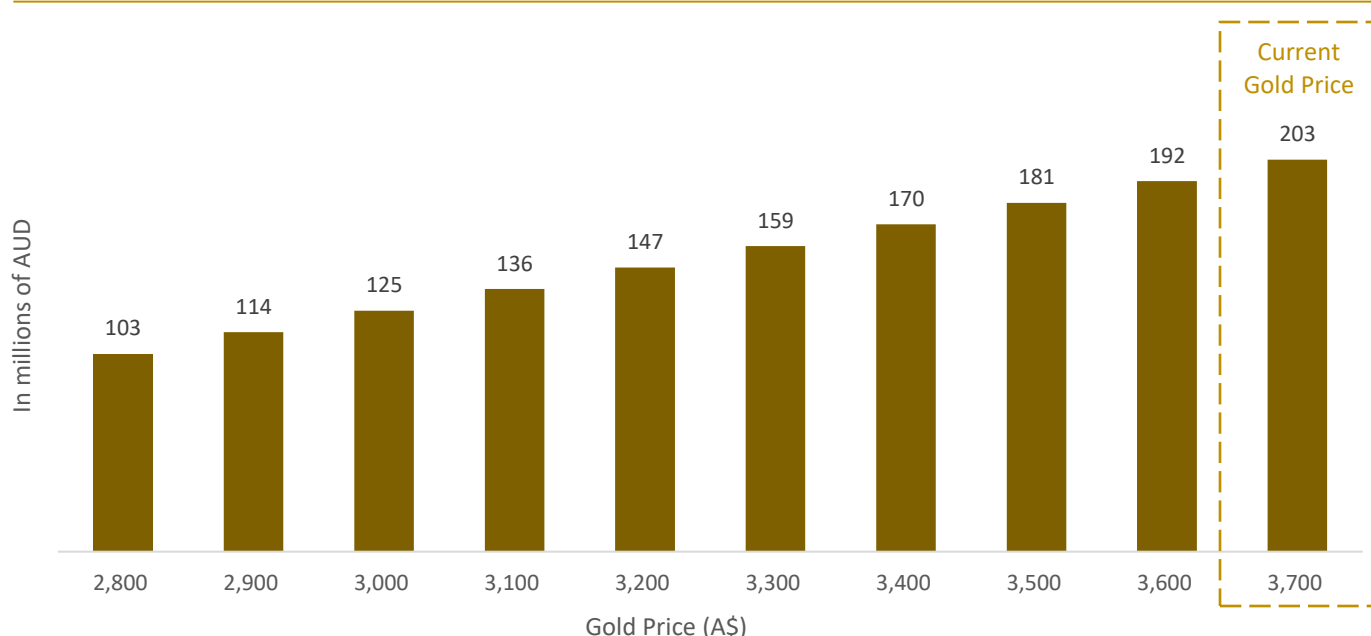
In the base case, AWJ estimates that the optimum pit shell at the Munda project contains 1,766,553 tonnes of Mineral Resource at a grade of 2.2g/t. The base case gold price was conservatively assumed to be A\$2,600 per ounce, compared to the current gold price of ~A\$3,700. The gold recovery rate was also estimated to be 95%, which compares to the metallurgical test work gold recovery of 96.57%. Based on these assumptions, 114,736 ounces would be produced at a cash cost of ~\$1,929 per ounce. Based upon these assumptions, the project is expected to generate excess surplus cash of A\$76.9m during its 13-quarter project life.

### Financial Summary of the Economic Viability and Cash-Generative Potential of the Munda Project

Flitch	Milled Ore		Ounces Produced	Revenue @ \$2,600/oz	State Gold Royalty @ 2.5%	Operating Costs	Cash Cost Per Ounce	Cash Profit	
	Tonnes	Grade							
	(t)	(g/t)	(oz)	(\$)	(\$)	(\$)	(\$)	(\$)	
N/S - 375	375	8,029	2.22	544	1,414,690	35,367	8,710,797	16,074	(7,331,474)
375 - 365	365	95,826	2.20	6,428	16,713,436	417,836	21,509,913	3,411	(5,214,313)
365 - 355	355	209,638	2.22	14,193	36,901,428	922,536	28,675,357	2,085	7,303,536
355 - 345	345	156,457	1.99	9,515	24,738,652	618,466	23,437,267	2,528	682,919
345 - 335	335	183,419	2.04	11,428	29,713,141	742,829	23,987,459	2,164	4,982,854
335 - 325	325	154,026	1.95	9,165	23,829,699	595,742	20,363,522	2,287	2,870,435
325 - 315	315	130,891	1.98	7,907	20,559,438	513,986	17,119,027	2,230	2,926,425
315 - 305	305	154,944	1.97	9,309	24,202,824	605,071	17,196,626	1,912	6,401,127
305 - 295	295	192,486	2.10	12,340	32,084,901	802,123	18,197,228	1,540	13,085,551
295 - 285	285	257,081	2.51	19,709	51,242,606	1,281,065	20,932,107	1,127	29,029,434
285 - 275	275	113,895	2.61	9,090	23,633,726	590,843	9,171,873	1,074	13,871,010
275 - 265	265	43,795	2.85	3,814	9,915,330	247,883	3,434,989	966	6,232,458
265 - 255	255	15,032	2.82	1,293	3,362,629	84,066	1,183,529	980	2,095,034
<b>Total</b>		<b>1,766,553</b>	<b>2.19</b>	<b>114,736</b>	<b>298,312,501</b>	<b>7,457,813</b>	<b>213,919,694</b>	<b>1,929</b>	<b>76,934,995</b>

The cash-generative potential of Munda is highly sensitive to the gold price. However, as stated earlier, the gold price assumption of A\$2,600 per ounce used in the Munda scoping study is considerably conservative. We conducted a sensitivity analysis to show how much excess surplus cash Munda stands to generate at different gold prices. This is illustrated in the graph below, which shows that Munda could generate surplus cash of approximately \$203m using a gold price of A\$3,700 per ounce, which more accurately reflects the current gold price.

Munda's cash profits have the potential to exceed \$200m if the average gold price realised is close to current levels



Source: Auric Mining Limited

### Starter Pit

Mining at Munda is separated into 2 stages which are the starter pit and the final pit. AWJ expects to commence mining at the starter pit in late 2024. The company plans to develop the starter pit before expanding the mine to create the final pit in 2025. The starter pit is expected to generate \$8.7m in surplus cash for the company. Management plans to use the cash generated from the starter pit to finance the final pit.

#### Financial Summary of the Munda Starter Pit

Flitch	Milled Ore		Ounces Produced	Revenue @ \$2,600/oz	State Gold Royalty @ 2.5%	Operating Costs	Cash Cost Per Ounce	Cash Profit
	Tonnes	Grade						
	(t)	(g/t)						
N/S - 375	1,397	1.92	82	213,175	5,329	513,204	6,324	(305,358)
375 - 365	9,616	2.34	688	1,789,183	44,730	1,938,550	2,882	(194,097)
365 - 355	83,370	2.42	6,153	15,998,652	399,966	6,722,366	1,157	8,876,320
355 - 350	4,271	2.10	274	711,240	17,781	349,340	1,342	344,118
<b>Total</b>	<b>98,654</b>	<b>2.39</b>	<b>7,197</b>	<b>18,712,250</b>	<b>467,806</b>	<b>9,523,461</b>	<b>1,388</b>	<b>8,720,983</b>

### Capital Investment (Start-up Costs)

As part of the scoping study, the capital investment required prior to mining the starter pit was estimated to be \$1.3m. The pre-mining capital and start-up costs are comprised of the costs associated with, but not limited to, mobilization, site establishment, pre-mining earthworks, access and haulage road and demobilization. The working capital investment for mining operations prior to first gold production is estimated to be ~\$6.0m. The cash surplus after recouping all capital, mining, haulage and processing costs is projected to be ~\$8.7m from the starter pit.

#### Estimated Pre-Mining Capital Costs

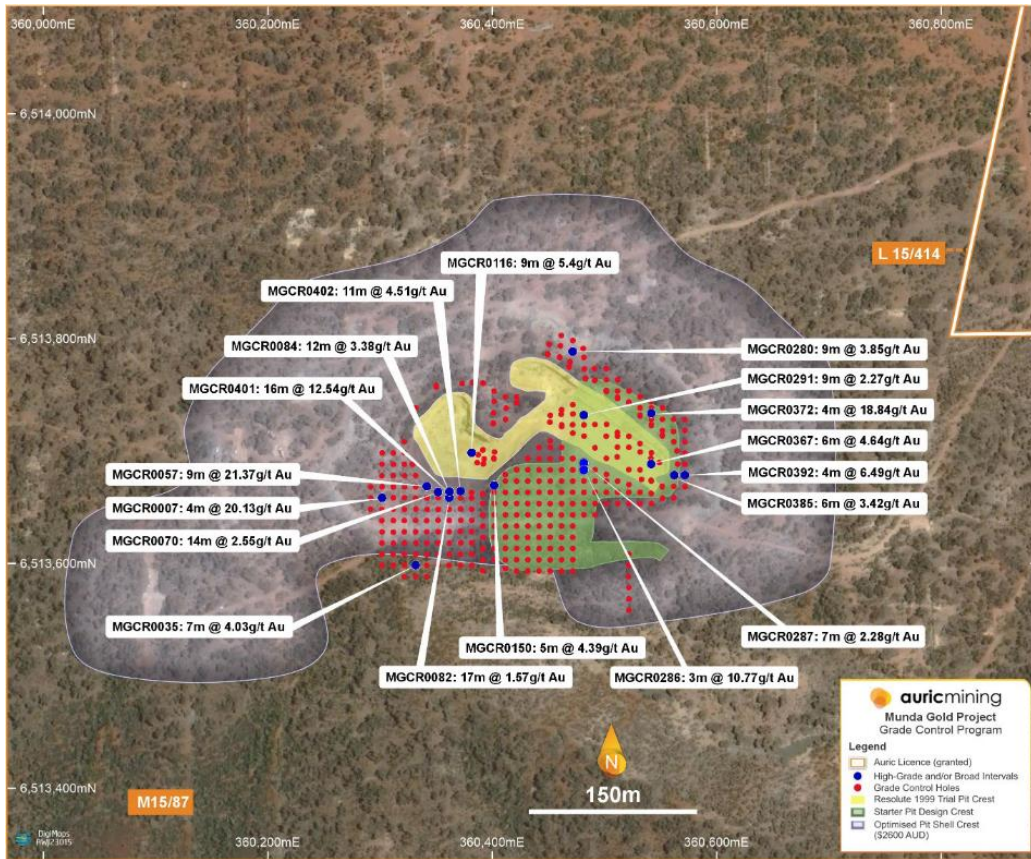
Cost Area	Amount
Mobilisation	\$150,000
Site Establishment (offices, workshop, lay down area)	\$350,000
Mining Establishment (clearing, grubbing, ore pad, waste dump)	\$500,000
Ore Haulage Road	\$100,000
De-mobilisation	\$150,000
<b>Total</b>	<b>\$1,250,000</b>

### Grade Control Drilling

The first phase of grade control drilling at the Munda Gold Project started on November 1, 2023 and concluded in early January 2024. A total of 361 Reverse Circulation (RC) holes were drilled with assay results for all holes received. The assay results included numerous significant intercepts (shown below) that reaffirmed the frequent high grades and limited continuity of gold mineralisation at Munda.

- MGCR0057 - 9m @ 21.37g/t Au, including 1m @ 184.60g/t Au
- MGCR0007 - 4m @ 20.13g/t Au, including 1m @ 77.18g/t Au
- MGCR0372 - 4m @ 18.84g/t Au, including 1m @ 68.94g/t Au
- MGCR0286 - 1m @ 12.03g/t Au and 3m @ 10.77g/t Au

The grade control drilling program at Munda has reaffirmed high-grade gold mineralisation



Source: Auric Mining Limited



Grade control drilling at Munda

Source: Canary Capital

## SPARGOVILLE GOLD PROJECT

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### Project Overview

The Spargoville Project is located 4km west of the Coolgardie-Esperance Highway and 35 km southwest of Kambalda. It combines 8 tenements, which are held 100% by AWJ via wholly owned subsidiary Spargoville Minerals Pty Ltd, together with gold rights on 3 of 5 tenements held by Mt Edwards Critical Metals. The project lies in the same stratigraphy, along strike from the Wattle Dam Gold Mine, which produced 268,000 ounces of gold @ 10g/t from 2006-13, one of Australia's highest-grade mines at that time.

### Recent Drilling at the Fugitive Prospect

On June 4, 2024, AWJ received the results from a small RC drilling program recently completed at the Fugitive Prospect that lies within the Spargoville Project. The prospect was historically drilled by earlier explorers Ramelius Resources and Tychean Resources. The historic drill holes, except for those by Ramelius at the southern end of the prospect, were inclined at 60° and directed westward, suggesting that mineralisation dipped eastward. However, this orientation was uncertain, and a key aspect of AWJ's drill planning was to better understand the orientations of lithological contacts and gold mineralisation as a precursor to further drilling. In the recently concluded drill program, six RC holes were drilled for a total of 822m. The drill results defined significant mineralisation at a 0.5g/t Au cut-off, including:

- ASRC001: 3m @ 1.18g/t Au from 69m and 1m @ 6.08g/t Au from 82m
- ASRC003: 2m @ 3.82g/t Au from 96m
- ASRC005: 2m @ 2.78g/t Au from 114m

AWJ's next steps include conducting aircore drilling along several traverses towards the centre of the prospect. This will help to infill the current 100-meter drill traverse spacing in that area. The company also plans to carry out RC drilling beneath the historic and latest drill holes to target the mineralised zone in fresh rock approximately 75 to 100m and more below the surface.

### Lithium Potential

AWJ's Spargoville tenements are situated adjacent to those owned by Maximus Resources (ASX: MXR), where significant discoveries of lithium and nickel mineralisation have been made. Notably, on 1 November 2023, drilling at MXR's Lefroy Lithium Project, located within 2km of Auric's Spargoville tenements, revealed the presence of lithium-bearing pegmatites. The drill results included 6m @ 1.11% Li<sub>2</sub>O from 90m, including 3m @ 1.99% Li<sub>2</sub>O from 90m. Additionally, on 16 October 2023, the Korea Mine Rehabilitation and Mineral Resources Corporation, a Korean Government Agency, acquired a 30% interest in the Lefroy project for \$4.8 million. These recent developments not only underscore the lithium potential at Spargoville but also highlight the substantial value of the tenements.

## FINANCIALS

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### Financial Position

As of 30 June 2024, AWJ has a cash balance of \$3.5m and no debt on its balance sheet. Based on the current cash balance, the expected cash receipts from Stage 2, and projected expenditures, we expect the company to be self-funding, with no need to raise any additional capital other than development working capital for the starter pit at Munda. The need to raise additional capital will depend on the availability of non-dilutive funding from other sources, such as forward gold sales.

## Equity Capital Structure

AWJ has 148.9 million ordinary shares and 7.8 million options outstanding, or 156.3 million shares, on a diluted basis.

### Auric Mining Current Capital Structure

Type of Equity Interest	Number of Securities
Ordinary shares on issue	148,553,371
Unlisted options - Exp. 1 November 2026 @ \$0.10	1,800,000
Unlisted options - Exp. 31 January 2028 @ \$0.15	2,000,000
Unlisted options - Exp. 31 January 2029 @ \$0.225	4,000,000
Diluted shares outstanding	156,353,371

## DISCOUNTED CASH FLOW VALUATION

### Overview

Canary Capital prepared a 5-year (FY24 – FY28) financial projection model to derive a Discounted Cash Flow (DCF) valuation for AWJ. We believe that a forecast period of 5 years is sufficient, considering that operations at Jeffreys Find will conclude by late 2024 and mining at Munda is projected to run for 12-13 quarters.

### Jeffreys Find Cash Inflows and Outflows

In Q4 FY24, AWJ is anticipated to retrieve a \$1m working capital contribution made to BML in Q1 FY24. In addition to the \$4.8m received for Stage 1, we expect AWJ to receive another \$9m in cash profit from Stage 2 mining between Q3 FY24 and Q2 FY25.

### Munda Cash Inflows and Outflows

We anticipate that AWJ will commence the setup of mining operations at Munda during Q4 FY24, which are budgeted to cost \$1.3m according to the scoping study. The capital costs associated with mining the starter pit at Munda are \$6.0m. Overall, the starter pit at Munda is expected to generate positive cash flows of \$12.2m based on Canary Capital's gold price estimate of A\$3,100 per ounce. Following completion of the starter pit, the main pit will be developed and mined until Q1 2028, with a further \$124m in cash to be generated.

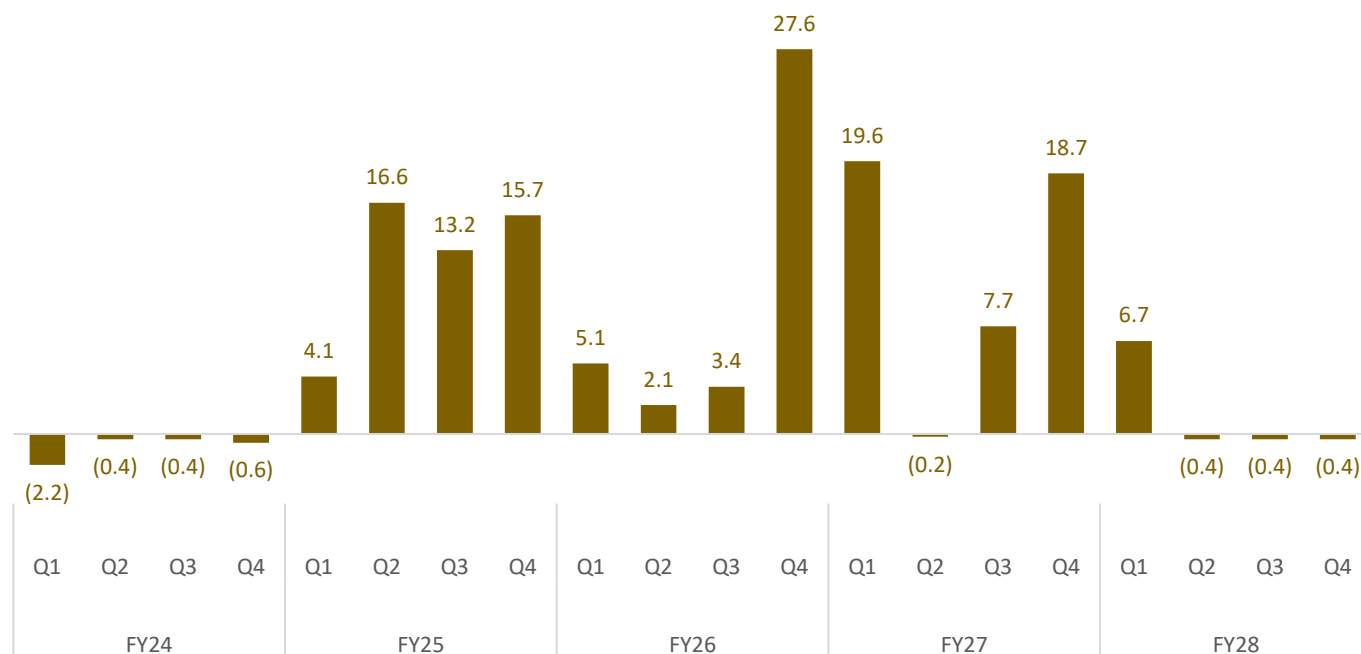
### Other Cash Outflows

We expect AWJ to continue experiencing moderate cash outflows related to its administration, corporate, and staff expenses. Based on historical financial data, we have assumed that these expenses will remain constant at \$375k per quarter throughout the forecast period.

### Aggregate Cash Flows

Throughout the 5-year forecast period, we expect AWJ to generate ~\$135m in undiscounted operating cash flows. The graph below illustrates these cash flows.

AWJ's is expected to generate significant operating cash flows between FY25 and FY27



Source: Canary Capital Estimates

### Free Cash Flow

It is anticipated that AWJ will be subject to a corporate tax rate of 30% on its cash profits. However, as of 31 December 2023, the company had accumulated tax losses carried forward of ~\$4m, which can be offset against future profits. Consequently, AWJ is not projected to incur any corporate tax obligations until the second quarter of 2025. Cash taxes paid are subtracted from the operating cash flow to calculate free cash flow.

### Discounted Free Cash Flow

When discounting AWJ's free cash flow, a discount rate of 10% has been applied across the entire forecast period. Consequently, AWJ's total discounted cash flows for the forecast period amounted to \$76m. It is worth noting that AWJ's total discounted cash flows represent the valuation of its mining operations, also known as its enterprise value.

### Equity Value and Value per Share

To obtain AWJ's equity value, the enterprise value is adjusted for cash and debt. Since AWJ has no debt on its balance sheet, its estimated cash balance of \$3.5m is added to the enterprise value to derive an equity value of \$79.6m. This equity value is then divided by the company's total shares outstanding of 148.5 million to arrive at an intrinsic value per share of \$0.54. This valuation does not take into account the potential for higher gold prices to be realised versus the A\$3,100 per ounce used in our modelling.

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## KEY PEOPLE

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### Steven Morris – Non-Executive Chairman

Mr. Morris is a well-known financial markets executive with more than two decades of experience at a senior level. He garnered industry respect as Head of Private Clients for Patersons Securities and has also been Managing Director of Intersuisse Ltd. Mr. Morris has served as a senior executive of the Little Group. From 2013 to 2019, he was Chairman of the ASX-listed Purifloh Ltd (ASX:PO3). From 2014 to 2019, he was a Non-Executive Director of De Grey Mining (ASX:DEG), a gold miner with a \$2.1 billion market capitalisation. Mr. Morris spent 9 years on the Board of the Melbourne Football Club, the last three years as Vice President, before retiring in September 2023.

### Mark English – Managing Director

Mr. English is a Chartered Accountant with more than 40 years of experience. Mr. English was the founding Director of Bullion Minerals Ltd, a company he managed for seven years before taking it to an IPO. More recently, he has acted as Finance Director of an unlisted mining company with substantial assets in Eastern Europe. Mark has considerable experience with major equity and debt raisings. He currently sits on the Board of WA-integrated agricultural company Moora Enterprises, one of the nation's largest citrus producers and processors.

### John Utley – Technical Director

Mr. Utley has a 35-year career in mining and exploration with a dominant focus on gold assets. He holds a master's degree in Earth Sciences from the University of Waikato in New Zealand. Mr Utley has worked in Australia, South America, Papua New Guinea and most recently in Canada, where he was the Chief Geologist for Atlantic Gold Corporation, a company now owned by St Barbara Ltd (ASX:SBM). He spearheaded the exploration and development of the Touquoy Gold Mine in Nova Scotia, Canada, prior to its acquisition by St Barbara. He previously worked with Plutonic Resources Ltd (ASX:PLU) and was head of the exploration team at the Darlot Gold Mine during the discovery and development of the 2.3-million-ounce Centenary gold deposit.

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## KEY RISKS

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### Gold Price Sensitivity

The valuation and projected cash flows for AWJ's Jeffreys Find and Munda projects are highly dependent on the gold price received from sales of bullion. The scoping study for Munda conservatively uses a base case gold price assumption of A\$2,600/oz, which is approximately 30% below the current spot price. However, gold prices are inherently volatile, and there is a significant downside risk if prices drop materially below the base case. For example, an 8% decrease in the gold price to \$2,400/oz would disproportionately reduce the cash flows from the Munda project by ~30% from \$76.9m to \$55.0m, assuming all other scoping study assumptions are constant.

The impact could be even more pronounced if gold prices fall further or if grades/recoveries disappoint. Given the influence of the gold price on project economics, a major downward move from the A\$2,600 per ounce base case assumption would significantly affect the economics of AWJ's projects. The company could utilise a gold price hedging program to reduce the sensitivity of AWJ's valuation to changes in the gold price.

### Capital Funding Risk

According to the Munda scoping study, Auric requires approximately \$1.3 million in start-up capital to fund the establishment of open-pit mining operations. In addition to this, a further \$6.0m in capital will be required to

commence mining operations before any cash flow is generated. If Auric is unable to raise the necessary capital on time, it could lead to major delays in the commencement of mining operations at Munda. Any setbacks with securing the required pre-production funding pose a risk for AWJ in terms of being able to capitalise on the lucrative opportunity that the project represents. However, it is worth noting that AWJ has various options it could utilise to successfully fund and commence mining at Munda. These options include pre-sale of gold, deferred payment of mining costs and debt funding.

### **Third-Party Operational Risks**

The feasibility and economic projections for the Munda gold project are heavily dependent on AWJ's ability to secure agreements with capable third-party contractors for open-pit mining and a reliable partner for toll milling. If contractors fail to perform this at the expected level, this could lead to lower mining rates, reduced ore supply and higher unit costs. Additionally, Auric faces substantial risk if it cannot find a milling partner with adequate processing capacity, sound technical capabilities and reasonable tolling fees. A deficient tolling partner presents a major risk around achievable gold recoveries, which could impact project revenue and cash profit. Therefore, securing robust third-party partners on favourable terms is crucial to mitigate downside risks for the Munda project.

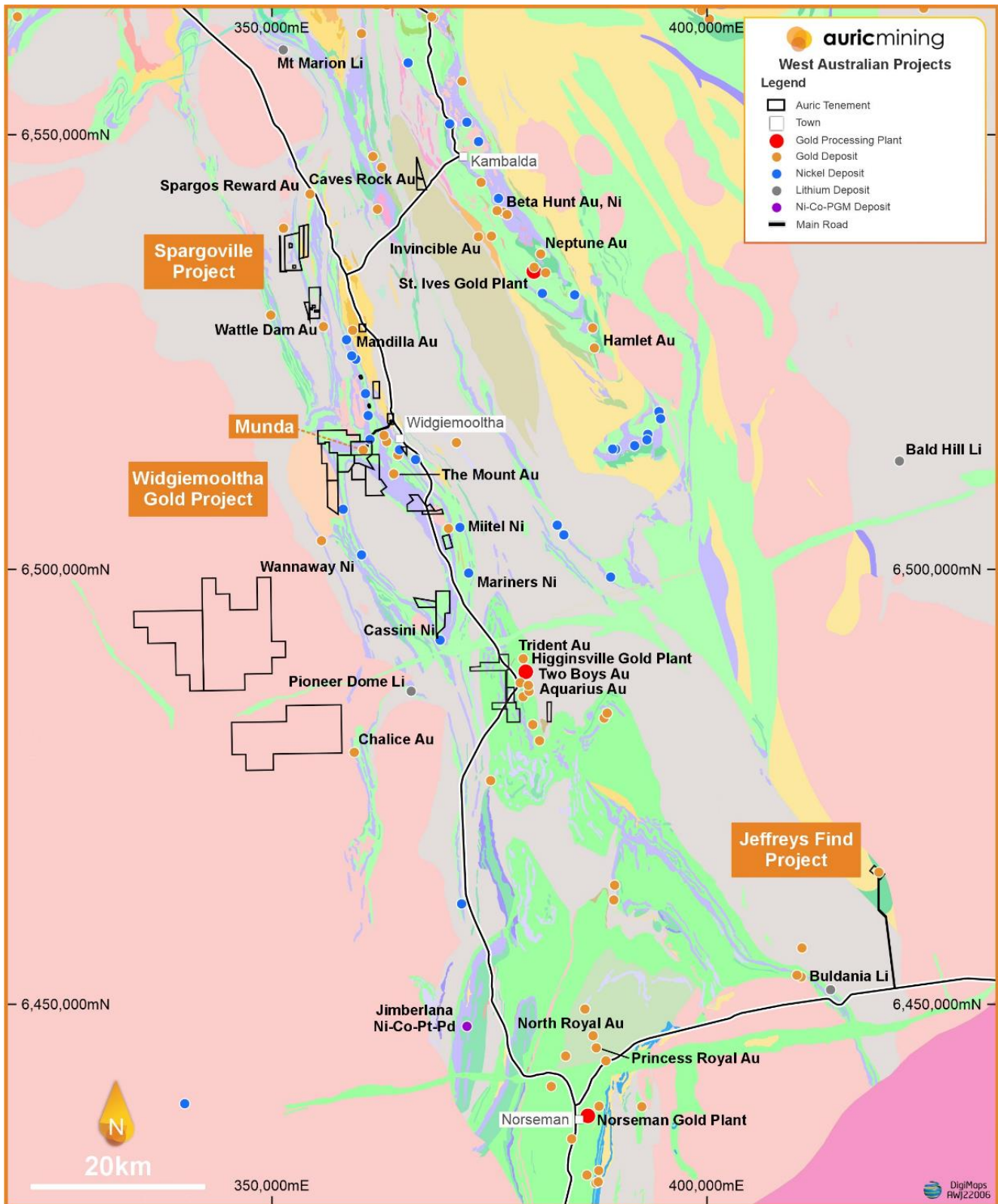
### **Mining and Operating Execution Risks**

During the production phase, AWJ faces potential risks around executing mining operations efficiently at the Munda gold project. These risks include lower-than-expected ore grades, poor recoveries, and unplanned downtime due to unfavourable weather conditions. Each of these factors, either independently or in combination, could result in Munda underperforming versus the scoping study assumptions. Substantial shortfalls in production or recoveries versus forecasts could severely impact the NPV of the project. Delivering all key operating parameters as modelled will be essential to achieving projected returns.

### **Allocation of Cash Flows**

AWJ faces potential risks around capital allocation once the company begins generating significant operating cash flows from the Jeffreys Find and Munda projects. Given that Jeffreys Find and Munda have limited mine lives, AWJ management may decide to acquire new projects. If these projects don't result in additional discoveries for the company, shareholder value could be destroyed. Nonetheless, AWJ management has affirmed its commitment to investing in projects that meet its specified return thresholds. In the event that such projects cannot be identified, a significant portion of the proceeds generated from Jeffreys Find and Munda could be distributed to shareholders.

**Map of AWJ's Mining Tenements**



### General Advice Warning

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