

Sunday 3rd March, 2024

New Stock to Watch

Auric Mining - (ASX: AWJ, Share Price: \$0.125, Market Cap: \$16m, coverage initiated @ \$0.125 in March 2024)



Key Catalyst

Strategy of incremental growth based upon self-funding gold production from an initially modest base, centred on the highly prolific Eastern Goldfields region of Western Australia.

AWJ is a junior gold explorer and producer, with a portfolio of projects that are situated within the highly prolific Eastern Goldfields of Western Australia – comprising Jeffreys Find, Widgiemooltha and Spargoville. The company's relatively low-risk incremental growth strategy is based upon self-sustaining development at each of its planned gold operations. By the end of 2023, Stage One mining had been completed at Jeffreys Find, with 9,741 ounces of gold sold for \$29.28 million in gross revenue (from 175,865 tonnes processed), generating a net cash surplus of \$9.53 million (of which AWJ's 50% share was \$4.77M). Stage Two mining at Jeffreys Find will commence the week starting 4 March, with the aim of extracting a minimum of 300,000 tonnes of ore (70% more than Stage One), which could see AWJ with net cash proceeds of ~\$8M from this campaign. AWJ held \$4.5M in cash reserves at the end of 2023.

Introduction

AWJ was floated in early 2021 as a gold explorer and emerging producer, with a focus on the Widgiemooltha - Norseman region of Western Australia. AWJ maintains three projects within its current portfolio, which it aims to develop sequentially – Jeffreys Find, Widgiemooltha and Spargoville.

We have known AWJ's Managing Director, Mark English, for more than 20 years, and he maintains a conservative and focused approach to project appraisal and development. In the current environment, this firstly means not being sidetracked by a chase for other more 'fashionable' elements, and secondly a desire to minimize financial risk by avoiding debt and dilution. This has seen AWJ join the gold producing ranks in Australia just a little over two years after listing.

Jeffreys Find – Low Risk Profit Earner

A perfect case study of this conservative approach can be seen at the company's first mining development, its Jeffreys Find Gold Project, which hosts a Resource of 47,200 oz Au that has been mined since July 2023 in partnership with BML Ventures Pty Ltd (on a 50/50 profit-share basis).

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BML Ventures 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 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.

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.

Technical Significance

This Jeffreys Find arrangement optimises the project for AWJ by avoiding the time, complexity and costs of mobilizing equipment and hiring contractors independently, as well as eliminating the requirement for AWJ to fund its proportionate share of working capital for the project. With BML handling the mining operations, AWJ can realise returns from Jeffreys Find far more quickly than if it was running the project on a stand-alone basis. The deal also enables AWJ to focus on moving its second project, Munda, towards production, in late 2024/early 2025. AWJ's share price positive performance over the past six months reflects a re-rating and accompanies the company's move into profitable gold production.

Projects Overview

AWJ's Jeffreys Find, Widgiemooltha and Spargoville projects encompass a total area of ~280 sq km, which importantly is entirely manageable for a company of AWJ's size and financial resources.

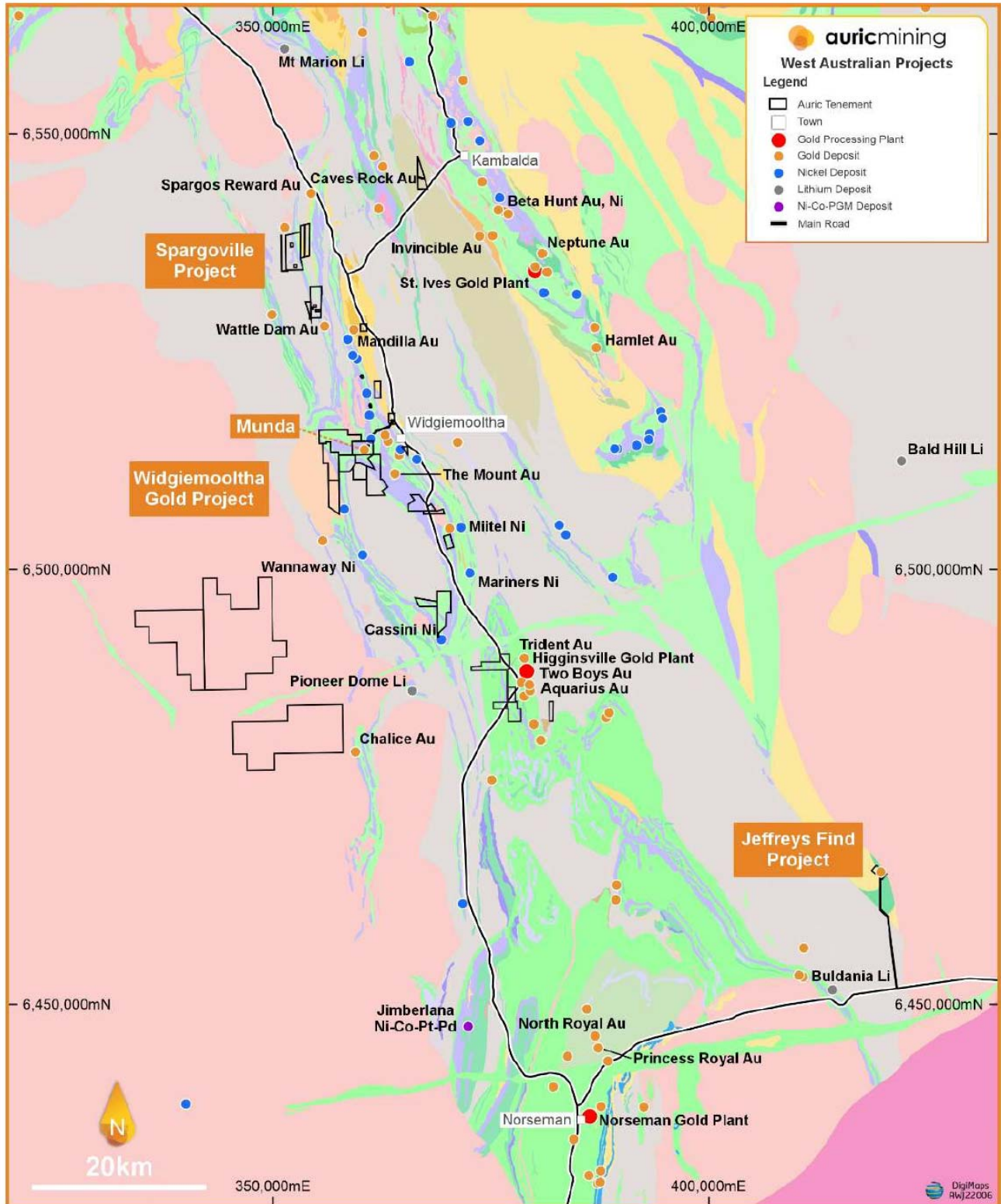


Figure 1: Graphic showing the location of AWJ's Jeffreys Find, Widgiemooltha and Spargoville gold projects.

Jeffreys Find Project

The Stage 1 starter pit of the Jeffreys Find Gold Mine (from July to December 2023) has produced 9,741 ounces of gold from 175,865 dry metric tonnes of ore milled at a grade of 1.86 Au g/t at a gold recovery rate of 92.51%. 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 \$19.9M, this left a surplus cash balance of \$9.5M, which was evenly distributed between BML and AWJ.

	1 st Parcel (Campaign)	2 nd 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

Table 1: Details of Stage One mining at Jeffreys Find.

Stage 2 mining at Jeffreys Find will commence this week, with the first cash flow projected during Q3 2024. The final pit could generate surplus cash to AWJ of ~\$8M, meaning the total anticipated cash inflow from Jeffreys Find could be ~\$13M over the project duration of roughly 18 months. Mining operations at the final pit are slated to conclude by the close of 2024 or early 2025 at the latest. We note the current A\$ gold price is A\$3,186/oz.

Widgiemooltha Project

The Widgiemooltha Gold Project includes AWJ's flagship Munda Gold Project, which hosts a current Mineral Resources Estimate (MRE) of 198,700 ounces – comprising 4,481,000 tonnes grading 1.39 g/t Au at a 0.5 Au g/t cut-off.

AWJ completed a Scoping Study in mid-2023 for open-pit mining and third-party toll treatment of the Munda gold deposit. In the base case, AWJ estimates that the optimum pit shell at the Munda project contains 1,766,553 tonnes at a grade of 2.2g/t, using a conservative A\$ gold price of A\$2,600/oz (compared to A\$3,186/oz currently). 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 gold price and recovery assumptions, 114,736 ounces would be produced at a cash cost of ~\$1,929 per ounce, generating surplus cash of A\$76.9M during its 13-quarter project life. The cash-generative potential of Munda is highly sensitive to the gold price, and if we increase the assumed gold price from \$2,600 to \$3,000 per ounce, the cash surplus jumps from \$80M to \$122M.

The development and mining at Munda will be separated into two stages, comprising a starter pit and a final pit. AWJ expects to commence mining at the starter pit in late 2024, which is forecast to generate \$8.7M in surplus cash for the company, which it will then use to finance the final pit.

Capital Investment (Start-up Costs)

As part of the scoping study, the capital investment required prior to the start of mining at the starter pit was estimated to be \$1.3M. The pre-mining capital and start-up costs include mobilization, site establishment, pre-mining earthworks, access and haulage road and demobilization. The working capital investment for mining operations prior to first gold production are estimated to be ~\$6M. The cash surplus after recouping all capital, mining, haulage, and processing costs is projected to be ~\$8.7M from the starter pit.

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
Total	\$1,250,000

Table 2: Munda estimated pre-mining capital costs.

Spargoville Project

The Spargoville Project comprises eight tenements that lie within the same stratigraphy and along strike from the Wattle Dam Gold Mine, which produced 268,000 ounces of gold @ 10g/t from between 2006 and 2013, one of Australia's highest-grade mines at that time.

AWJ has been focused on generating cashflow from its Jeffreys Find and Munda deposits, but in time AWJ will focus more of its exploration attention on Spargoville.

Gold Sector Update

Gold prices rose by nearly 1.5% to a two-month high on Friday to \$2082/oz, and up almost \$50/oz (or 2%) for the week, as disappointing US factory data and a drop in consumer sentiment raises the prospect of interest rate cuts later in the year. The pivot in sentiment was largely due to the latest inflation reports, which came in as expected but included a downward revision for December's figures.

This adjustment suggested to investors that the Fed might consider easing interest rates sooner than previously thought, sparking a rise in gold prices. Moreover, as the week progressed, additional economic data, particularly a weaker-than-expected performance in the manufacturing sector, reinforced the possibility of an earlier rate cut. This news further fueled the upward momentum in gold prices.

In essence, the week's developments around interest rate expectations and economic indicators played a crucial role in shaping the gold market, making it a point of interest for those keeping an eye on financial markets.



Figure 2: Intra-day gold price action from Friday 1 March.

Our 2024 outlook for gold remains positive, as we expect prices to reach new records, likely above \$2100 per ounce – based on a weaker US currency related to lower interest rates, continued strong central bank buying, a recovery in gold ETF purchases, and escalating global debt levels.



Figure 3: Auric Mining share price performance (blue line) versus gold futures price.

Summary

AWJ is a gold story that is worth keeping an eye on, as it enjoys a gradual market re-rating based on its appeal as a relatively low-risk, fully-funded growth situation.

By being prepared to retain a 50% stake in Jeffreys Find net cashflows, AWJ has avoided the time, complexity and costs of mobilizing equipment and hiring contractors independently, as well as eliminating the requirement for it to fund its proportionate share of working capital for the project. With BML handling the mining operations, AWJ can realise returns from Jeffreys Find far quicker than if it was running the project on a stand-alone basis.

This has also enabled AWJ to take full advantage of the strong A\$ gold price environment and also enables AWJ to focus on moving its second project, Munda, towards production, in late 2024/early 2025.

We have initiated coverage of AWJ as a Stock to Watch.

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