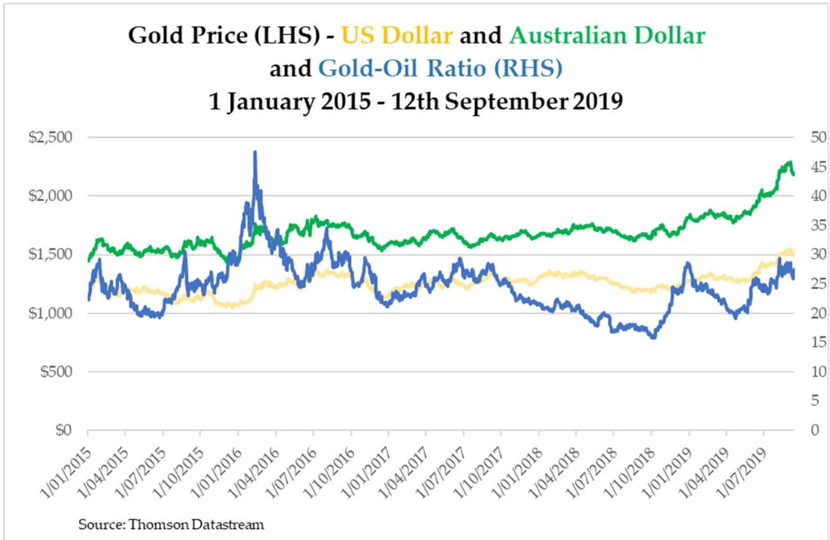
Australian Gold Fund

2019 June Quarter Summary

Summary



The 2019 June quarter witnessed the beginning of a substantial rally in the gold price corresponding to the announcement by the US Federal Reserve in June that they will begin to cut rates in the second half of the year. Furthermore, the US-China trade war took the front stage and was attributed to the potential destabilisation of the economic and financial markets. While the narrative of the US-China trade war is used by politicians and media pundits to explain why there will be greater likelihood of a crash in the asset markets, this is focusing on a second-order cause. The real cause is that the financial markets have been, especially since 2008, propped up by central banks reducing the interest rates to almost zero and even negative in certain countries. This issue, whilst a most important one and worthy of further discussion, cannot be covered here in further detail without detracting from the main points in this article that is to cover the performance of ASX-listed gold mining companies over the June quarter.

The gold price began the quarter at US$1 291.98/oz (A$1 814.20/oz) and ended the quarter at US$1 412.30/oz (A$2 012.54/oz), while crude oil traded at US$61.59/bbl and US$58.24/bbl, respectively. The Australian dollar fell marginally from US$0.712 to US$0.702 over the quarter. From 30th June to the time of writing of this report on 12th September, the gold price further rose to US$1 513.02 (A$2 200.60), oil fell to US$55.09 and the Australian dollar weakened to US$0.688. The gold-oil ratio rose from 20.98 at the start of the quarter to 24.25 at 30th June and further rose to 27.46 at the time of writing of this report. The trend appears to be increasingly accommodative of gold mining companies operating, although it is worth noting that September tends to be when gold peaks from a seasonal perspective, notwithstanding further economic, financial and socio-political changes.

The strong rally in gold has also sparked a rally in the stock prices for gold mining companies, though this quarter was volatile. The strongest performers that delivered at least 100% increase since the March quarterly summary report in May are Alkane Resources, Medusa Mining and Red 5, while Dacian Gold and Millennium Minerals retreated more than 30%.

When considering the year to date stock price performance, six companies delivered over 100% increase and they are (in descending order) Red 5 (253.9%) Alkane Resources (225.6%), Westgold Resources (172.7%), Ramelius Resources (142.6%), Alacer Gold (131.2%) and Medusa Mining (109.9%). On the other end of the spectrum, the five worst performers were Blackham Resources (-75.6%), Gascoyne Resources (-71.1%), Millennium Minerals (-58.3%), Dacian Gold (-53.4%) and St Barbara Mines (-39.4%).

With the background of the rising gold price and a corresponding increase in the gold-oil ratio during the quarter, a number of ASX-listed gold mining companies announced acquisitions of junior mining companies as their stock price rose. This sets the stage for bigger players in this space in the coming years, and we expect that more mergers and acquisitions will occur as larger mining companies seek to replenish their resources and reserves.

The June quarterly average production across the 25 companies increased relative to March quarter from 90 275oz to 91 627oz. The average AISC rose from $1 326/oz to $1 364/oz, and when weighted by individual companies' production, this increased from $1 122/oz to $1 154/oz. The cumulative production averages at 320 336oz at AISC of $1 340/oz or $1 150/oz when adjusted by individual companies' production.

Despite a more accommodative environment for gold mining companies in terms of the commodity price levels, operational performance has been somewhat disappointing. The positive side is that performance has improved compared to last quarter. Of the 25 companies, 13 (52%) experienced a decline in production compared to the previous quarter, 14 (56%) delivered less than 25% of their annual guidance for the quarter and 12 (48%) reported lower AISC compared to the previous quarter. In terms of their annual guidance, 9 (36%) reported downgrading their guidance, 4 (16%) maintained and 12 (48%) have increased their guidance.

Key Events and Transactions

During the quarter ending 30th June, the following major events occurred:

- Dacian Gold announced significant underperformance for the June quarter and a downgrade of future production profile from 200 000oz p.a. to 170 000oz p.a. (5th June).
- Gascoyne Resources declared entering into voluntary administration (3rd June).
- Oceanagold Corporation sought confirmation from the Philippines' government regarding renewal of right to operate at the Didipio Mine (28th June).
- Pantoro acquired 50% of the Central Norseman project (14th May).
- Perseus Mining announced the commencement of construction of the Yaoure gold mine (6th May).
- Red 5 announced substantial upgrade of resources of the King of the Hills mine (20th May).
- Regis Resources announced commencement of the development of the Rosemont underground mine (15th April).
- Resolute Mining announced Syama underground mine achieves commercial production (27th June)
- Saracen Mineral Holdings acquired Bligh Resources (14th June).
- St Barbara Mines acquired Atlantic Gold (17th May).

- Silver Lake Resources completed their merger with Doray Minerals (5th April).
- Westgold Resources sold the Higginsville gold mine to RNC Minerals (13th May).

Subsequent to the end of the June quarter, these major events and transactions occurred:

- Alkane Resources reported substantial drill results at their Boda site (9th September).
- Dacian Gold delivered their amended ten-year life-of-mine production plan (10th July).
- Millennium Minerals announced a downgrade in their long-term production profile for their Nullagine mine despite the commissioning of the sulfide processing plant (6th September).
- Newcrest Mining completed the acquisition of 70% of the Red Chris project (16th August).
- Northern Star updated their operational progress at the Pogo mine (30th July) and a takeover bid for Echo Resources (27th August).
- Oceanagold sought to appeal against an injunction decision in the Philippines following suspension in the underground operations at their Didipio mine (26th July).
- Red 5 reported substantial increase in reserves in the King of the Hills mine and indicated a plan to upgrade the processing plant to a capacity of 4Mt p.a. (1st August).
- Regis Resources acquired tenements from Duketon Mining (26th August).
- Resolute Mining announced the acquisition of the privately owned Toro Gold (31st July) and commenced major development at the Ravenswood mine (28th August).
- Silver Lake Resources announced their takeover of Egan Street Resources (30th July).
- Westgold Resources announced intention to demerge their polymetallic exploration business, Castile Resources (5th August).

The Big Picture

ASX Code	Category	MCap	Net Cash	Rise/Fall?	Net CF Less Capex	Cumulative Production	Resources	Reserves	2019 Guidance	Change?	% Progress	On Track?
ALK	E	$321.370	$72.982	Fall	-$0.242	48,969	437,000	126,000	44,500	Downgraded	110.04%	Yes
AMI	C	$432.340	$108.558	Fall	-$3.300	117,520	804,566	330,073	122,500	Downgraded	95.93%	No
AQG*	C	$1,718.960	-$317.642	Rise	$47.404	151,082	8,527,000	5,614,917	350,000	Upgraded	43.17%	No
BLK	D	$39.960	-$11.709	Fall	-$20.306	65,406	6,715,000	1,530,000	67,000	Upgraded	97.62%	No
DCN	C	$263.610	-$59.857	Fall	-$6.542	138,908	3,520,000	1,389,000	155,000	Upgraded	89.62%	No
EVN	B	$7,996.430	$35.200	Rise	$109.500	753,001	14,725,000	7,457,000	745,000	Upgraded	101.07%	Yes
GCY	D	$39.190	-$89.178	Fall	-$8.944	56,940	1,805,500	612,000	60,500	Maintained	94.12%	No
KLA*	B	$64.850	$671.821	Rise	$75.745	446,472	15,080,000	5,754,000	960,000	Upgraded	46.51%	No
KRM	E	$28.470	$12.400	Rise	-$1.051	18,814	364,000	390,217	17,000	Upgraded	110.67%	Yes
MML	D	$176.620	$16.074	Fall	$0.000	103,307	1,368,900	350,000	101,500	Downgraded	101.78%	Yes
MOY*	D	$66.860	-$20.834	Fall	-$25.800	32,264	1,159,100	375,300	95,000	Downgraded	33.96%	No
NCM	A	$26,497.020	-$346.026	Rise	$0.000	2,487,738	113,380,000	58,579,000	2,475,000	Downgraded	100.51%	Yes
NST	B	$6,818.050	$262.035	Rise	$132.700	832,211	20,759,000	5,374,000	875,000	Downgraded	95.11%	No
OGC*	B	$2,192.240	-$148.201	Fall	$24.707	254,971	8,680,000	5,949,500	525,000	Maintained	48.57%	No
PNR	D	$246.950	$56.010	Rise	-$5.080	43,019	2,613,184	226,000	52,500	Downgraded	81.94%	No
PRU	C	$805.910	$123.479	Rise	$38.560	271,824	7,267,000	3,271,000	281,000	Downgraded	96.73%	No
RED	D	$391.970	$14.728	Rise	$13.268	102,012	5,159,000	2,128,950	107,500	Upgraded	94.89%	No
RMS	C	$750.100	$106.815	Rise	$7.500	196,679	4,139,000	846,000	200,000	Upgraded	98.34%	No
RRL	C	$2,342.710	$196.406	Rise	$41.600	363,419	8,189,000	4,034,000	355,000	Maintained	102.37%	Yes
RSG	C	$1,325.420	-$211.633	Fall	-$55.900	305,436	15,970,000	6,080,000	300,000	Upgraded	101.81%	Yes
SAR	C	$2,824.040	$123.843	Fall	$72.000	355,078	9,200,000	3,300,000	355,000	Upgraded	100.02%	Yes
SBM	C	$1,984.180	-$2.809	Fall	$20.831	362,347	11,968,000	5,941,000	370,000	Upgraded	97.93%	No
SLR	C	$810.570	$130.727	Rise	$14.400	187,656	5,292,000	835,000	187,500	Upgraded	100.08%	Yes
TRY	D	$62.170	$16.033	Rise	$0.000	58,118	932,600	119,000	59,000	Maintained	98.51%	No
WGX	C	$957.290	$4.988	Rise	$0.000	255,221	9,344,000	2,649,000	310,000	Downgraded	82.33%	No

The table above provides key information relating to the 25 ASX-listed gold mining companies for the June quarter of 2019. Further discussion of each major aspect of interest will be covered in this report.

Before proceeding, refer to the Glossary section to better understand the data and also customised definitions used in this report. The data is collected from the quarterly reports and the quarterly cashflow reports, and then interpreted or organised to produce various tables and figures. The market capitalisation and stock price are as at close of trading day of 12th September. The net cash position includes cash and bullion relative to debt but excludes trade credit. A number of companies do not disclose their cashflow movements over the quarter. The Resources and Reserves are recorded to take into account any updates at the end of the financial year as reported by several companies with the financial year ended in June. Some companies have also reported maiden resources and reserves prior to the Resources and Reserves Statement. Where this is the case, we attempt to incorporate this, so our figures may disagree with official tables that may feature in company announcements. We have also added resources and reserves for any acquisitions or upgrades that have been completed at the time of the report. The 2019 production guidance is based on the most recent announcement up to the end of the quarter. Future outlook for 2020 is recorded separately.

Stock Price Performance

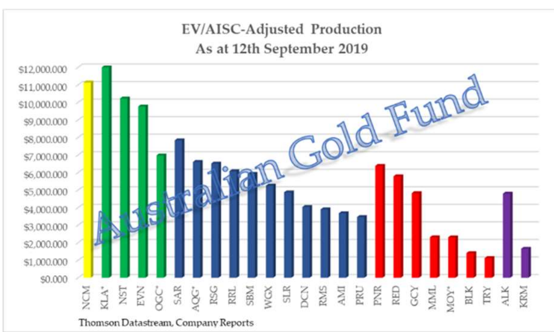
ASX Code	Category	Price - 12th Sept	Price - 1st Jan	YTD Returns
ALK	E	$0.64	$0.195	225.6%
AMI	C	$0.495	$0.680	-27.2%
AQG	C	$5.850	$2.530	131.2%
BLK	D	$0.010	$0.041	-75.6%
DCN	C	$1.165	$2.500	-53.4%
EVN	B	$4.700	$3.690	27.4%
GCY	D	$0.039	$0.135	-71.1%
KLA	B	$64.850	$36.900	75.7%
KRM	E	$0.039	$0.054	-27.8%
MML	D	$0.850	$0.405	109.9%
MOY	D	$0.075	$0.180	-58.3%
NCM	A	$34.480	$21.800	58.2%
NST	B	$10.660	$9.240	15.4%
OGC	B	$3.550	$4.860	-27.0%
PNR	D	$0.210	$0.200	5.0%
PRU	C	$0.690	$0.420	64.3%
RED	D	$0.315	$0.089	253.9%
RMS	C	$1.140	$0.470	142.6%
RRL	C	$4.610	$4.830	-4.6%
RSG	C	$1.470	$1.155	27.3%
SAR	C	$3.390	$2.930	15.7%
SBM	C	$2.850	$4.700	-39.4%
SLR	C	$0.990	$0.555	78.4%
TRY	D	$0.105	$0.110	-4.5%
WGX	C	$2.400	$0.880	172.7%

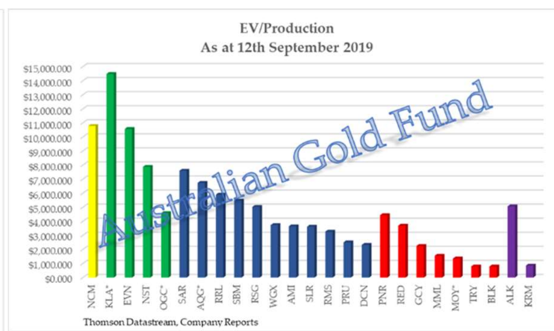
The rise in the gold price beginning in late May led to a broad rally in the gold mining companies covered in this report. Notwithstanding certain companies announcing production downgrades or acquisitions at a price perceived by investors to be overvalued, some of these gold mining companies rose at least 50% in price over the quarter.

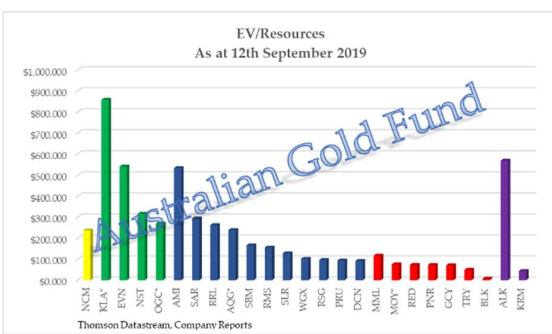
In late June, after the Federal Reserve announced that they will commence cutting the Federal Funds Rate in the next month, the gold price sharply rose. This coincided also with the June quadruple witching day on Friday 21st June, leading to significant rises in the stock price of the various companies over the next two months. The strongest performers since the start of April included Alacer Gold, Alkane, Medusa Mining, Red 5 and Westgold Resources.

During this time, a number of gold mining companies experienced significant declines in their stock prices owing to poor operating performance, production downgrades or dilutive capital raisings. Companies announcing disappointing operating performance included Aurelia Metals, Blackham Resources, Dacian Gold and Millennium Minerals. Dacian Gold, Millennium Minerals and St Barbara Mines reported a potential downgrade of their longer term production profile. Gascoyne Resources, Millennium Minerals, Pantoro, Resolute Mining, Silver Lake Resources and St Barbara Mines raised equity capital to finance acquisitions, replenish working capital as well as to fund for future development. During this quarter, Gascoyne Resources sadly announced that they have called in administrators as their financial position became increasingly precarious arising from large operational cash outflows from their high cost Dalgaranga mine. Oceanagold experienced a sharp retreat in their stock price as a result of an impending court battle with the local Filippino government over their Didipio mine.

Valuation







ASX Cod	Catego	EV/AISC-Adjusted Producti	Valuati	EV/Producti	EV/Resourc	EV/Reserv
ALK	E	$4,795.495	Overvalued	$5,072.352	$568.394	$1,971.333
AMI	C	$3,676.958	Fair Value	$3,650.289	$533.184	$1,299.656
AQG*	C	$6,604.272	Fair Value	$6,740.055	$238.842	$362.713
BLK	D	$1,404.475	Fair Value	$789.973	$7.695	$33.771
DCN	C	$4,034.442	Fair Value	$2,328.642	$91.894	$232.878
EVN	B	$9,768.455	Overvalued	$10,572.669	$540.661	$1,067.618
GCY	D	$4,825.608	Overvalued	$2,254.443	$71.098	$209.752
KLA*	B	$12,258.481	Overvalued	$14,486.002	$857.771	$2,248.034
KRM	E	$1,655.199	Fair Value	$854.151	$44.148	$41.182
MML	D	$2,310.952	Undervalued	$1,554.067	$117.281	$458.703
MOY*	D	$2,307.161	Undervalued	$1,359.007	$75.657	$233.664
NCM	A	$11,131.977	Fair Value	$10,790.142	$236.753	$458.237
NST	B	$10,223.662	Overvalued	$7,877.828	$315.816	$1,219.951
OGC*	B	$6,974.402	Fair Value	$4,589.622	$269.636	$393.384
PNR	D	$6,378.680	Overvalued	$4,438.495	$73.068	$844.866
PRU	C	$3,462.824	Undervalued	$2,510.562	$93.908	$208.631
RED	D	$5,784.973	Overvalued	$3,698.016	$73.123	$177.196
RMS	C	$3,898.717	Undervalued	$3,270.736	$155.420	$760.384
RRL	C	$6,077.609	Fair Value	$5,905.866	$262.096	$532.054
RSG	C	$6,511.828	Fair Value	$5,032.324	$96.246	$252.805
SAR	C	$7,834.659	Overvalued	$7,604.518	$293.500	$818.242
SBM	C	$5,923.125	Fair Value	$5,483.663	$166.025	$334.454
SLR	C	$4,870.898	Fair Value	$3,622.815	$128.466	$814.183
TRY	D	$1,117.747	Undervalued	$793.854	$49.472	$387.708
WGX	C	$5,253.648	Fair Value	$3,731.284	$101.916	$359.495
* Denotes companies trading in 2019 HY						

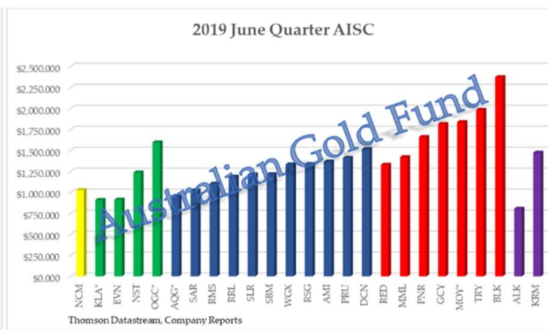
As a result of a substantial rally in the gold price and what may be a more pronounced response from gold mining companies in this study, we have rerated upwards these companies to account for improving operating margins and increased interest from market investors. The revised fair value ranges for different categories of gold mining companies are provided in the glossary.

Out of the 25 companies in this study, 8 (32%) are deemed overvalued based on the EV/AISC-Adjusted Production metric, 12 (48%) are deemed fair value and 5 (20%) are deemed undervalued. Interestingly, the larger mining companies are more likely to be deemed overvalued and the junior mining companies are more likely to be deemed undervalued, which is consistent with the nature of the early stages of a bull market where investors flock to quality. Among those deemed overvalued under this metric are companies with substantial future growth potential given their discovery of high-grade deposits and/or plans to develop such deposits in the future. These companies include Alkane Resources with their substantial intercepts in the Boda project, Pantoro with their acquisition of 50% of the 4.4Moz resources Central Norseman Gold Project and Red 5 with their confirmation of the King of the Hills mine reporting 1.45Moz reserves and 3.1Moz resources. The top-tier mining companies such as Newcrest, Northern Star, Evolution Mining and Saracen Mineral Holdings are deemed overvalued as they are trading near or past their record EV/AISC-Adjusted Production level. Despite this, these companies have either substantial reserves base or are generating strong cashflows. Worth noting is that these companies have seen their stock prices pull back from their record levels in late August.

Most of the companies deemed to be fair value belong to the mid-tier category. Within this category include those that have made acquisitions recently and may see growth potential. These are Resolute Mining, St Barbara Mines and Silver Lake Resources. Compared to last quarter, only Perseus Mining is still deemed to be undervalued while Ramelius Resources, Westgold and Silver Lake Resources have substantially rallied and are now fairly valued. This is after rerating these companies in light of the recent favourable environment. Given their expansionary plans are underway, these companies may likely see their production levels rise and hence absorb the stock price rallies going forward.

Five companies have been deemed undervalued in this study. These five companies include Medusa Mining, Millennium Minerals, Oceanagold, Perseus Mining and Troy Resources. Each of these companies have a slightly different story. Medusa Mining, Perseus Mining and Troy Resources operate in jurisdictions perceived to be higher risk and despite their operations delivering positive cashflows, market investors still ascribe a modest discount on their assets. Millennium Minerals disappointed investors with a downgrade of their production from 100 000oz p.a. to 80 000oz p.a. despite their sulfide processing plant commencing operations. Oceanagold is facing some uncertainty over whether their Didipio mine may need to suspend their operations indefinitely owing to disputes with the local government. This event is similar to what Red 5 faced with their Siana mine in 2017 when they had to cease operations of their open-pit mine.

Operational Performance



ASX Code	Category	Market Capitalisation	Net Cash	Cumulative NCF-Capex	Production	% Annual Guidance	Rise/Fall?	AISC	Rise/Fall?
ALK	E	$108.810	$72.982	$5.017	11,555	25.97%	Rise	$807.000	Fall
AMI	C	$537.540	$108.558	$47.034	22,864	18.66%	Fall	$1,369.988	Rise
AQG*	C	$1,181.240	-$317.642	$99.237	79,599	22.74%	Fall	$955.441	Fall
BLK	D	$25.340	-$11.709	-$29.632	12,045	17.98%	Fall	$2,376.000	Rise
DCN	C	$408.540	-$59.857	-$18.636	36,658	23.65%	Rise	$1,519.000	Rise
EVN	B	$6,058.540	$35.200	$292.200	194,886	26.16%	Rise	$915.000	Fall
GCY	D	$38.180	-$89.178	-$59.407	15,655	25.88%	Rise	$1,816.000	Fall
KLA*	B	$10,700.964	$671.821	$206.855	214,593	22.35%	Fall	$911.168	Rise
KRM	E	$27.010	$12.400	-$5.862	7,469	43.94%	Rise	$1,475.292	Fall
MML	D	$84.160	$16.074	$8.650	26,151	25.76%	Fall	$1,421.022	Rise
MOY*	D	$109.170	-$20.834	-$31.777	14,871	15.65%	Fall	$1,840.000	Rise
NCM	A	$20,018.790	-$346.026	$1,336.419	661,414	26.72%	Rise	$1,028.277	Fall
NST	B	$6,042.840	$262.035	$179.523	226,028	25.83%	Rise	$1,238.000	Fall
OGC*	B	$2,624.510	-$148.201	$9.345	129,290	24.63%	Rise	$1,596.686	Rise
PNR	D	$189.370	$56.010	$0.000	9,557	18.20%	Rise	$1,662.000	Fall
PRU	C	$554.540	$123.479	$89.573	64,125	22.82%	Fall	$1,412.453	Rise
RED	D	$155.400	$14.728	$0.000	30,098	28.00%	Rise	$1,331.000	Fall
RMS	C	$557.920	$106.815	$70.741	47,342	23.67%	Rise	$1,106.000	Fall
RRL	C	$2,396.930	$196.406	$122.927	90,966	25.62%	Fall	$1,189.000	Rise
RSG	C	$879.390	-$211.633	-$179.813	78,132	26.04%	Fall	$1,340.000	Rise
SAR	C	$2,616.670	$123.843	$67.432	88,096	24.82%	Fall	$1,026.000	Fall
SBM	C	$1,746.280	-$2.809	$122.790	86,197	23.30%	Fall	$1,219.000	Rise
SLR	C	$679.080	$130.727	$14.141	64,557	34.43%	Rise	$1,216.000	Fall
TRY	D	$49.300	$16.033	$13.716	11,567	19.61%	Fall	$1,985.146	Rise
WGX	C	$540.860	$4.988	-$42.193	66,952	21.60%	Fall	$1,336.000	Rise

The average production over this quarter across the 25 companies is 91 627oz, which compares with last quarter's 90 275oz. The average AISC and production-weighted average AISC this quarter are $1 364/oz and $1 154/oz, respectively. This compares with last quarter of $1 326/oz and $1 122/oz.

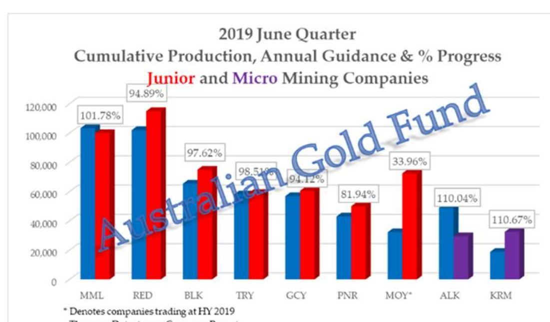
13 (52%) of the 25 companies experienced a decline in their quarter to quarter production and 13 (52%) saw their AISC increase from last quarter. The companies with improving operating performance, as reflected by a rise in production and a decline in AISC included Alkane Resources, Evolution Mining, Gascoyne Resources, Kingsrose Mining, Newcrest Mining, Northern Star, Pantoro, Red 5, Ramelius Resources and Silver Lake Resources. In short, performance was generally underwhelming for a quarter where the conditions looked to be in favour of better performance. However, a number of mining companies that saw their production fall with rising costs have ageing mines with declining ore grades. That is why we saw a rise in transactions relating to mergers and acquisitions.

While the gold price rose, management of some companies decided to embark on expansionary strategies requiring additional debt or drawdown of their cash reserves. Thus, while they reported increase in operating cashflows, they either engaged in using cash to acquire other companies or mines or they embarked on growth capital development. Notably, Resolute Mining and St Barbara Mines saw a substantial decline in their cash reserves and an increase in debt. On the other end of the spectrum, Evolution Mining, Northern Star and Perseus Mining saw significant increase in their cash positions.

Over the 2018-2019 financial year, the net cashflow performance across these 25 companies has been mixed. 16 (64%) companies delivered cashflows after accounting for sustaining capital expenditure. The 9 companies that did not are in the midst of their substantial growth and development phase. However, some of these companies including Blackham Resources, Dacian Gold, Gascoyne Resources and Millennium Minerals have faced significant obstacles to delivering their guidance due largely from their smaller scale and thus cost blowouts are felt more sharply. That being said, Resolute Mining and Westgold Resources are mid-tier mining companies that have seen significant cost blowouts in their growth phase that have subdued investor interest for a number of years.

In summary, the top operating performers, when taking into account their quarterly performance, production level relative to guidance and operating cashflow generation, for the June quarter are Alkane Resources, Evolution Mining, Kirkland Lake Gold, Newcrest Mining, Red 5 and Silver Lake Resources.

Cumulative Progress



ASX Code	Category	Cumulative Production	2019/2020 Midpoint Guidance	% Annual Guidance	Cumulative AISC
ALK	E	48,969	29,500	110.04%	$945.42
AMI	C	117,520	90,000	95.93%	$1,007.31
AQG*	C	151,082	380,000	43.17%	$979.85
BLK	D	65,406	75,000	97.62%	$1,777.88
DCN	C	138,908	160,000	89.62%	$1,732.53
EVN	B	753,001	750,000	101.07%	$923.93
GCY	D	56,940	60,500	94.12%	$2,140.49
KLA*	B	446,472	975,000	46.51%	$846.23
KRM	E	18,814	32,500	110.67%	$1,937.83
MML	D	103,307	100,000	101.78%	$1,487.03
MOY*	D	32,264	72,500	33.96%	$1,697.68
NCM	A	2,487,738	2,425,000	100.51%	$1,031.68
NST	B	832,211	850,000	95.11%	$1,297.78
OGC*	B	254,971	525,000	48.57%	$1,519.60
PNR	D	43,019	50,000	81.94%	$1,437.13
PRU	C	271,824	280,000	96.73%	$1,379.30
RED	D	102,012	115,000	94.89%	$1,564.35
RMS	C	196,679	215,000	98.34%	$1,192.00
RRL	C	363,419	355,000	102.37%	$1,029.08
RSG	C	305,436	450,000	101.81%	$1,294.00
SAR	C	355,078	360,000	100.02%	$1,030.26
SBM	C	362,347	417,500	97.93%	$1,080.14
SLR	C	187,656	222,500	100.08%	$1,344.51
TRY	D	58,118	59,000	98.51%	$1,408.00
WGX	C	255,221	287,500	82.33%	$1,408.00

* Denotes companies trading in 2019 HY, wherein production guidance relates to 2019 full year

Over the 2019 financial year, the average production of gold was 320 336 oz at cumulative AISC of $1 340/oz or $1 150/oz when weighted by production. Note that companies such as Alacer Gold, Kirkland Lake Gold, Millennium Minerals and Oceanagold only contributed with a half year production as their financial year corresponds to the calendar year. 9 (36%) companies managed to deliver above the midpoint of their most recent guidance range. A number of companies upgraded their production guidance since the start of the financial year, namely Alkane Resources, Alacer Gold, Evolution Mining, Medusa Mining, Saracen Mineral Holdings and St Barbara Mines. Companies that substantially reduced their production guidance include Aurelia Minerals, Blackham Resources, Dacian Gold, Gascoyne Resources, Millennium Minerals and Westgold Resources.

For the 2019 financial year, the top performers appear to be Alkane Resources, Evolution Mining, Newcrest Mining, Regis Resources and Saracen Mineral Holdings.

Going forward, the 2020 production guidance will see a number of companies substantially increase their production guidance due to acquisitions they have made and also growth projects beginning to deliver. These companies include Alacer Gold, Resolute Mining, Saracen Mineral Holdings, Silver Lake Resources, St Barbara Mines and Westgold Resources. Companies worth monitoring for their project development include Aurelia Metals, Blackham Resources, Dacian Gold, Gascoyne Resources, Gold Road (to be included in the next quarter as their Gruyere mine commences production), Millennium Minerals and Perseus Mining. Companies such as Alkane Resources, Pantoro and Red 5 have substantial resources being added to their inventory may be wild cards worth keeping an eye on.

Glossary

The gold mining companies are classified based on their production level on an annual basis. The classification used in this report is as follows – **A** (major producer – 1Moz p.a. or more), **B** (large producer – 0.5-1Moz p.a.), **C** (mid-tier producer – 150 000-500 000oz p.a.), **D** (junior producer – 50 000-150 000oz p.a.) and **E** (micro producer – less than 50 000oz p.a.).

The **All-in Sustaining Cost (AISC)** is a measure adopted by the World Gold Council as a standardised measure of production costs. This cost includes typically the **Cash Cost** associated with the direct production (extraction, transportation, processing and refining costs, staff salary and wages and relevant corporate costs) as well as **Sustaining Expenditure** that may include maintenance of mine equipment and infrastructure, insurance and administration costs over its production life. Companies may still have discretion in apportioning their expenses.

The **EV/AISC-Adjusted Annual Production** is a *comparative measure* used for valuing companies in this report and can be used to determine relative value. The enterprise value is the sum of the market value of equity (stock price multiplied by number of issued stocks) and net debt (total borrowings less cash and gold bullion, but excluding gold in circuit and ore stockpiles). The AISC-adjusted annual production is measure whereby the annual production of gold per oz is divided by the AISC adjusted by a factor of 1 000. The intuition behind this measure is to value the company by taking into account annual production but giving favourable treatment for lower AISC and penalising for higher AISC. The factor of 1 000 is arbitrarily chosen. As an illustration, if a company produces 250 000oz p.a. at AISC of $1 250, the AISC-adjusted production is 200 000.

The **EV/AISC-Adjusted Production Range** is used to determine the Price Range for the company. This range takes into account the baseline range depending on the company's classification, as determined by the annual gold production level. The range can be adjusted upwards or downwards based on other factors that are presented in the SWOT Analysis section.

Given the rise in gold price in the recent three months, we see reason to re-rate the gold mining companies' valuation metrics upwards to reflect their improving profitability as well as increased enthusiasm from investors. As a rough guide, the fair value ranges for different mining company classes are as follows:

Major and Large Companies *- $8 000-$11 000/oz*

Mid-Tier Companies *- $3 000-$6 000/oz*

Micro and Junior Companies *- $1 500-$2 500/oz*

The measure is by no means perfect and other factors should be considered including reserve and resource life, projected production volume and costs, management quality and geographic location. Further, it is of a retrospective nature, focusing on past performance and this may not be a good indicator for future performance.

The **Net Cash/Debt** is the net amount of cash and bullion the company holds after their borrowings and interest-bearing debt are paid. This represents the liquidity position of the company, although this measure does not consider whether the debt is current (due within the next twelve months) or not. A company in a significant net debt position is owing more than they currently have in cash and bullion, which may potentially put them in financial distress if the debt is due soon.

The **Net Cashflow from Operations Excluding Maintenance Capital Expenditure** measures to what extent the company can generate cashflows from its operations after paying for its operating costs as well as Cash Paid for Purchases of Property, Plant and Equipment and the Cash Paid for Development Expenditure in the Investing Cashflows section of the Statement of Cash Flows. It does not include Cash Paid for Exploration and Evaluation, which is assumed to be growth capital expenditure. This is by no means a stable and comparable measure as different companies may have discretionary interpretation of what constitutes as Operating Activities and Investing Activities or Development, Exploration and Evaluation expenditures.

The **Price Range** determines a reasonable range for which the company stock price should be trading at. This range is relatively wide as it considers the *margin of safety*. A company whose stock price is currently outside the fair value range is significantly over or undervalued and investors should look more deeply into the company's operations, financial performance and recent market announcements. This range should not be taken as the sole driver for investment decisions, but as a starting point for further research to identify the potential causes for the current stock price.

Disclaimer

Information in this report is not intended to be financial advice and should not be used as such. While every effort is made to ensure the information is reliable and accurate, errors and omissions may still exist. The interpretation of financial reports, market announcements and management commentary is subject to personal views and discretion. Users of this report are highly advised to seek professional financial advice before making their decisions.