



WILSONS
ADVISORY

Gold Rush

Our weekly view on Australian equities.

25 June 2025

Safe Haven Demand Drives Gold to Record Highs

Gold has performed strongly this year, driven by a confluence of economic and geopolitical risks, including the rapidly evolving situation in the Middle East.

Notwithstanding the strength of the rally since mid-2023, we remain positive on the outlook for gold over the medium-term, which continues to be underpinned by several key demand drivers:

1. **Geopolitical risks**, with Russia's war in Ukraine still ongoing, and the potential for escalation in the Middle East where the situation remains fluid, marked most recently by US military strikes on Iranian nuclear sites and subsequent expectations of a ceasefire between Israel and Iran.
2. **Structural growth in central bank demand**, as major central banks – led by the likes of Poland, Turkey, India, and China – continue to diversify their reserves away from the US dollar.
3. **Macro tail risks**, including US fiscal sustainability concerns, uncertainty around US trade negotiations (particularly between the US and China), and 'stagflation' tail risks.

Beyond our constructive top-down view, we also see the ASX gold mining sector as broadly attractive from a bottom-up perspective, with covid-era cost/production headwinds seemingly easing, balance sheets flush with cash, and sector profits inflecting upwards.

Moreover, the gold price now sits comfortably above medium and long-term consensus forecasts, providing meaningful scope for sector-wide earnings upgrades – assuming gold prices hold near current levels or continue to rise (see Figure 2).

Figure 1: The gold price has rallied 20% this year to date to all-time highs



Figure 2: If the gold price maintains current levels, consensus earnings forecasts will need to be upgraded across the sector



In this context, valuations across the ASX 100 gold sector remain attractive, as they are yet to reflect structurally higher gold prices. While the average forward consensus free cash flow yield of ~6% is in line with the ten-year average, this could ultimately rise into the high-single-digit range – meaningfully above the historical average – if consensus gold price assumptions are ultimately revised higher (in line with our expectations).

In the remainder of this report, we discuss recent changes to the Focus Portfolio's positioning in the gold sector. Our overweight exposure to the sector remains unchanged, however, we have trimmed our weighting in Evolution Mining and added Northern Star Resources to the portfolio.

Diversifying our Gold Positioning

Consistent with our positive view on the sector, the Focus Portfolio remains overweight gold mining.

That said, we have diversified the Focus Portfolio's positioning within the gold mining sector by trimming our exposure to **Evolution Mining (EVN)** from 5% to 3% and adding **Northern Star Resources (NST)** at a weight of 2%.

While we remain positive towards EVN – given its superior operational delivery and attractive free cash flow profile over CY25/26 – we are taking this opportunity to lighten our exposure considering its significant share price outperformance, which has brought its valuation closer to fair value. We also note our investment thesis is closer to being realised, with production growth expected to plateau after FY27.

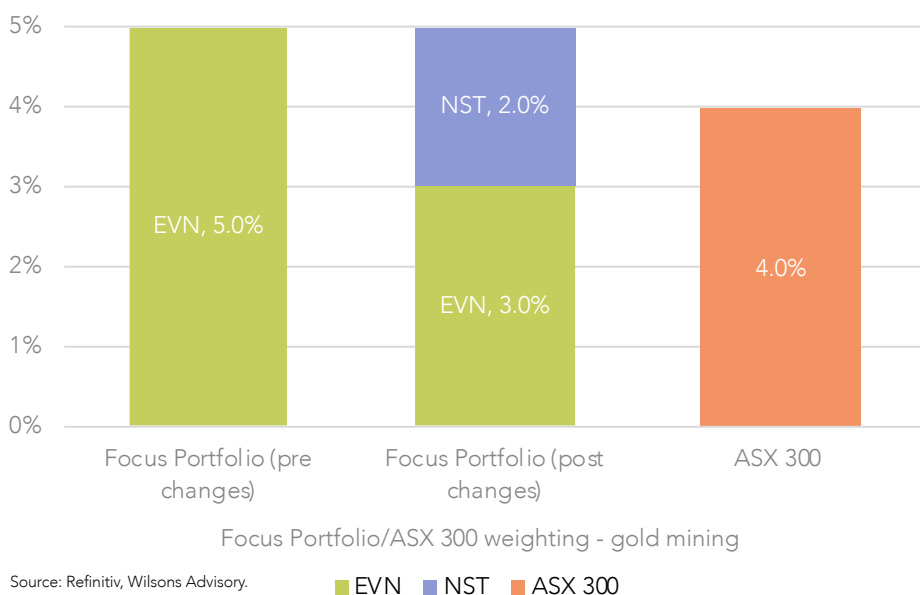
Taking a medium/long-term view, NST has become increasingly attractive among the ASX 100 gold majors, underpinned by a strong production growth outlook, which supports a sector-leading free cash flow yield from CY27 onward. Our investment thesis for NST is detailed below.

Figure 3: Evolution Mining has significantly outperformed since it was added to the Focus Portfolio



Source: Refinitiv, Wilsons Advisory.

Figure 4: The Focus Portfolio remains overweight gold



Source: Refinitiv, Wilsons Advisory.

Our Approach to the Gold Sector

When investing in the gold sector, we have a preference towards miners with:

- **High-grade, low-cost assets**
- **Scaled, producing miners operating in Tier-1 jurisdictions** (which drives a preference for Australian and North American assets)
- **Production growth**, which allows for earnings growth that is not reliant on an appreciation in the gold price
- **Inflecting free cash flow yields**, which can be underpinned by production growth, non-core asset sales and/or an easing capex burden
- **Balance sheet strength**, with future capex and/or M&A plans being well-funded (lowering the risk of future equity raises)

Figure 5: ASX 100 gold miners – key metrics

Name	Ticker	Key geographies	Gold production (koz)	All-in sustaining costs (US\$/oz)	3yr production CAGR*	P/E	EV/ EBITDA	FCF yield	Gross dividend yield^	Net debt (cash) / EBITDA
Newmont Corp	NEM	Global	5,446	1,639	2.2%	12.19	6.43	6.1%	1.79%	0.08x
Northern Star Resources	NST	Australia, Alaska	1,838	1,339	8.8%	13.44	6.52	5.1%	2.80%	(0.17x)
Evolution Mining	EVN	Australia, Canada	752	1,019	2.2%	12.77	6.62	7.3%	4.27%	0.23x
Perseus Mining	PRU	West Africa	432	1,415	9.6%	9.76	4.15	0.6%	2.70%	(-1.12x)

All figures are based on consensus 12-month forward estimates unless otherwise stated. *CY26-28. ^EVN's dividends are fully franked, while NEM, NST, and PRU have unfranked dividends. Source: Refinitiv, Visible Alpha, Wilsons Advisory.

Following the North(ern) Star

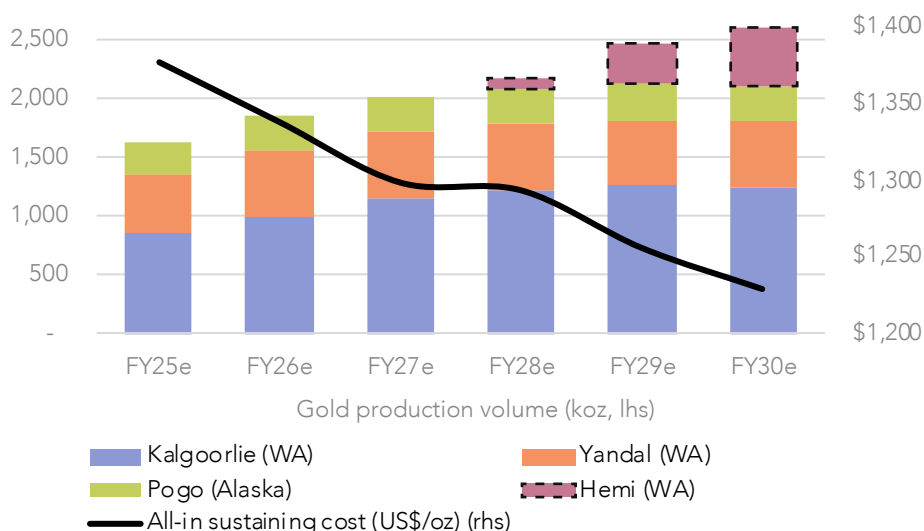
Northern Star Resources has been added to the Focus Portfolio at a weight of 2%

Northern Star Resources (NST) is a major Australian gold producer with operations in the Tier-1 jurisdictions of Western Australia and Alaska. The company operates across four key production and development hubs – Kalgoorlie, Yandal, Pogo, and Hemi.

While NST's operational delivery has been mixed over the last 12 months – with its FY25 production/cost guidance downgraded at its March quarterly – looking past the immediate challenges, the company's medium and long-term outlook remains highly attractive.

Our investment thesis for NST can be summarised in three key points:

Figure 6: The Hemi project will significantly enhance Northern Star's production growth and lower its unit costs



Source: Visible Alpha, Wilsons Advisory.

1

De Grey Mining acquisition – more growth at lower unit costs

The acquisition of De Grey Mining, completed in May 2025, has strengthened NST's production growth profile. The Tier-1 Hemi deposit is expected to deliver steady-state production of 530koz p.a. in the first ten years of its mine life, with final permitting and approvals expected in December 2025 and consensus expectations for first gold in 1Q FY28.

Hemi is expected to be in the bottom quartile of the global cost curve, with a life-of-mine average all-in sustaining cost (AISC) of ~US\$860/oz (at spot FX), which is meaningfully below NST's FY24a AISC of ~US\$1,240/oz. This low-cost profile is underpinned by relatively high grades for an open pit operation (~1.3g/t) and an optimised development plan, including a purpose-built plant and supporting infrastructure.

As a result, the acquisition is expected to materially lower NST's unit costs over time and to be accretive to quality, earnings, and NPV from first production.

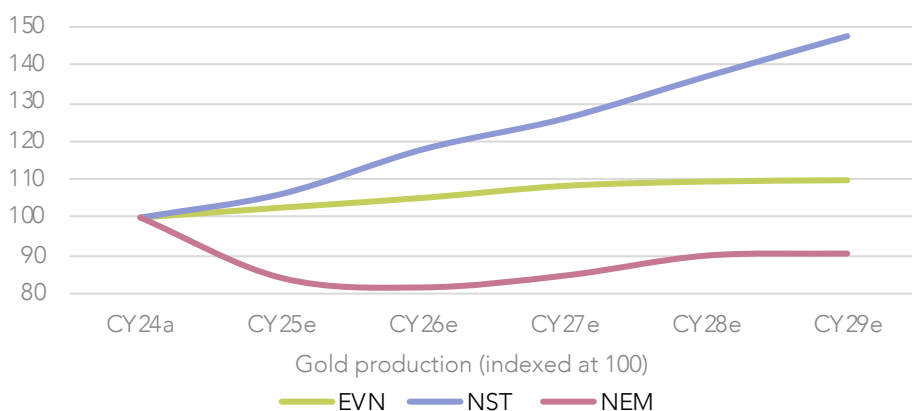
With the acquisition being funded entirely via scrip, NST's balance sheet remains strong, with ~A\$180m of net cash (as of the March quarter), supporting the internal funding of growth projects and preserving flexibility for future M&A or shareholder returns.

2

Strong production growth outlook

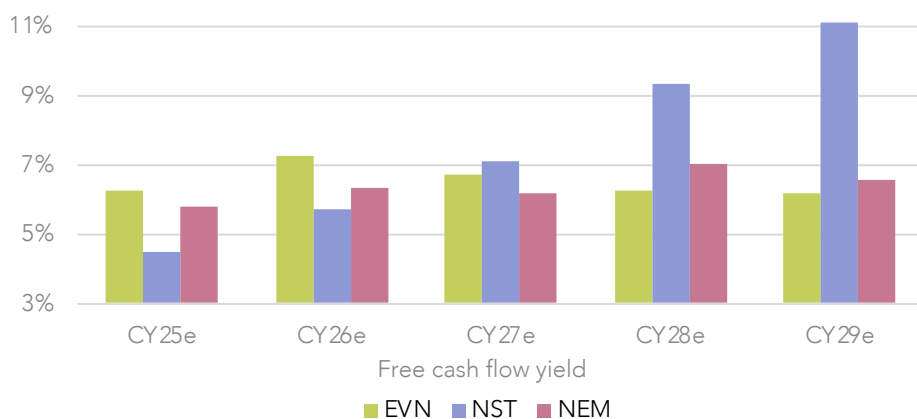
In addition to the acquired Hemi project, NST is advancing organic growth within its disciplined capital framework. NST began expanding its Kalgoorlie Consolidated Gold Mines (KCGM) mill in FY24, with its capacity ramp-up expected to start in FY27 and reach steady-state by FY29. This expansion will increase KCGM's production capacity from 650koz p.a. to 900koz p.a.

Figure 8: Northern Star has the strongest production growth profile out of the ASX gold majors*...



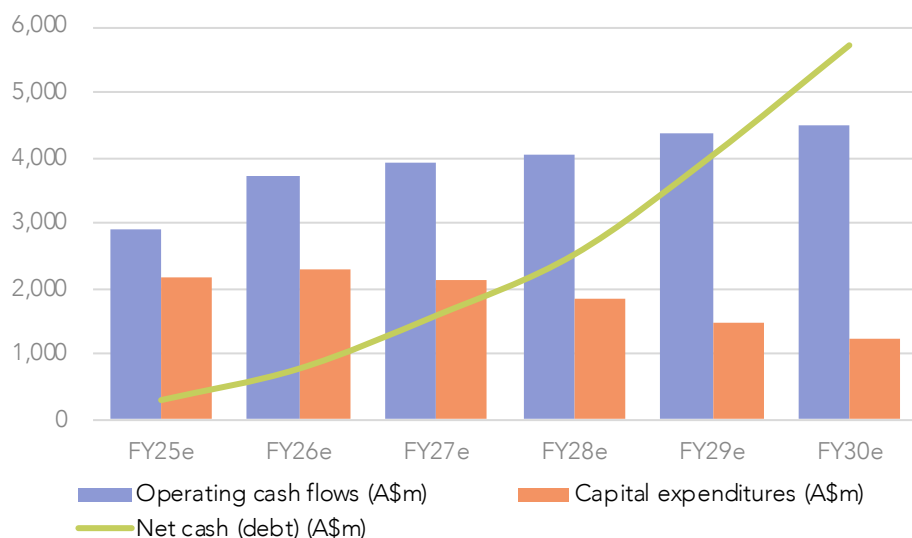
*ASX 100 gold miners excluding Perseus Mining, given its operations aren't concentrated in Tier-1 jurisdictions, with its key projects being in West Africa. Source: Visible Alpha, Wilsons Advisory.

Figure 9... which underpins a superior free cash flow yield from CY27 onward



*ASX 100 gold miners excluding Perseus Mining, given its operations aren't concentrated in tier-1 jurisdictions, with its key projects being in West Africa. Source: Visible Alpha, Wilsons Advisory.

Figure 7: Northern Star's balance is very well placed to fund its major growth projects



Source: Visible Alpha, Wilsons Advisory.

The A\$1.5bn of growth capex required for the project will be funded from existing cash reserves, forecast cash flow and previously issued debt. The project was initially projected to generate an IRR of 19% and have a payback period of 4.6 years, based on a gold price of A\$2,600/oz (~US\$1,690/oz at spot fx).

However, with the gold price currently at ~US\$3,380/oz and consensus forecasts also well above the original assumption, the project's IRR is expected to be substantially higher, with a shorter payback period.

In combination, the Hemi project and the KCGM mill expansion will lift NST's overall annual production capacity by ~900koz, from ~1,600koz p.a. to ~2,500koz p.a. These projects are set to underpin high single-digit production growth p.a. over the medium-term, which compares favourably to NST's key ASX 100 peers (see Figures 5 and 8).

3

Attractive free cash flow build

Strong production growth, coupled with a declining capex profile after CY27, is expected to drive a highly attractive free cash flow yield from CY27 onward. Consensus forecasts currently point to a double-digit yield by the end of this decade (before factoring in potential upgrades to consensus gold price assumptions). On this basis, when taking a medium-term view, NST is valued highly attractively compared to the other ASX gold majors (see Figure 9).

Disclaimer and Disclosures

Research disclosures at www.wilsonsadvisory.com.au/disclosures.

Disclaimer

All figures and data presented in this research are accurate at the date of the report, unless otherwise stated.

Wilsons Advisory Australian Equity Focus Portfolio (Focus Portfolio) is a portfolio of the Investment Strategy Group's (ISG) preferred companies. The Focus Portfolio aims to hold around 25-30 companies, largely taken from the S&P/ASX 300. Stocks may be substituted at any time at the discretion of the ISG. Performance numbers around the Focus Portfolio are unaudited, and should be used only as a guide to indicate returns if investors were to follow the Focus Portfolio. For further information please contact your Wilsons Advisory Advisor.

This document has been prepared by Wilsons Advisory and Stockbroking Limited (AFSL 238375, ABN 68 010 529 665) ("Wilsons Advisory") and its authors without consultation with any third parties, nor is Wilsons Advisory authorised to provide any information or make any representation or warranty on behalf of such parties. Any opinions contained in this document are subject to change and do not necessarily reflect the views of Wilsons Advisory. This document has been prepared by Wilsons Advisory's Investment Strategy Group. Wilsons Advisory makes no representation or warranty, express or implied, as to the accuracy or completeness of the information and opinions contained therein, and no reliance should be placed on this document in making any investment decision. Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of Wilsons Advisory and therefore may not be realised in the future. Past performance is not an indication of future performance. All investing carries risk.

In preparing the information in this document Wilsons Advisory did not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Any advice contained in this document is general advice only. Before making any investment decision, you should consider your own investment needs and objectives and should seek financial advice. You should consider the Product Disclosure Statement or prospectus in deciding whether to acquire a product. The Product Disclosure Statement or Prospectus is available through your financial adviser.

This communication is not to be disclosed in whole or part or used by any other party without Wilsons Advisory's prior written consent. All material presented in this document, unless specifically indicated otherwise, is under copyright to Wilsons Advisory. None of the material, its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of Wilsons Advisory. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Wilsons Advisory to any registration or licensing requirement within such jurisdiction.

Wilsons Corporate Finance Limited ACN 057 547 323, AFSL 238 383 may have participated in some capacity with regard to capital raisings for some of the companies mentioned in this article. To manage any conflicts of interest with Wilsons Advisory Research, full disclosure on any relevant corporate transaction may be found on our website.

Wilsons Corporate Finance Limited ACN 057 547 323, AFSL 238 383 acted as:

- HealthCo Healthcare and Wellness REIT HCW.ASX - Co-Manager in the March 2023 capital raising of an Institutional placement and an accelerated pro rata non-renounceable entitlement offer; Co-Lead Manager in the September 2021 Initial Public Offering of HealthCo Healthcare and Wellness REIT securities
- Telix Pharmaceuticals Limited TLX.ASX - Joint Lead Manager to the Telix Pharmaceuticals Limited January 2022 Institutional Placement and SPP

for which it received fees or will receive fees for acting in this capacity. Wilsons Advisory and Stockbroking Limited may have a conflict of interest which investors should consider before making an investment decision. Wilsons Advisory and Stockbroking Limited, Wilsons Corporate Finance Limited and its related bodies corporate trades or may trade as principal in the securities that are subject of the research report.

Wilsons Advisory contact

greg.burke@wilsonsadvisory.com.au | +61 2 8247 3118

david.cassidy@wilsonsadvisory.com.au | +61 2 8247 3149

sam.waldron@wilsonsadvisory.com.au | +61 2 8247 3101

www.wilsonsadvisory.com.au