

HALLGARTEN + COMPANY

Initiation of Coverage

Christopher Ecclestone
ceccestone@hallgartenco.com

African Gold (ASX:A1G, FSE:8XG) Strategy: LONG

Key Metrics

Price (AUD)	\$0.15
12-Month Target Price (AUD)	\$0.350
Upside to Target	133%
12mth high -low	\$0.02 to \$0.18
Market Cap (AUD mn)	\$57.25
Shares Outstanding (mns)	381.7
Fully diluted	424.1

African Gold

Regaining Momentum in Montage's Orbit

- + The company has secured a well-positioned portfolio of gold assets in West Africa
- + Gold has steamed strongly higher over the last twelve months, pushing into record territory whilst inflaming the passions of gold watchers and investors
- + In Côte d'Ivoire, the company has a promising set of gold prospects, most notably the Didievi exploration project
- + In an interesting, and novel, share swap transaction the company came into the orbit of Montage Gold, ceding management of exploration work at the Didievi project to Montage
- + The price of Montage stock has risen nearly CAD\$2 per share since March taking the value of African Gold's stake to over CAD\$9mn.
- + In Mali, the company has well-positioned exploration assets situated on the storied Mali-Senegal Shearzone
- × The Montage deal has been a major kicker but also takes African Gold out of contention as a takeover target for other predators
- × The company still has finite resources to advance more than one or two projects at this moment
- × Mali has made itself a very unattractive jurisdiction and thus we would not be surprised to see this second string dropped by Agrican Gold's management
- × The financing of exploration juniors even in the precious metals space can still be challenging

Africa on the Mind

Interest in exploration in West Africa seems to experience a ten- to twelve-year oscillation, a much longer cycle than gold's up & downs. The first decade of this century had broad interest from Canadian, Australian and UK-based miners. After the debacle of 2008 and then 2012's high-point in gold interest, investment-starved junior explorers largely fled the region and a period of consolidation amongst the producers reduced the universe and thus the place of this region on the average mining investor's radar.

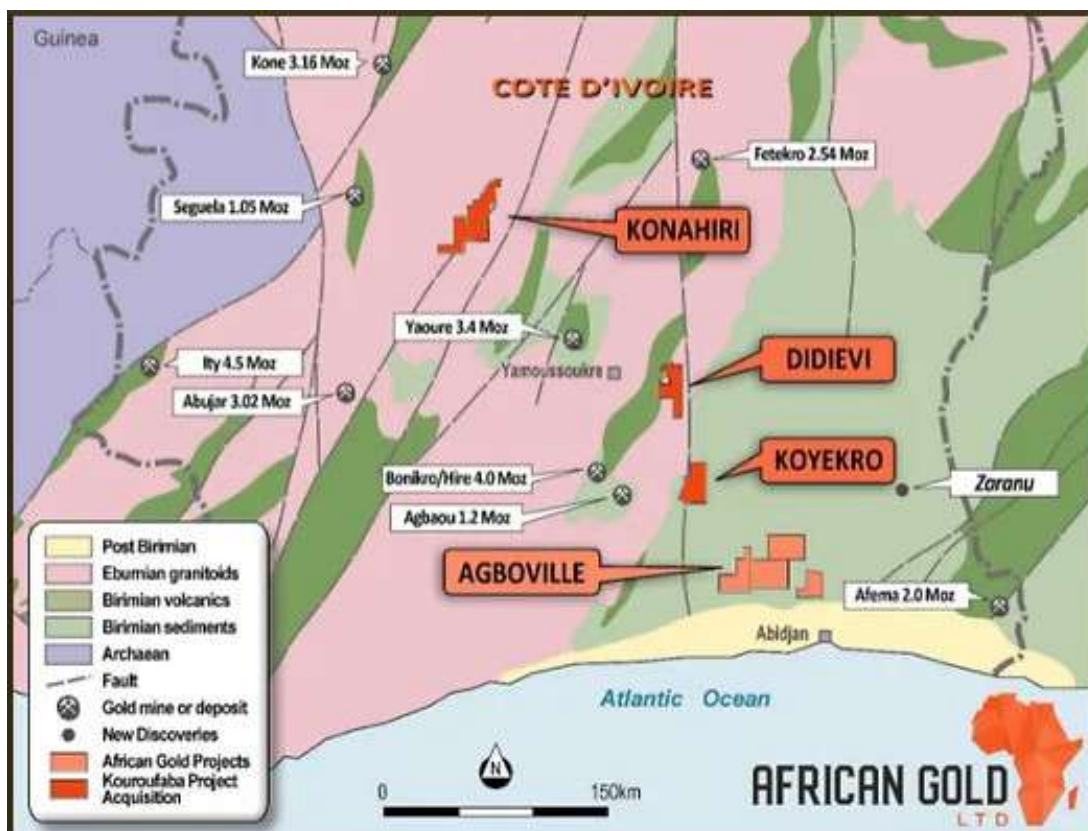
The focus revived slightly with gold's 2019 renaissance, but it required a period of time to pass (and the pandemic) for juniors to feel comfortable again in frontier territory. The last three years have seen a steep escalation in interest and activity.

African Gold came out of the gates several years ago with a powerful board and backers and a promising exploration portfolio but was mugged firstly by the pandemic stunting ASX companies' room to manoeuvre. This then produced an *ennui* amongst investors, the stock price slid and when activity finally was possible again, the company had to gear up *de novo*. Management has turned over and the company is back on track.

In this initiation of coverage, we shall review the portfolio of gold exploration projects in Côte d'Ivoire and Mali, also looking at the share-swap deal with Montage Gold and its implications.

The Back Story

African Gold's asset portfolio in Ivory Coast can be seen on the map below. Its move further north into Mali began in July of 2019, when its subsidiary, African Gold Mali SARL, entered into four option agreements to acquire the Falémé gold project in Western Mali.



Then, in early September of the same year, the company entered into a share purchase agreement to acquire Abra Resources Pty Ltd., which through its wholly owned subsidiary owned the Samanafoulou, Sitikali, Yatia and Golokasso gold projects in Mali. It also acquired the option to purchase a 95% stake in the Walia gold project, also in Mali.

The consideration consisted of AUD\$170,000 in cash, the issue of three million shares at AUD 16.5 cents apiece, and the issue 12.5 million deferred consideration shares that will come in three tranches.

The first tranche consists of 2.5 million shares to be issued within three years of completion of declaring an inferred, indicated or measured resource with a minimum grade of 1.5 g/t for a total of at least 500,000 ounces of gold within the projects or if African Gold announces commercial production of gold from any of the projects.

The second tranche consists of five million shares to be issued within four years of completion of declaring a resource with a minimum grade of 1.5 g/t for a total of at least 1.0 million ounces of gold or an announcement of commercial production of gold from any of the projects.

The third tranche consists of five million shares to be issued within five years of completion of declaring a resource with a minimum grade of 1.5 g/t for a total of at least two million ounces of gold or an announcement of commercial production of gold from any of the projects.

African Gold also must pay AUD\$1mn in cash to Abra shareholders if two million ounces of gold is announced by African Gold between five and seven years, which if happens, will no longer require to company to issue the five million shares under the third tranche of the deferred consideration shares.

The Montage Gold (MAU.to) Deal

In March of 2025, the company announced that it had forged quite a complex deal in which Montage Gold and insiders would acquire a 19.9% stake in African Gold via:

- a share swap of 2,026,388 Montage shares, valued at approximately AUD\$6,466,445, for 92,377,787 African Gold shares at a deemed issue price of A\$0.07 per share
- a placement to Montage insiders of 12,371,429 African Gold shares at \$0.07 per share raising AUD\$866,000 (before costs)

African Gold assigned to Montage its preemptive rights with respect to certain minority interests in the Didievi project, including that of a right to acquire the 20% project level shareholding owned by minority shareholders.

Montage will also oversee exploration at the Didievi project, with costs to be covered by African Gold. A joint technical committee— comprising three African Gold representatives and two from Montage—will determine exploration strategy and expenditures.

The deal also allocated to Montage a Right of First Refusal (ROFR) over certain asset-level transactions for the Didievi Project.

As part of the deal, Montage Gold's EVP of Exploration, Silvia Bottero, joined the Board as Non-Executive Director, and CEO Martino De Ciccio was appointed as a strategic advisor.

On Montage Gold

Montage currently has a market capitalisation of around CAD\$1.6bn) The company is led by key individuals responsible for the past success of Endeavour Mining, Lundin Gold and Red Back Mining. The strategy has been to leverage their extensive track record in building and exploration in Africa to create a leading African gold producer. The main target currently is the development of its flagship Koné Project (+4 mn ozs Au).

The agreement with African Gold follows on from the deal between Montage Gold and Sanu Gold (SANU.cse), a sometime constituent of our Model Resources Portfolio. The Sanu Gold deal was conducted at CAD\$0.072 per share (currently trading ~CAD\$0.30 per share). That deal enabled Sanu to further advance drilling on its Guinea-focused projects.

The Didievi Project

The main focus of African Gold is the Didievi project which covers 391km². The project is strategically located in central Côte d'Ivoire, approximately 35km from the capital, Yamoussoukro, and 60km from operating mines. Alongside the primary resource zone at Didievi, there are several additional prospects that further enhance the potential for Didievi to evolve into a multi-million-ounce gold project.

Geology

The project is located within the underexplored and emerging Oume-Fetekro Birimian greenstone belt. The Oumé-Fetekro belt (formed in the lower Proterozoïc) is a North-South elongated belt which is approximately 300km long and 20km wide. This belt is composed mainly of Birimian volcano-sediments, consisting mainly of mafic to intermediate metavolcanics, felsic metavolcanics, and clastic metasediments, that are bound and intruded by granitoid complexes.

The belt hosts Allied Gold's Bonikro/Hire (4mn oz) and Agbaou (1.2mn oz) gold mines to the south and Endeavour's 2.5mn oz Fetekro deposit to the north.

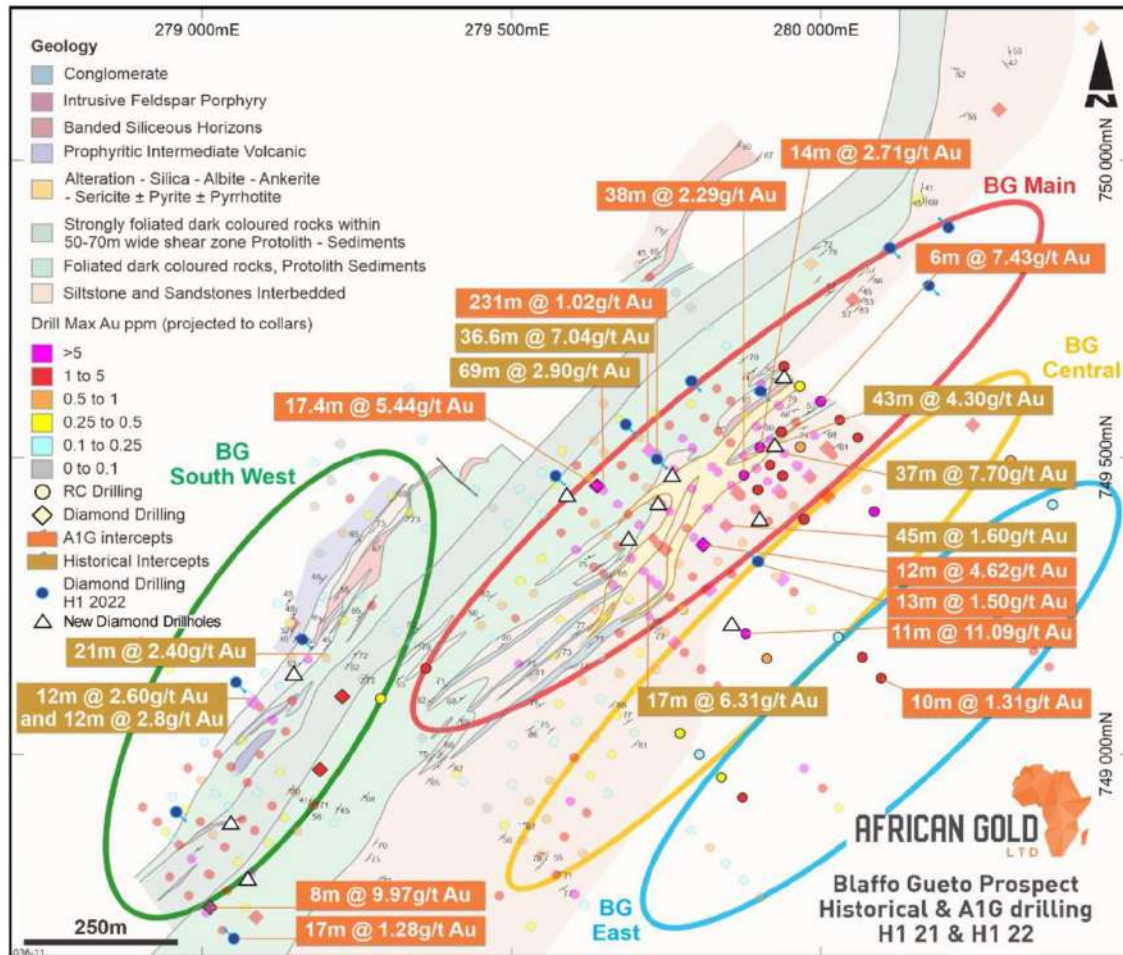
Exploration

Historical exploration on the permit has delineated a significant gold system at Blaffo Guetto, a prospect with potential at Pranoi and at least nine untested gold prospects. The project presents both brown- and greenfields opportunities with the potential to deliver more economic deposits.



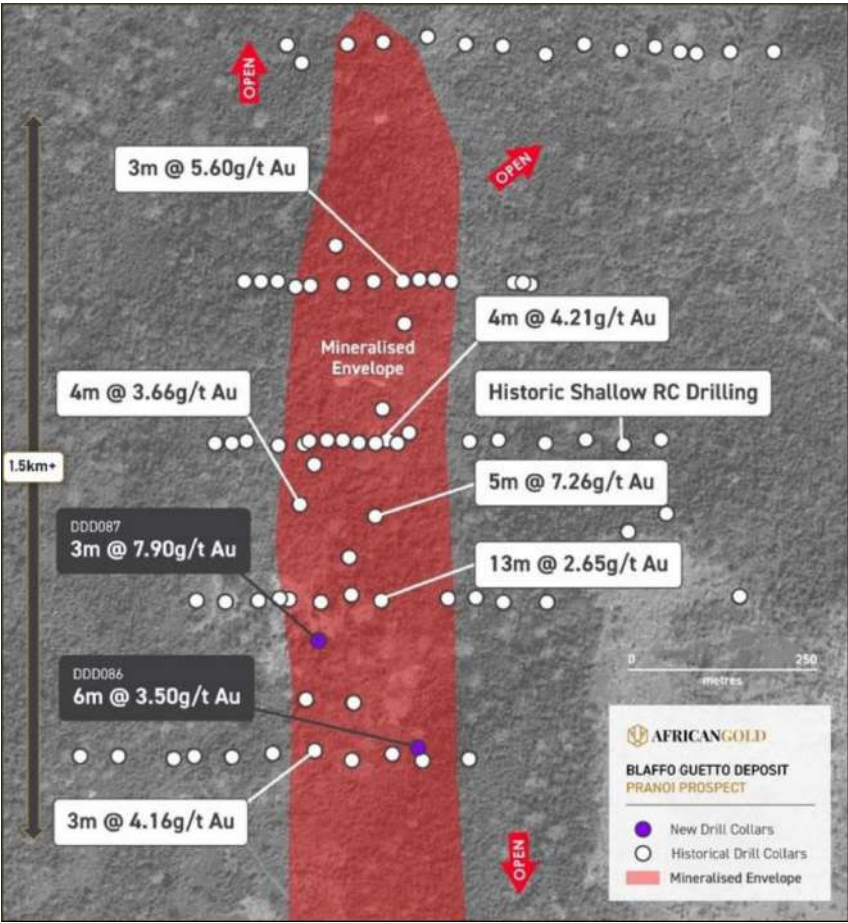
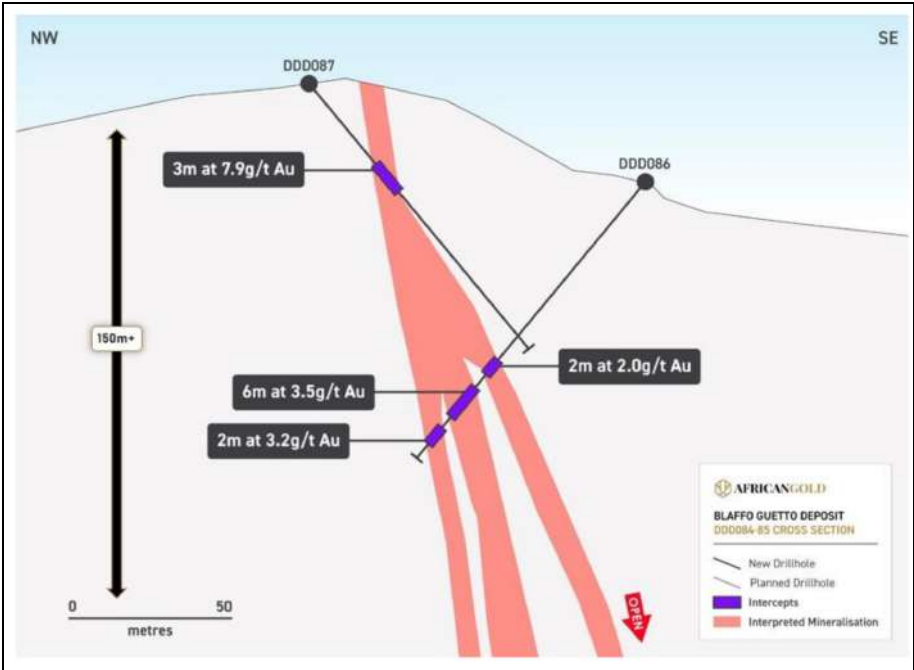
Exploration work at Blaffo Guetto has delineated a significant structurally-controlled gold system

characterised by intense alteration and broad, high-grade gold intercepts. Mineralisation is complex, probably long lived and multi episodic, located in different structural settings and hosted by a variety of lithological units.



Gold mineralized occurs over very wide intervals (+200m across strike in the main zone) and work thus far has returned some very promising intercepts, including:

- DRC034: 10 m at 123.7g/t Au from 66 m, incl. 2 m at 613.1g/t Au
- DDD001: 83.3 m at 3.3g/t Au from 166.9 m, incl. 18.0 m at 12g/t Au
- DDD029: 17.4 m at 17.34 g/t Au from 244 m, incl. 1.0 m at 216.1g/t Au
- DDD013: 80.0 m at 3.0g/t Au from 0 m, incl. 23.0 m at 9.5g/t Au
- DRC130: 43.0 m at 4.3g/t Au from 57 m, incl. 17.0 m at 9.5g/t Au



There is insufficient drilling to determine continuity or depth extent. The system is open along strike and at depth.

The high-grade, continuous mineralisation over a 1.5km+ strike has been uncovered, with extensional drilling at depth confirming the potential scale of the satellite deposit.

The Resource at Didievi

In July of 2024 the company published a Maiden MRE on the Blaffo Guetto target at the Didievi project. This showed a shallow high-grade resource potentially suitable for an open-pit starter operation.

Didievi MRE			
@ 1g/t Au cut off			
Category	Tonnes mns	Au g/t	Contained Au Ozs
Inferred	4.93	2.9	452,000

The area included within the resource envelope is only at the Blaffo Guetto prospect on the Didievi project with the resource envelope being shallow (250m – 300m maximum depth).

The maiden resource is based on historical and African Gold drilling information. It includes data from 29 diamond drillholes over a total length of 6,945.64m and 174 reverse circulation (RC) drill holes over a total length of 14,923m on the Blaffo Guetto Prospect.

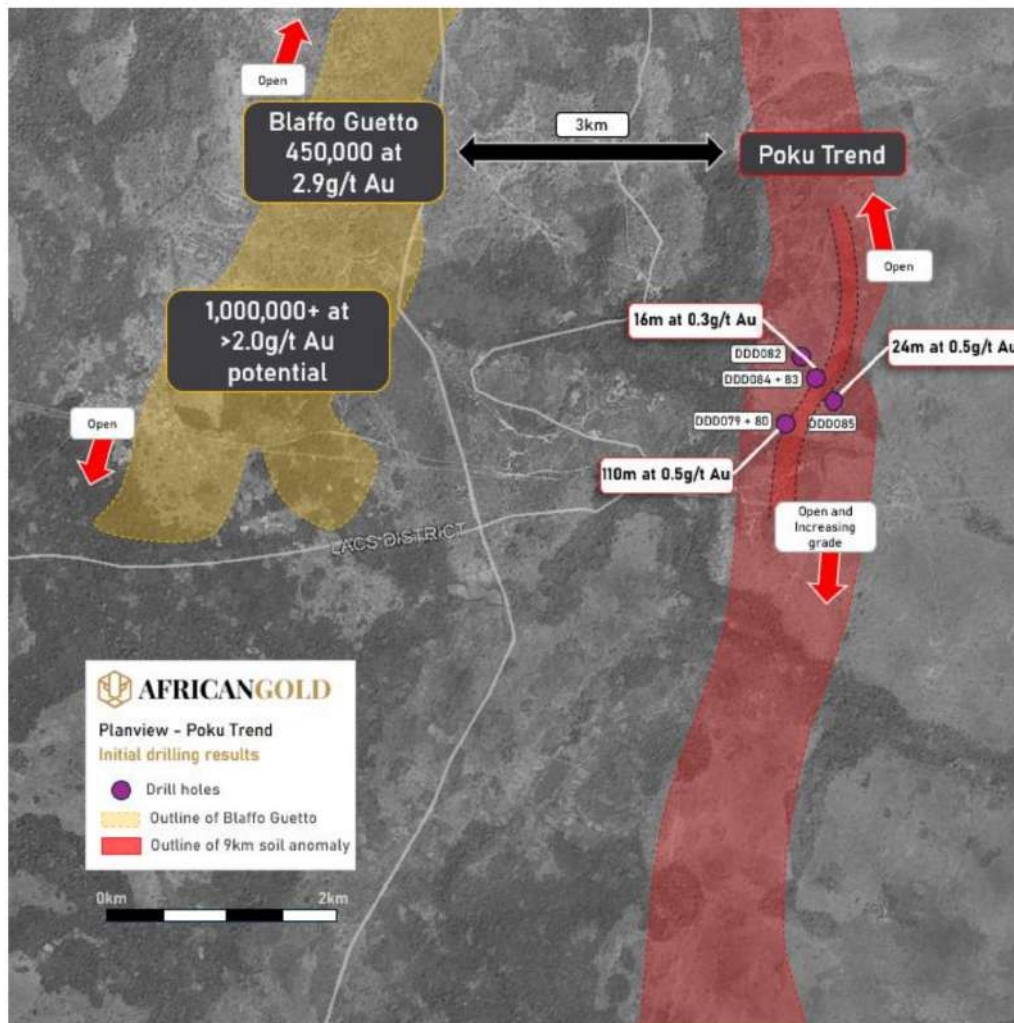
The company had previously announced an Exploration Target on the Blaffo Guetto/Pranoi prospects of 6.8mn tonnes – 15mn tonnes at a grade of 2.7g/t Au – 3 g/t Au for an Exploration Target 596,000 oz – 1,450,000 oz of gold. More recently (April 2025) the company commented that it hopes to produce a significant resource update at Blaffo Guetto that is over 1,000,000 oz at over 2 g/t Au in 2H25.

The Poku Trend

This trend is situated just 3km east of the Blaffo Guetto deposit has delivered interesting results in recent drilling. Key assays from the initial six holes included:

- 110m at 0.5 g/t Au from 38m (DDD080), including several 10m+ intervals with grades of 0.7 g/t Au
- 24m at 0.5 g/t Au from 84m (DDD085)
- 16m at 0.3 g/t Au from 50m (DDD084)

It is part of a so far untested 9 km long soil anomaly.

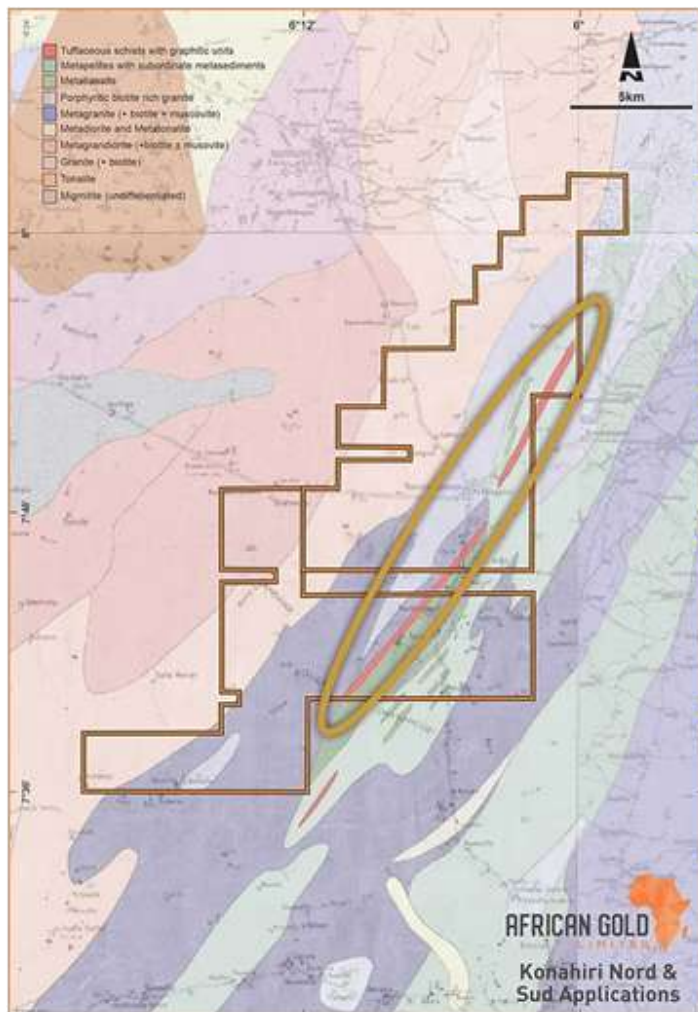


Agboville Project

This project covers an area of 1,400 km² and is located in the southeast of the West African Craton, within the South-Comoé domain. This region forms part of the Birimian, which consists of Paleoproterozoic rocks across West Africa. The project is strategically located and is considered highly prospective for gold as well as a range of other critical minerals, including nickel, cobalt, copper, lithium, tantalum, niobium, and beryllium.

Konahiri North and South

The Konahiri North and South Applications (391 km² and 354 km² respectively) are around 200kms to the northwest of Didievi. They are located in the central portion of the NNW trending Kotiola Marabadrassa Birimian Greenstone Belt located within central Côte d'Ivoire. The concession areas are shown at the right.



The Konahiri portion of the belt is underexplored. Geology is believed to be largely underlain by deformed mafic and intermediate meta volcanic, meta sediment and intrusive units.

There are several artisanal gold deposits within and adjacent to the permits.

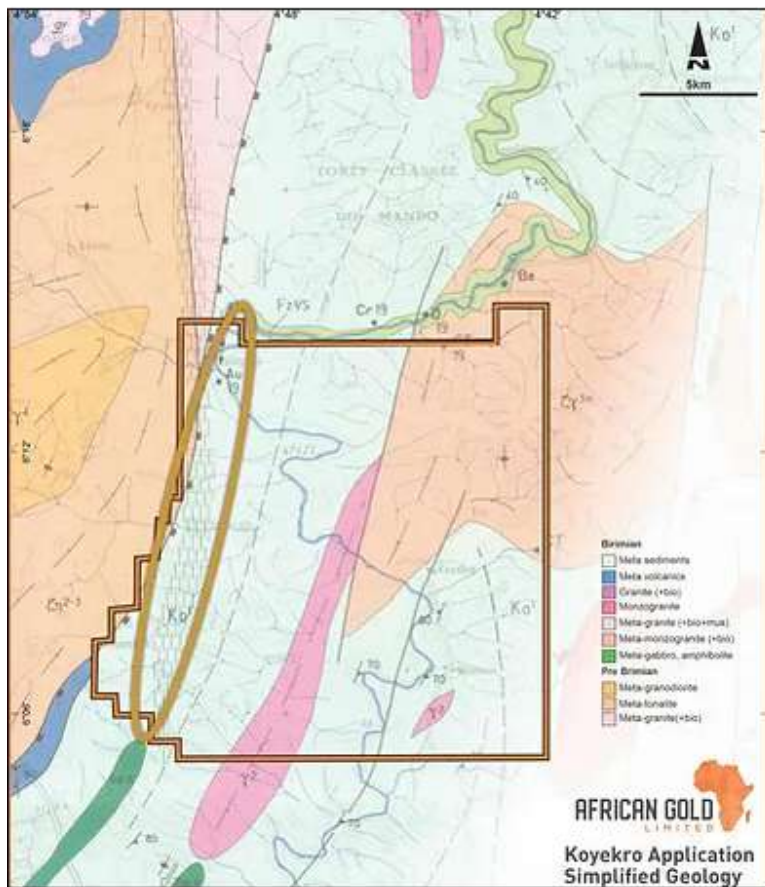
Thus far no work has been undertaken on the project.

Koyekro

The Koyekro Application (292km²) is located near the western margin of the Haute Comoé Basin in south central Côte d'Ivoire. It is located around 30kms south of Didievi.

The concession area is shown on the map on the following page.

There is little evidence of historical work in the area. Regional mapping suggests that the area is underlain mostly by meta-sediments, with a number of internal intrusive bodies.



So far no work has been undertaken on the project.

The Mali Portfolio

As mentioned early most of the assets in Mali were the result of purchase of Abra Resources in 2019.

The country has moved in the perception of investors from *most favoured nation* status to being problematic. In the first instance the northern half of the country fell under the sway of Islamic rebels that carried out various incursions into the largely Christian southern half of the country. Then the national government took on a more aggressive stance towards (selected) foreign miners. In November of 2024 the government detained the CEO and two executives of Resolute Mining (RSG.AX). They were detained in Mali's capital Bamako to "hold discussions" with mining and tax authorities regarding general activities related to the company's business practices. Later that month the miner had agreed to pay US\$160 million to the Mali government to help resolve the tax dispute. The three executives were then released from the Economic and Financial Centre of Bamako.

The back story to this, and the travails of Barrick, relates to a conflict that began in 2023 when Mali introduced a new mining code that increased taxes and expanded the government's stake in mining operations. On 8 August 2023, Mali adopted a new Mining Code that increased State and private Malian

interests in new projects. The new Code allowed the Government to take a 10% stake in mining projects and the option to buy an additional 20% within the first two years of commercial production. A further 5% stake could be ceded to locals, taking state and private Malian interests in new projects to 35%, from up to 20% today. Meanwhile certain tax exemptions were abolished.

Barrick had resisted transitioning to this new code, arguing that its existing agreements should remain legally binding. Accordingly, in November 2024, Malian authorities blocked Barrick's gold exports and seized approximately three tonnes of gold, citing alleged unpaid taxes. The situation escalated further with the detention of four Barrick employees and the issuance of an arrest warrant for its CEO, Mark Bristow, on charges including money laundering and financing of terrorism. Reuters reported that the company rejected all allegations.

The operations at Barrick's Loulo-Gounkoto mine have been suspended since January 2025 with significant financial repercussions for the company. It has been incurring approximately costs of US\$15mn per month in maintenance and salaries while losing an estimated US\$1.24bn annually in revenue due to the halt in production.

In the meantime, the gold price has soared and Mali has been missing out on tax revenues.

While these disputes do not impact an explorer such as African Gold they have dangled a Damoclean Sword over all aspirants to production and scared off potentially acquirers should explorers work their properties up to a level of development where larger companies might buy the project.

For these reasons we shall elaborate the portfolio of African Gold here but do not see it as pivotal to the future of the company except in a situation of "peace breaking out" between majors and the Malian government.

The Senegal-Mali Shear Zone

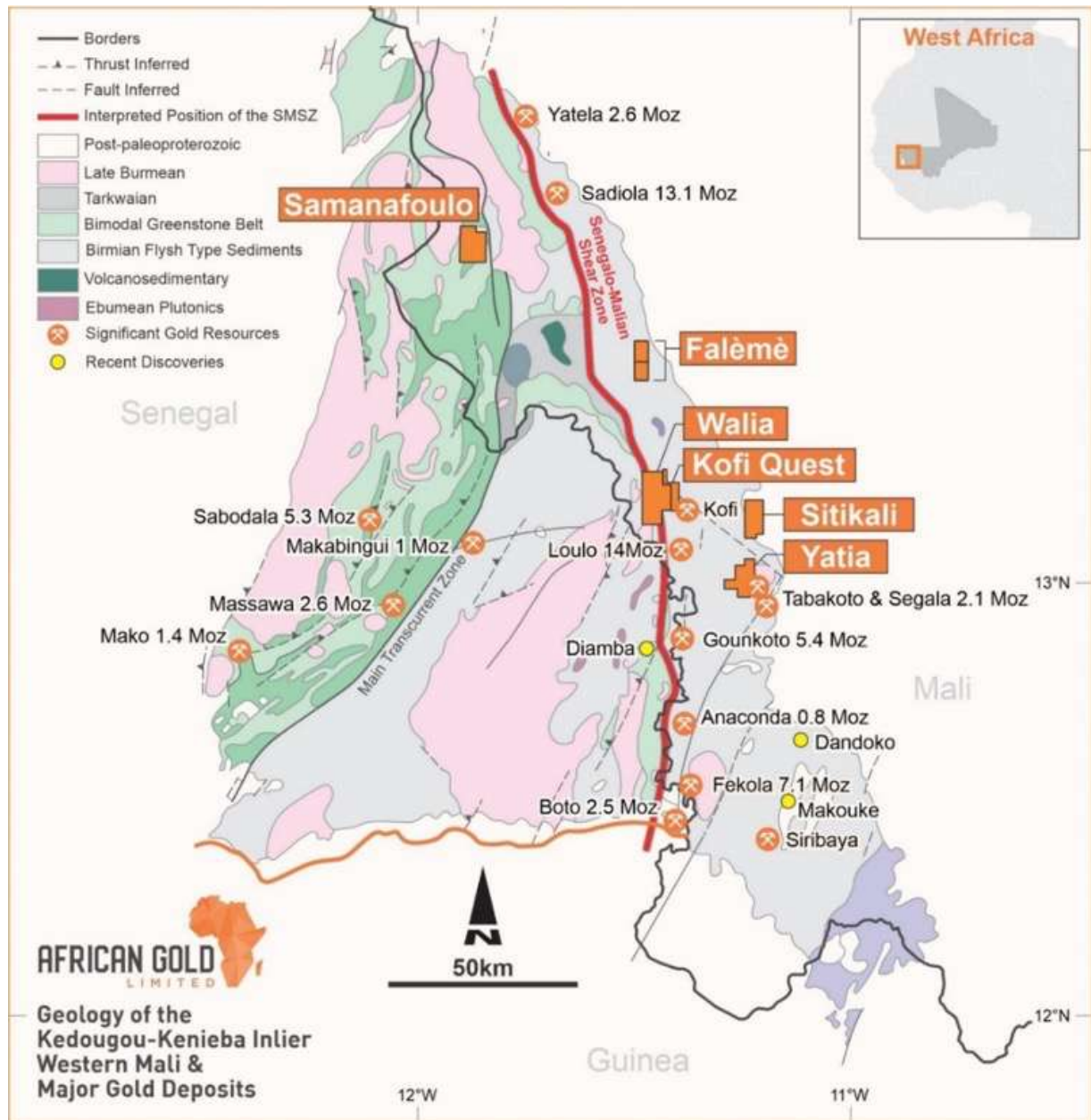
Gold mineralization in many deposits of the West African Craton (WAC) is empirically associated with shear zones domes and regional antiforms (e.g. Damang, Loulo, Yatéla, Sadiola). These deposits are structurally controlled and are deposited from mesothermal metamorphic fluids in deformation zones.

The Kedougou Kenieba Inlier (KKI) is a portion of the West African Craton containing a granite-greenstone terrain that experienced distinct periods of magmatic, tectonic activities and gold mineralization. In the inlier, gold occurrences and large-scale transcurrent shear zones like the Senegal-Mali shear zone and the Main Transcurrent Shear Zone (MTZ) are spatially associated, suggesting a genetic link between tectonics and mineralization.

The Senegal-Mali shear zone is one of the most productive regions in West Africa and includes the Loulo and Sadiola districts in western and northern Mali respectively. The MTZ includes the Massawa deposit. Economically significant gold associated fault zones in the KKI include the MTZ fault zone and SMF zone.

On the local scale however, most gold deposits are hosted in second- and third-order structures, which

are considered to be more favorable dilational sites for gold deposition. Paleoproterozoic lode gold deposits are spatially associated with brittle-ductile shear zone that range from well-defined individual shear zone to large scale shear zone systems. Quartz-sulphide gold vein systems exploit pre-existing through going regional structures.



The Sitakili Permit

The Sitakili permit covers 45km² is located on the Kedougou-Keneiba (K-K) Inlier in western Mali. Located equidistantly and just 18km from both the Loulo and Segala-Tabakoto Gold Mines, Sitakili is

geographically in a highly prospective location.

Large-scale artisanal workings occur at the localities of Kirchon, Grand Filon, Makandja, and Djimissi. Artisanal mine pits and stopes are up to 15m wide and extend along strike for in excess of 2 km. Mine openings are typically 10-15 m deep, with some small shafts (utilising water pumping equipment) extending to about 25m to selectively mine high-grade saprolite zones. Most of the workings appear to be relatively recent with local community sources suggesting they were mostly opened up in the last 10 years.

Exploration at Sitakili

This target has multiple high priority walk up drill targets. Geologically, mineralisation at Sitakili is largely associated within a resistive quartz-feldspar porphyry and gold mineralisation is hosted within chargeable disseminated sulphides, so IP is the tool of choice for targeting purposes.

Limited historical (pre-2005) shallow-drilling was undertaken over a small portion of the permit by Randgold. That drilling is believed to have been completed prior to the artisanal “discovery” of the primary zones at Kirchon and Makandja, suggesting the extensive workings now evident at these locations remain relatively untested by drilling. Significant intersections included:

At the Grand Filon Prospect:

- 4 m @ 28.9 g/t gold from 129.0 m
- 9 m @ 5.9 g/t gold from 95.0 m

At the Kirchon Prospect:

- 6.6 m @ 115.5 g/t gold

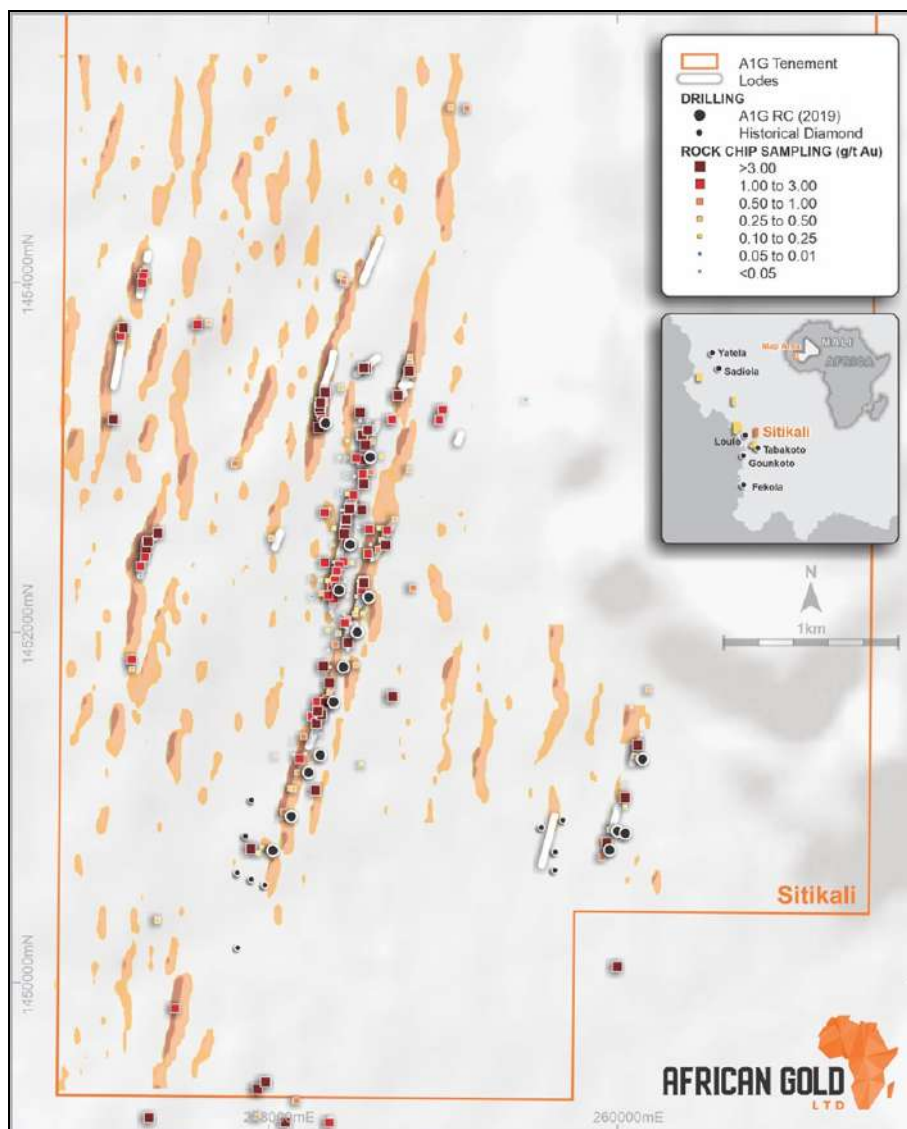
An RC drill program totaling 1,980 metres was completed by African Gold in late 2019, with all 16 holes drilled returning significant and shallow anomalous gold intercepts, including:

- 9m @ 5.17 g/t gold from 54m in 19SIR013
- 3m @ 3.07 g/t gold from 40m and 2m @ 4.71 g/t gold from 59m in 19SIRC006
- 6m @ 3.35 g/t gold from 53m in 19SIRC009
- 6m @ 5.80 g/t gold from 126m and 3m @ 2.34 g/t gold from 117m in 19SIRC010
- 6m @ 1.97 g/t gold from 42m in 19SIRC011

The concession has at least three distinct mineralised quartz-feldspar porphyry documented, the largest of which extends for over 3km. The IP survey successfully mapped-out these known mineralised bodies, confirming that IP is the geophysical tool of choice at Sitakili. In addition, the IP survey has further

extended the potential strike length of these mineralised bodies and has revealed several other features with a similar form, orientation and IP response, suggesting that there may be other mineralised quartz-feldspar porphyries under cover, waiting to be drill-tested.

The company undertook a systematic soil sampling program for gold and multi-element assaying.



The above map shows how the coincidental chargeability-resistivity anomalism correlates exceptionally well with the mapped mineralised gold lodes actively exploited by artisanal gold miners.

These coincidental anomalies are interpreted to represent (resistive) quartz-feldspar porphyry units, the preferential host to gold mineralisation at Sitikali. The coincidental chargeability anomalism suggests that these units are mineralised with gold-bearing sulphide minerals.

The technical team have noted the strike extent of these anomalies and that many of them are not yet being exploited by the artisanal miners, suggesting that these are undercover and waiting to be discovered.

Yatia gold project

The Yatia Gold Project (47km²) is located in the Kenieba region of west Mali. Artisanal gold mining occurs at two localities on the Yatia permit; Segala Ouest and Baroye.

Significant gold mineralisation has been intersected in drilling and trenching at a number of locations on the Yatia permit. Historical drill results include 10 m @ 2.87g/t gold (trench); 2 m @ 7.40 g/t gold from 79.0 metres; 7 m @ 1.95 g/t gold from 28.0 metres; 1 m @ 21.80 g/t gold from 17.0 metres; and 13 m @ 1.17g/t gold from 39.0 metres.

Walia gold project

The Walia Gold Project (80km²) is located in the Kenieba region of west Mali. The Walia permit abuts Barrick Gold's Loulo mine (14mn oz) and straddles the Senegal Mali Shear Zone (SMSZ).

It contains a number of high priority untested walk-up drill targets immediately along strike of Barrick's mine.

Samanafoulou gold project

The Samanafoulou Gold Project is located in the Kayes region of west Mali. The Samanafoulou permit is at an early stage of evaluation and very limited exploration work has been undertaken.

Syama – Proximal with Resolute Mining

The Golokasso Permit, measuring around 90km², is located in the Sikasso region of southern Mali. approximately 400 km by road from Bamako. The southern boundary of the permit is contiguous with the Syama mining lease of Resolute Mining (LSE: RSG, ASX: RSG). Its Syama mill is situated about 15 km to the south.

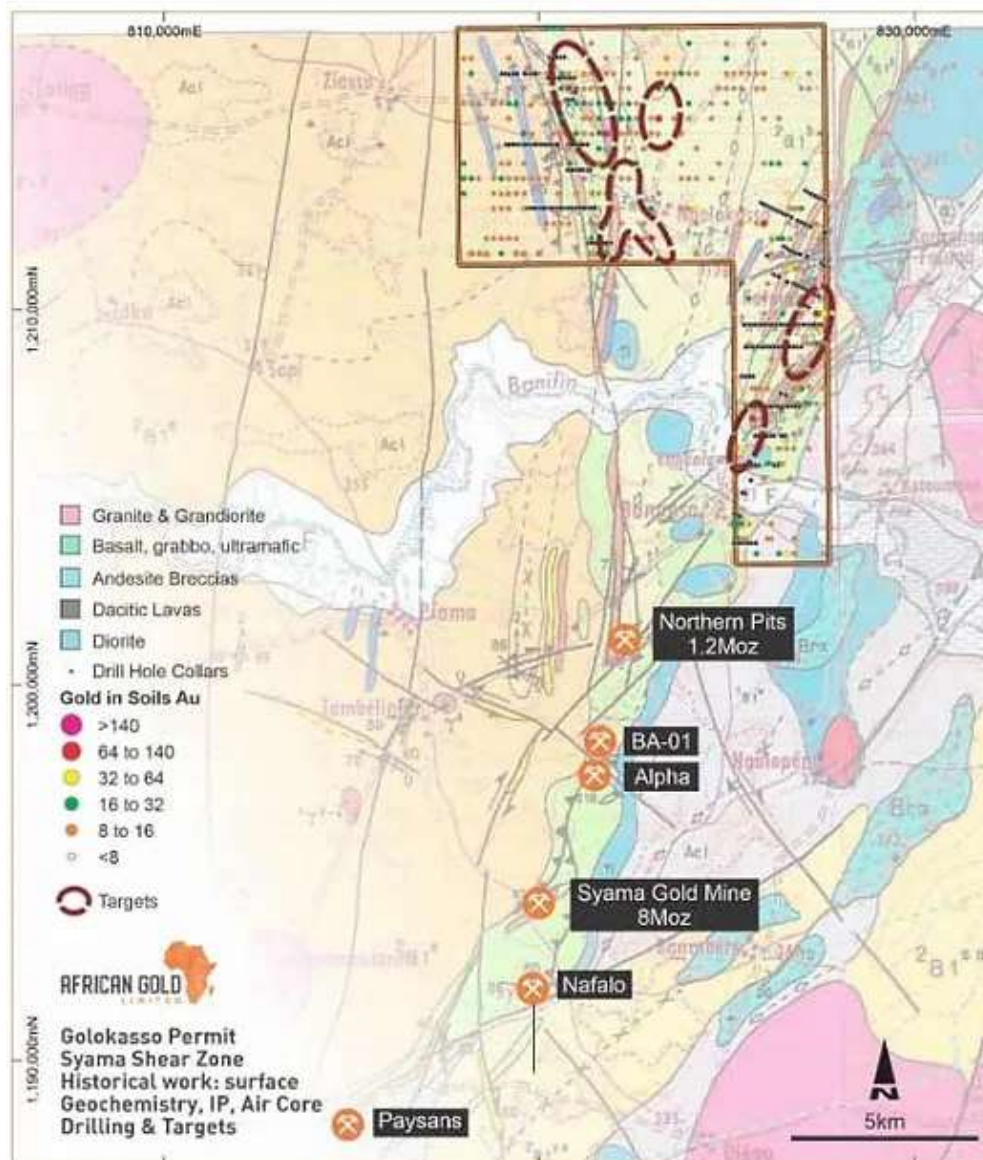
Geology

The permit straddles the northern portion of the Syama Shear Zone and an interpreted north-trending structural splay of that mineralised trend. Approximately 10 km of prospective structure occurs within the permit area.

Golokasso is broadly situated on the northern extension of the Syama Gold Belt. The closeology is good with multiple gold deposits, and gold prospects, occurring along the Syama Belt, including the Syama Mine (+8mn oz), A21 deposits (+1mn oz) and Tabakoroni (1mn oz).

Gold mineralisation is hosted predominately in mafic lithologies in the hanging wall of the regionally

extensive Syama Shear Zone. The proximity to Resolute's Syama mine is shown below:



There had been an earn-in agreement, in October 2022, with Resolute Mining over the Golokasso project allowing Resolute to earn up to an 80% interest in the project by the completion of an agreed minimum exploration program in two years and the subsequent completion of a feasibility study over an eight- year period. Resolute owns and operates the neighboring Syama Gold Mine. However, in light of the problems that Resolute have had in-country nothing has transpired with this deal.

Financing & Shareholders

The company undertook a successful rights issue in May 2024 raising approximately AUD\$1.29mn

(before costs).

We have mentioned earlier the share swap transaction in March of 2025 which brought AUD\$866,000 into African Gold from Montage insiders.

At the same time the company conducted a non-brokered private placement for approximately 5% of its shares to new investors by the issue of 26,318,899 shares at AUD\$0.07 per share, raising approximately AUD\$1,842,323 (before costs).

Thus, the shares issued amounted to:

Tranche 1: Share swap with Montage under LR 7.1.	46,019,641
Tranche 1: Placement to Montage Insiders under LR 7.1	520,626
Tranche 1: Placement to Montage Insiders under LR 7.1A	11,850,803
Tranche 1: Private Placement under LR 7.1A	26,318,899
Tranche 2: Share swap with Montage (subject to shareholder approval)	46,358,146
Total	<u>131,068,115</u>

While transformative, the deals only really brought in around AUD\$2.6mn in actual cash (before costs). However, in the wake of the share swap the company's stock has risen threefold.

The Montage deal also resulted in the incoming director, Silvia Bottero, and advisor, Martino De Ciccio being granted five million options each with an exercise price of \$0.10 per share and expiry date three years from date of issue (subject to shareholder approval), in recognition of their active involvement and contributions to A1G.

Board & Management

The company is heavyweight with well-known names across the mining space, moreso than other exploration juniors in a similar position on the exploration to production timeline.

The executive chairman is **Evan Cranston**, an experienced mining executive with a background in corporate and mining law. He is the principal of corporate advisory and administration firm Konkera Corporate and has extensive experience in the areas of equity capital markets, corporate finance, structuring, asset acquisition, corporate governance and external stakeholder relations. He holds a Bachelor of Commerce and Bachelor of Laws from the University of Western Australia.

Adam Oehlman, Chief Executive Officer, is an experienced mining professional with a strong background in both technical and commercial roles. He has held key technical positions at leading mining companies such as Northern Star, Superior Gold, and Goldfields, and developed commercial expertise in business development and strategic analysis. Most recently, he was the Principal Investment Analyst at Hancock

Prospecting.

Tolga Kumova, non-executive director, has 15 years' experience in stockbroking, corporate finance and corporate restructuring, and has specialised in initial public offerings and capital requirements of mining focused companies. He has raised in excess of \$500 million for mining ventures, varying from inception stage through to construction and development.

He was a founding shareholder of Syrah Resources in 2010 and served as an Executive Director from May 2013 to October 2016, and as Managing Director from October 2014 to October 2016. He is currently Non-Executive Chairman of European Cobalt (now Aston Minerals (ASX: ASO)). During his tenure at Syrah Resources, he led the business from resource stage through to full funding through to development, gaining experience negotiating offtake agreements.

Mathew O'Hara, a non-executive director, is a Chartered Accountant with 16 years' experience in corporate finance, financial accounting and corporate governance. His experience includes being employed by, and acting as, Director, Company Secretary and Chief Financial Officer of several companies, predominantly in the resources sector. Prior to these roles, he spent more than a decade working as an Associate Director at an international accounting firm in both the Corporate Finance and Audit divisions.

Peter Williams, a non-Executive Director, is the former Chief Geophysicist and Manager of Geoscience Technology for WMC Resources. He was one of the founding members of Independence Group Limited and developed high powered three-component 3D time domain electromagnetic applications. Peter has extensive experience in successful exploration for different mineral systems around the world. He was a co-founder of the International Resource Sector Intelligence company, Intierra, and HiSeis. He was involved in the target identification and acquisition of projects with over 10 million ounces of gold in West Africa. He is an Adjunct Professor of the Centre for Exploration Targeting at the University of Western Australia and is on the Advisory Board of the Institute of Mineral and Energy Resources at the University of Adelaide. He is currently Managing Director of Alderan Resources (ASX:AL8) and is a Non-Executive Director of Benz Mining Corp. (TSXV:BZ, ASX:BNZ).

Silvia Bottero, non-executive director, has more than 20 years of experience in the mining industry with a proven track record of making highly economic greenfield discoveries and in developing brownfield projects up to DFS, notably in Africa. Over the last decade, she has led her team to the discovery of over 15Moz of M&I gold resources in Côte d'Ivoire and has developed a deep understanding of the region's geological setting and established strong relations with local stakeholders.

Risks

The risks at the current time for African Gold might be enumerated as:

- ✗ Gold price weakness due to "outbreaks of peace"
- ✗ Political problems in Ivory Coast

- ✗ Further political deterioration in Mali
- ✗ Problems in relations with artisanal miners
- ✗ Financing difficulties

With African Gold the risk is currently mainly with the gold price as it is for most gold miners. Our premise is for gold to stay roughly in a band between US\$2,600 and US\$3,500 for several years to come, short of further deterioration in global relations. Outbreaks of peace, while good for all of us, are not in gold's best interest.

Regimes in Africa come and go and so do the fortunes of mining companies operating in jurisdictions where a change of leadership and policy can come out of the left field. The governments of Ivory Coast and Ghana are both currently perceived as pro-mining. Meanwhile Mali has scored itself various own goals in relations with gold majors (while managing to glean \$160mn from some hostage diplomacy). This is bread for today and hunger for tomorrow as the exploration pipeline dries up. This can of course change.

The Malian portfolio of African Gold is not a focus and never has been. Soft pedalling on the exploration means the company can walk away with minimal financial discomfort and possibly a reward to its share price.

Relations with artisanal miners are probably not an issue, as they do not feature in the Ivory Coast assets and seem to have largely "moved on" in Mali.

Financing for gold projects is still variable but the heavyweight board members are well-resourced and well-connected. A flow of positive results should help in maintaining funding levels. Montage will almost certainly not want to be diluted.

Investment Thesis

After an initial run powered by the weightiness of the board, the stock spent several years in price and funding limbo. It has finally shaken off the lethargy and powered upwards.

The company's name would certainly indicate gold in Africa but, in reality, the focus is Ivory Coast and the Malian assets have gone from being an extra bonus to somewhat of a distraction/liability. The amounts still to pay for the Malian assets are not pressing and the triggers to do so are years off, particularly if no work is being done towards those triggers being realised. One should not be surprised to see a narrower focus and Mali being cut loose (i.e. ceded back to the vendors).

The Montage deal has kick started a long moribund share price but has also, to a degree, taken African Gold out of contention as a takeover target for anybody but Montage. The company has become a Mercury circling Montage's sun.

Its worth noting in passing that the price of Montage stock has risen nearly CAD\$2 per share since

March taking the value of African Gold's stake to over CAD\$9mn.

The thinned number of explorers in West Africa is starting to revive but it is a long way until their ranks refill to the levels seen in the heady days pre-2012. Ivory Coast is now "hot" and reliable as a jurisdiction which is accentuating the attractions for investors of companies like African Gold.

Rationale/Rating

Gold exploration in West Africa has been dominated in recent decades by a continuous cycle of explorers becoming developers and then being eaten by majors. In other parts of the world this Darwinian cycle is faulty (much to the despair of undevoured juniors) but in West Africa it is guaranteed that successful small-fry are ultimately eaten by bigger fish. Thus, it should come to pass if African Gold, now essentially a satellite of Montage, manages to turn Didievi into the most appetising dish on the buffet at the Predators Ball.

Thus, we initiating African Gold with a **LONG** rating and propose a 12-month target price of AUD\$0.35.



Appendix I: Côte d'Ivoire

Rising Star in West Africa

On Côte d'Ivoire

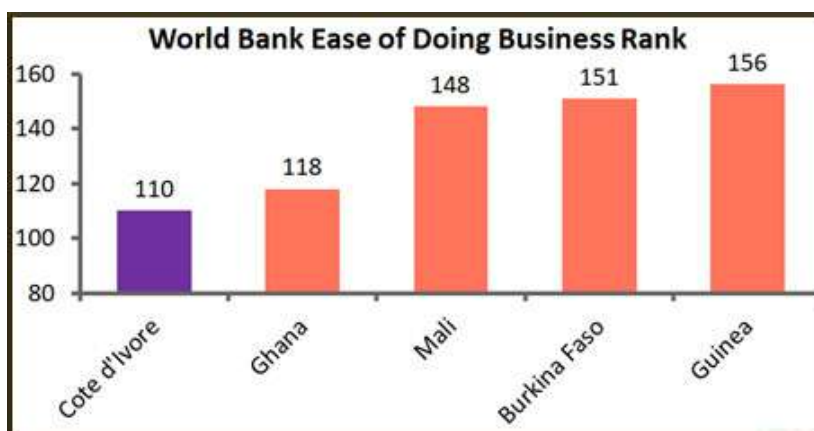
The country is a presidential republic with a civil law system based on French civil code. That being said, like many countries in West Africa, Ivory Coast has various civil wars in its recent back history. A civil war was fought in Ivory Coast between 2002–2004 and a second civil war broke out in March 2011 following contested elections that saw president-elect Alassane Ouattara come into power in 2011 and he was reelected in 2015. Then, in presidential elections held on 31 October 2020, Ouattara was re-elected with 95% of the vote amidst an opposition boycott. The next Presidential elections are due to be held in Ivory Coast in October 2025.

The Economics

As for the economic situation, the most illuminating summation was provided by *The Economist* in 2019 when it stated: “Few West African countries excite investors quite as much as Ivory Coast. Its economy, which is forecast to expand by more than 7% this year and next, is among the fastest growing in Africa”.

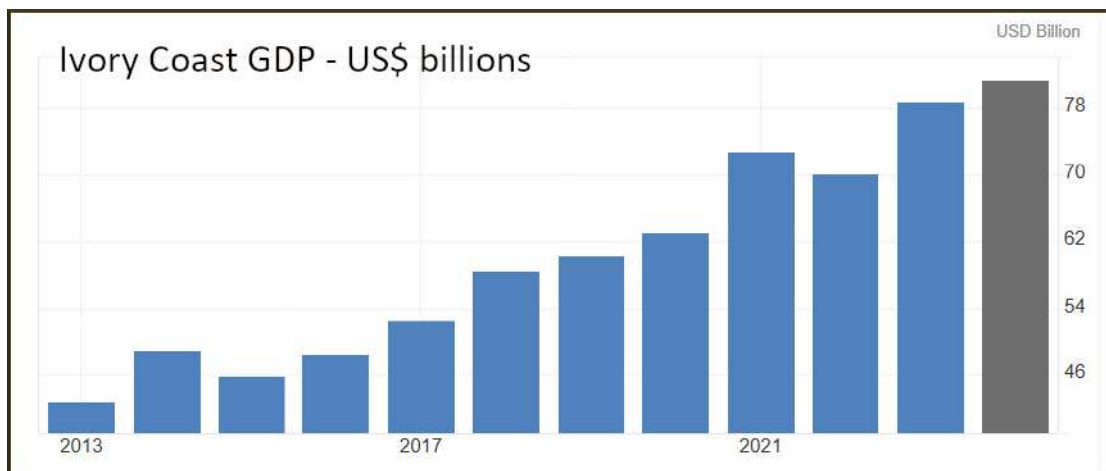
They went on to say: “Its efforts to cut red tape and make it easier to start a company or get loans have won praise from private firms and multilateral institutions, such as the IMF and World Bank—which has bumped it up by 25 places on its “ease of doing business” index since 2015.

According to the World Bank, Côte d'Ivoire's ease of doing business is the highest in the region (a lower ranking is better):



Source: World Bank (2020)

The latest report of the African Development Bank stated that economic activity was vigorous in 2023, with real GDP growth estimated at 6.5%, up from 6.2% in 2022, driven by investment (public and private) and domestic consumption. GDP was estimated at US\$81.4bn in 2024.



Source: World Bank

Despite a 22.7% drop in cocoa production, economic growth was sustained by the dynamism of food-producing agriculture, construction and public works, manufacturing and extractive industries, trade, and transport.

Inflation decelerated from 5.2% in 2022 to 4.4% in 2023 responding to restrictive monetary policy by the Central Bank of West African States, as well as government measures to combat the high cost of living.

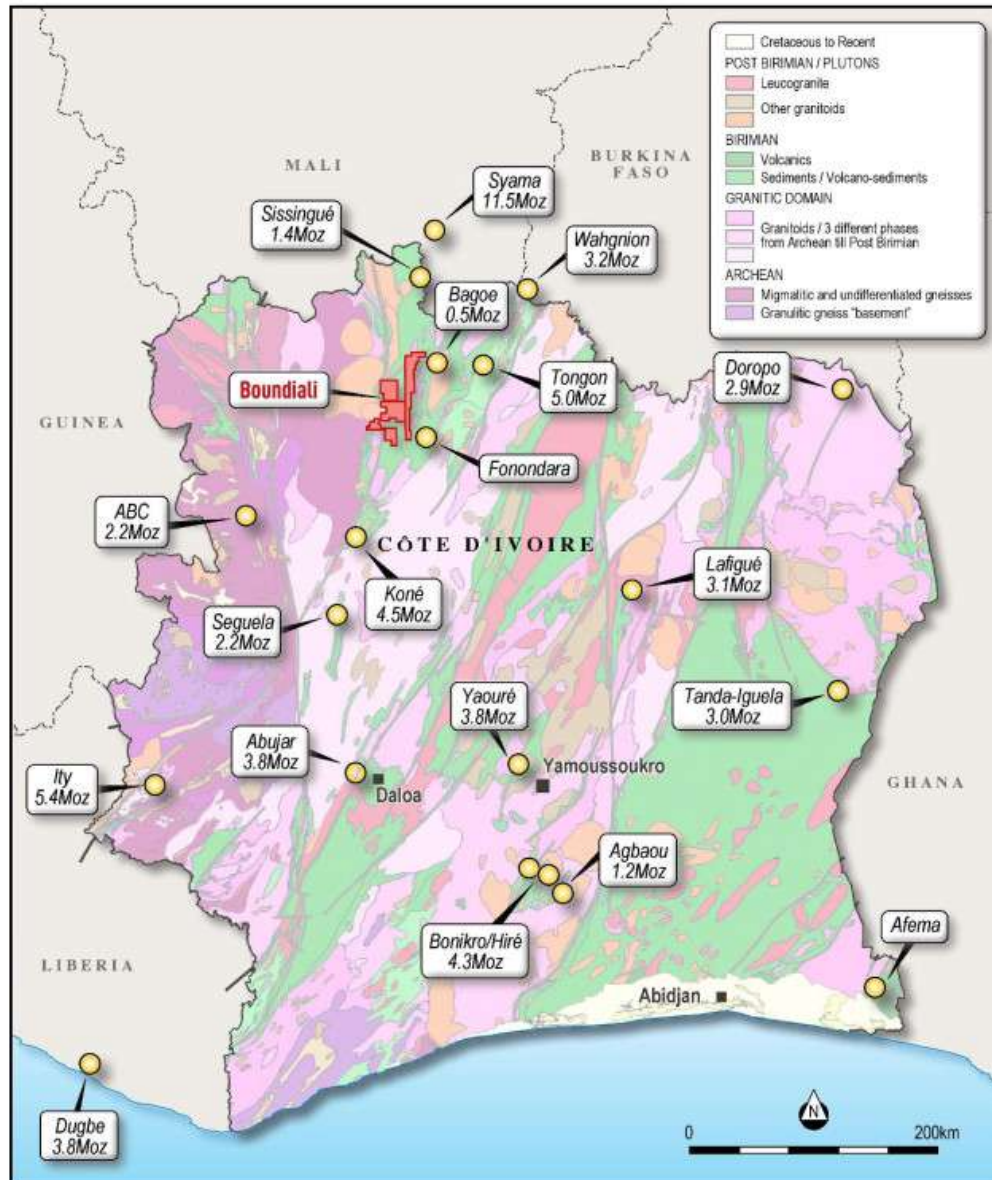
Continued reforms to increase domestic revenue and improve budget management helped reduce the budget deficit from 6.8% of GDP in 2022 to 5.2% in 2023, enabling the debt ratio to stabilize at 56.8% of GDP in 2023 (compared with 56.7% in 2022).

Mining in Côte d'Ivoire

The country has 6 major producing gold mines and a number of near-term development projects including Ity 4.5 Moz and Agbaou 1.2Moz and Fetekro 2.5Moz (Endeavour), Yaoure 3.4 Moz and Sissingue 1.2 Moz (Perseus), Tongon 2.7 Moz (Barrick) and Bonikro/Hire 4 Moz (Allied Gold) and Abujar 3.45 Moz (Tietto). Other mineral commodities that offer the potential for economic development in Côte d'Ivoire include diamonds, petroleum, natural gas, copper, iron, cobalt, bauxite, tantalum, lithium and silica sand.

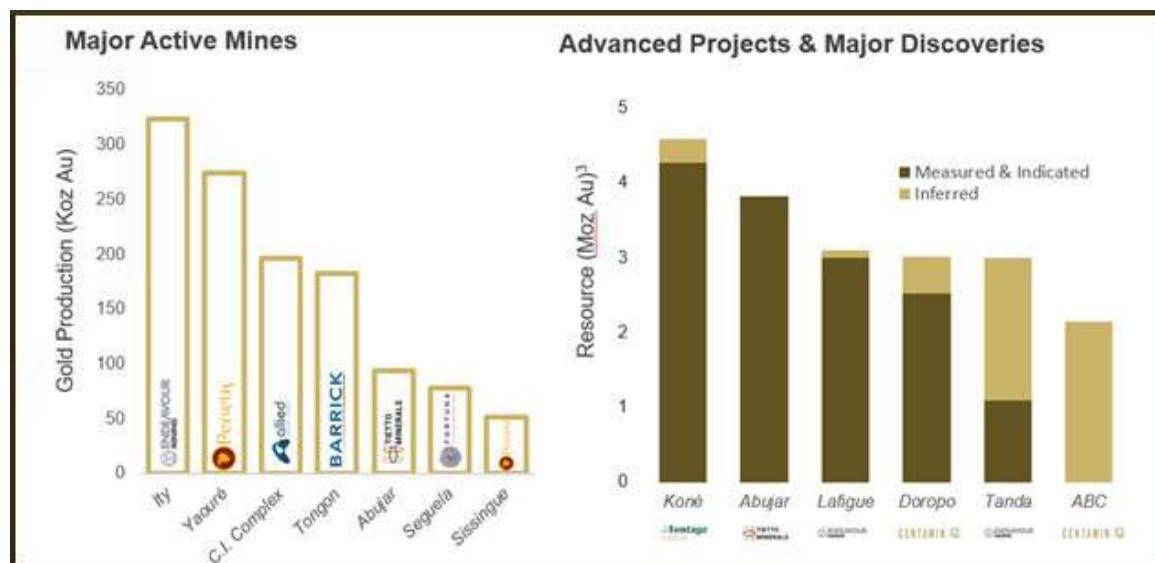
As a mining jurisdiction the country has maintained an attractive profile over the last decade. A 2014 mining tax code change has made the country a favorable place for gold exploration and resource development. Meanwhile, a tax convention (1985) and foreign investment protection agreement (2013)

with Canada, has made it a particularly attractive jurisdiction for Canadian junior mining investors.



As some former favoured jurisdictions in West Africa have declined in investor attractiveness due to political instability, Côte d'Ivoire is increasingly seen one of the most attractive gold districts in the region.

There are already major producing mines in the country, but with a lack of exploration and development spending in the past, these mines are depleting, and it is probable that majors holding these assets will look to potentially acquire additional discoveries to backfill declining production.



As an oasis of stability, gold companies are buying up assets and expanding exploration in the country to diversify production away from less than desirable jurisdictions elsewhere.

The history of transactions in Côte d'Ivoire in recent years is impressive with notable transactions being Endeavor Mining purchasing SEMAFO for CAD\$1bn and Teranga Gold for CAD\$2.4bn respectively and Fortuna Silver (NYSE: FSM | TSX: FVI) buying Roxgold for CAD\$1bn in July of 2021.

The Mining Code

The Republic of Côte d'Ivoire reformed its Mining Code in March 2014 (formerly Mining Code of 1995). Exploration licences are awarded by presidential decree after ministerial approval from the Ministry in charge of mines. There are five different categories under the 2014 code:

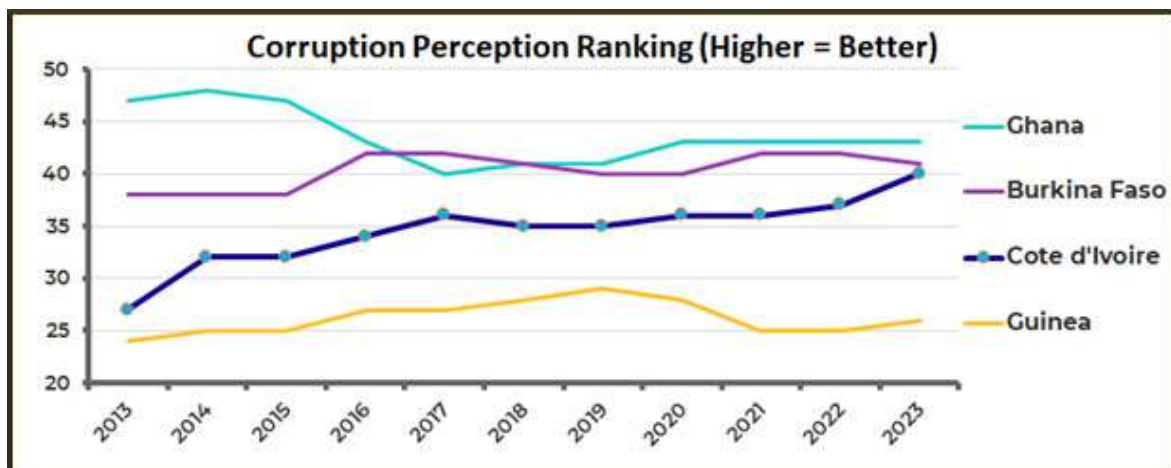
- Prospecting permit - Up to 2,000 km², non-exclusive and granted for one year
- Exploration permit (Research) - Up to 400 km², exclusive and granted for four years, plus two renewals of three years, with the possibility of a third renewal for two years under extraordinary circumstances
- Exploration permit holders are exempted from paying the TVA (sales tax of 18%) and also benefit from the exempt duties when importing equipment used during the exploration phase
- Mining permit - Granted for up to 20 years with option of 10-year renewals
- Semi Industrial Mining Licence - Ivorian nationals or Ivorian-majority cooperatives of companies only, up to 1 km², 4-year period, renewable
- Artisanal Mining Licence - Ivorian Nationals or Ivorian Majority co-operatives only,

maximum of 25 ha. for a two-year period, renewable

Once Exploration Licence applications are submitted, coordinates of the area applied for are verified against other applications for any overlap with other applications or granted licences. At this stage, the applicant is also assessed on their technical and financial capability to undertake the work program proposed in the application. After this process, the application is assessed by a mining commission, if approved a draft decree is presented by the Minister for Mines to a presidential cabinet for signature and granting. Exploration activities must commence within 6 months of the granted licence date.

Corruption Indices

The corruption perception ranking also continues to improve while neighbors in West Africa have all seen their rankings decline or flatline.



Source: Transparency.org

Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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