Quarterly report

L1 Gold Fund Limited (ASX:LGF)

June 2026

- The L1 Gold Fund Limited (LGF) returned -10.9%[1] since inception in April, impacted by market volatility driven by the Iran War and the associated flow-on impacts to key policy settings.
- We believe the long-term investment case for quality gold equities remains highly compelling.
- Since inception in March 2025, the L1 Capital Gold Strategy has returned 152.6%[2].

Amid heightened market volatility, the LGF portfolio declined 10.9% since inception in April 2026, driven by a ~17% pullback in the gold price from ~$4,870/oz to ~$4,025/oz (see Figure 1).

The Iran War was the dominant driver of market volatility over the last few months, triggering widespread uncertainty in equity markets. The gold price temporarily defied its usual resilience during market crises as investors responded to higher than expected interest rates, de-risked portfolios and liquidity was drained into the dominant AI thematic (see Figure 2).

LGF has employed a physical gold short position to partially hedge the gold price exposure, however the sell-off in gold equities was materially larger than the move in the underlying gold price. Despite a disappointing first period of performance in absolute terms, LGF has performed favourably compared to the GDX ETF, a common passive industry reference, which declined ~20% over the same period (in AUD).

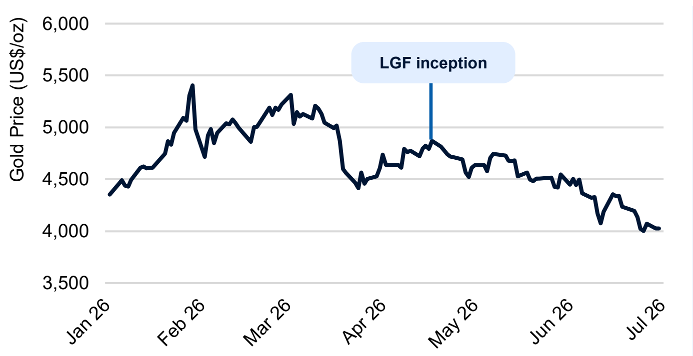
The Iran War triggered a sharp rise in volatility and a significant pullback in the gold price. With high quality gold names trading far below fair value, we have used this period to add to our positions.

More importantly, we believe the long-term drivers of the gold price – central bank buying, persistent fiscal deficits and elevated geopolitical risks – remain supportive, and that gold mining equities are compelling at current levels. This underpins our conviction that this dislocation is temporary. We continue to believe the mid-cap gold mining sector offers a range of compelling investment opportunities given their very strong and rising cash flow generation and undergeared balance sheets which provide opportunities for organic growth and major capital management initiatives.

Returns[1,2] (Net) (%)

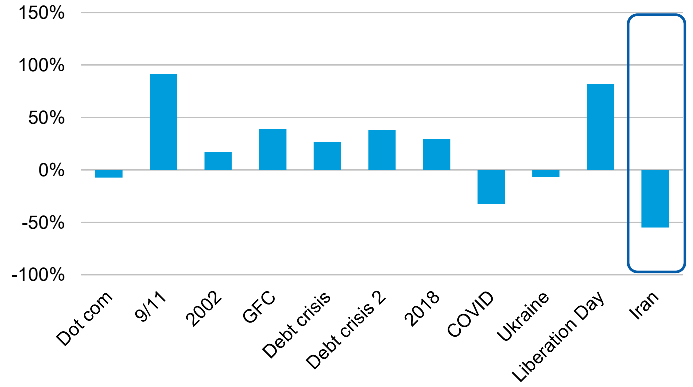
	LGF Portfolio
LGF portfolio since inception (20 April 2026)	(10.9)
Strategy since inception	152.6

Figure 1: Gold price (last 6 months)



Source: Factset

Figure 2: Gold's movements post crisis (annualised, %)



Source: Morgan Stanley

All performance numbers are quoted net of fees. **Past performance should not be taken as an indicator of future performance. 1.** L1 Gold Fund Limited (ASX:LGF) returns are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges. **2.** Strategy return is based on returns achieved by the L1 Gold Fund Limited (ASX:LGF) since inception on 20 April 2026 and prior to this date on the returns of the L1 Capital Gold Fund since inception (28 February 2025) which was subject to a different fee structure. NOTE: Fund returns and Australian indices are shown in A$. Gold price returns and U.S. indices are reported in US$. Index returns are on a total return (accumulation) basis unless otherwise specified.

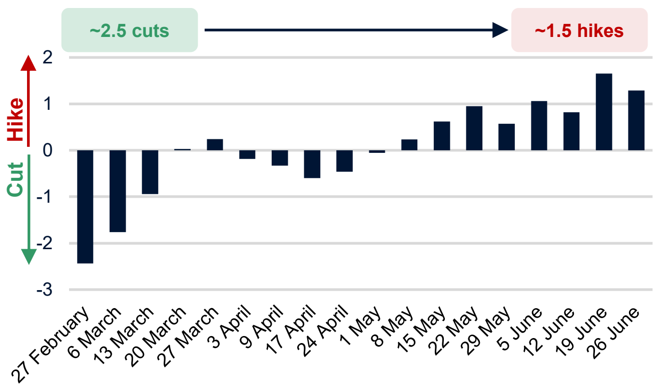
Gold market update

The sharp pullback in the gold price over the quarter was largely a function of the Iran War driving higher bond yields, and an associated stronger U.S. dollar. Gold was also affected by policy responses from oil-importing nations, such as Turkey and India. The blockage of the Strait of Hormuz (~20% of the world's oil flows) increased crude oil prices from ~US$60/bbl at the start of the year to >US$120/bbl by April, resulting in an upward shift in anticipated inflation, with U.S. headline CPI climbing to 4.2% in May, the highest level since 2023. Kevin Warsh's first FOMC meeting as Chair of the U.S. Federal Reserve surprised the market with a hawkish tone.

> **"We have the capability and commitment to deliver on our price stability objective of 2%. That's exactly what we're going to do.... I've said for years inflation is a choice. You bet it is. And today I'm announcing that this committee, unambiguously and unanimously, have decided we are going to deliver on that."**
>
> Kevin Warsh, Federal Reserve Chair

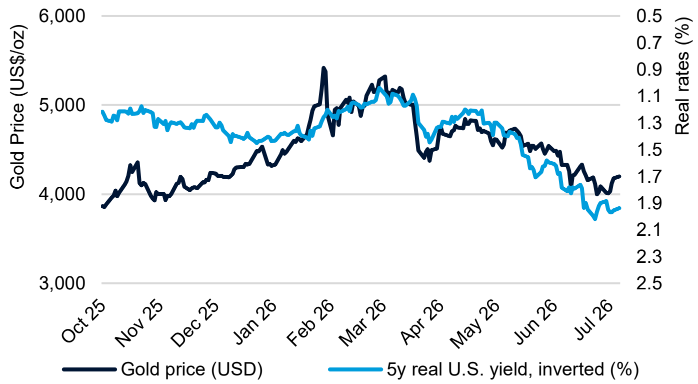
Alongside the higher inflation print, this sharply increased the market's expectations of near-term interest rates. In late February the market had priced ~2.5 cuts for 2026, shifting to ~1.5 hikes by late June (see Figure 3). Historically, the gold price is negatively correlated to real interest rates. This relationship has become less pronounced over the last several years, but has re-emerged since February (Figure 4). In addition to increasing the holding costs of gold, higher real rate expectations have strengthened the U.S. dollar, challenging the 'debasement trade'. An apparent willingness to hike rates strengthens the perceived independence of the new Federal Reserve leadership, and therefore confidence in the underlying monetary system, positive for the U.S. dollar and negative for the price of gold.

Figure 3: Fed hikes/(cuts) priced by year end



Source: Morgan Stanley, one cut/hike assumes 25bps move

Figure 4: Gold price versus real interest rates

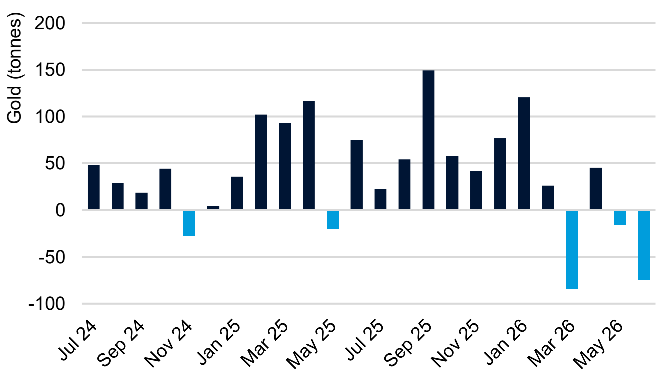


Source: Bloomberg

Investors' move away from holding gold was evident in the selling of physical gold ETFs (see Figure 5) which saw ~130t of outflows since March (~US$16b) with the majority of these coming from North America. The final week of June saw the largest weekly gold ETF outflows since 2018, with technical indicators suggesting they are now oversold, reflecting a deeply negative sentiment (Figure 6). The dispersion between Asia and North American flows has been meaningful for the year, with Asian inflows contrasting North American outflows, and the gold price meaningfully outperforming in Asian trading hours compared to U.S. trading hours.

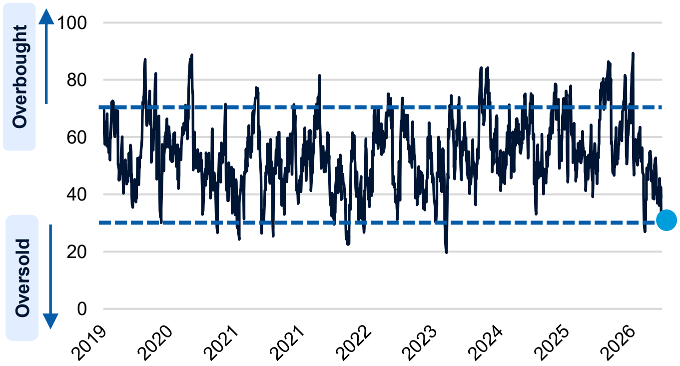
Strength in AI investment in the U.S. also likely drained liquidity and investor focus from other areas in the market (>US$50b inflow into U.S. technology ETFs in 2026) and further contributed to a strengthening in the U.S. dollar with record levels of foreign investment flows.

Figure 5: Global ETF outflows from gold



Source: World Gold Council

Figure 6: SPDR gold ETF RSI

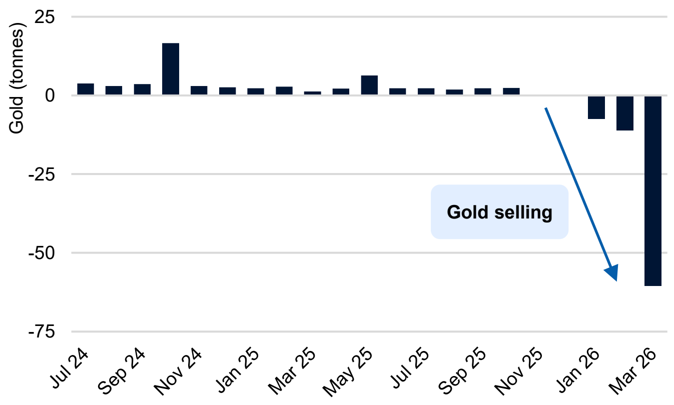


Source: Factset

Beyond investor positioning, flow-on policy responses from the Iran War led to a large amount of unexpected gold selling. Turkey was notable, with an already fragile Lira and high inflation, significantly higher oil import costs (~90% import-dependent) required the liquidation of significant gold reserves for currency support. During February and March, Turkey sold 71.5t of gold or ~US$10b of gold reserves (see Figure 7). The World Gold Council estimates each 20–30t of central bank selling decreases the gold price by 1%. While Turkish selling was a negative price driver, it illustrates the merit of central banks holding gold as a practical liquidity tool and, in this case, it functioned as intended.

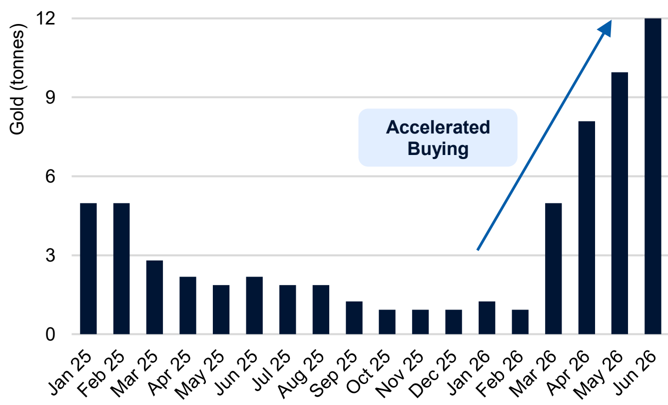
India, as the largest consumer of gold jewellery, was also a notable driver as it increased import taxes for gold from 6% to 15% to defend the rupee (also associated with energy imports). The World Gold Council estimates that a 10% increase in Indian import tax will negatively impact the gold price by 2%.

Figure 7: Turkey reserve gold accumulation/selling (t)



Source: World Gold Council

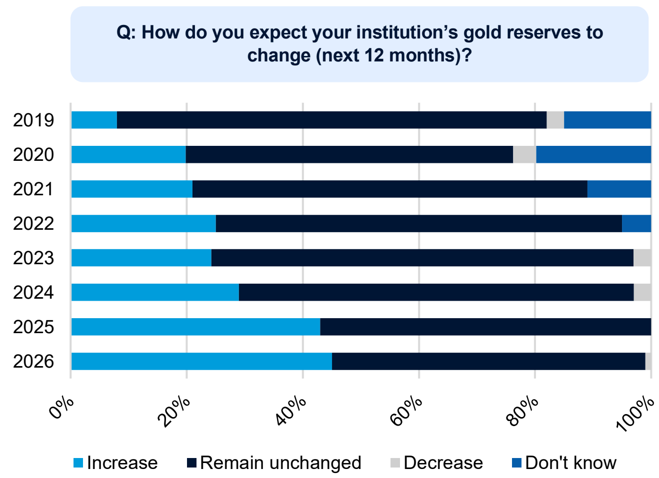
Figure 8: China central bank buying



Source: World Gold Council

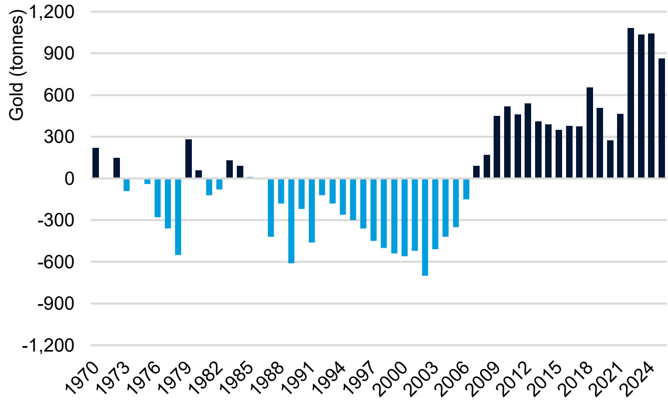
In spite of one-off defensive policy responses, the underlying trends remain encouraging. Over the course of April and May, global net central bank buying exceeded 60t. The Chinese central bank responded to the decline in the gold price with a material increase in accumulation rates (see Figure 8) – purchasing for the month of June was >10x the pre-war monthly purchasing rate, increasing to 12t. In a survey conducted by the World Gold Council from February to May 2026, with most answers coming post the Middle East conflict start, 45% of respondents expected their central banks to increase gold purchases over the next 12 months (see Figure 9). This suggests the long-term buying support, elevated since Russia / Ukraine, should hold (see Figure 10).

Figure 9: World Gold Council central bank survey



Source: World Gold Council

Figure 10: Central bank annual accumulation/sales



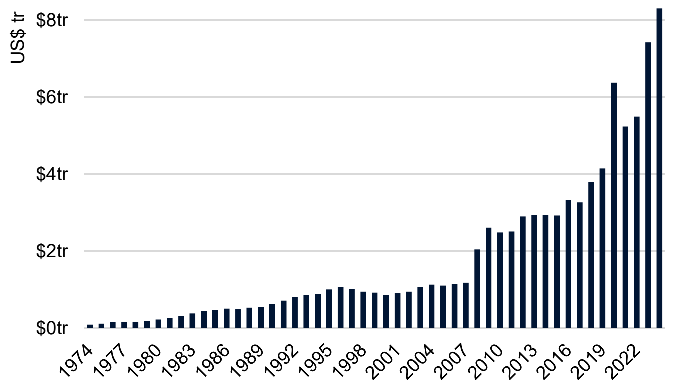
Source: World Gold Council

Gold market outlook

Despite the volatility, we believe the long-term drivers of a higher gold price – higher central bank buying, fiscal deficits and elevated geopolitical and market risks – remain intact. As at the end of June oil prices have reverted back to pre-war levels (45% below the April peak). We would expect this to help ease the upward pressure on inflation and nominal policy interest rates, stemming the sharp investor ETF outflows seen over the quarter. Regardless, even if this scenario does not emerge, we would expect persistently higher inflation to support gold prices on a longer-term horizon, as it drives real interest rates lower and strengthens gold's role as a tool of value preservation.

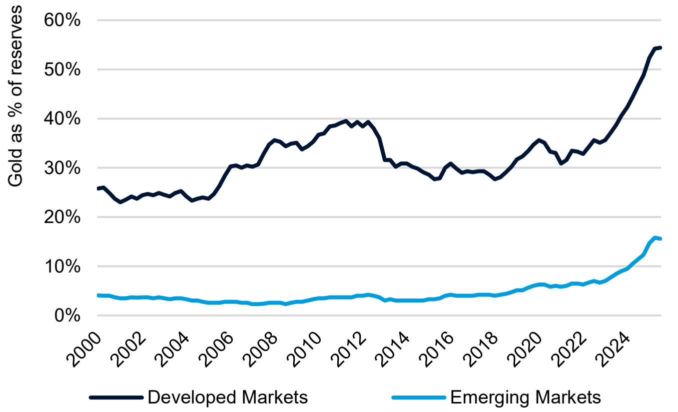
More broadly, we believe it will be difficult, fiscally, for the U.S. to sustain nominal interest rates moving materially higher. Annual U.S. Government interest expense is already more than ~$1 trillion per year (on $39 trillion of total outstanding debt), representing ~15% of total spending and exceeding spending on either national defence or federal healthcare programs. An exceedingly large amount of U.S. federal debt matures within 12 months and is at risk of being rolled over into a higher rate environment (see Figure 11), exerting political pressure for lower rates. Separately, we expect the events of 2026 only to strengthen emerging markets' inclination to continue accumulating gold reserves (see Figure 12), which we expect will remain a driver of a higher gold price.

Figure 11: U.S. Treasury debt maturing <1yr



Source: U.S. Treasury Bulletin

Figure 12: Emerging and developed market gold reserves

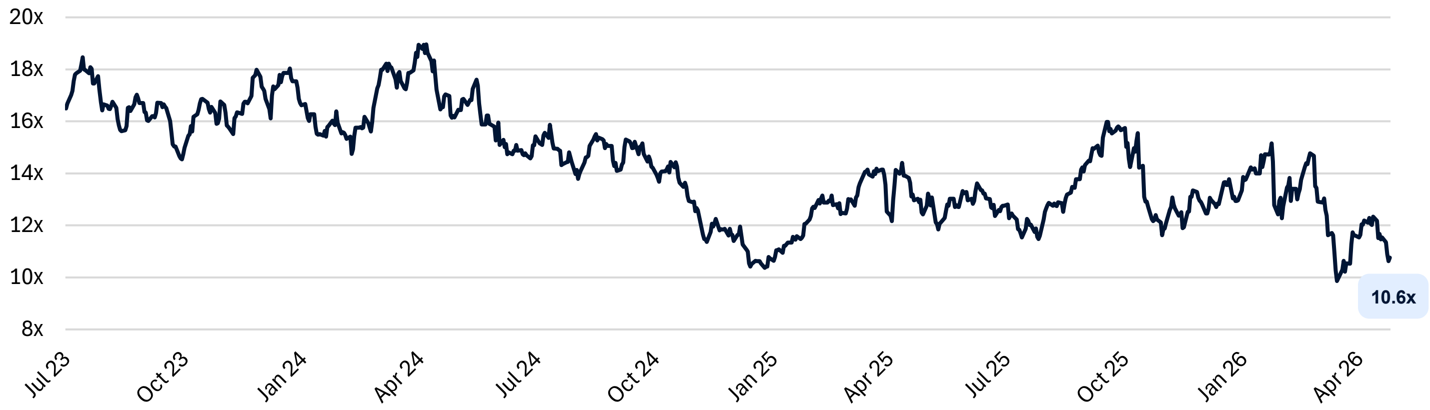


Source: World Gold Council

Portfolio positioning

Despite the disappointing first period performance of LGF (-10.9%), we continue to believe the gold equities sector represents compelling value. The gold price is down 7.8% for the first six months of 2026, yet many of the sector's equities are down more than 25–30% over this same period, enhancing forward-looking valuation metrics (see Figure 13). We note concerns around gold miners' cost bases, with elevated diesel costs, however, expect this cost pressure to ease over the coming 12 months, as oil prices have retreated ~45% from their peak as at the end of June.

Figure 13: GDX 12m forward P/E ratio (last 3 years)



Source: Factset

LGF continues to be positioned in a range of primarily mid-cap producers, where we see opportunities to invest in high-quality assets trading at mid-single digit P/E ratios with multiple levers for potential upside over time. LGF maintains a bias toward North American listed names versus those on the ASX, on both valuation and quality grounds. This has positioned the Fund favourably as the North American names have outperformed materially in 2026. One example is DPM Metals, a stock that has risen ~5% in 2026 despite the sharp sector selloff, which we explore in further detail below.

In addition to gold producers, the Fund continues to see compelling opportunities to invest in late-stage gold developers with the potential to be in production over the next 2–3 years. Many of these companies continue to trade at a material discount to our assessment of fair value on an absolute basis and versus the comparable peer group of gold producers.

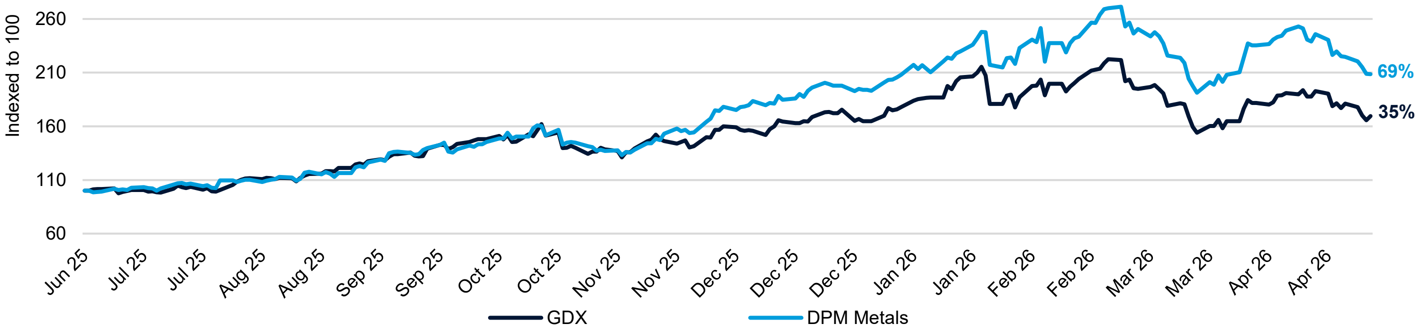
LGF maintains a material physical gold short position to partially protect its exposure to a significant pullback in the underlying gold price. This short position was a material positive contributor to our relative outperformance against the broader gold equities sector during the quarter.

Stock spotlight | DPM Metals

DPM Metals (DPM) is a Canadian TSX-listed gold miner (US$7.7b market cap) with producing assets in Bulgaria and Bosnia, and development assets in Serbia.

L1 first gained exposure to DPM through its investment in Adriatic Metals which DPM acquired for a 50.5% premium (announced in June 2025), with 65% of the acquisition consideration in DPM shares. Following the transaction, DPM trades on the ASX via CDIs, yet we believe DPM remains under-recognised locally. Despite this, DPM has materially outperformed the sector since closing its acquisition of Adriatic in September 2025 (see Figure 14).

Figure 14: DPM Metals relative share price performance



Source: Factset. "GDX" is the VanEck Gold Miners ETF, commonly used as a liquid proxy for global, listed gold-mining equities.

DPM has three core underground mining assets located in the Balkans, each with a multi-decade mine life potential:

- **Chelopech (Bulgaria)**: 2.2Mtpa underground mine producing 180koz gold equivalent p.a.
- **Vares (Bosnia):** 0.85Mtpa underground mine producing 175koz gold equivalent p.a., which is in ramp-up during 2026.
- **Čoka Rakita (Serbia):** 0.85Mtpa underground mine, to produce 190koz gold equivalent p.a., with construction starting in 2027.

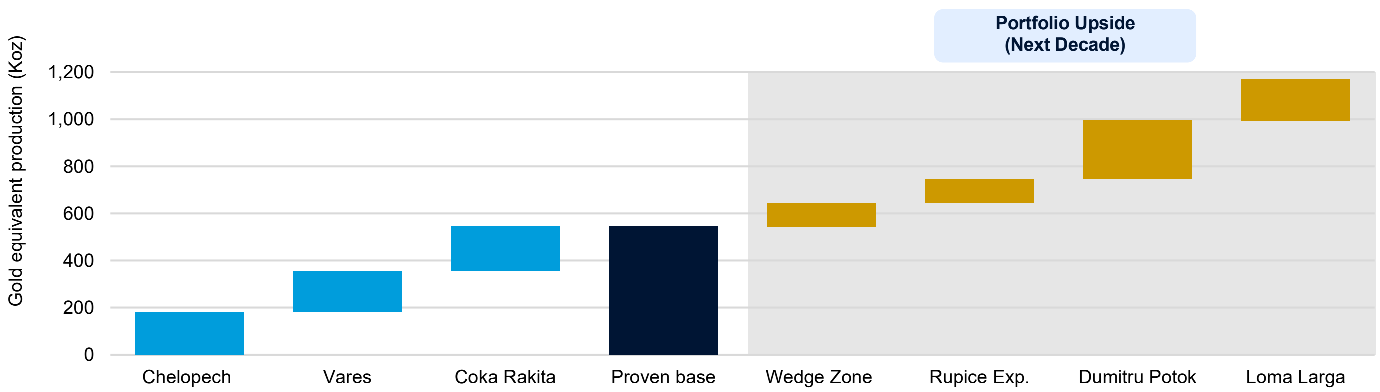
In addition, DPM has a development project in Ecuador, Loma Larga, which has been delayed under a disputed environmental licence. Limited value is ascribed by the market to Loma Larga, which we treat as option value.

The Company has an excellent management team that has a strong reputation for reliable execution, both with project builds and ongoing operational performance. This is partially a function of a team that has set itself up for success. The portfolio is largely constrained to a single region, the Balkans, where the company has a long history of successful operations and social licence. All assets are low cost underground mines, that employ the same mining methods, similar scale of operations and experience producing marketable metal concentrates.

An example of the operating synergies within the portfolio can be seen at DPM's Ada Tepe asset in Bulgaria which is scheduled to reach the end of its life in mid-2026. DPM will disassemble the Ada Tepe plant and re-use it for their Coka Rakita project in Serbia, including transferring key labour and internal IP that will effectively enable it to run the same plant specifications in the new location. This approach materially de-risks the ramp-up of Coka Rakita on numerous fronts.

By the end of the decade, DPM will be capable of producing ~550koz of gold equivalent p.a. (~480koz payable), at an all-in sustaining cost of ~US$1,200/oz, diversified across three long-life, high margin European assets. This estimate excludes the material upside across all segments of its business, outlined below (see Figure 15 and 16), which could see DPM feasibly reach close to 1Moz p.a. over the next decade with organic growth.

Figure 15: DPM future production outlook



Source: L1 Capital analysis and Company reports

Figure 16: DPM future upside levers

	Overview of Upside Levers	Potential Production Impact
Serbia	• **District-scale potential at Rakita camp**: multiple prospective targets identified. • **Dumitru Potok**: Discovery made with initial resource estimate >4.5Moz Au Eq., expected to grow. =	A 5Mtpa plant at Dumitru Potok with 2.2g/t Au Eq. grade could generate **>300koz Au Eq.** Such a large underground mine requires further feasibility work.
Bulgaria	• **Wedge Zone**: Discovery of deposit 250m from existing Chelopech resource at potentially 2–3x the existing grade, with initial resource due by the end of 2026. • **Brevene South**: Discovery of major high-grade gold-copper porphyry system adjacent to Chelopech (e.g. ~700m drill hole at 2.5g/t Au Eq.).	Displacing half the current Chelopech feed with material over double the grade could generate **100koz Au Eq.** additional production. Material growth expected from the development of a large-scale porphyry (potential expanded or new mill).
Bosnia	• **Rupice NW**: Potential to extend ore body to wider, higher-grade zones beyond existing exploration licence.	May support an eventual mill upgrade (+50% upgrade originally contemplated by Adriatic), for 30–50% additional production (**50–75Koz Au Eq.**).
Ecuador	• **Loma Larga**: High quality project in Ecuador, currently under disputed environmental licence, suspended by DPM pending resolution.	Project generates **~175koz Au Eq.** over 11 years.

Source: L1 Capital analysis and Company reports

In the gold equities sector, high margin, cash generative, well-run assets with good social licence and community relations should trade at a material premium. Lundin Gold, with a single high grade underground asset, is an appropriate comparison with first quartile costs (comparable to DPM), trading at ~12x consensus P/E, compared to DPM trading at a ~6x P/E (post Coka Rakita), with DPM having a more diversified operating base.

Locally on the ASX, DPM compares favourably to Evolution Mining, despite broadly lower capital intensity across its portfolio (see Figure 17). We expect that as DPM expands its growth opportunities, largely through organic exploration, that both long-term earnings estimates will grow and a premium multiple will be awarded to DPM.

Figure 17: DPM valuation comparison

	DPM Metals	Lundin Gold	Evolution Mining
Enterprise Value	US$7.1b	US$13.0b	US$17.5b
Gold production	~480koz (Payable, excluding prospective growth)	~500koz	~750koz
AISC (cost base)	~US$1,200/oz	~US$1,200/oz	~US$1,600/oz
Regional tax rate	10–15%	34%	30%
EV/production ounce	US$15k/oz	US$26k/oz	US$23k/oz
Adjusted P/E	~6x	~12x	~12x

Source: Factset. P/E ratio based on consensus estimates, with L1 adjustments to DPM to pro-forma for Coka Rakita. EVN production includes only gold, while DPM production is gold equivalent, however EVN costs are adjusted net of copper by-product credits (in-line with how each company reports and consensus estimates are constructed)

Strategy returns (Net)[3] (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025			17.0	1.5	18.1	1.7	(0.6)	21.5	16.9	(4.0)	20.1	15.6	**159.3**
2026	9.0	7.9	(15.4)	(12.1)	5.2	(3.6)							**(2.6)**

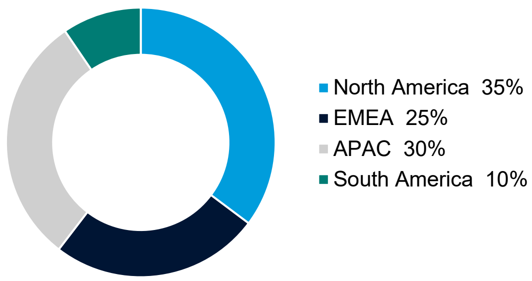
Portfolio position and exposure

Number of long positions	27
Gross long exposure	167%
Gross short exposure	(99%)
Net exposure	68%

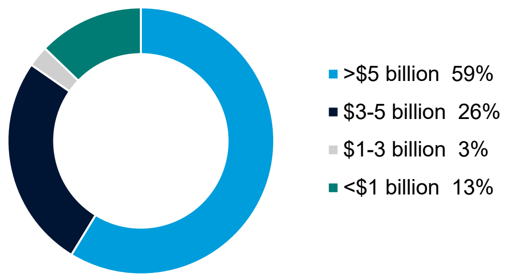
Fund information as at 30 June 2026[4]

Share Price	$1.72
NTA before tax	$1.75
NTA after tax	$1.85
Shares on issue	475,000,001
Company market cap	$833m

Geographic exposure of assets



Market capitalisation exposure (in A$)



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Key personnel

Andrew Larke	Independent Chair
David Gray	Independent Director
Douglas Farrell	Independent Director
Julian Russell	Non-Independent Director
Jane Stewart	Non-Independent Director
Registry	MUFG Corporate Markets
Company website	L1Gold.com.au

Company information – LGF

Name	L1 Gold Fund Limited
Structure	Listed Investment Company (ASX:LGF)
Inception	20 April 2026
Management fee*	1.0% p.a. (plus GST)
Performance fee**	20% (plus GST)
High watermark	Yes

L1 Capital (Investment Manager) overview

L1 Capital is a global investment manager with offices in Melbourne, Sydney, Miami and London. The business was established by Raphael Lamm and Mark Landau in 2007 and continues to be majority owned by its founders and staff. The team is committed to offering clients best of breed investment products through strategies that include long-short equities, international equities, activist equities, global convertible debt and U.K. residential property funds. The firm has built a reputation for investment excellence, with all L1 Capital strategies delivering strong returns since inception. In October 2025, L1 Capital merged with Platinum Asset Management to create L1 Group (ASX: L1G), one of Australia's leading investment managers. The L1 Capital team remains dedicated to delivering on that strong reputation by providing market-leading performance via differentiated investment strategies with outstanding client service, transparency and integrity. L1 Capital's clients include large superannuation funds, pension funds, asset consultants, private wealth firms, financial planning groups, family offices, high net worth and retail investors.

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* Fees are quoted inclusive of GST and net of RITC. ** The performance fee is equal to the stated percentage of any increase in the NAV over any Performance Period.

Information contained in this publication: L1 Gold Fund Limited, managed by L1 Capital Pty Ltd, has been established to invest in gold and precious metals related Securities. The Company has the ability to both buy and short-sell securities, which provides a flexible strategy to deal with changing stock market conditions. The objective is to deliver positive, absolute returns over the medium to long term (being a period of more than 3 years).