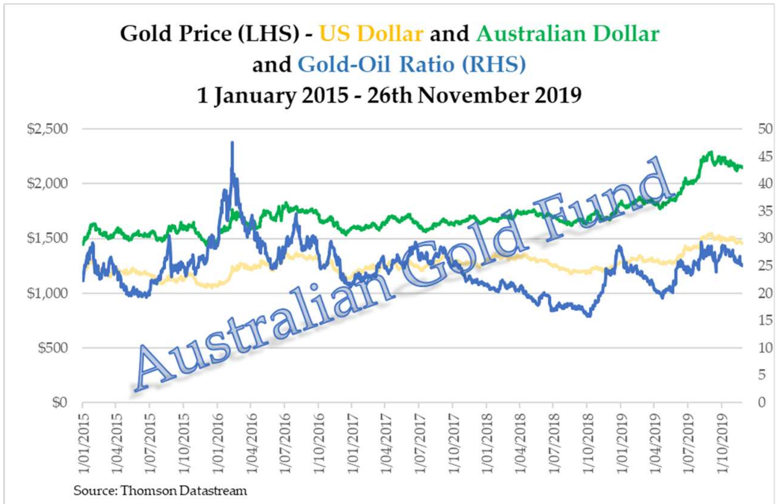
Australian Gold Fund

2019 September Quarter Summary

Summary



The 2019 September quarter has seen gold mining companies deliver a slightly improved operational performance compared to the previous quarter, but the stock prices have fallen after peaking in early September. This is normal in the calendar year cycle as a result of the summer rally in precious metals prices is proceeded by a correction and consolidation of price levels, as well as investors selling down to pay taxes in Australia and investors in the northern hemisphere begin their tax loss selling in October to December prior to the end of the financial year.

Market conditions over the September quarter remain accommodative for gold mining companies as the oil price continues to trade in the US$50-60/bbl range, thus the gold-oil ratio remains in the 25-30 range. The gold price peaked at around US$1 550/oz and A$2 300/oz in early September before pulling back below US$1 500/oz, but remaining above US$1 450/oz. The Australian dollar further weakened against the US dollar and thus the gold price in Australian dollar terms have been more robust, remaining above A$2 100/oz. Part of the Australian dollar weakening is brought about by the Reserve Bank of Australia reducing the 24-Hour Cash Rate by 0.25% to 0.75%.

Given that this is also the time of the year when precious metal prices tend to be weak, the current price levels are highly encouraging. Based on past trends, the precious metal prices and gold mining stock prices will likely stage a recovery after the New Year. The Federal Reserve reduced the Federal Funds Rate once again in the September and October meetings, which now stands at 1.5-1.75%. While the Federal Reserve Open Market Committee indicates that they are not going to reduce the rate further for now, their credibility is certainly not worth much given they have walked back on their strategy so quickly within the past year.

Geopolitical conditions continue to deteriorate with increasing civil unrests around the world while tensions in the Middle East appear to be reducing though situations remain volatile especially in the Iran-Turkey-Syria region. The US-China trade war continues to be a source of uncertainty as both sides alternate between announcing that some breakthrough has been reached and negotiations again breaking down. The US political situation seems to suggest that President Trump will likely be impeached on charges of bribery and corruption, while the Department of Justice and their appointed investigators uncover more evidence of corruption committed by the once fabled Deep State (confirmed in a TV interview by ex-CIA chief John Brennan who remarked "Thank God for the Deep State" in response to how they think they can stop the President). A showdown may occur in the Senate, and may generate further market uncertainty.

This summary report has commenced covering Gold Road Resources (ASX: GOR) after they have announced commercial production in their Gruyere mine, bringing the coverage to 26 ASX-listed gold mining companies. From an operations perspective, over the September quarter, 14 out of 26 (53.8%) companies reported an increase in production over the previous quarter (Jun 2019: 12 out of 25) while 8 out of 26 (30.8%) companies reported a decrease in all-in sustaining cost (Jun 2019: 12 out of 25) and 11 out of 26 (42.3%) companies delivered at more than 25% of their annual guidance (Jun 2019: 11 out of 25). From a financial position perspective, 14 out of 26 (53.8%) companies reported an increase in their net cash position (Jun 2019: 14 out of 25) and excluding Newcrest Mining, 16 out of 25 (64%) companies are in a net cash position (Jun 2019: 16 out of 25, including Newcrest). Only 4 out of 26 (15.4%) companies saw their stock price increase since the last summary report, while 3 out of 26 (11.5%) companies saw their stock price remain steady.

From a valuation perspective, we excluded Gold Road as a result of them not reporting the AISC for this quarter. For this quarter, 6 out of 25 (24%) companies are considered undervalued, 11 out of 25 (44%) are considered overvalued while 8 out of 25 (32%) are considered fair value. This compares to the last report where we considered the undervalued, overvalued and fair value companies to be 5 out of 25 (20%), 8 out of 25 (32%) and 12 out of 25 (48%), respectively. The reason for an increase of companies being considered as overvalued is due to a rise in the AISC for several companies and a modest price decrease over this period does not sufficiently offset this. Furthermore, several large and mid-tier mining companies such as Northern Star Resources, St Barbara, Resolute Mining and Westgold reported a marked decrease in production compared to the previous quarter.

Readers are reminded once again that our valuation metric is the Enterprise Value divided by AISC-Adjusted Production and does not take into account the company's resources and reserves. While we do consider the resources and reserves in our decision to invest, we discount resources and reserves in an undeveloped mine property due to the inherent risks associated with mine development.

Key Events and Transactions

During the quarter ending 30th September and further to our coverage of events in the last summary report, the following major events occurred:

- Alkane Resources reported substantial drill results at their Boda site (9th September).
- Blackham Resources raised $7m of equity capital to fund their Stage 1 expansion plan. (12th September).
- 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).
- Northern Star takeover bid for Echo Resources (27th August) becoming unconditional on 23rd September).
- Oceanagold sought to appeal against an injunction decision in the Philippines following suspension in the underground operations at their Didipio mine (26th July). The subsequent court hearing on 18th September did not result in operations resuming.
- Pantoro commenced drilling in their recently acquired Central Norseman Gold Project (9th September).
- Saracen Mineral Holdings acquired the Sinclair Nickel Project from Talisman Mining for $10m (27th September).

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

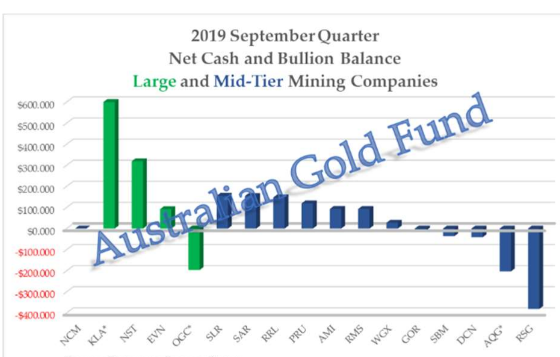
- Alkane Resources announced a $54.8m equity raising for exploration and development of their Tomingley underground mine and the Boda deposit (29th November).
- Aurelia Metals appointed Dan Clifford as their CEO and Peter Trout as their COO (23rd October).
- Blackham Resources completed their sale of the Lake Way project to SO4 Potash for $10m (8th October).
- Evolution Mining announced their intention to acquire Newmont Goldcorp's Red Lake Mine for US$375m or A$552m (26th November).
- Gold Road Resources announced commercial production achieved at their Gruyere mine (9th October).
- Kingsrose Mining confirmed Acting CEO Karen O'Neill as CEO (21st November).
- Kirkland Lake Gold announced they have entered into an agreement to acquire Detour Gold for C$4.9 billion or A$5.45 billion (26th November).
- Millennium Minerals appointed administrators to assist with company financial restructure (25th November).
- Newcrest Mining approved the execution of Stage 1 of the Cadia Expansion Project (15th October).
- Northern Star Resources completed the acquisition of Echo Resources for $0.33 per stock.
- Ramelius Resources received permit to commence mining development at the Edna May Greenfinch deposit (7th October).
- Resolute Mining reported that the Syama roasting circuit repairs are scheduled to be completed by mid to late December (18th November).

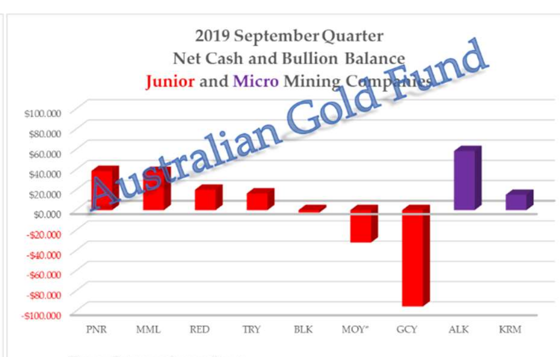
- Saracen Mineral Holdings acquired 50% of Newmont Goldcorp's Super Pit for US$750m (A$1.1 billion) and will finance this via a A$796m equity raising and A$450m debt). The acquisition was completed on 29th November.
- Silver Lake Resources upgraded their offer for Egan Steet Resources from 0.27 SLR stocks for each EGA stock to 0.4 SLR stocks for each EGA stock (1st November). This was further upgraded on 7th November to 0.431 SLR stocks per EGA stock.
- Troy Resources stocks were suspended from trading since 11th October resulting from a fatality in their Karouni mine that is now placed in suspension pending further investigation. The mine staff were laid off on 29th November.
- Westgold Chairman announced his retirement to be effective after the Annual General Meeting (2nd October).

The Big Picture

ASX Code	Category	MCap	Net Cash	Rise/Fall?	Net CF Less Capex	Cumulative Production	Resources	Reserves	2019/20 Guidance	Change?	% Progress	On Track?
ALK	E	$308.720	$58.416	Fall	-$7.546	7,497	437,000	126,000	32,500	Upgraded	23.07%	No
AMI	C	$384.310	$93.100	Fall	$17.000	29,307	804,566	330,073	90,000	Maintained	32.56%	Yes
AQG*	C	$2,115.820	-$202.872	Rise	$109.407	232,102	8,527,000	5,614,917	324,000	Upgraded	71.64%	No
BLK	D	$56.590	-$2.473	Rise	$6.067	17,565	6,381,000	1,380,000	75,000	Maintained	23.42%	No
DCN	C	$322.300	-$40.974	Rise	$19.183	42,002	3,645,000	1,389,000	160,000	Maintained	26.25%	Yes
EVN	B	$6,635.340	$91.700	Rise	$154.900	191,967	14,725,000	7,457,000	750,000	Maintained	25.60%	Yes
GCY	D	$39.190	-$95.354	Fall	-$0.319	17,010	1,805,500	501,800			28.12%	Yes
GOR	C	$936.010	-$9.302	Rise	-$10.784	14,554	3,300,000	1,960,000	87,500	Maintained	16.63%	No
KLA*	B	$59.800	$914.865	Rise	$264.381	694,872	15,080,000	5,754,000	975,000	Maintained	71.27%	No
KRM	E	$22.630	$15.182	Rise	$1.667	6,049	343,000	366,500	24,000	Downgraded	25.20%	Yes
MML	D	$141.300	$37.843	Rise		27,515	1,419,200	350,000	100,000	Maintained	27.52%	Yes
MOY*	D	$45.460	-$32.000	Fall	-$10.300	48,550	1,159,100	375,300	72,500	Maintained	66.97%	No
NCM	A	$23,649.610				511,636	125,023,000	61,235,000	2,455,000	Upgraded	20.84%	No
NST	B	$5,983.200	$319.200	Rise	$67.200	188,175	20,759,000	5,374,000	850,000	Maintained	22.14%	No
OGC*	B	$1,698.860	-$196.323	Fall	-$21.582	362,449	8,680,000	5,949,500	470,000	Downgraded	77.12%	Yes
PNR	D	$170.510	$38.700	Fall	-$7.836	10,631	2,597,884	179,000	47,500	Downgraded	22.38%	No
PRU	C	$1,004.460	$119.188	Fall	$51.038	65,825	7,267,000	3,271,000	280,000	Maintained	23.51%	No
RED	D	$354.640	$20.129	Rise	$9.760	28,649	5,159,000	2,128,950	115,000	Maintained	24.91%	No
RMS	C	$674.930	$92.700	Fall	-$4.100	44,182	4,182,000	876,000	215,000	Maintained	20.55%	No
RRL	C	$2,347.790	$147.400	Fall	$31.700	87,633	8,189,000	4,034,000	355,000	Maintained	24.69%	No
RSG	C	$988.950	-$381.200	Fall	-$51.600	279,438	15,970,000	6,080,000	400,000	Downgraded	69.86%	Yes
SAR	C	$2,953.340	$154.400	Rise	$65.000	96,324	9,200,000	3,300,000	360,000	Maintained	26.76%	Yes
SBM	C	$1,747.900	-$36.000	Fall	$13.000	87,569	11,968,000	5,941,000	400,000	Downgraded	21.89%	No
SLR	C	$912.390	$155.200	Rise	$31.100	59,288	5,292,000	835,000	222,500	Maintained	26.65%	Yes
TRY	D	$65.130	$16.459	Rise		10,042	932,600	119,000	58,000	Downgraded	17.31%	No
WGX	C	$796.940	$27.539	Rise		57,472	9,121,000	2,619,000	287,500	Maintained	19.99%	No

* Denotes companies trading at 2019 Q3





The table above provides key information relating to the 26 ASX-listed gold mining companies for the September 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 26th November. 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. Where takeover activity occurs during the quarter, the amount reported is based on what is given in the quarterly reports. Some companies may not have completed the transaction before the end of the quarter. Our report does not make any adjustments where this is the case.

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 2020 production guidance is based on the most recent announcement up to the end of the quarter.

Stock Price Performance

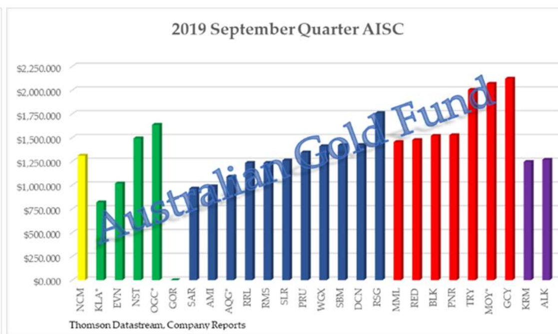
ASX Code	Category	Price - 26th Nov	Price - 12th Sept	Price - 1st Jan	Quarter Returns	YTD Returns
ALK	E	$0.61	$0.77	$0.195	-20.3%	212.8%
AMI	C	$0.440	$0.465	$0.680	-5.4%	-35.3%
AQG	C	$7.180	$6.090	$2.530	17.9%	183.8%
BLK	D	$0.012	$0.012	$0.041	0.0%	-70.7%
DCN	C	$1.415	$1.455	$2.500	-2.7%	-43.4%
EVN	B	$3.900	$4.420	$3.690	-11.8%	5.7%
GCY	D	$0.039	$0.039	$0.135	0.0%	-71.1%
GOR	C	$1.065	$1.410	$0.650	-24.5%	63.8%
KLA	B	$59.800	$66.000	$36.900	-9.4%	62.1%
KRM	E	$0.031	$0.027	$0.054	14.8%	-42.6%
MML	D	$0.680	$0.750	$0.405	-9.3%	67.9%
MOY	D	$0.051	$0.082	$0.180	-37.8%	-71.7%
NCM	A	$30.760	$33.560	$21.800	-8.3%	41.1%
NST	B	$9.220	$11.260	$9.240	-18.1%	-0.2%
OGC	B	$2.730	$3.810	$4.860	-28.3%	-43.8%
PNR	D	$0.145	$0.185	$0.200	-21.6%	-27.5%
PRU	C	$0.860	$0.700	$0.420	22.9%	104.8%
RED	D	$0.285	$0.310	$0.089	-8.1%	220.2%
RMS	C	$1.025	$1.210	$0.470	-15.3%	118.1%
RRL	C	$4.620	$4.740	$4.830	-2.5%	-4.3%
RSG	C	$1.095	$1.200	$1.155	-8.8%	-5.2%
SAR	C	$3.020	$3.410	$2.930	-11.4%	3.1%
SBM	C	$2.500	$2.720	$4.700	-8.1%	-46.8%
SLR	C	$1.050	$0.940	$0.555	11.7%	89.2%
TRY	D	$0.110	$0.110	$0.110	0.0%	0.0%
WGX	C	$1.995	$2.160	$0.880	-7.6%	126.7%

Since the last summary report, price levels for these companies declined on average by 7.4%. Only four companies saw their stock price increase, being Alacer Gold, Kingsrose Mining, Perseus Mining and Silver Lake Resources. For Alacer Gold, Perseus Mining and Silver Lake Resources, improved operational performance contributed to their increase. Three companies saw their stock price remain steady, Blackham Resources is appearing to have a turnaround in their operational performance, Gascoyne Resources remaining suspended from trading while Troy Resources entered into suspension. The sharpest stock price declines came from Millennium Minerals, Oceanagold Corporation, Gold Road Resources, Pantoro Resources and Alkane Resources. Reasons for their sharp declines include capital raising (Alkane Resources and Millennium Minerals), operational difficulties (Pantoro and Oceanagold Corporation) and capital funding issues (Millennium Minerals).

Several of the companies included in this study completed their acquisitions that were funded partly through equity capital raising during this quarter and thus their stock price declines were due to dilution rather than any events detrimental to their operations. These include Evolution Mining, Kirkland Lake Gold, Newcrest Mining and Saracen Mineral Holdings. On the other hand, Northern Star Resources, Pantoro, Resolute Mining and St Barbara Mines acquired new mine assets and raised capital but their operational performance were disappointing. This led to investors being disappointed with their performance and selling down these stocks.

In terms of year-to-date performance, the returns generated by these gold mining companies are still commendable. The average YTD return across these 26 companies is 32.2%, with six companies delivering over 100% return and ten companies delivering over 50% return since the beginning of the year. On the other end of the scale, three companies have seen their stock price plunge more than 70%, while seven companies delivered a loss exceeding 40%. Despite the strong rally in the gold price since the beginning of this year, the returns seen across these 26 companies continue to suggest that these are highly risky investments. Investors cannot simply count on the gold price rally to enjoy generous returns as substantial risk and uncertainty exist regarding operations, financial position, politics and legislation.

Operational Performance



ASX Code	Category	Market Capitalisation	Net Cash	Cumulative NCF-Capex	Production	% Annual Guidance	Rise/Fall?	AISC	Rise/Fall?
ALK	E	$308.720	$58.416	-$7.546	7,497	23.07%	Fall	$1,268.000	Rise
AMI	C	$537.540	$93.100	$17.000	29,307	32.56%	Rise	$988.000	Fall
AQG*	C	$2,115.820	-$202.872	$208.644	81,020	25.01%	Rise	$1,089.289	Rise
BLK	D	$56.590	-$2.473	$6.067	17,565	23.42%	Rise	$1,519.000	Fall
DCN	C	$322.300	-$40.974	$19.183	42,002	26.25%	Rise	$1,423.000	Fall
EVN	B	$6,635.340	$91.700	$154.900	191,967	25.60%	Fall	$1,018.000	Rise
GCY	D	$39.190	-$95.354	-$0.319	17,010	28.12%	Rise	$2,121.000	Rise
GOR	C	$936.010	-$9.302	-$10.784	14,554	16.63%	Rise	$0.000	Rise
KLA*	B	$12,547.405	$914.865	$471.236	248,400	25.48%	Rise	$819.519	Fall
KRM	E	$22.630	$15.182	$1.667	6,049	25.20%	Fall	$1,245.319	Fall
MML	D	$141.300	$37.843		27,515	27.52%	Rise	$1,453.844	Rise
MOY*	D	$45.460	-$32.000	-$42.077	16,286	22.46%	Rise	$2,068.000	Rise
NCM	A	$23,649.610			511,636	20.84%	Fall	$1,310.938	Rise
NST	B	$5,983.200	$319.200	$67.200	188,175	22.14%	Fall	$1,493.000	Rise
OGC*	B	$1,698.860	-$196.323	-$12.236	107,478	22.87%	Fall	$1,636.121	Rise
PNR	D	$170.510	$38.700	-$7.836	10,631	22.38%	Rise	$1,526.000	Fall
PRU	C	$1,004.460	$119.188	$51.038	65,825	23.51%	Rise	$1,344.477	Fall
RED	D	$354.640	$20.129	$9.760	28,649	24.91%	Fall	$1,476.000	Rise
RMS	C	$674.930	$92.700	-$4.100	44,182	20.55%	Fall	$1,234.000	Rise
RRL	C	$2,347.790	$147.400	$31.700	87,633	24.69%	Fall	$1,234.000	Rise
RSG	C	$988.950	-$381.200	-$51.600	103,201	25.80%	Rise	$1,759.000	Rise
SAR	C	$2,953.340	$154.400	$65.000	96,324	26.76%	Rise	$964.000	Fall
SBM	C	$1,747.900	-$36.000	$13.000	87,569	21.89%	Rise	$1,421.000	Rise
SLR	C	$912.390	$155.200	$31.100	59,288	26.65%	Fall	$1,260.000	Rise
TRY	D	$65.130	$16.459		10,042	17.31%	Fall	$2,003.592	Rise
WGX	C	$796.940	$27.539		57,472	19.99%	Fall	$1,410.000	Rise

* Denotes companies trading in 2019 Q3

Over the September quarter, the average production across the 26 gold mining companies has fallen to 82 972oz from 91 627oz. However, this is not directly comparable given that Gold Road Resources has been added into our study. Excluding Gold Road, the average production over the quarter is 86 885oz. This is driven largely by four of the five largest gold mining companies (Newcrest Mining, Northern Star Resources, Evolution Mining and Oceanagold) reporting a decline in their production. 13 out of 25 (52%) of the companies reported an increase in their production from the last quarter, though this is concentrated more among the smaller producers.

The average AISC reported this quarter was $1 349/oz, down from last quarter of $1 364/oz. When weighted by production, the AISC has increased to $1 271/oz from $1 154/oz, which agrees with our observation that the larger producers have reduced their production and hence the cost has increased. Despite this quarter's average AISC being lower than last quarter, only 8 out of 25 (32%) companies reported a decline in their AISC. Blackham Resources may have contributed substantially in this outcome as their AISC fell significantly from $2 376/oz to $1 519/oz, as is the case for Aurelia Metals falling from $1 370/oz to $988/oz. The AISC weighted by production is a better reflection of the increasing costs faced by gold mining companies this quarter, although more driven by decrease in production. The average gold-oil ratio over the September quarter was 26.2, compared to the June quarter of 22.

Despite the weaker September quarter compared to the last quarter, more than half the companies still generated an increase in their cash balance relative to their debt. Excluding Newcrest Mining, which is still in a substantial negative cash position, the companies' average net cash balance increased from $45.4m to $52.2m.

Over the quarter, 14 out of the 22 (63.6%) companies delivered a positive operating cashflow after accounting for maintenance capital expenditure while 8 out of the 22 (36.4%) companies delivered a negative operating cashflow. The average net operating cashflow generated across the 22 companies was $33.1m, which was higher than last quarter of $22.4m. Worth noting are Kirkland Lake Gold, Evolution Mining and Alacer Gold that delivered substantial positive net operating cashflows that exceeded $100m this quarter. Saracen Mineral Holdings, Perseus Mining and Silver Lake Resources also delivered pleasing operating cashflow results relative to their scope of operations. On the other end, Oceanagold saw their net operating cashflows become negative partly due to the suspension of their low-cost Didipio mine. Resolute Mining has again reported significant negative net operating cashflows as the Syama underground mine development is approaching completion, though teething issues appear to linger. Dacian Gold investors may have much reason to feel hopeful given the September quarter saw their net operating cashflows turn from negative to over $19m, supported by a strong quarterly production of over 42 000oz. Red 5 similarly is seeing their operations generate a healthy increase in net cashflows.

11 out of 26 (42.3%) of the companies have delivered at more than 25% of the annual production guidance for this quarter. However, to place this in context, over this quarter, 3 out of 25 (12%) upgraded their guidance, 6 out of 25 (24%) downgraded guidance and the remainder maintained their guidance. Thus, while the results imply that a healthy proportion companies are delivering to or exceed their guidance, some of these companies have downgraded their guidance and hence is not a good sign. Such companies include Kingsrose Mining and Oceanagold. On the other hand, Alacer Gold, Alkane Resources and Newcrest Mining all upgraded their annual guidance and they have all delivered less than 25% of the

guidance for the quarter, expecting ramping up of production over the coming quarters to meet the guidance. While Aurelia Metals has seen the September quarter production being over 32% of the annual guidance, they have foreshadowed a very weak December quarter whereby there is a planned shutdown of their processing plant in Peak Mines. Westgold Resources delivered just under 20% of their annual guidance this quarter but the management has forecasted that production will gradually grow each subsequent quarter as the Big Bell mine operations gain momentum.

Of interest will be the companies that have made major acquisitions in the quarter, namely Evolution Mining, Kirkland Lake Gold, Newcrest Mining and Saracen Mineral Holdings, as they will update their guidance in the coming months.

Cumulative Progress

ASX Code	Category	Cumulative Production	2019/2020 Midpoint Guidance	Guidance Change	% Annual Guidance	Cumulative AISC
ALK	E	7,497	32,500	Upgrade	23.07%	$1,268.00
AMI	C	29,307	90,000	Maintain	32.56%	$988.00
AQG*	C	232,102	324,000	Upgrade	71.64%	$1,018.05
BLK	D	17,565	75,000	Maintain	23.42%	$1,519.00
DCN	C	42,002	160,000	Maintain	26.25%	$1,423.00
EVN	B	191,967	750,000	Maintain	25.60%	$1,018.00
GCY	D	17,010	60,500		28.12%	$2,121.00
GOR	C	14,554	87,500	Maintain	16.63%	
KLA*	B	694,872	975,000	Maintain	71.27%	$836.68
KRM	E	6,049	24,000	Downgrade	25.20%	$1,245.32
MML	D	27,515	100,000	Maintain	27.52%	$1,453.84
MOY*	D	48,550	72,500	Maintain	66.97%	$1,821.90
NCM	A	511,636	2,455,000	Upgrade	20.84%	$1,310.94
NST	B	188,175	850,000	Maintain	22.14%	$1,493.00
OGC*	B	362,449	470,000	Downgrade	77.12%	$1,554.15
PNR	D	10,631	47,500	Downgrade	22.38%	$1,526.00
PRU	C	65,825	280,000	Maintain	23.51%	$1,344.48
RED	D	28,649	115,000	Maintain	24.91%	$1,476.00
RMS	C	44,182	215,000	Maintain	20.55%	$1,234.00
RRL	C	87,633	355,000	Maintain	24.69%	$1,234.00
RSG*	C	279,438	400,000	Downgrade	69.86%	$1,389.07
SAR	C	96,324	360,000	Maintain	26.76%	$964.00
SBM	C	87,569	400,000	Downgrade	21.89%	$1,421.00
SLR	C	59,288	222,500	Maintain	26.65%	$1,260.00
TRY	D	10,042	58,000	Downgrade	17.31%	$2,003.59
WGX	C	57,472	287,500	Maintain	19.99%	$1,410.00

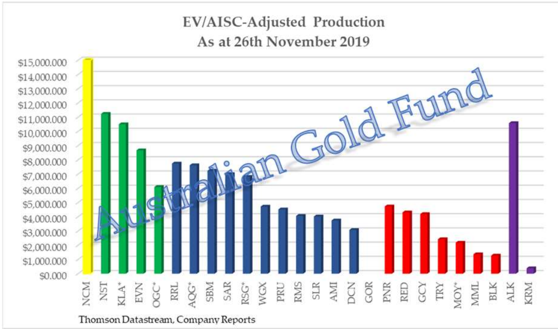
* Denotes companies trading in 2019 Q3, wherein production guidance relates to 2019 full year

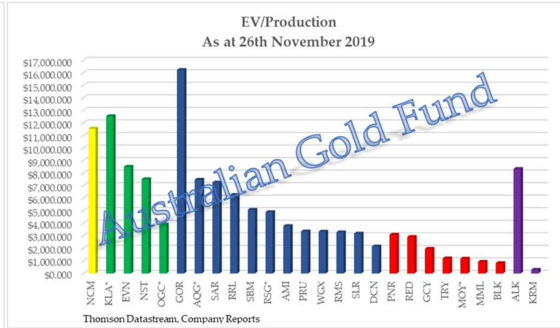
The September quarter is the beginning of a new financial year for a vast majority of the gold mining companies in this study. Nonetheless, tracking each company's cumulative progress is still meaningful. With the exception of Gascoyne Resources that is currently in administration, all the other companies have provided their guidance, with a very small proportion (3 companies out of 25) that have upgraded their annual guidance. We also see that for the major and large gold producers, Newcrest Mining has upgraded their guidance while Oceanagold has downgraded their guidance as a result of the Didipio mine suspension. For the mid-tiers, Alacer Gold Corporation has upgraded their guidance while Resolute Mining and St Barbara Mines have downgraded their guidance due to their flagship mines undergoing further development or facing some operational hindrances. For the junior producers, Pantoro and Troy Resources both downgraded their guidance, with Troy Resources likely to further downgrade as they enter into extended suspension. Finally, with the micro producers, Alkane Resources upgraded their guidance while Kingsrose Mining downgraded their guidance.

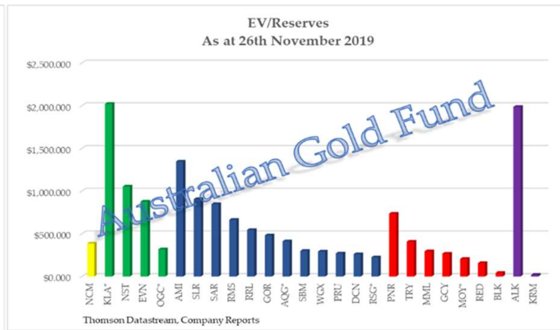
The average cumulative AISC for these 25 companies (excluding Gold Road Resources) has increased from $1 340/oz to $1 370/oz. On a production weighted average, it has increased markedly from $1 150/oz to $1 255/oz. While these figures are enviable by industry standards, as it would signify approximately $900/oz of gross profit margin, the rising trend over the three quarters needs to be monitored. With several companies in this study integrating newly acquired businesses and mines into their existing ones, the trend in rising costs may prevail.

Despite market conditions being more accommodative to the gold mining companies this year compared to the previous two years as a result of the gold price rising and the oil price falling, companies have seen their production levels gradually decrease if not for acquisitions. Similarly, the AISC has been gradually rising through a combination of higher maintenance capital expenditure and also lower production volume. This again reiterates the need for investors in the materials sector and mining industry to remember that this is a high-risk industry and operational risks abound. Even within this small sample of gold mining companies, we have seen a lot of different events occur across these companies that remind us that mining is indeed very much driven by risk and uncertainty.

Valuation







ASX Cod	Catego	EV/AISC-Adjusted Producti	Valuati	EV/Producti	EV/Resourc	EV/Reserv
ALK	E	$10,583.749	Overvalued	$8,346.805	$572.778	$1,986.540
AMI	C	$3,745.749	Fair Value	$3,791.244	$552.397	$1,346.488
AQG*	C	$7,627.754	Overvalued	$7,492.478	$271.924	$412.952
BLK	D	$1,276.924	Undervalued	$840.635	$9.256	$42.799
DCN	C	$3,076.871	Undervalued	$2,162.242	$99.664	$261.536
EVN	B	$8,675.222	Fair Value	$8,521.829	$444.390	$877.516
GCY	D	$4,194.119	Overvalued	$1,977.425	$74.519	$268.123
GOR	C			$16,238.568	$286.458	$482.302
KLA*	B	$10,504.875	Overvalued	$12,555.413	$771.389	$2,021.644
KRM	E	$383.333	Undervalued	$307.819	$21.714	$20.322
MML	D	$1,366.627	Undervalued	$940.010	$72.898	$295.593
MOY*	D	$2,180.093	Fair Value	$1,196.601	$66.828	$206.395
NCM	A	$15,149.043	Overvalued	$11,555.877	$189.162	$386.211
NST	B	$11,234.691	Overvalued	$7,524.910	$272.846	$1,053.964
OGC*	B	$6,094.801	Undervalued	$3,921.619	$218.339	$318.545
PNR	D	$4,730.083	Overvalued	$3,099.661	$50.737	$736.369
PRU	C	$4,520.426	Fair Value	$3,362.218	$121.821	$270.643
RED	D	$4,308.512	Overvalued	$2,919.046	$64.840	$157.125
RMS	C	$4,065.410	Fair Value	$3,294.498	$139.223	$664.646
RRL	C	$7,746.172	Fair Value	$6,277.287	$268.701	$545.461
RSG*	C	$6,810.929	Overvalued	$4,903.234	$85.795	$225.354
SAR	C	$7,002.871	Fair Value	$7,264.389	$304.233	$848.164
SBM	C	$7,236.927	Overvalued	$5,092.841	$149.056	$300.269
SLR	C	$4,022.987	Undervalued	$3,192.847	$143.082	$906.814
TRY	D	$2,427.721	Overvalued	$1,211.684	$52.188	$408.999
WGX	C	$4,719.061	Fair Value	$3,346.852	$84.355	$293.777

* Denotes companies trading in 2019 Q3

Despite the stock prices generally falling since the last summary report, more companies are currently deemed overvalued than last quarter. As Gold Road Resources did not report an AISC for the quarter due to the Gruyere mine not yet reaching commercial production, we have not given them a valuation ranking. So, out of the 25 companies that we have ranked, 6 (24%) are considered undervalued, 8 (32%) are considered fair value and 11 (44%) are considered overvalued. Out of the undervalued companies, Kingsrose Mining, Medusa Mining and Silver Lake Resources were considered undervalued companies in the last report. For both Medusa Mining and Silver Lake Resources, we consider them to have investment potential as they have been delivering steady production and generating free cashflow. Blackham Resources and Dacian Gold have both moved from being fair value last report to being undervalued as a result of improved operational performance. Kingsrose Mining may appear to be undervalued but owing to low production and relatively unstable operating performance, we do not see the price to likely rise any time soon.

Among the overvalued companies, the large mining companies such as Newcrest Mining, Kirkland Lake Gold and the mid-tier producer Alacer Gold have delivered strong operating performance. We believe that investors may have become a little ahead of themselves but should the gold price continue to rise, their current price levels are not overdone. Companies like Northern Star Resources, Resolute Mining and St Barbara Mines have been deemed overvalued as a result of poorer operating performance in the recent few quarters. Interestingly, these companies have also been expanding their business with acquisitions. In the case of Northern Star Resources, the Pogo mine has been disappointing investors due to high operating costs. For Resolute Mining and St Barbara Mines, they both have acquired other mining companies to expand their production and reserve base, and partly to help boost their declining production as a result of substantial development on their flagship mines. In the case of Alkane, Pantoro and Red 5, these companies have seen their resources and reserves increase substantially as a result of exploration successes or acquisitions. However, these companies have substantial deposits in sites that do not have infrastructure. To bring these deposits into production stage, they will need to build the appropriate infrastructure and substantial risks exist. Given they all are producing a modest amount of gold at this stage and investors have priced in their substantial resources, we consider them to be currently overvalued. As for Gascoyne Resources, they are currently suspended from trading, having fallen into financial distress as a result of operational issues.

For companies that we consider as being fair value, Evolution Mining, Perseus Mining, Ramelius Resources and Regis Resources have been delivering steady performance. In the case of Evolution Mining, they were overvalued in the last report but a price decline has brought it back to fair value. For Ramelius Resources, even though the company's stock price declined, we consider it now to be closer to fair value than being undervalued since they have some mine development ahead of them with Greenfinch and Tampia. In the case of Perseus Mining, the company has defied the trend and is one of a few companies whose stock price increased since the last report. They are now deemed fair value as a result, but they are now undertaking the development of their third producing mine at Yaoure. With Regis Resources, they have delivered lower production and higher AISC compared to the last quarter and thus remain at fair value, even as the stock price declined. Saracen Mineral Holdings has been upgraded from being overvalued to being fair value since their stock price has declined by over 10% as a result of a rights issue to fund their acquisition of the Super Pit mine. The Super Pit mine will propel Saracen to a large producer status, and their existing mines have been considered among the best in Australia with consistent growth and low cost. Westgold

Resources remains at fair value given the stock price decline but the outlook is more positive as their major capital spending stage is now behind them. Finally, Aurelia Metals remains at fair value given a modest price decline that is supported by higher production. We are aware that the December quarter performance will be poor, and it appears the market has factored that into the price.

Those who are interested in considering the valuation of these companies based on resources and reserves may find that for quite a number of companies have seen their EV/Resources and EV/Reserves actually increase since the last report despite the stock price falling. This may be driven by the latest Resources and Reserves Statement revealing that their mines have been downgraded. By and large, ASX-listed gold producers appear to be valued quite generously with respect to what is beneath the ground in their mine properties. A small number of companies, especially those in the junior producer category, appear to be valued to ascribe little value to resources and reserves. However, as mentioned before, these companies may either have been facing prolonged operational difficulties that lead to the market deeply discounting them, or these deposits are in properties that are not yet developed. While many brokers in the market use the EV/Resources and EV/Reserves to estimate the value of these companies, substantial risks and uncertainty exists pertaining to what is beneath the ground.

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 since May 2019, 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.