Auriant Mining

Q221 results

Sales policy disguises extent of improvements

Metals & mining

Auriant's Q221 financial results were released in the context of known operational data that had already demonstrated material outperformance relative to Edison's prior expectations. The mill at Tardan, in particular, operated above nameplate capacity during the three-month period to result in the production of 7,606oz gold (13.7% above our prior forecast). At first glance, Auriant's commendable operating performance failed to translate into its financial results. However, this was only on account of a 13.6% (1,072oz) under-sale of gold relative to production, which was consistent with the company's new policy of selling gold on an 'as needed' basis. In the absence of this factor, we estimate that Auriant's results would have been 3% above our prior forecast at the pre-tax level.

Year end	Revenue (US$m)	PBT* (US$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/19	29.8	(2.2)	(1.3)	0.0	N/A	N/A
12/20	53.4	16.6	13.7	0.0	3.3	N/A
12/21e	50.4	12.4	10.3	0.0	4.4	N/A
12/22e	55.6	22.5	11.7	0.0	3.8	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Net debt repayments accelerating

As in Q121, the under-sale of gold relative to production (now that high cost debt has been fully repaid – see 'Financials' section on page 8) resulted in net debt declining by less than it otherwise would have done. In this case, net debt fell by $3.9m during the quarter (cf $1.5m in Q121), to $60.3m (excluding lease liabilities), but we estimate it would have fallen by $5.8m ($23.2m on an annualised basis) if all the gold produced during the quarter had been sold and by $9.8m if all the gold held in inventory had also been sold (Edison estimates).

Valuation: More than 3x the current share price

We have adjusted our forecasts for FY21 to reflect the short-term decline in the gold price from $1,870/oz at the time of our last note to $1,798/oz currently (-3.9%). On the basis that management executes the Kara-Beldyr project according to the operational and financial parameters expected and with production from FY25 (note: this is a risk already substantially mitigated by management's success in developing the Tardan CIL project), we estimate that Auriant is capable of generating average annual cash flows of $63.5m, average earnings of $54.9m and average EPS of $0.39 from FY25–34. This would allow it to pay (average) maximum potential dividends of 44.0c/share in FY26–34. Discounted at our customary 10% rate, the value of such a stream of dividends to shareholders has declined by 7.6% to $1.59/share (cf $1.72/share previously) – predominantly on account of the recent weakness in Auriant's share price (thereby increasing future assumed dilution) – but has held relatively constant in Swedish krona terms, at SEK13.61/share (cf SEK14.33/share previously), on account of the recent relative strength in the value of the US dollar. Even so, we estimate that this value of $1.59/share will increase by 61.0% to $2.56/share in FY26 on the cusp of the company's maiden dividend.

14 September 2021

Price	**SEK3.84**
Market cap	**SEK379m**

RUB72.6537/US$; SEK8.5570/US$

Net debt (US$m) at end-June (includes lease liabilities)	61.9
Shares in issue	98,768k
Free float	25.89%
Code	AUR
Primary exchange	Nasdaq First North Premier
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(9.5)	(19.0)	(41.9)
Rel (local)	(6.9)	(23.1)	(57.8)
52-week high/low		SEK6.64	SEK3.80

Business description

Auriant Mining is a Swedish junior gold mining company focused on Russia. The company has two producing mines (Tardan in Tyva and Solcocon in Zabaikalsky), one advanced exploration property (Kara-Beldyr in Tyva) and one early-stage exploration property (Uzhunzhul in Khakassia).

Next events

Q321 results	29 November 2021
Q421 results	28 February 2022
Q122 results	May 2022

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Edison profile page

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Q221 results analysis

Auriant's Q221 financial results were reported in the context of known production of 236.6kg from Tardan for the quarter (compared with our prior estimate of 208.0kg) and a largely known gold price. After a short maintenance stop in Q121, Q221 operational results were characterised by material outperformance relative to our prior expectations, as shown in the table below:

Exhibit 1: Tardan CIL plant performance, Q120–Q221

	Q120	Q220	Q320	Q420	Q121	Q221e	Q221a	Change* (%)	Variance** (%)	H121
Ore processed (kt)	100	96	95	103	96	95	111	+15.6	+16.8	207
Grade (g/t)	3.04	2.69	2.58	2.35	2.04	2.38	2.41	+18.1	+1.3	2.24
Gold in ore processed (kg)	303	258	245	239	196	226	267	+36.2	+18.1	463
Gold in ore processed (oz)	9,742	8,295	7,880	7,685	6,296	7,269	8,583	+36.3	+18.1	14,879
Gold produced CIL (kg)	278	243	229	203	210	208	237	+12.8	+13.8	447
Gold produced CIL (oz)	8,946	7,804	7,363	6,517	6,743	6,688	7,606	+12.8	+13.7	14,349
Gold sold (kg)	317	220	224	185	180	214	212	+17.8	-0.9	392
Gold sold (oz)	10,193	7,056	7,193	5,945	5,787	6,881	6,811	+17.7	-1.0	12,598

Source: Auriant, Edison Investment Research. Note: *Q221 versus Q121. **Q221a versus Q221e.

Of note were the following:

- Ore mined of 133kt during the quarter was at its highest level since Q419; at the same time, the volume of waste mined remained at high levels similar to Q121 as operations focused on stripping ore Zone 3 within the Tardan licence area ahead of mining in FY22.
- The plant processed 111kt of ore during the quarter, which represented a record quarterly throughput rate since the start of production in late Q419 and was above the plant's nameplate capacity of 50tph. Note that, on average, Auriant is budgeting a throughput rate of 87.5–95.0kt per quarter at the Tardan plant in FY21 to produce an average 217.5–225.0kg gold per quarter, implying a yield of 2.29–2.57g/t and a likely head grade in the range 2.49–2.79g/t.
- The grade of ore processed increased by 18.1% for the quarter to 2.41g/t, which represented the first quarter-on-quarter increase in processed grade since the CIL plant entered production in Q419 and which compared with a mined grade of 2.25g/t – implying that a portion of the processed ore was derived from higher-grade stockpiles and broadly corroborating an increase in the remaining stockpile at Tardan of 19kt at an average grade of 1.51g/t since end-Q121. In contrast to Q220 however (when its stockpile was exhausted), the performance of mining and processing operations at Tardan in Q221 has now allowed for the development of an ore stockpile (which should increase in Q3 and Q4) and will allow for greater operational flexibility in future with respect to material to be processed.
- Management reported a metallurgical recovery of 92.9% in H121, which compared with 92.5% in Q121, implying a slightly higher level of metallurgical recovery in Q221 compared to Q121 as well as being above Edison's prior estimate of 92.0%, which itself exceeded management's targeted recovery rate of 90%.
- For the fifth quarter in succession, Auriant sold less gold than it produced – in this case, by 33.2kg, or 1,072oz (Edison estimate). This is consistent with its new sales policy of selling gold on an 'as needed' basis now that it has repaid all of its high-cost debt (cf maximising gold sales previously). However, we estimate that it was also responsible for depressing revenue by c $1.94m and associated costs by c $1.30m and hence operating profit (and, to all intents and purposes, pre-tax profit) by c $0.64m. Note that this sales result followed a comparable c 29.7kg (955oz) under-sale of gold in Q121, a 23.9kg (768oz) under-sale of gold in Q420, a 10.5kg (341oz) under-sale of gold in Q320 and a 23kg (748oz) under-sale in Q220. As a consequence, Auriant/Tardan has 101.4kg (3,260oz) of unsold gold included in 'finished products' inventory at end-Q221 (worth c $5.86m at the current gold price of $1,798/oz)

compared to 86.7kg (2,787oz) at end-Q121. Note that Auriant's 'finished products' inventory is held on its balance sheet at $3.0m, being the lower of cost and net realisable value, implying an average cost of production $934/oz (which reconciles closely with its Q221 cost of sales of $1,050/oz sold, including depreciation). Note that, in total, 'work in progress' and 'finished products' stocks on Auriant's Q221 balance sheet have remained almost unchanged at $5,684k (cf $5,757k at end-Q121 and $5,754k at end-Q420), but that the nature of the stocks has substantially changed from the majority being 'work in progress' at end-Q420 to the majority being 'finished products' at end-Q121. Note: one of the consequences of this policy is that, by holding liquid assets in the form of bullion/specie, it increases Auriant's overall exposure to the gold price as it removes an otherwise de facto hedge on the company's balance sheet in the form of fiat currency cash holdings.

- Cash expenses increased by c 10%, or $1m, in H121 cf H120 and the average cash cost per ounce produced at Tardan by 22.2% from $577/oz to $705/oz, driven by higher volumes of stripping and exploratory drilling, lower average grade (given that the CIL plant was producing from high-grade stockpiles in H120), the indexation of salaries and wages and a short, scheduled plant maintenance shutdown in Q121. However, this was no more than was expected in the company's production plan. In addition, it benefited from a c 7% devaluation of the Russian rouble cf H120, which reduced the US dollar value of its rouble-denominated costs. Quarter-on-quarter, however, we estimate that Tardan's cost of sales amounted to $50.80/t processed, which was 2.5% higher than the $49.57/t recorded in Q121 but 10.7% lower than our prior estimate of $56.88/t and also the $59.28/t achieved in Q120, notwithstanding the continued higher level of waste stripping. This unit cost result translated into an estimated cost of production (excluding depreciation) of $774/oz in Q221, which was similarly below our prior forecast of $822/oz.

Exhibit 2 summarises Auriant's Q221 results in the context of the prior quarter's results and also our previous expectations. Relative to our prior expectations, the largest variances in Q2 results were a negative $0.2m variance in revenues (largely on account of the under-sale of gold relative to production noted above), a negative $0.4m variance in costs (largely on account of the higher level of tonnes processed, albeit at a lower unit cost), a negative $0.3m variance in depreciation and a negative $0.3m variance in the tax charge partially offset by a $0.2m positive variance in the general and administrative charge. Had all of Auriant's gold produced during the quarter been sold however, we estimate that its pre-tax profit would have slightly exceeded our prior estimate at $3.4m ($2.76m + $0.64m) compared to $2.8m (actual, below) and $3.3m (prior estimate, below):

Exhibit 2: Auriant results, Q419–Q221, by quarter ($000s*)

	Q419	Q120	Q220	Q320	Q420	Q121	Q221e	Q221a	Change ***(%)	Variance ****(%)
Production										
Tardan heap leach (kg)	95.4	0	0	0	0	0	0	0	0.0	0.0
Tardan CIL (kg)	110.0	278	243	229	203	209.7	208	237	+12.8	+13.8
Tardan total (kg)	205.4	278	243	229	203	209.7	208	237	+12.8	+13.8
Solcocon production (kg)	2.5	0	0	5	7	0	6	9	N/A	+43.3
Gold price ($/oz)	1,481**	1,585	1,713	1,911	1,875**	1,830	1,830	1,813	-0.9	-0.9
Income statement										
Revenue	8,975	16,154	12,276	13,832	11,147	10,591	12,592	12,351	16.6	-1.9
Cost of sales	4,830	5,928	4,459	4,772	4,165	4,759	5,655	6,102	28.2	7.9
Gross profit	4,145	10,226	7,817	9,060	6,982	5,832	6,937	6,249	7.2	-9.9
Depreciation	(1,652)	(1,647)	(1,846)	(2,278)	(2,283)	(1,857)	(1,882)	(2,172)	17.0	15.4
General & administration	(480)	(576)	(567)	(873)	(929)	(757)	(750)	(571)	-24.6	-23.9
Other operating income	7	53	15	4	24	14	0	20	42.9	N/A
Other operating expenses	(755)	(182)	(8)	(911)	(1,958)	(79)	(116)	(127)	60.8	9.5
Impairments etc									N/A	N/A
EBIT	1,265	7,874	5,411	5,002	1,836	3,153	4,189	3,399	7.8	-18.9
Interest income	0	0	0	0	0	0		0	N/A	N/A
Interest expense	(1,200)	(1,584)	(1,597)	(1,339)	(1,151)	(910)	(888)	(875)	-3.8	-1.5
Net interest	(1,200)	(1,584)	(1,597)	(1,339)	(1,151)	(910)	(888)	(875)	-3.8	-1.5
Forex gain/(loss)	(240)	(147)	128	(225)	(480)	118		233	97.5	N/A
Profit before tax	(175)	6,143	3,942	3,438	205	2,361	3,301	2,757	16.8	-16.5
Tax	445	248	1,275	475	1,077	652	513	813	24.7	58.5
Effective tax rate (%)	(254.3)	4.0	32.3	13.8	525.4	27.6	15.6	29.5	6.9	89.1
Profit after tax	(620)	5,895	2,667	2,963	(872)	1,709	2,788	1,944	13.8	-30.3
Average no. shares (000s)	98,649	98,649	98,649	98,729	98,768	98,768	98,768	98,768	0.0	0.0
Derivatives (000s)	0	345	0	0	0	0	0	0	0.0	0.0
Fully diluted no. shares (000s)	98,649	98,994	98,649	98,729	98,768	98,768	98,768	98,768	0.0	0.0
EPS ($/share)	(0.006)	0.060	0.027	0.030	(0.009)	0.017	0.028	0.020	17.6	-28.6
Diluted EPS ($/share)	(0.006)	0.060	0.027	0.030	(0.009)	0.017	0.028	0.020	17.6	-28.6

Source: Edison Investment Research, Auriant Mining. Note: As reported. *Unless otherwise indicated. **Estimate. ***Q221 versus Q121. ****Q221a versus Q221e.

Although the effective tax rate of 29.5% was materially higher than our forecast rate of 15.6% (NB leading to a rise in the value of deferred tax assets on Auriant's balance sheet of $288k), it was well within the normal range of variation historically observed at Auriant on a quarterly basis (see Exhibit 2). In addition, cash taxes of $162k were materially lower than the income statement charge of $813k and amounted to an effective cash tax rate of only 5.9%. Compared with a normalised estimate of cash flow from the income statement of $4.1m ($1.9m in earnings plus $2.2m depreciation) therefore, actual cash flow from operations amounted to $6.2m, of which only $1.0m was consumed in investing activities and the remainder used to pay interest, repay debt (including leases) and build cash.

Guidance and assumptions

FY21

Production

On 21 December, Auriant announced total production guidance for 2021 of 900–930kg gold from Tardan and Solcocon combined (cf 953kg produced in FY20) from 350–380kt of ore processed through the Tardan CIL plant. This guidance was reiterated at the time of its Q221 results on 30 August. Assuming production of c 39kg from Solcocon (albeit this has proven to be susceptible to both weather-related risks and COVID-19 related risks in the past), this total implies production from the Tardan CIL plant in the range 861–891kg at a yield of c 2.40g/t and a head grade of c 2.61g/t. As in FY20, relatively little seasonal variation in production is anticipated at the Tardan CIL plant (in sharp contrast to the former heap leach operation).

Costs

As a result of test work conducted during the ramp-up phase, Auriant has upgraded the leaching tanks at Tardan (in Q419) to improve ore oxidation to ensure stable processing results. In addition, in December 2019, the company agreed a new energy deal to increase the power allocation to the Tardan CIL plant by 25% from 2.0MW to 2.5MW using a newly built 35kV power line, which has allowed it to minimise its use of diesel generators on site and, on occasion, to stop using them altogether. Cash costs per tonne processed are nevertheless expected to be broadly unchanged in US dollar terms in FY21 relative to FY20 (eg $58.12/t cf $54.04/t – Edison calculation), reflecting higher volumes of stripping and exploration drilling and some inflationary pressures in local currency terms (given something of a 'boom' in resources investment in Russia in addition to normal staff salary indexation). At the same time, the value of the rouble relative to the US dollar has remained broadly stable, from RUB73.1640/US$ at the time of our last note (Fifth successive quarter of success, published on 11 June 2021) to RUB72.6537/US$ at the time of writing, while the oil price is currently 65.7% higher than it was this time last year and has been 57.4% higher so far this year, to date. Finally, as discussed previously, stripping costs delayed from FY20 are now being incurred in FY21.

FY21 quarterly forecasts

Based on the production guidance provided by management for FY21 (and with the usual caveat surrounding quarterly predictions), our financial forecasts for Auriant for FY21 by quarter are as shown in Exhibit 3.

Relative to our prior forecasts, the main changes that we have made to our estimates are:

- An 3.9% decline in the average gold price, for the remainder of the year, from $1,870/oz to $1,798/oz.
- Revisions to forex rates for the remainder of the year of:
  - RUB72.6537/US$ compared to RUB73.1640 previously (-0.7%)
  - SEK8.5570/US$ compared to SEK8.3314/US$ previously (+2.7%)
  - US$1.1843/€ compared to US$1.2138/€ previously (-2.4%)

Exhibit 3: Auriant estimates, Q121–Q421e, by quarter ($000s*)

	Q121a	Q221a	Q321e (previous)	Q321e (current)	Q421e (previous)	Q421e (current)	FY21e (current)	FY21e (previous)
Production								
Tardan heap leach (kg)	**0**	**0**	0	**0**	0	**0**	**0**	0
Tardan CIL (kg)	**209.7**	**236.6**	231	**222**	231	**222**	**891**	879
Tardan total (kg)	**209.7**	**236.6**	231	**222**	231	**222**	**891**	879
Solcocon production (kg)	**0**	**8.6**	24	**24**	6	**6**	**39**	36
Gold price ($/oz)	**1,830**	**1,813**	1,870	**1,797**	1,870	**1,798**	**1,808**	1,852
Income statement								
Revenue	**10,591**	**12,351**	15,315	**14,234**	14,233	**13,200**	**50,377**	52,731
Cost of sales	**4,759**	**6,102**	6,428	**6,389**	5,660	**5,650**	**22,900**	22,502
Gross profit	**5,832**	**6,249**	8,887	**7,846**	8,573	**7,550**	**27,477**	30,229
Depreciation	**(1,857)**	**(2,172)**	(1,907)	**(2,197)**	(1,932)	**(2,222)**	**(8,448)**	(7,578)
General & administration	**(757)**	**(571)**	(750)	**(750)**	(750)	**(750)**	**(2,828)**	(3,007)
Other operating income	**14**	**20**	0	**0**	0	**0**	**34**	14
Other operating expenses	**(79)**	**(127)**	(116)	**(116)**	(116)	**(116)**	**(438)**	(427)
Impairments etc							**0**	0
EBIT	**3,153**	**3,399**	6,114	**4,783**	5,775	**4,462**	**15,797**	19,231
Interest income	**0**	**0**					**0**	0
Interest expense	**-910**	**(875)**	(833)	**(821)**	(755)	**(755)**	**(3,360)**	(3,386)
Net interest	**-910**	**(875)**	(833)	**(821)**	(755)	**(755)**	**(3,360)**	(3,386)
Forex gain/(loss)	**118**	**233**					**351**	118
Profit before tax	**2,361**	**2,757**	5,281	**3,962**	5,020	**3,707**	**12,788**	15,963
Tax	**652**	**813**	821	**616**	781	**576**	**2,657**	2,767
Marginal tax rate (%)	**27.6**	**29.5**	15.6	**15.5**	15.6	**15.5**	**20.8**	17.3
Profit after tax	**1,709**	**1,944**	4,460	**3,346**	4,239	**3,131**	**10,130**	13,196
Average no. shares (000s)	**98,768**	**98,768**	98,768	**98,768**	98,768	**98,768**	**98,768**	98,768
Derivatives (000s)	**0**	**0**	0	**0**	0	**0**	**0**	0
Fully diluted no. shares (000s)	**98,768**	**98,768**	98,768	**98,768**	98,768	**98,768**	**98,768**	98,768
EPS ($/share)	**0.017**	**0.020**	0.045	**0.034**	0.043	**0.032**	**0.103**	0.134
Diluted EPS ($/share)	**0.017**	**0.020**	0.045	**0.034**	0.043	**0.032**	**0.103**	0.134

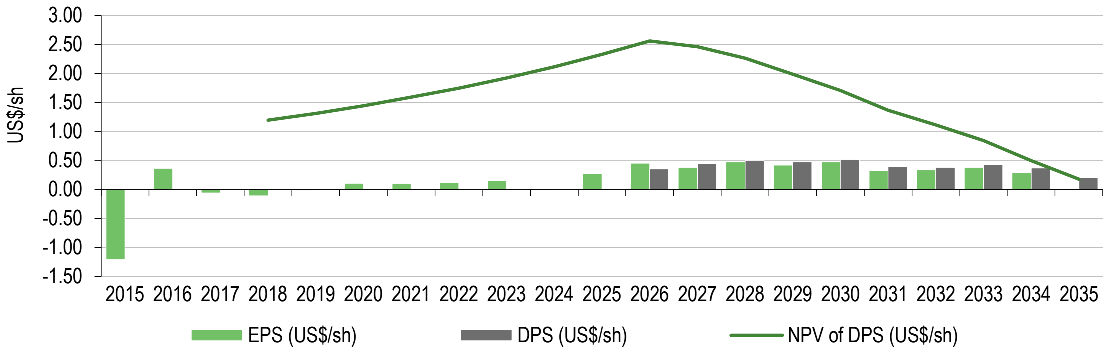
Source: Edison Investment Research. Note: *Unless otherwise indicated.

Valuation

In common with our standard practice, our valuation of Auriant has been performed via the discounting of maximum potential future dividends at a discount rate of 10%, assuming all excess cash generated is distributed to shareholders only after all debt has been repaid.

On the basis that management executes the Tardan CIL and the Kara-Beldyr projects according to the operational and financial parameters anticipated, we estimate that Auriant is capable of generating average cash flows of $63.3m, average earnings of $54.6m and average EPS of 38.1c in the 10 years from FY25–34, thus allowing it to pay maximum potential dividends to shareholders of 42.9 per share in the period FY26–34. Discounted at our customary 10% discount rate, such a stream of dividends has a value of $1.59 per share (cf $1.72/share previously), as shown in the exhibit below, rising to $2.56/share on the cusp of the company's maiden dividend in FY26. Readers should note that near-term effects (ie the gold price, forex and Q221 results) were responsible for a 4c/share decline in our valuation, while the balance of the decline (9c) could be attributed to the decline in Auriant's share price from SEK4.70 at the time of our last report (see Fifth successive quarter of success, published on 11 June 2021) to SEK3.84 currently, thereby increasing future assumed dilution (see 'Sensitivities and risks', below). In the absence of this factor, our valuation would have otherwise remained steady, at $1.69/share (cf $1.72/share previously).

Exhibit 4: Auriant forecast EPS and maximum potential DPS, FY15–35e



Source: Edison Investment Research

Our approach to gold price forecasting, and the gold prices underlying our earnings and dividend assumptions, is set out in our note A golden future, published in June 2020. Readers should also note that our valuation specifically excludes any value attributable to Solcocon beyond FY21 on account of the variable nature of alluvial mining operations. However, it is possible that activities at Solcocon may be reconfigured in due course to incorporate hard rock mining and processing.

Sensitivities and risks

In qualitative terms, the principal risks to which Auriant is immediately exposed include geographical/sovereign (including regulatory), geological, metallurgical, engineering, funding, financing and management risks. In general terms, these may be summarised as execution risk relating to management's ability to bring the Kara-Beldyr project in particular to account within its geographical jurisdiction at the required technical and economic parameters (note however that this risk has already been substantially mitigated by management's success in developing the Tardan CIL project). Once in production, these risks will reduce and be partially replaced by others, such as commercial, commodity price, foreign exchange and global economic risks.

However, one specific risk that bears further, immediate consideration from an empirical perspective is funding. In this particular case, our valuation is sensitive to the price at which Auriant is assumed to raise an additional $20m in equity for Kara-Beldyr (assumed at the start of FY22) as follows:

Exhibit 5: Valuation sensitivity to equity funding price

Premium/(discount) to current share price (%)	-21.9	-8.9	0.0	+4.2	+17.2	+30.2	+43.2	+56.3	+69.3
Equity fund-raising price (SEK)	**3.00**	**3.50**	**3.84**	**4.00**	**4.50**	**5.00**	**5.50**	**6.00**	**6.50**
Valuation ($/share)	1.46	1.54	1.59	1.61	1.67	1.71	1.75	1.79	1.82
Valuation (SEK/share)*	12.49	13.18	13.61	13.78	14.29	14.63	14.97	15.32	15.57
Change cf 'base case' (%)	-8.2	-3.2	0.0	+1.2	+5.0	+7.5	+10.0	+12.5	+14.4

Source: Edison Investment Research. Note: *Converted at the prevailing FX rate of SEK8.5570/$.

Readers should note that (assuming conversion before FY26) the above table effectively also provides an analysis of Auriant being funded by way of a convertible bond (cf conventional equity) with a conversion price at one of those shown (typically at a premium to the existing share price compared to conventional equity at a discount) and a coupon close to the company's cost of debt. In the event of such a convertible remaining unconverted, however, and therefore behaving like conventional debt, our valuation of Auriant would instead rise to $2.16/share at the start of FY21 (albeit with a correspondingly higher maximum debt level of $79.5m (cf $58.5m in the 'base case' scenario – see 'Financials' section, below).

Financials

At end-June 2021, Auriant had net debt of $60.3m (cf $64.2m at end-Q121 and $65.7m at end-Q420) on its balance sheet, but $61.9m (cf $66.1m at end-Q121 and $67.2m at end-Q420) if lease liabilities are included. While, at first glance, net debt has fallen by $3.9m during the quarter (excluding lease liabilities), we estimate that it would have fallen by $5.8m if all the gold produced during the quarter had been sold and by $9.8m if all the gold currently held in inventory as 'finished products' had also been sold. As noted in its results call with analysts on 30 August, the change in Auriant's sales policy with respect to gold (from 'maximised' to 'as needed') has arisen as a consequence of its success in fully repaying earlier high cost debt (originally raised to help finance the CIL plant construction), which has resulted in a material reduction in interest rates from 9.5% in H120 to 4.9% in H121 and which has also now allowed it to refocus operationally on deferred stripping at the Tardan deposit. Hence early/accelerated debt repayment is no longer a priority for the company.

Assuming the company raises an additional SEK171.1m ($20m) in cash via equity funding at the start of FY22, we forecast that its net debt will evolve as follows until FY25, before being eliminated in FY26 (NB excluding any effect from unsold gold):

Exhibit 6: Auriant forecast net debt evolution, FY20–25e ($m)

End-year	FY20	FY21e	FY22e	FY23e	FY24e	FY25e
Net debt (current estimates)	67.2	65.1	43.3	58.5	54.4	20.0

Source: Auriant Mining accounts, Edison Investment Research

Note that the estimates above assume the start of Kara-Beldyr capex in H221. Otherwise, our estimate of Auriant's maximum (future) net debt requirement of $58.5m (cf $55.9m previously) at end-FY23 equates to a leverage ratio (net debt/(net debt+equity)) of 51.3% (cf 48.2% previously).

COVID-19

Mining operations at Tardan continue to operate, to all intents and purposes, as normal. All personnel on site are subject to daily temperature checks and the mandatory use of personal protective equipment to minimise the risk of infection. Intensive disinfection measures have also been implemented. To date, quarantine measures are reported to have had an insignificant effect on the mine's operations. Further measures will depend on employee test results. Even so, Auriant has launched a vaccination programme at Tardan. In H121, it vaccinated more than half of its workforce (261 people) and aims to make the vaccine available to all employees of the company in due course. In the meantime, management is confident that mining and gold production can be maintained at Tardan, although there could be temporary interruptions to some of the mine's operations depending on the number of people infected at any one time and their positions at the mine. In accordance with Rospotrebnadzor's instructions, infected employees are released from observation once two negative test results at least one day apart have been obtained.

Exhibit 7: Financial summary

US$'000s	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS									
Revenue	33,429	43,380	33,532	17,373	29,762	53,409	50,377	55,577	51,522
Cost of Sales	(19,360)	(19,391)	(25,061)	(16,790)	(19,610)	(19,324)	(22,900)	(17,715)	(16,202)
Gross Profit	14,069	23,989	8,471	583	10,152	34,085	27,477	37,862	35,320
EBITDA	10,242	21,987	8,846	(1,714)	7,208	31,236	24,245	34,862	32,320
Operating Profit (before amort. and except.)	919	15,416	2,487	(6,373)	2,197	23,182	15,797	25,724	29,348
Intangible Amortisation	0	0	0	0	0	0	0	0	0
Exceptionals	(14,216)	0	(104)	0	0	(3,059)	0	0	0
Other	0	0	1,027	(1,763)	679	0	351	0	0
Operating Profit	(13,297)	15,416	3,410	(8,136)	2,876	20,123	16,148	25,724	29,348
Net Interest	(7,081)	(7,577)	(5,568)	(3,798)	(4,390)	(6,606)	(3,360)	(3,253)	(2,165)
Profit Before Tax (norm)	(6,162)	7,839	(3,081)	(10,171)	(2,193)	16,576	12,437	22,471	27,183
Profit Before Tax (FRS 3)	(20,378)	7,839	(2,158)	(11,934)	(1,514)	13,517	12,788	22,471	27,183
Tax	(1,116)	(1,355)	(28)	1,831	278	(3,075)	(2,657)	(5,693)	(5,331)
Profit After Tax (norm)	(7,278)	6,484	(2,082)	(10,103)	(1,236)	13,501	10,130	16,778	21,852
Profit After Tax (FRS 3)	(21,494)	6,484	(2,186)	(10,103)	(1,236)	10,442	10,130	16,778	21,852
Average Number of Shares Outstanding (m)	17.8	17.8	35.6	92.7	98.6	98.7	98.8	143.3	143.3
EPS - normalised (c)	(40.9)	36.4	(5.8)	(10.9)	(1.3)	13.7	10.3	11.7	15.2
EPS - normalised and fully diluted (c)	(35.8)	35.1	(5.7)	(10.8)	(1.2)	13.7	10.3	11.7	15.2
EPS - (IFRS) (c)	(120.7)	36.4	(6.1)	(10.9)	(1.3)	10.6	10.3	11.7	15.2
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	42.1	55.3	25.3	3.4	34.1	63.8	54.5	68.1	68.6
EBITDA Margin (%)	30.6	50.7	26.4	-9.9	24.2	58.5	48.1	62.7	62.7
Operating Margin (before GW and except.) (%)	2.7	35.5	7.4	-36.7	7.4	43.4	31.4	46.3	57.0
BALANCE SHEET									
Fixed Assets	56,192	53,684	49,397	57,690	63,685	54,183	59,623	73,064	110,840
Intangible Assets	32,197	32,638	30,183	30,525	30,133	23,952	25,482	27,182	27,182
Tangible Assets	23,995	21,046	19,214	27,165	33,552	30,231	34,141	45,882	83,658
Investments	0	0	0	0	0	0	0	0	0
Current Assets	10,460	17,062	19,102	8,436	10,050	10,687	15,067	37,979	21,929
Stocks	4,833	7,883	7,425	3,753	5,057	7,449	8,396	9,263	8,587
Debtors	2,272	186	5,148	3,298	4,111	1,455	2,760	3,045	2,823
Cash	43	4,173	5,069	1,189	145	422	2,549	24,309	9,158
Other	3,312	4,820	1,460	196	737	1,361	1,361	1,361	1,361
Current Liabilities	(36,001)	(34,149)	(6,179)	(16,227)	(29,189)	(16,498)	(16,187)	(15,761)	(15,637)
Creditors	(5,901)	(3,537)	(2,005)	(1,828)	(6,147)	(2,193)	(1,882)	(1,456)	(1,332)
Short term borrowings	(30,100)	(30,612)	(4,174)	(14,399)	(23,042)	(14,305)	(14,305)	(14,305)	(14,305)
Long Term Liabilities	(70,307)	(66,995)	(82,054)	(73,053)	(68,864)	(61,649)	(61,649)	(61,649)	(61,649)
Long term borrowings	(61,366)	(58,117)	(71,098)	(62,671)	(59,781)	(53,306)	(53,306)	(53,306)	(53,306)
Other long term liabilities	(8,941)	(8,878)	(10,956)	(10,382)	(9,083)	(8,343)	(8,343)	(8,343)	(8,343)
Net Assets	(39,656)	(30,398)	(19,734)	(23,154)	(24,318)	(13,277)	(3,146)	33,632	55,484
CASH FLOW									
Operating Cash Flow	6,347	19,359	9,752	3,992	9,185	26,649	22,454	33,451	38,565
Net Interest	(7,081)	(7,577)	(5,568)	(3,798)	(4,390)	(6,606)	(3,360)	(3,253)	(2,165)
Tax	(13)	(27)	(79)	(58)	0	(674)	(2,657)	(5,693)	(5,331)
Capex	(118)	(2,391)	(3,025)	(8,605)	(9,556)	(3,822)	(14,310)	(22,745)	(46,220)
Acquisitions/disposals	0	0	0	0	0	0	0	0	0
Financing	49	(10)	5,424	2,367	11	(272)	0	20,000	0
Dividends	0	0	0	0	0	0	0	0	0
Net Cash Flow	(816)	9,354	6,504	(6,102)	(4,750)	15,275	2,126	21,760	(15,151)
Opening net debt/(cash)	90,607	91,423	84,556	70,203	75,881	82,678	67,189	65,062	43,302
HP finance leases initiated	0	0	0	0	0	0	0	0	0
Other	0	(2,487)	7,849	424	(2,047)	214	0	0	(0)
Closing net debt/(cash)	91,423	84,556	70,203	75,881	82,678	67,189	65,063	43,302	58,453

Source: Company sources, Edison Investment Research