

Auriant Mining

Tardan CIL de-risks Kara-Beldyr

After a few months of delays, Auriant Mining's Tardan CIL project has now been operating since mid-November. Production guidance for FY19 is 550kg from the Tardan heap leach operation and 150kg from the CIL operation plus c 64.2kg from alluvial operations at Solcocon (total 764.2kg, or 24,570oz). With the CIL plant at full capacity, however, this is expected to increase sharply, to c 29,272oz per year (average) at steady-state, before being supplemented by production of another c 64,041oz per year (average) from Kara-Beldyr from FY24.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/17	33.5	(3.1)	(5.8)	0.0	N/A	N/A
12/18	17.4	(10.2)	(10.9)	0.0	N/A	N/A
12/19e	33.2	(0.1)	1.8	0.0	18.1	N/A
12/20e	56.2	21.3	9.7	0.0	3.4	N/A

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

Q3 results to end-September

Auriant's results for Q319 were consistent with its production (7,279oz), sales (6,763oz) and historical costs. Edison calculates that cash costs at the Tardan heap leach operation were in the order of US\$846/oz during the period. As a result, with the aid of a higher gold price, Q3 was the first quarter in eight in which Auriant recorded a profit after tax. Operating profits were almost 37x higher than the previous quarter, at US\$1.9m; central costs remained subdued at US\$0.5m.

Tardan CIL paves the way for Kara-Beldyr

Capital expenditure relating to the development of the Tardan CIL plant now having been, to all intents and purposes, completed, the next major investment for Auriant will be its outlay for Kara-Beldyr. Initial capital expenditure of US\$95m on the project equates to US\$79.09 per (maximum) annual tonne of throughput or US\$1,273 per (maximum) annual ounce of gold produced and could be financed via internal cash flows, an assumed US\$40m equity raise (see page 20) and debt.

Valuation: US\$0.68/share (SEK6.56/share)

On the basis that management executes the Tardan CIL project and the Kara-Beldyr project according to the operational and financial parameters expected, we estimate that Auriant is capable of generating average cash flows of US\$48.5m, average earnings of US\$41.5m and average EPS of US\$0.187 in the nine-year period from FY25–33 (inclusive), thus allowing it to pay maximum potential dividends to shareholders in the order of 21.7c per share in the period FY26–33 (inclusive). Discounted at Edison's customary 10% discount rate, such a stream of dividends has a value of US\$0.68 per share (SEK6.56/share), rising to US\$1.20/share on the cusp of the company's maiden dividend in FY26. Stated alternatively, investors buying Auriant shares at the current share price of SEK3.15, or US\$0.326, may look forward to an internal rate of return of 18.4% pa (fully diluted) over 16 years to FY35 in US dollar terms.

Re-initiation and CIL start up

Metals & mining

17 January 2020

Price **SEK3.15**

Market cap **SEK310m**

RUB64.0188/US\$; SEK9.6484/US\$

Net debt* (US\$m) at September 2019 83.4

*Includes leases payable of US\$1.8m.

Shares in issue (thousands) 98,649

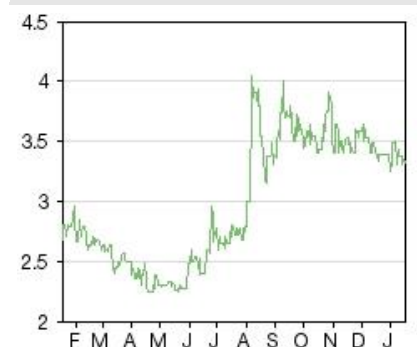
Free float 33%

Code AUR

Primary exchange Nasdaq First North Premier

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (2.4) (3.2) 30.2

Rel (local) (5.2) (12.5) 2.4

52-week high/low SEK4.04 SEK2.25

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

Q419/FY19 results 28 February 2020

Annual report 28 April 2020

AGM 19 May 2020

Q120 results 29 May 2020

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[Edison profile page](#)

Auriant Mining is a research client of Edison Investment Research Limited

Investment summary

Company description: Swedish gold miner in Russia

Auriant Mining AB is a Swedish gold mining company that fully controls six operating Russian subsidiaries, as well as two companies incorporated under the laws of Cyprus that form a group parent to the Kara-Beldyr project (see below). Production guidance for FY19 is 550kg from the Tardan heap leach operation and 150kg from the CIL operation plus c 64.2kg from alluvial operations at Solcocon (total 764.2kg, or 24,570oz). Now that the Tardan CIL plant has been fully commissioned however, production is expected to reach c 29,272oz per year (average) at steady-state, before being supplemented by production of another c 64,041oz per year (average) from Kara-Beldyr from FY24 (see below).

Valuation: US\$0.68 per share (SEK6.56/share)

On the basis that management executes the Tardan CIL project and the Kara-Beldyr project according to the operational and financial parameters expected, we estimate that Auriant is capable of generating average annual cash flows of US\$48.5m, average earnings of US\$41.5m and average EPS of US\$0.187 in the nine-year period from FY25–33 (inclusive), thus allowing it to pay maximum potential dividends to shareholders in the order of 21.7c per share in the period FY26–33 (inclusive). Discounted at Edison's customary 10% discount rate, such a stream of dividends has a value of US\$0.68 per share, rising to US\$1.20/share on the cusp of the company's maiden dividend in FY26. Note that our valuation specifically excludes any contribution from Solcocon owing to the variable nature of alluvial mining operations. However, it is not impossible that activities at Solcocon could be reconfigured in due course to incorporate hard rock mining and processing via a carbon-in-pulp (CIP) plant.

Sensitivities

In qualitative terms, the principal risks to which Auriant investors are exposed include geographical/sovereign risk (including regulatory risk, see '2019 Rosprirodnadzor inspection' on page 7), geological risk, metallurgical risk, engineering risk, funding risk, financing risk and management risk. In general terms, these may be summarised as execution risk, ie management's ability to bring the Tardan CIL and Kara-Beldyr projects to account in its geographical jurisdiction and within the technical and economic parameters required. Once in production however, these risks will reduce to be superseded by more normal risks, such as commercial, commodity price, foreign exchange and global economic risks. Quantitatively, every $\pm 10\%$ move in the gold price changes our valuation by $\pm 32.4\%$, while every $\pm 10\%$ move in costs changes it by $\pm 13.2\%$. The effect of changes in the value of the rouble against the US dollar is approximately the same as that for costs (which is consistent with the majority of costs being denominated in local currency).

Financials: Net debt to be eliminated by end-FY26

Auriant had net debt of US\$75.9m as at end-December 2018 and US\$83.4m as at end-September 2019. Assuming that it raises an additional US\$40m (SEK385.9m) in cash via equity funding in Q120 (see page 20), we forecast that (future) net debt will peak at US\$75.6m at end-FY23 (equating to leverage, defined as net debt/[equity + net debt] of 61.3%), after the majority of the Kara-Beldyr capital has been expended, before being eliminated under the influence of combined positive Kara-Beldyr and Tardan cash flows by end-FY26.

Company description: Swedish Russian specialist

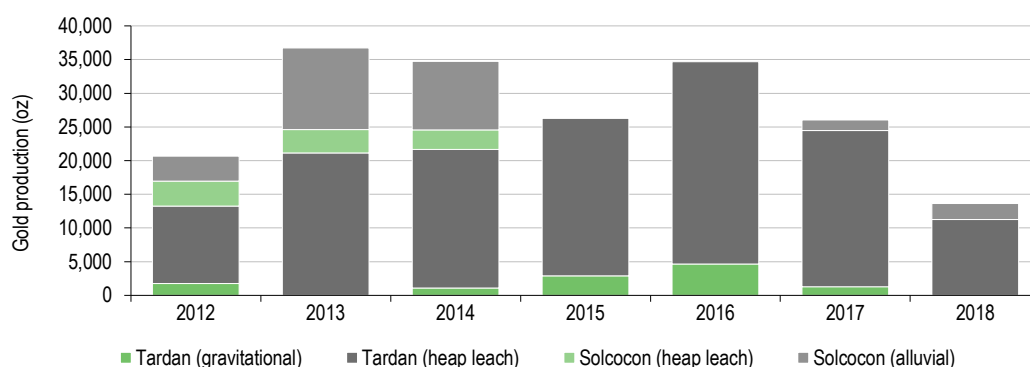
Auriant has a number of mining projects at various stages of the mining lifecycle. Tardan in the Republic of Tyva, which produced 933.5kg (29,997oz) of gold in 2016, is Auriant's flagship mine. Solcocon in Zabaykalsky Krai is a site where alluvial production was resumed in Q317 after heap leaching production was put on hold in 2014 owing to a lack of oxidized ore (see pages 14–16). Kara-Beldyr and the adjacent Ayen Creek and Uzhunzhul are considered exploration properties – albeit with the former being at a more advanced stage, having delineated a western-style Joint Ore Reserves Committee (JORC) compliant resource and now progressing to the mine design and engineering stage, which will result in construction documentation and permits/approvals before being financed by Russian banks.

Exhibit 1: Auriant's mining operations in Russia



Source: Auriant Mining

In the period 2012–16, Auriant's gold production fluctuated between c 640kg and 1,140kg (20,577–36,652oz), with a gradual ramp-up at the Tardan mine and initial progress at Solcocon also contributing in 2013 before operations at the latter were temporarily shut down in 2014. In 2017, production reached 809.4kg (26,049oz), but has since been on a downward trend as mining and processing operations were voluntarily reduced ahead of the start-up of a new carbon-in-leach (CIL) plant in November 2019, which has been designed to supersede previous operations. Current guidance for 2019 is for production of 550kg from the Tardan heap leach operation and 150–200kg from the CIL operation plus c 64.2kg from alluvial operations at Solcocon (note that, prior to the start-up of the CIL plant, Auriant experienced notable seasonality in production at Tardan, with relatively elevated production rates in Q2, Q3 and part of Q4 and relatively depressed production rates in Q1 and part of Q4).

Exhibit 2: Auriant's historical gold production, 2012–18 (oz)


Source: Auriant Mining

Now that the Tardan CIL plant has been fully commissioned however, production is expected to reach c 31,084oz per year (average) at steady-state, before being supplemented by production of another c 59,250oz per year (average) from Kara-Beldyr from FY24 (see below).

Group history

Auriant Mining AB is a Swedish gold mining company, established in 2004 as Central Asia Gold. Auriant rapidly evolved through the acquisitions of several mines located in Russia, including Tardan (in 2004), Kopylovskoye, Artel Lena, Artel Tyva, Uzhunzhul and Kara-Beldyr (2006), as well as the acquisitions of five entities (including Solcocon) associated with the merger with NMC (2009). Following the latter, the Kopylovskoye project was spun off into a separate company called Kopylovskoye AB. In 2008, Auriant entered into a JV with Centerra Gold for the exploration and development of the Kara-Beldyr project. Then in 2010–11, the company sold its alluvial mining licences, including Artel Lena and Artel Tyva, retaining only Borzha, which is now part of the Solcocon exploration and production licence. At the same time, the management board was reorganised, with the company adopting a new strategy and changing its name to Auriant Mining in 2012. Two years later, the Borzha licence was outsourced to an experienced alluvial operator (Urumkan) in 2014, with the company receiving a royalty on gold production. In the same year, Kara-Beldyr's exploration programme was completed and Auriant also acquired Centerra's 70% interest in the project, becoming the sole owner of this mine. According to the acquisition terms, Auriant is committed to paying Centerra a 3.5% net smelter royalty on any future mineral production from Kara-Beldyr.

Between March 2005 and July 2010, Auriant was listed on the Nordic Growth Market stock exchange in Sweden, and since July 2010, it has traded on the Nasdaq First North Premier stock exchange, also in Sweden.

Tardan

Geography

The Tardan mine (contained entirely within the Greater Tardan licence area) is located in southern Russia in the eastern part of the Tuva Republic, around 78km from the state capital, Kyzyl, which is itself located c 300km to the south-east of Abakan, the capital city of the Republic of Khakassia. The mine is accessible via a 70km paved road from Kyzyl, followed by an 18km graded road. The surrounding area is mostly undeveloped with only small settlements between Kyzyl and Greater Tardan.

Auriant holds two exploration and mining licences, of which the first is a licence for the Greater Tardan area (valid until August 2032), while the second is for the Tardan deposit and current mine, covering 3.32km² (valid until October 2028).

The Greater Tardan deposit consists, among others, of the following sites: 1) **Barsuchy** located on the left bank of Bai-Syut river, 4km north-east of the Tardan deposit (but mined out completely in 2017), 2) **Pravoberezhny** situated approximately 15km north-west of Tardan and 3) **Bai-Syut**, situated close to Pravoberezhny (neighbouring site), which is the next exploration target for Auriant (see Exhibit 3).

History

The Tyva (or Tuva) Republic in Siberia is one of the oldest regions of Russian gold mining. Between 1965 and 1971 the Tardanskaya and Koptinskaya exploration expeditions carried out prospecting and evaluation work in the Bai-Syut river basin at Kopto as well as at the Tardan deposit and successfully identified the Barsuchye, Soruglug-Kehm, Kopto and Pravoberezhny targets. Further geological mapping and exploration between 1970 and 2015 then focused mainly on other targets within the Greater Tardan licence area.

In 2002 and 2003, exploration of the Tapsa-Kaa-Khem gold zone was carried out by the Tuva Geological Expedition. Following this, in the period 2004–08 Tardan Gold carried out exploration works of the central part of the Tardan and Kopto deposit with a view to securing approval for commercial development of the resources.

Auriant began exploration in the Greater Tardan area in 2013, and subsequently mining operations commenced in the Barsuchy and then in the Pravoberezhny deposits in 2014 and 2015–16, respectively.

Geology

The Greater Tardan area features Lower Cambrian (metasandstones, chlorite schists, porphyries, limestones), and Silurian rocks (conglomerates with limestones). Intrusive rocks are represented by meta-gabbro, granites and gabbro. Most the gold occurrences at the Tardan deposit are located on the contact of the Kopto-Baisyutskiy intrusive massif of diorites and gabbro-diorites.

The regional tectonic structure comprises three fault systems striking east-west (Kaakhemsky, Bai-Syutskiy), north-west (Soruglug-Khem, Kyzltorgskiy and Tardanskiy), and north-east. The north-west faults are grouped into one tectonic zone controlling most the skarn gold mineralisation and represent the largest short-term potential for increasing reserves for the heap leach operations at the Tardan mine.

Within the Greater Tardan area, there are several gold mineralisation types:

- **Gold bearing skarns** – currently the best explored type of gold mineralisation within the area. These cover the Central zone including the Tardan deposit, Soruglug-Khem, Pravoberezhny, V. Bai-Syutskiy occurrences, as well as the Eastern zone with the Kopto, Barsuchy and Kopto-2 occurrences. In the short term, these represent the major prospect for reserve increases.
- **Porphyry type** – in the western part of the Greater Tardan area there are known occurrences of these type of ore bodies, mostly around Kara-Sug. The area is characterised by the presence of features of porphyry copper mineralisation: porphyry intrusions, argillitic alteration, halos of pyrite mineralisation and copper mineralisation (chalcopyrite, and the oxidation products malachite and azurite), which is often in economic concentrations. Porphyry copper deposits are one of the largest reservoirs of gold in the upper crust and also include economic amounts of other by-products, such as molybdenum or silver.

- **Black shale type** – there might potentially be black gold mineralisation in the northern part of the licence area, where the Severny prospect is located. Black gold is a term given to placer-derived gold, where dark material disguises the underlying gold colour. It is characterised by the presence of gold sulphide mineralisation (Sukhoi Log type). In addition to this placer gold, the area features gold soil anomalies, halos of altered rocks (beresite) and quartz veinlets. The long-term potential of the licence area is associated with the exploration of copper-porphyry (Kara-Sug, Kyzyl-Torg etc) and black shale (Severny) formations, which are typically characterised by large volume and low grade.

Tardan mine

The Tardan deposit itself is a 4.0km² block bounded by tectonic fractures, which are part of the Baisyutskiy shear fracture. It is underlain by volcanic and carbonate sediments of the Tummatyaginskaya and Vadibalinskaya formations with intrusions of the Tannuolskiy complex. The most common rock type is marbleised limestone of the Cambrian Vadibalinskaya formation. Approximately 20–25% of the Tardan deposit area is underlain by granitoids of the Cambrian Tannuolskiy complex of which diorites are the most common. The relatively simple structure of the deposit is influenced by the Changyssky fault zone, which defines the setting of the Tardansky graben and results in a pronounced asymmetry in the structural plan of the Tardan deposit ore field. The Tardansky graben is located in the central part of the deposit, and extends diagonally from Ore Zone 1 to the north-eastern part of the licence area and further to the north-east to the Barsuchy prospect. The width of the graben varies from 590m in the vicinity of Ore Zone 1 to 460m in the north-eastern section. To the north-west, the graben is bounded by the Changyssky fault and, to the south-east, by the Vostochny fault. The Tardansky graben includes Ore Zones 1, 3, 6, 26 and 15, which constitute the main minable gold reserves of this deposit. The tectonic faults of the Tardan ore field are represented by thrusts and shifts.

Pravoberezhny site

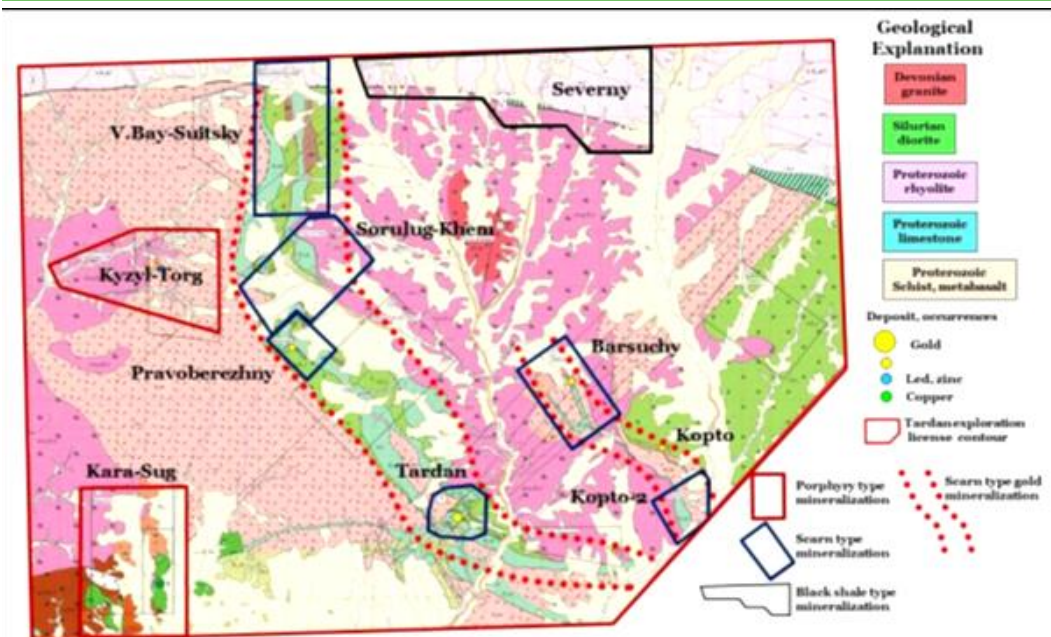
The Pravoberezhny site comprises Tummatyaginskaya volcanics and Vadibalinskaya limestones, tuffs and dolomites that have been intruded by Kopto-Baisyutskiy dioritic rocks. The Tummatyaginskaya volcanics and Vadibalinskaya units dip towards the north-east at 30–60°.

Auriant has identified three specific areas of contact metasomatism (alteration of the host rock, in this case limestone), which extend over 1,000m along strike and 300m in width. Here, skarns have formed within a 60m thick layer of limestone on contact with two bodies of diorite, to the north and south of the limestone, respectively. The skarns host most of the gold mineralisation at Pravoberezhny with 13 distinct zones identified, though lower-grade mineralisation is also seen in metasomatised volcanic rocks above and below the skarn zones. The majority of the area is covered by overburden sediments, which generally range in thickness from 2–4m but can reach 10m in areas of lower elevation. A relatively simple morphology of the ore body and surrounding geology provides for a low stripping ratio, estimated by the company to be less than 1:4.

Upper Bai-Syut site

Upper Bai-Syut site's gold mining potential is exhibited by the presence of lithochemical metamorphic zones of gold and alluvial gold mineralisation in the head of the Bai-Syut brook. The geology is characterised by skarn zones in contacts between intrusive rocks (diorites) and the host rock, limestone.

Exhibit 3: Geological map of Tardan



Source: Auriant Mining

2019 Rosprirodnadzor inspection

On 20 August, Auriant announced that it had received a report setting out the findings of the inspection carried out by the Russian State Service for Supervision of Natural Resource Usage (Rosprirodnadzor) in the period 17 July to 13 August 2019. In its report, Rosprirodnadzor concluded that LLC Tardan Gold had breached several terms of its subsoil use licences and gave it until 13 February 2020 to rectify the breaches. Readers should note that Edison takes no view on this test, nor on any potential outcomes, other than to identify it as a sensitivity. In this section, we simply relay statements made by Auriant, either in writing or verbally, which (in the case of the former) are quoted directly or indirectly from announcements recorded on its [website](#).

At the time, Auriant made the following observations with respect to Rosprirodnadzor's report:

- Before giving Tardan/Auriant the opportunity to respond, Rosprirodnadzor published the announcement of its findings on its website (which is not normal procedure) that contained a number of errors – eg that the inspection revealed that Auriant/Tardan had failed to comply with its social obligations when, in fact, the inspection did not concern the company's compliance with its social obligations. In addition, the announcement also stated that the inspection file had been sent to Rosnedra (the Russian state agency for subsoil use) with the recommendation that it consider early termination of Tardan's subsoil use rights, which Auriant stated that it had no knowledge of.
- Tardan/Auriant disputed Rosprirodnadzor's conclusion that it does not have proper project documentation for gold mining at Tardan and for water usage and indicated that it would provide comments on the matter to Rosprirodnadzor in order to clarify the situation.

Auriant concluded by saying that it 'is confident that it has not committed any serious violations that could entail early termination of its subsoil use rights, and there are no legal grounds for such measure.' It also highlighted that fact that the inspection did not relate to the CIL plant in any way whatsoever, but only to the then existing heap leach operation.

Subsequently, Auriant made the following observations:

- That, in theory, Rosprirodnadzor's inspections should occur every one to two years but that, in 2019, they had occurred two to three times already by the time of the July/August inspection.
- That Rosprirodnadzor does not have the right to impose a penalty on the Tardan licence, but may only impose a penalty on the company for ecological breaches.
- That Rosprirodnadzor has since taken down and archived its press release.
- That it was disputing the factual accuracy of nine of Rosprirodnadzor's 21 findings via local courts (a relatively common and quick process).
- That, in the absence of a major violation, the licence could not be at risk once appropriate information had been submitted to Rosprirodnadzor.

Since then, on 8 November, Auriant announced that:

- It has 'rectified a number of violations that were highlighted, and is working on the remaining ones.'
- Rosnedra (see above) has now considered the documents provided to it by both parties and come to the following decisions:
 - Rosnedra has noted the findings in relation to the subsoil use licence number KZL 00367 BR and 'has decided not to take any further steps in relation to them' – which confirms the company's initial assessment that it did not commit any serious violations.
 - Rosnedra has given Tardan Gold 12 months to rectify violations revealed by Rosprirodnadzor in relation to the other subsoil use licence KZL 00322 BR, which relates to the Tardan deposit. If it fails to do so, Rosnedra has stated that it will consider the matter and 'may terminate' the licence. However, Auriant has stated that it is 'confident that either Tardan Gold will be able to prove the absence of violations, or the issues will be rectified well in advance of the specified deadline' Until then, there are no restrictions on any operations under the licence. Moreover, the affected area does not include Auriant's operations relating to the new CIL plant or its current mining operations at Pravoberezhny, but only the historic heap leach operation, which is in the process of being wound down and discontinued.

On 4 December, Auriant announced that it had learned that Rosprirodnadzor had published an announcement on its website to the effect that Rosnedra had restricted its subsoil use rights in an article entitled, 'The use of subsoil resources by LLC 'Tardan Gold' is suspended.' In response, Auriant offered the following clarifications (reproduced verbatim):

- The use of subsoil resources by LLC 'Tardan Gold' is not suspended. The heading of Rosprirodnadzor's announcement is incorrect.
- LLC 'Tardan Gold' currently has two subsoil use licenses for mining of gold:
 - The licence number KZL 00322 BR. This licence relates to the Tardan deposit, where no mining operations are currently carried out. The order of Rosnedra (N 503 of 27.11.2019) provides that LLC 'Tardan Gold' (the 'Subsidiary') shall not carry out mining activities at the Tardan deposit until the subsidiary receives an approval of Rosnedra for the technical project documentation for the Tardan deposit and all other required approvals and permits. It is only in this respect that the subsoil use rights of LLC 'Tardan Gold' are restricted by the order. The licence is not suspended and the order does not impose any other restrictions on the subsoil use rights under the license. LLC 'Tardan Gold' has already applied to Rosnedra for approval of the extension of its technical project documentation until 2025. The company is confident that the approval of Rosnedra as well as all other required approvals and permits will be received in a short period of time, and anyway not later than by the end of H120, that is before the deadline set by Rosnedra, which the company announced in its press-release on 8 November 2019, and before the planned start of mining works at the Tardan deposit.

- The licence number KZL 00367 BR. This licence covers the Greater Tardan area, including the Pravoberezhny deposit where mining operations are now carried out and which supplies ore for the new CIL plant. There are no restrictions of any subsoil use rights under this licence. The company previously reported this in its press-release on 8 November 2019 and confirms that the situation remains the same. The mining operations are continuing as planned.

Kara-Beldyr project

Geography

Kara-Beldyr is a 34km² site also in Tyva in the eastern part of the Altai-Sayan Orogenic belt and the western segment of the Mongol-Okhotsk trend, around 166km east-south-east of Kyzyl and c 110km from Tardan. This area is located in the upper headwaters of the Yenisey River at elevations of 1,050–1,750m. The gold mineralisation Kara-Beldyr is adjacent to the south-eastern part of a zone of alluvial gold called Tapsa-Kacheemsk. Kara-Beldyr is accessible from Kyzyl via 100km of asphalt road or 85km of dirt road in all-terrain vehicles or on frozen ground in winter. There is no permanent settlement in the area. The Kara-Beldyr exploration and mining licence was issued on 26 June 2008 and is valid until 20 February 2027.

History

An alluvial gold deposit in the valley of the Kara-Beldyr River was identified as long ago as 1918. More recently, gold mineralisation was discovered by a geological expedition in 1988. An area of 27.4km² was surveyed, with detailed work being carried out along a 240km line network. During the period 2000–02 further investigations were conducted in Gordeyevskoye and Ezen.

In 2000, an ore sample of 100kg was taken for analysis at the Irgiredmed Institute in Irkutsk, which showed that 62% of the gold and 32% of the silver were free milling and that recoveries of 93–94% and 70–75%, respectively, could be achieved based on a combination of gravimetry and cyanide leaching. Combined with the exploration work carried out in 2000–02, this allowed the geological expedition in Tyva to estimate a P1 and P2 resource at Kara-Beldyr.

Geology

The Kara-Beldyr project consists of two major zones: Gordeyevskoye and Lagerny, which have been well explored. The major controlling structures to mineralisation are large sub-vertical north-east to south-west trending fault structures, which are considered to be transform faults off the Baikal rift zone. The project consists of fault controlled Devonian age gold-silver mineralisation associated with metasomatised quartz diorites of Late Riphean age at Gordeyevskoye and Late Riphean and Cambrian-Vendian conglomerates and dolomites at Lagerny.

Mineralised zones are lens shaped and occur roughly parallel to the Glavny fault at Gordeyevskoye and are hosted in metasomatised zones within quartz-diorites. Metasomatic alteration forms a zone 40–110m thick and has been traced for a distance longer than 2km. Metasomatic intensity is reasonably constant along strike and can occur within the granodiorite intrusions and the quartz diorite host rocks but gold mineralisation can be sporadic. With increasing distance from the faults the metasomatic zones change from pyrite-ankerite-sericite-quartz to propylitic zones to a veinlet zone consisting of quartz and carbonate-feldspar-quartz veins.

Lagerny is located approximately 1.5km to the north-west of Gordeyevskoye with a similar structural trend and controlling fault structure. The Lagerny zone extends roughly 700m along strike and ranges from 50–150m thick. Host rocks are Late Riphean conglomerates and sandstones

tectonically overlying Vendian-Low Cambrian dolomitic marbles with mineralisation occurring in metasomatic zones of quartz-sericitic alteration.

Ayen Creek

In June 2019, Auriant announced that it had been awarded the 9km² Ayen Creek Basin exploration licence by Rosnedra. Ayen Creek is adjacent to and to the northeast of the Kara-Beldyr licence and Auriant's rationale in obtaining the licence is based upon the assumption that the fault structures that host the Gordeevskoye and Lagernoye deposits at Kara-Beldyr continue through the hill towards the Ayen Creek area. To date, sediment tests of the creek bed show increased amounts of gold down the creek flow after its intersection with the presumed fault structures and management believes that the licence could become a substantial addition to Kara-Beldyr's resource base. A full exploration programme is estimated to take 4-5 years, after which any reserves/resources discovered would be mined and processed using the Kara-Beldyr infrastructure.

Solcocon

Geography

Solcocon is located in Zabaikalsky Krai, in the central part of the Argun micro-continent, part of the Mongol-Okhotsk belt. The Zabaikalsky Region has well-developed infrastructure with several active mining operations, such as Taseevskoye, Novoshirokinksoye (both operated by Highland Gold), Bystrinskoye (Norilsk Nickel) and Klyuchevskoye (China National Gold Group) all of which contain resources close to or in excess of 3Moz. The Solcocon (Staroverinskaya) licence block itself is located at the confluence of the small Srednyaya and Nizhnyaya Borzya rivers, 35km from the regional centre Kalga and 640km from Chita, the capital city of the Zabaikalsky region. The Solcocon (Staroverinskaya) licence was awarded in May 2004 and is valid until 15 May 2029 and covers an area of 220.4km².

History

The Taseevskoye deposit was discovered in 1941 and during the period 1948 to 1994 it produced 6.4Moz of gold from 16.3Mt of ore at an average gold grade of 12.2 g/t derived from a swarm of epithermal gold bearing quartz fissure veins located within a circular area 1,000m in diameter. Mining operations were mostly conducted underground and focused on three principal vein systems, with a large, lower-grade mineralised envelope contained within an argillic alteration halo surrounding the fissure veins remaining largely untouched. In 2004, Taseevskoye was acquired by Highland Gold with the intention of exploiting the potential for open-pit mining of this large lower-grade resource. In 2015, Highland Gold decided to launch a pilot project to test processing ore from the Sredniy Golgotay deposit at the Novoshirokinskoye mill.

Novoshirokinskoye is a gold, silver, lead and zinc deposit that was discovered in 1915 and initially explored between 1956 and 1962. Highland Gold acquired Novoshirokinskoye in 2002 and developed it in partnership with KazZinc from 2006 onwards, until December 2011, when it redeemed shares from the latter to reconfigure it into a pure gold mining operation.

The Bystrinskoye mine is operated by Norilsk Nickel and is one of the largest gold mines in Russia and in the world. Finally, Klyuchevskoye is a gold deposit, the bulk of which remains un-mined after it was mothballed c 20 years ago amid high costs and low gold prices. In October 2017, the Russian government approved an agreement of cooperation with China on the development of the Klyuchevskoye gold deposit, which involves China National Gold Group acquiring 60–70% of the joint stock company, Zapadnaya-Klyuchi Mine.

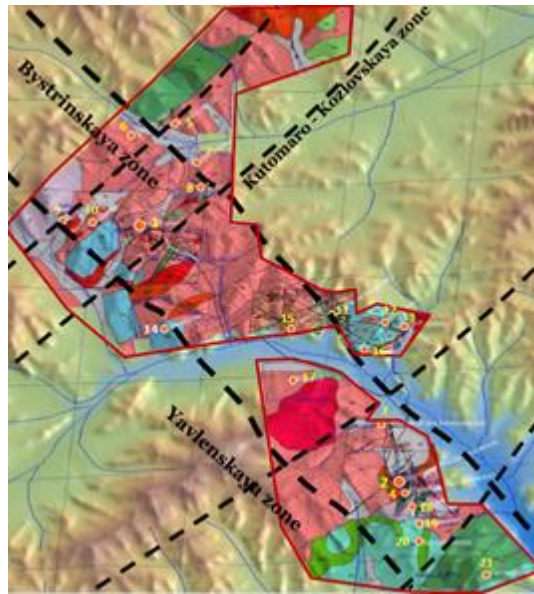
Hard rock mining at the Solcocon mine has been suspended since 2014 owing to a lack of oxidised ore suitable for heap leaching. In December 2016, the company completed laboratory tests of ore from the Bogomolovskoye deposit to establish expected gold recovery rates for different processing technologies. The tests indicated that a recovery rate of 84% is possible using CIL technology and were the basis for a re-launch of mining activities in 2017. Alluvial production was resumed in Q317 to generate revenue to fund the prospective re-launch of hard rock production based on new resources identified following the restart of exploration activity in 2017. In February 2018, the company announced preliminary exploration results, which yielded 2.3t (c 74koz) of incremental gold resources in the Bogomolovskoye deposit (pending Gosudarstvenaya Komisiya po Zapasam, or GKZ, approval – see Exhibit 8). At the current time, production at Solcocon is entirely outsourced to two contractors (cf one in 2017) and generates a net margin for Auriant of c 24–29% of sales.

Geology

The Solcocon (Staroverinskaya) licence area features sediments of different ages, from Precambrian to lower Cretaceous, characterised by different lithology. These comprise carbonate rocks and sediments (sandstones, siltstones and conglomerates), as well as volcanic deposits (rhyolites, tuffs, trachyandesites and trachybasalts). The most promising formations for localisations of gold deposits are the Cambrian and Jurassic carbonate sediments. Intrusive rocks underlay a large part of the licence area and are represented by a Late Permian monzodiorite-granite complex and a mid-late Jurassic Shahtaminskiy monzodiorite-granodiorite-granite complex, which are nevertheless also prospective for gold mineralisation. The major tectonic features of the area (hundreds of kilometres long) are the north-west to south-east fault zones (Bystrinskoye) and the north-east to south-west fault zones (Kutomaro-Kozlovskaya and Smirnovsko-Mikhaylovskaya). These first-order fault zones are accompanied by second and third order faults, which play an important role in the localisation of gold and polymetallic mineralisation. Exploration undertaken by Auriant has identified three highly prospective ore fields: Yavlinskoye, Bilbichan-Solkokonskoye and Kozlovskoye. All the gold deposits and occurrences in the general vicinity can be divided into four types, depending on the composition of the ores and their localisation (although in a number of larger deposits several mineralisation types are identified):

- **Gold skarn deposits** – includes the Zhelezny Kryazh deposit, which is located in the north-eastern part of the area outside Solcocon. Mineralisation is associated with magnetite skarns.
- **Gold-arsenic** – includes the Kozlovskoye deposit and several other nearby occurrences. Ore bodies are composed of beresites, mineralised with disseminated sulphides, with the main minerals being arsenopyrite, pyrite, galena and gold.
- **Gold-polymetallic** – is represented by the Smirnovskoe deposit, located towards the far eastern part of the licence area. These ore types are located on the contacts of the dolomitic limestone and intruding Jurassic granites. The southern portion of the licence area primarily features deposits of this type.
- **Gold-quartz-tourmaline** – here gold occurrences are widely distributed and common in the licence area. They include the Podgornoye deposit, part of the Bogomolovskoye deposit, and several other occurrences.

Exhibit 4: Geological map of Solcocon



Source: Auriant Mining

Uzhunzhul

Geography

Uzhunzhul is a 135.5km² licence area located in the Republic of Khakassia (which adjoins the Republic of Tyva), 80km from the capital city, Abaka, which is an economically well-developed region, including the activities of several large mining companies. The Nemir-Chazygolskoye ore field, which covers the eastern part of the licence area, is located on the south-east flank of the Uybatsky gold bearing area. The Yurkovsky, Vostochny and Paraspan occurrences have been discovered within the Uzhunzhul licence area, which also features placer deposits of gold. The ore field is in the contact zone of the Basino-Uzhunzhul granite massif and extends in a north-east direction for 20km with a width ranging from 4–10km. The licence for the exploration and mining of hard rock gold in the Uzhunzhul ore cluster was awarded in November 2008 and is valid until September 2031.

History

The significant potential of its raw materials now ensures that the Republic of Khakassia is classed among the resource-rich regions of Russia, which increasingly determines its role in the Russian economy. Placer mining on the current Uzhunzhul area started in 1835, with c 1.9t of gold mined to date. The most prospective occurrences within the Uzhunzhul area are Yurkovsky, Vostochny Flank, Vostochny and Paraspan.

Geology

The Nemir-Chazygolskoye ore field, covering the eastern part of the licence area, is located on the south-east flank of the Uybatsky gold bearing area. As per Auriant's internal estimates, the most promising prospects for discovering gold deposits within the Uzhunzhul area are the Yurkovsky, Vostochny Flank, Vostochny and Paraspan occurrences. The ore field is in the contact zone of the Basino-Uzhunzhul granite massif and extends in a north-east direction for 20km with a width ranging from 4–10km. In addition, the licence area contains a number of placer gold occurrences.

Intrusive rock covers a significant part of the licence area and is divided into five types, all of which form intrusive massifs extending in a north-east direction and small stocks of syenite, granite, granodiorite, gabbro, gabbro-diorite and diorite porphyry. The north-east strike faults trend in the same direction as the Uybatsky zone structures. Numerous faults are associated with mylonites and cataclastites, and are associated with dykes, alteration zones, gold, lead-zinc, copper and molybdenum mineralisation. North-west and north-south faults are less developed. They cross and displace fault zones of other directions. Within the licence area, sulphidic metasomatites are located within fault zones, developing along contacts with granite massifs and are characterised by intensive pyrite mineralisation and silicification. The depth of the oxide zone is 130–150m from the surface. Beresitic and propylitic zones are widely represented in the intrusive rocks, developing along north-east and east-west faults. The width of such zones varies from tens of centimetres to tens of metres, up to 3–4km in length.

The producing Kuznetsovskoye mine is located several kilometres south-east of the border of the Uzhunzhul area. The Irgol fault zone controls the gold ore bearing structure on the licence area. It represents a set of faults running in a north-east and east-west direction. All the gold ore-bearing bodies occur within this zone. The licence area features predominantly two ore types: gold-quartz and gold-quartz-sulphide. Gold-quartz ore types are localized within the intrusive massif. Gold-quartz-sulphide ore types are found in the contacts of the intrusive massifs. Gold-quartz ore types occur primarily in the Vostochny Flank and Yurkovsky occurrences. The Yurkovsky prospect contains 12 gold-bearing zones found in steeply dipping tectonic cracks that run in a north-east and east-west direction. The length of the zones varies from 400m to 2,500m and are up to 350m deep. The widths of the ore zones vary from 0.3m up to 150m. The main mineral found in the ore is pyrite, with occurrences of arsenopyrite, chalcopyrite, galena and native gold. The maximum gold grade in the ore bodies is 150g/t, with averages from 3.0–35.3g/t depending on the zone. The Vostochny Flank occurrence incorporates ore bodies with widths varying from 4.2–47.0m and lengths up to 520m.

Reserves and resources

Auriant reports its reserves and resources according to both Russian (GKZ) and western (CRIRSCO) standards, depending on the deposit and its history. In general, more historical work tends to have been performed to Russian standards and more recent work to western standards. Current guidelines on the alignment of Russian (Categories A, B, C1, C2) and western (measured, indicated, inferred) mineral reporting standards are as follows:

Exhibit 5: Conversion of the Russian/GKZ system to CRIRSCO Reserves & Resources

Russian "Balance Reserves", with consideration of all MODIFYING FACTORS, and after any adjustments for MINING LOSSES and DILUTION					Based on level of geological knowledge. Includes Russian "off-balance" material provided there are reasonable prospects for eventual economic extraction				
Complexity Group	CRIRSCO category of Mineral Reserves				Complexity Group	CRIRSCO category of Mineral Resources			
	C2	C1	B	A		C2	C1	B	A
1	PROBABLE	PROVED	PROVED	PROVED	1	INDICATED	MEASURED	MEASURED	MEASURED
2	PROBABLE	PROVED	PROVED	no	2	INDICATED	MEASURED	MEASURED	no
3	PROBABLE	PROVED	no	no	3	INDICATED	MEASURED	no	no
4	PROBABLE	PROBABLE	no	no	4	INDICATED	INDICATED	no	no

Source: Russian Code for Public Reporting of Exploration Results, Mineral Resources, Mineral Reserves (NAEN Code), 2011, S. Henley (2010), presentation at CRIRSCO meeting

While not interchangeable therefore, in general, it can be seen that Russian C₁ reserves correlate with western Proven reserves (and therefore typically the Measured category of resources), while Russian C₂ reserves correlate with western Probable reserves (and therefore typically the Indicated category of resources) – perhaps the substantive point being that both conform to western

categories with relatively high levels of geological confidence (ie not the Inferred category) and should therefore engender a degree of confidence.

Exhibit 6: Auriant reserves and resources					
		Tonnes (kt)	Grade (g/t)	Contained gold (kg)	Contained gold (oz)
Tardan					
Tardan	C ₁ +C ₂	771	5.00	3,857	124,006
Greater Tardan					
Barsuchy	C ₁ +C ₂	129	5.16	666	21,401
Pravoberezhny	Measured	0	0	0	0
	Indicated	1,480	3.23	4,780	153,695
	Measured & Indicated	1,480	3.23	4,780	153,695
	Inferred	30	3.48	104	3,357
	Total	1,510	3.23	4,884	157,051
Kara-Beldyr					
Kara-Beldyr	Measured	0	0	0	0
	Indicated	9,540	2.63	25,101	807,029
	Measured & Indicated	9,540	2.63	25,101	807,029
	Inferred	480	3.55	1,711	55,010
	Total	10,020	2.68	26,812	862,039
Solcocon					
Bogomolovskoye	C ₁ +C ₂	1,933	3.65	7,060	227,001
Kozlovskoye	C ₁ +C ₂	1,059	8.14	8,615	276,989
Alluvial	C ₁ +C ₂	876	0.71	620	19,940
	Total	3,868	4.21	16,296	523,929
Total	Measured	0	0.00	0	0
	Indicated	11,020	2.71	29,882	960,723
	Measured & Indicated	11,020	2.71	29,882	960,723
	Inferred	510	3.56	1,815	58,367
	Total	11,530	2.75	31,696	1,019,090
	C ₁ +C ₂	4,768	4.37	20,819	669,337
Grand total		16,298	3.22	52,515	1,688,427

Source: Auriant Mining, Wardell Armstrong, Edison Investment Research. Note: Totals may not add up owing to rounding.

In April 2019, the resources of the Kara-Beldyr deposit were approved by the State Reserve Committee (GKZ). According to the resource statement filed by Auriant for approval, Kara-Beldyr C₁ and C₂ resources amounted to 842,000oz of gold (26.2t) at an average grade of 3.38g/t and 2.044Moz silver (63.6t) at an average grade of 8.2g/t. Inter alia, this allows a comparison between Kara-Beldyr's resources, defined according to western standards, with its reserves, defined according to Russian standards, as follows:

Exhibit 7: Kara-Beldyr western mineral resource estimate cf Russian reserve estimate												
Category	CRIRSCO resources				Category	Russian GKZ reserves				GKZ as pct of CRIRSCO		
	Tonnes (kt)	Grade (g/t)	Contained gold (kg)	Contained gold (oz)		Tonnes (kt)	Grade (g/t)	Contained gold (kg)	Contained gold (oz)	Tonnes (%)	Grade (%)	Contained gold (%)
Measured	0	0	0	0								
Indicated	9,540	2.63	25,101	807,029								
Measured & indicated	9,540	2.63	25,101	807,029	C ₁ +C ₂	7,748	3.38	26,189	842,000	81.2	128.5	104.3
Inferred	480	3.55	1,711	55,010								
Total	10,020	2.68	26,812	862,039		7,748	3.38	26,189	842,000			

Source: Auriant Mining, Edison Investment Research. Note: Totals may not add up owing to rounding.

The above statement of reserves and resources was effective as at end-Q117. Since then, Auriant has announced preliminary drilling results from its 2017 exploration campaign, which concentrated on the north-east flank of Solcocon's Bogomolovskoye deposit (which was previously the prime source of oxidised heap leach ore in 2013 and 2014). The campaign comprised 4,100m of core drilling and 26,000m³ of trenching, which generated a total of 5,458 samples. In addition, Auriant conducted a cameral assessment of its previous exploration activities, carried out in 2014, on the

south flank of the Bogomolovskoye deposit. A preliminary assessment of both exploration results is as follows:

Exhibit 8: Bogomolovskoye preliminary reserve and resource additions (February 2018)					
Campaign	Area	C₂ Resources (tonnes Au)	C₂ Resources (oz Au)	P₁ Reserves (tonnes Au)	P₁ Reserves (oz Au)
2014 Exploration	South Flank	0.3	9,600	0.5	16,100
2017 Exploration	North-east Flank	1.5	48,200	0.0	0
Total		1.8	57,800	0.5	16,100
Source: Auriant Mining					

Auriant will submit these resources to GKZ for approval once it progresses toward the goals of its comprehensive exploration programme on Solcocon.

At a share price of SEK3.15 (US\$0.326), Auriant's estimated enterprise value of US\$107.5m (based on estimated net debt of US\$75.2m as at 31 December 2019) therefore equates to a resource multiple of US\$62.62 per total resource ounce (albeit excluding the potential additional reserves and resources at Bogomolovskoye depicted in Exhibit 8).

For the two deposits on which western resource estimates have been compiled, the Kara-Beldyr mineral resource estimate is based on gold and silver estimates within a 5m × 20m × 5m block model. Grades are estimated from composited samples by ordinary kriging using modelled variograms (where possible) and inverse distance weighting (nearest-neighbour) where modelled variograms were deemed not to be robust. Modelled wireframes were treated as hard boundaries and top-cuts were applied to data where applicable. The final model was verified visually and statistically by Wardell Armstrong (WAI) and classification was applied following the guidelines of the JORC Code (2012). Prospects for eventual economic extraction were tested by running open-pit optimisation and the application of appropriate economic and technical parameters. Note that the mineral resource shown in Exhibit 6 reflects the combination of both the Gordeyevskoye and Lagerny zones.

The Pravoberezhny mineral resource estimate is based upon data from surface diamond drill holes only. Exploration has been completed on roughly 20–40m profile sections with 20–40m intervals between holes down-dip. All logging, sample preparation and sample analysis was performed at Tardan. A comprehensive QA/QC programme was implemented to monitor the performance of the sample preparation and laboratory, including the insertion of a range of duplicate samples, blank samples and certified reference materials. In addition, external check samples were sent to an independent laboratory. WAI assessed the results of this programme and identified limited concerns regarding sample quality, but concluded that there was 'little risk' that the final global mineral resource estimate could be compromised by sample data quality. The mineral resource estimate itself is based on gold estimates using a block model with each block measuring 2.5m × 10m × 1m. Grades were estimated from composited samples by ordinary kriging using modelled variograms. Modelled wireframes were treated as hard boundaries and top-cuts were applied to data where applicable.

Mining and processing

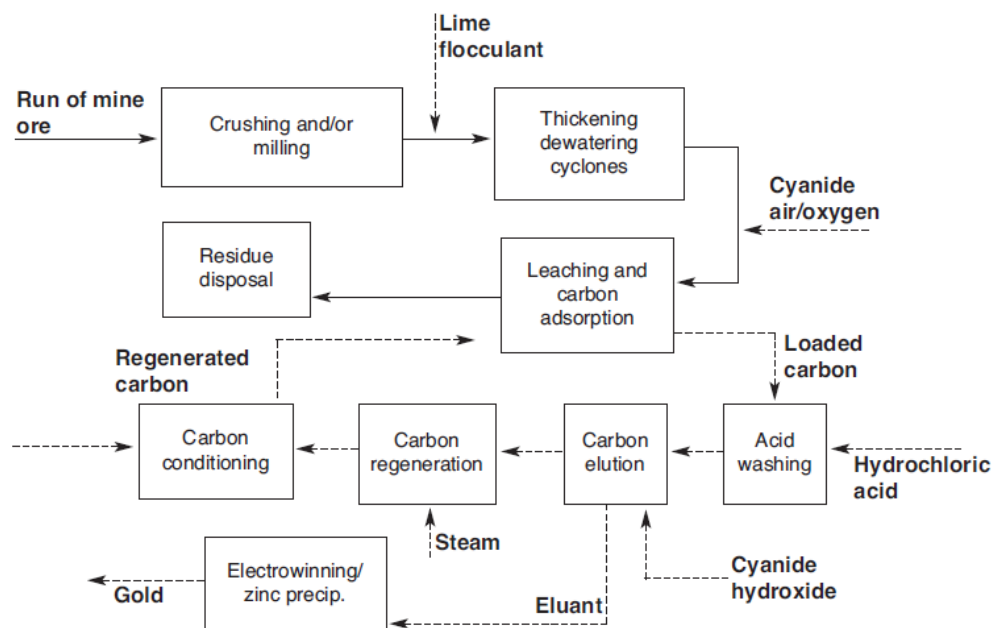
Auriant is currently using three different methods for gold processing, namely carbon-in-leach, heap leach and alluvial – albeit, the residual heap leach operations at Tardan will be discontinued from the end of Q419 in favour of pure CIL processing instead. A summary of each is provided below.

Carbon-in-leach (CIL) gold processing

Currently, Auriant is in the process of ramping up its new CIL plant at Tardan. The CIL process is a variation of the carbon-in-pulp (CIP) process. In a simple CIP method, the ore is first crushed and/or

milled to ensure that gold is readily accessible for cyanide leaching. Subsequently, the pulp is thickened to increase density to about 50% solids by mass. Leaching reagents in the form of cyanide and an oxidant (eg air or oxygen) are added, and afterwards, the pulp is passed over a feed screen to ensure removal of tramp material such as woodchips, plastics and grit larger than c 0.6mm. After feed pre-screening the pulp goes through a cascade of well-mixed adsorption tanks. The gold auro-cyanide complex in the aqueous phase is readily adsorbed onto the activated carbon. The carbon is then eluted (typically with acid), resulting in the reversal of the adsorption process with most of the gold desorbing from the carbon back into solution. Gold is then typically recovered from the solution by electro-winning. In case of CIL, carbon is added directly to the leach circuit to run the leaching and adsorption processes concurrently.

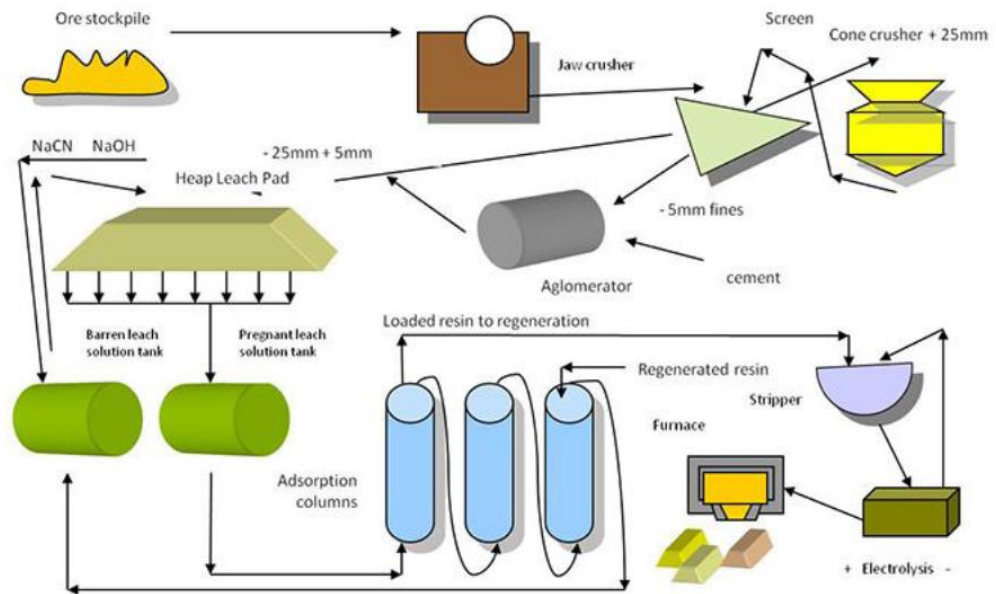
Exhibit 9: CIL process overview



Source: Stange W., The process design of gold leaching and carbon-in-pulp circuits, The Journal of The South African Institute of Mining and Metallurgy, January/February 1999

Heap leaching

The heap leach plant is the second plant in the Tardan mine, which was commissioned in 2012. In the heap leach process, the mined ore is crushed to a size of 10mm or less before being agglomerated with cement, which turns the crushed material into a granular form that prevents ore particles from clogging the irrigation systems and the heap from collapsing. Following agglomeration, ore is then transported via conveyor to a radial stacker, which stacks the ore onto the heap leach pad (up to a height of 7m). The heap is irrigated with pipes and sprinklers with a weak sodium cyanide solution, which percolates through the ore in a 120-day cycle that dissolves the gold present. The solution drains away at the bottom of the (lined) heap and is piped to the plant, where gold is finally extracted with the use of activated carbon in large adsorption columns. The recovered solution is then recycled to the heaps. From the columns, gold is desorbed using a hot caustic solution and is then deposited onto cathodes, which are then smelted into doré bars containing at least 70% gold. Finally, the gold doré is then transported to specialised precious metals refiners, where it is re-smelted into refined gold.

Exhibit 10: Heap leaching process overview


Source: Auriant Mining

Alluvial gold mining

An alluvial processing plant is currently in operation at the Solcocon mine following its re-start in 2017.

Corporate governance

Unlike at its genesis in 2004, when it adopted Russian Generally Accepted Accounting Principles and there were no management accounts, Auriant today has evolved into a *bona fide* western company run along western lines and to international standards, with the single exception of the fact that it reports to the Russian State Commission on Mineral Reserves (Gosudarstvenaya Komisiya po Zapasam, or GKZ) on geological matters. Otherwise, Russians tend to be employed at an operational level on account of their experience in working on the steppe, while the board of directors is composed of one Briton, one American, two Swedes and a Finn. The head office is English speaking, board papers are western and board meetings are conducted solely in English. Management accounts are similarly prepared monthly in accordance with western standards and the remuneration committee sets all management targets.

Assumptions

In formulating its valuation, Edison has made certain costs and scheduling assumptions relating to Auriant's current and future mining activities. These are set out in the following tables. In general, costs are presumed to be denominated in Russian roubles (RUB) and are then converted into US dollars at the prevailing forex rate (RUB64.0188/US\$ at the time of writing). Our gold price forecasts are those set out in our report, [Gold: Doves in the ascendant](#), published in August 2019, and are reproduced here in real (as opposed to nominal) terms:

Exhibit 11: Edison gold price forecasts, 2020–23 onwards (US\$/oz, real)

Year	2020	2021	2022	2023 onwards
Gold price (US\$/oz)	1,572	1,395	1,387	1,350

Source: Edison Investment Research

Note that, as such, Edison's average (real) gold price forecast over the course of Auriant's mines' anticipated operations, from 2020 to 2033 inclusive, is US\$1,372/oz (simple average) cf US\$1,377/oz previously – albeit, it is generally higher in earlier years and lower in later years, reflecting, in particular, the *volte face* by the US Federal Reserve in moving from a tightening monetary stance in November 2018 to a loosening one in March 2019, with its attendant re-inflation of the total US monetary base which had otherwise been contracting.

Forecasts for Auriant for FY19 are based on production guidance for the year of 550kg from the Tardan heap leach operation and 150kg from the CIL operation plus c 64.2kg from Solcocon and the assumption that costs are consistent with those experienced in recent winter quarters (note that Auriant experiences notable seasonality in production, with relatively elevated production rates in Q2, Q3 and part Q4 and relatively depressed production rates in Q1 and part Q4). In the meantime, as discussed previously, production at the Tardan complex has been shifted from a gravity and heap leach process flow route to CIL only, with the subsequent opportunity to re-process 'exhausted' heaps. As such, FY19 will be the last year in which Auriant actively stacks its heaps at Tardan, although production from the heaps will inevitably spill over into FY20 as a result of the heaps' leach kinetics and the time-lag between stacking, irrigation and production. Thereafter, we forecast production at Tardan for the remainder of the life of the operation – being increasingly sourced from the Pravoberezhny deposit (see Exhibit 7) – to be as follows (note that these forecasts are substantially unchanged from those used in our report, Auriant Mining: All aboard the Auriant express, published on 6 March 2018, other than to reflect the delay in commissioning the CIL plant from H119 to H219):

Exhibit 12: Tardan mining, processing and cost schedule and estimates, 2019–29

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Mining											
Tonnes mined (kt)	333	332	396	611	177	175	141	141			
Grade (g/t)	2.38	3.24	3.26	3.11	3.08	1.82	1.51	1.51			
Heap leach processing											
Ore stacked (kt)	390	0									
Grade (g/t)	2.13	0.00									
Recovery (%)	66.1	52.7									
Gold produced (kg)	550	96									
Gold produced (oz)	17,683	3,101									
CIL processing											
Throughput (kt)	50	320	320	330	320	330	510	445	450	450	300
Grade (g/t)	3.27	3.24	3.26	3.13	3.11	2.55	1.36	1.17	1.00	1.00	1.00
Recovery (%)	92	92	92	92	92	92	82	79	70	70	70
Gold produced (kg)	150	953	959	950	916	774	570	413	315	315	210
Gold produced (oz)	4,823	30,640	30,819	30,553	29,460	24,886	18,323	13,265	10,128	10,128	6,752
Total gold produced (kg)	700	1,034	946	996	992	1,021	1,004	315	315	315	315
Total gold produced (oz)	22,506	33,741	30,415	32,022	31,894	32,826	32,280	10,128	10,128	10,128	10,128
Unit cash cost (US\$/t processed)*	43.65	61.80	64.90	60.20	56.76	48.30	23.92	25.20	20.02	20.39	22.00
Unit cash cost (US\$/oz)*	962	645	674	650	617	641	666	845	890	906	978
Initial capex (US\$000s)	8,344										

Source: Auriant Mining, Edison Investment Research. Note: *Heap leach only FY19 (excluding capex), CIL only FY20 onwards.

Readers should note the 2.81g/t average life-of-mine grade of material mined compares with the 3.23g/t in-situ grade of resources at Pravoberezhny (see Exhibit 6). Note also the improvement in metallurgical recovery and the consequent decline in unit cash costs as operations move from heap leach to CIL.

At the same time, Auriant will commence construction of its Kara-Beldyr mine. Unlike Tardan (from which it is c 110km, or 73 miles, distant), Kara-Beldyr has been designed using a CIL process flow route from the outset with correspondingly higher expected future metallurgical recoveries. Our expectations for mine scheduling, production, output and costs at Kara-Beldyr are similarly set out below:

Exhibit 13: Kara-Beldyr mining, processing and cost schedule and estimates, 2021–33

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Mining												
Stripping ratio	22.3	6.5	5.5	5.5	5.4	4.5	3.5	2.7	2.5	2.2	1.5	0.6
Waste (m³ 000's)	2,642	6,217	5,681	6,160	5,992	4,919	3,811	2,836	2,577	2,239	1,154	55
Ore production for processing (kt)	120	1,006	1,107	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,063	246
Ore production for processing (m³ 000's)	44	364	401	436	437	437	437	437	437	437	387	89
Grade (g/t)	1.46	1.70	2.23	1.96	2.27	2.07	2.24	1.87	1.88	2.03	1.96	2.00
CIL processing												
Throughput (kt)	120	1,006	1,107	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,063	246
Grade (g/t)	1.46	1.70	2.23	1.96	2.27	2.07	2.24	1.87	1.88	2.03	1.96	2.00
Recovery (%)	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0
Gold produced (kg)	149	1,452	2,095	2,002	2,319	2,106	2,283	1,907	1,913	2,072	1,770	417
Gold produced (oz)	4,790	46,680	67,362	64,376	74,552	67,725	73,394	61,299	61,492	66,620	56,913	13,400
Unit cash cost (US\$/t)	118.61	39.37	35.14	35.80	35.35	32.58	29.07	26.24	25.33	25.22	21.98	21.20
Total cash cost (US\$/oz Au)	2,978	849	577	667	569	577	475	514	494	454	410	389
Initial capex (US\$000's)	*94,905											

Source: Auriant Mining, Edison Investment Research. Note: *Years 2020–23 (inclusive).

Note the 2.02g/t average life-of-mine grade of material mined compares with the 2.68g/t in-situ grade of resources at Kara-Beldyr (see Exhibit 6). Initial capital expenditure of US\$94.9m equates to US\$79.09 per (maximum) annual tonne of throughput or US\$1,273 per (maximum) annual ounce of gold produced.

The main underlying assumptions from which the above cost estimates for the above two operations have been derived include (but are not limited to) the following:

Exhibit 14: Tardan, Kara-Beldyr and Auriant underlying cost assumptions

	Tardan	Kara-Beldyr	Central
Mining	RUB240/m³	RUB200/t	
CIL processing	RUB1,300/t	RUB750/t	
Refining costs	RUB7.37/g	RUB12.00/g	
Management		RUB50/t	
Selling, general & administrative expenses	RUB152.1m pa		
Tax			
Income tax	20% on PBT	0-20% on PBT over 11yrs	
VAT	*20%	*20%	
Mineral extraction tax (MET)	0-6% on revenue from gold over 11yrs	0-6% on revenue from gold over 11yrs	
Property tax	RUB28m pa (fixed)	2.2% on fixed assets	
Central costs			
Moscow office			US\$1.5m pa
Stockholm office			US\$1.0m pa

Source: Edison Investment Research. Note: *Excluding precious metals, which are zero-rated for VAT purposes.

Kara-Beldyr capex and project scope changes

The capex estimate for the Kara-Beldyr project has increased by c US\$20m since our note, Auriant Mining: [All aboard the Auriant express](#), published on 6 March 2018. Almost all of the increase may be attributed to Kara-Beldyr's power supply arrangements. Where before we had assumed

electrical power would be supplied to the plant and mine by diesel-fuelled mine-site generating capacity, we now assume it will be grid-based.

Built between 1956 and 1972, the 6,000MW Krasnoyarsk hydroelectric power plant, in Divnogorsk, is Russia's second biggest power station. The plant is situated on the Yenisey river, which is the sixth largest in the world in terms of discharge, the seventh longest (depending on how you define its source) and the largest that flows into the Arctic Ocean. The electricity generating facility comprises a 124m-high, 1,065m-long concrete gravity dam and 12 Francis generating units of 500MW capacity each. It is operated by JSC Krasnoyarsk HPS and produces 18.4TWh annually, most of which is delivered to RUSAL's Krasnoyarsk smelter. However, it is also the supplier for Kyzyl (the capital of Tyva/Tuva) that lies at the confluence of the Great Yenisey and Little Yenisey rivers. From Kyzyl, a 220kV state line runs 100km to the east and to within 110km of the Kara-Beldyr site.

Because a mine at Kara-Beldyr will help provide infrastructure for a remote and undeveloped area, it should be eligible for state support in the form of access to grid-supplied electricity at a preferential rate. In this instance, for an initial outlay of US\$13m to build a line and substation, Kara-Beldyr would be eligible to buy electricity from the grid at the wholesale rate of RUB12/kWh (cf a regional rate of RUB15/kWh and a diesel-generated cost of RUB24–28/kWh), which would give the initial investment a payback period of approximately one and a half years (cf approximately 20 years for diesel-generated power).

Auriant is targeting the conclusion of a technical connection agreement, which fixes the point of connection between its line and the state line, in the spring of 2020, after which it will take approximately four years to construct the power line and substation, such that grid power could be delivered to Kara-Beldyr by Q423.

Funding assumptions

Auriant had net debt of US\$75.9m at end-December 2018 and US\$83.4m as at end-September 2019. Whereas production from the Tardan CIL plant had originally been anticipated in H119, delays (eg the delivery of the last electrical transformer, which was two months late) resulted in the plant not being fully commissioned until mid-November. While this has meant that the benefit of the improved CIL plant economics has not, to all intents and purposes, been experienced in FY19, the shortfall has been somewhat mitigated by management's decision to resume stacking and production at the heap leach operation which we estimate will have generated a modest cash inflow for the year, such that we are forecasting net debt to be US\$75.2m as at end-FY19.

For the purposes of the following valuation, increased (albeit more efficient) capex of US\$95m for Kara-Beldyr is presumed to be financed via an equity raising at the corporate level with the balance being financed by debt via Auriant's banking relationships. Whereas, in the absence of other information, Edison typically assumes future equity financing to ensure maximum 50% leverage (defined as net debt/[net debt+equity]) in its valuations, in this case, owing to its sustained and strong relationships with local banking institutions, Auriant management believes that a higher level of net debt is possible, possibly up to 67% leverage and potentially even higher (as has variously been the case in the past). For the purposes of this valuation process therefore, Edison has assumed a 'rounded' level of equity funding that results most closely in maximum leverage of 60% which, in this case, implies a future level of equity funding of US\$40m that results in maximum future leverage of 61.3% (see 'Financials' section on pages 24–25). The price of the funding is presumed to be the prevailing share price of SEK3.15. Note that, historically, 52% of any subscription rights associated with equity financing have been swapped for a reduction of the main shareholder's debt (ie effectively an equity-for-debt swap), although it remains to be seen whether this will once again be the case in any future equity raisings. Variations from this scenario (including

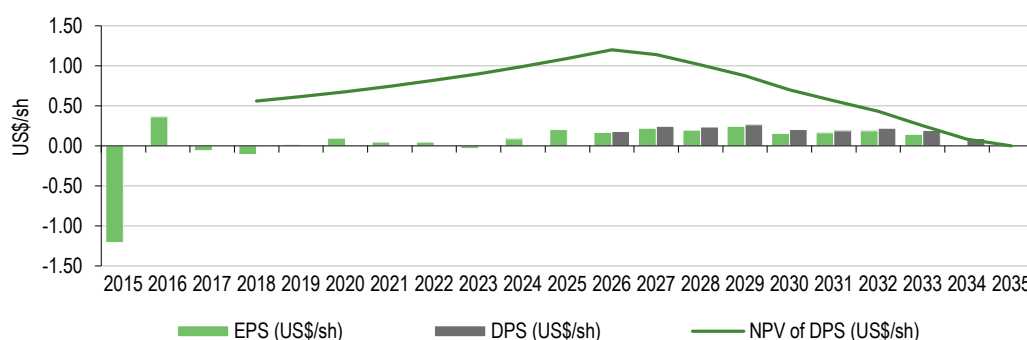
the assumption of funding via a convertible bond rather than conventional equity) are considered in the subsequent Sensitivities section below.

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 project and the Kara-Beldyr project according to the operational and financial parameters set out in the previous section, we estimate that Auriant is capable of generating average cash flows of US\$48.5m, average earnings of US\$41.5m and average EPS of 18.7c in the nine-year period from FY25–33 (inclusive), thus allowing it to pay maximum potential dividends to shareholders in the order of 21.7c per share in the period FY26–33 (inclusive). Discounted at our customary 10% discount rate, such a stream of dividends has a value of US\$0.68 per share, as shown in the exhibit below, rising to US\$1.20/share on the cusp of the company's maiden dividend in FY26:

Exhibit 15: Auriant forecast EPS and maximum potential DPS, FY15–FY35e



Source: Edison Investment Research

Our 'base case' valuation of US\$0.68/share compares with one of US\$0.72 in March 2018 (see our note Auriant Mining: All aboard the Auriant express) and one of US\$0.82 in December 2018 (see our note Auriant Mining: Tardan CIL >60% complete). The main underlying factors occasioning this 5.6% decline in value include 1) Edison's near-term expectations of a higher gold price (see 'Assumptions' above); 2) a decline in the value of the Russian rouble relative to the US dollar in particular; 3) the passage of time, albeit this effect is somewhat mitigated by the delay in the Tardan CIL plant achieving full capacity, from H119 to H219; 4) a higher share price reducing the dilutive effect of future fund-raising; and 5) an effective two-year delay from FY22 to FY24 in the development of the Kara-Beldyr project. Note that our valuation specifically excludes any value attributable to Solcocon on account of the variable nature of alluvial mining operations. However, it is not impossible that activities at Solcocon could be reconfigured in the future to incorporate hard rock mining and processing via a carbon-in-pulp (CIP) plant.

Sensitivities

In qualitative terms, the principal risks to which Auriant is immediately exposed include geographical/sovereign risk (including regulatory risk – see section entitled '2019 Rosprirodnadzor inspection' on page 7), geological risk, metallurgical risk, engineering risk, funding risk, financing

risk and management risk. In general terms, these may be summarised as execution risk, which is management's ability to bring the Tardan CIL and Kara-Beldyr projects to account within its geographical jurisdiction and the required technical and economic parameters. Once in production however, these risks will be perceived to have reduced and several other risks, such as commercial, commodity price, foreign exchange and global economic risks will become relatively more pronounced.

Five specific risks, in particular, are pertinent to Auriant and bear further consideration:

- **Funding risk.** As discussed previously, a relevant sensitivity to our valuation is the price at which Auriant's assumed US\$40.0m equity funding is conducted, as shown in the exhibit below:

Exhibit 16: Valuation sensitivity to equity funding price								
Premium/(discount) to current share price (%)	-36.5	-20.6	-4.8	u/c	+11.1	+27.0	+42.9	+58.7
Equity fundraising price (SEK)	2.00	2.50	3.00	3.15	3.50	4.00	4.50	5.00
Valuation (US\$/share)	0.51	0.59	0.66	0.68	0.72	0.77	0.81	0.85
Valuation (SEK/share)*	4.92	5.69	6.37	6.56	6.95	7.43	7.82	8.20
Change cf 'base case' (%)	-25.0	-13.2	-4.8	u/c	+5.9	+13.2	+19.1	+25.0

Source: Edison Investment Research. Note: *Converted at the prevailing forex rate of SEK9.6484/US\$.

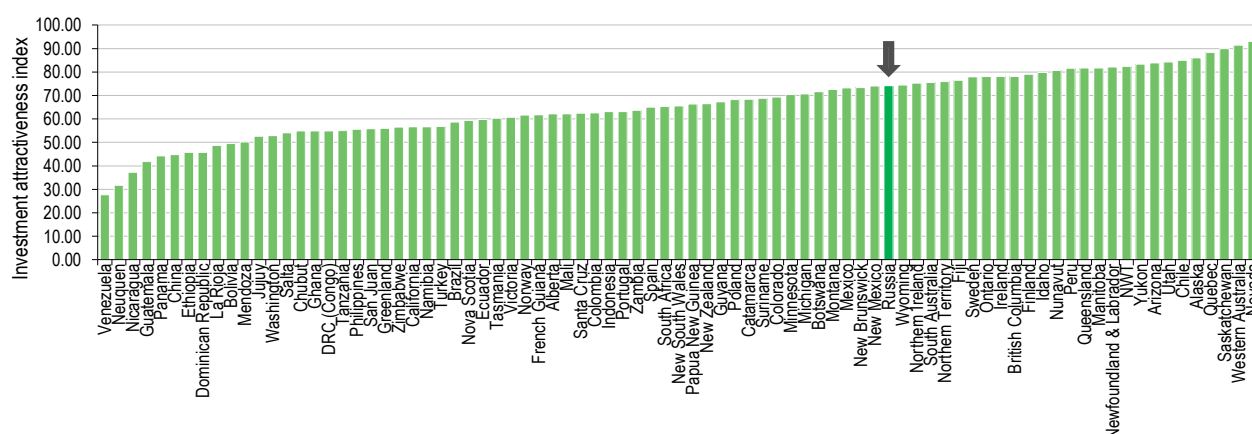
Readers should note that (assuming conversion before FY24) the above table effectively also provides an analysis of Auriant being funded by way of a convertible bond (cf conventional equity) with a conversion price at one of those shown (typically at a premium to the existing share price of equity at a discount) and a coupon close to the company's cost of debt. In the event of the convertible remaining unconverted, however, and therefore behaving like conventional debt, our valuation instead rises to US\$1.19/share (albeit with a correspondingly higher maximum debt level of US\$126.0m cf US\$75.6m in the 'base case' scenario – see 'Financials' section on page 24, below).

- **Geological and metallurgical.** In common parlance, mineralisation at Tardan might be described as 'narrow, wiggly and lacking in continuity', which can make the deposit difficult to exploit from a mining perspective and subject to material swings in profitability. In addition, Tardan is composed of a number of different styles of mineralisation. As a result, the deposit is often perceived as 'difficult' from a commercial standpoint. However, much of this combined geological and metallurgical risk will be mitigated by the more consistent throughput and recoveries inherent in the adoption of universal CIL processing. In addition, some of the risk will be further mitigated by management's experience in successfully operating the project to date. Nevertheless, it will still need to oversee the careful blending of ore types from different sources through the CIL plant in future to optimise financial returns to shareholders.
- **Stage of development.** While the Tardan CIL project represents a brownfields expansion of an existing operation (and risk is therefore mitigated by existing experience and acquired knowledge), Kara-Beldyr is effectively a greenfields development of a new prospect that is currently (effectively) only at the pre-feasibility stage of advancement. Although a degree of this risk will eventually be mitigated by the completion of a definitive feasibility study, until it is in production, this project will inevitably have a higher level of risk associated with it than Tardan. In addition, the success of the Tardan CIL project will be of material importance to investors' perceptions of the company's ability to then develop Kara-Beldyr.
- **Financial risk.** As 31 December 2018, Auriant had US\$75.9m in net debt on its balance sheet and US\$23.2m in negative equity. As at 30 September 2019, it had US\$83.4m in net debt and US\$24.3m in negative equity (rendering gearing and leverage calculations effectively meaningless). This risk is mitigated by the fact that approximately 43% of Auriant's net debt is held by its largest shareholder, Preston Haskell IV. Nevertheless, Auriant's relationship with its lenders (in this case, Russia's third largest bank, VTB, with which it refinanced its debt in Q317) will be of material importance to its equity investors in the future. Note that we estimate that

Auriant will remain in a net negative equity position as at the end of FY19, but that this will revert to net positive equity after its assumed US\$40.0m equity funding in early FY20 (as per our 'base case' scenario).

- **Geographical/sovereign risk.** It is assumed investors are aware there is a certain degree of risk inherent in investing in Russia at present, including the issue of sanctions, which could, among other things, complicate the import of capital goods. However, to date, management states that the issue of sanctions has had no discernible effect on operations. In the meantime, from an empirical perspective, Russia scored 74.23 in the Fraser Institute's most recent 2018 survey of mining Investment Attractiveness (cf a mean score of 65.99) and ranked 27 out of a population of 83 (in the top third of mining jurisdictions):

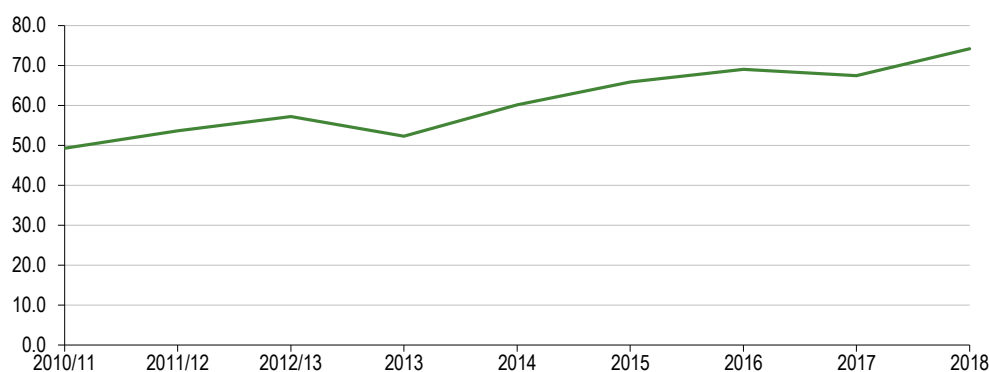
Exhibit 17: Fraser Institute 2018 survey of mining investment attractiveness (Russia highlighted)



Source: Fraser Institute

Moreover, in contrast to a number of other mining jurisdictions, Russia has been on an upward trend in terms of its ranking, as well as its score, in the Fraser Institute's survey of Investment Attractiveness since at least 2010/11:

Exhibit 18: Russia score in Fraser Institute survey of Mining Attractiveness, 2010/11–2018



Source: Fraser Institute

From a quantitative perspective meanwhile, Auriant's valuation varies with metals prices, costs, the discount rate and foreign exchange rates, as shown in the tables below.

Exhibit 19: Auriant discounted dividend NPV sensitivity to gold prices (US\$/share)

Metals prices change	-20%	-10%	Base case	+10%	+20%
NPV (US\$/share)	0.24	0.46	0.68	0.90	1.12
Change in NPV vs 'base case' (US\$/share)	-0.44	-0.22	u/c	+0.22	+0.44
Percent change in NPV (%)	-64.7	-32.4	N/A	+32.4	+64.7

Source: Edison Investment Research

Exhibit 20: Auriant discounted dividend NPV sensitivity to unit costs (US\$/share)

Unit costs change	+20%	+10%	Base case	-10%	-20%
NPV (US\$/share)	0.51	0.59	0.68	0.76	0.85
Change in NPV vs 'base case' (US\$/share)	-0.17	-0.09	u/c	+0.08	+0.17
Percent change in NPV (%)	-25.0	-13.2	N/A	+11.8	+25.0

Source: Edison Investment Research

Exhibit 21: Auriant discounted dividend NPV at varying discount rates (US\$/share)

Discount rate (%)	0%	5%	10%	15%	20%	25%	30%
NPV (US\$/share)	1.83	1.09	0.68	0.43	0.29	0.19	0.13
NPV (SEK/share)*	17.66	10.52	6.56	4.15	2.80	1.83	1.25

Source: Edison Investment Research. Note: *Converted at the prevailing forex rate of SEK9.6484/US\$.

Stated alternatively, Auriant's current share price of SEK3.15, or US\$0.326, implies a discount rate applied to its forecast future dividends of 18.4%, so at the current price the shares offer investors a potential investment internal rate of return of 18.4% pa (fully diluted) in US dollar terms.

With respect to foreign exchange rates, the relationship between the rouble and the US dollar has a direct causative effect on margins (costs are typically denominated in roubles, whereas revenues are denominated in US dollars) and is therefore significant in terms of its effect:

Exhibit 22: Auriant discounted dividend NPV at varying RUB/US\$ rates (US\$/share)

RUBL/US\$ rate	57.6169	64.0188	70.4207
Change (%)	-10.0%	0.0%	+10.0%
NPV (US\$/share)	0.57	0.68	0.77
Change in NPV vs 'base case' (US\$/share)	-0.11	u/c	+0.09
Percent change in NPV (%)	-16.2	N/A	+13.2

Source: Edison Investment Research

Note the similarity in Auriant's valuation sensitivity to the rouble and changes in unit costs, which is consistent with its operational cost base being denominated almost entirely in local currency terms.

Financials

Auriant's Q319 results to the end of September were announced on 29 November and recorded the company's first profit since Q317:

Exhibit 23: Auriant income statement by quarter, Q317-Q319 (US\$000s unless otherwise indicated)

Income statement	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319
Revenue	13,342	7,628	2,327	3,606	5,108	6,332	4,142	6,638	10,007
Cost of sales	9,726	6,243	2,641	4,371	5,035	4,743	3,243	5,221	6,316
Gross profit	3,616	1,385	-314	-765	73	1,589	899	1,417	3,691
Depreciation	-1,660	-1,816	-1,083	-844	-1,310	-1,422	-1,233	-984	-1,142
General & administration	-510	-425	-678	-829	-496	-414	-630	-527	-547
Other operating income	475	2,157	50	189	97	131	20	190	24
Other operating expenses	-302	-55	-68	-390	257	-146	-61	-45	-140
Items affecting comparability (impairment of assets)	0	-104	0	0	0	0	0	0	0
Operating profit	1,619	1,142	-2,093	-2,639	-1,379	-262	-1,005	51	1,886
Interest income	1	5	5	0	0	0	0	0	0
Interest expense	-1,414	-1,146	-940	-1,015	-875	-973	-1,004	-1,120	-1,066
Net interest	-1,413	-1,141	-935	-1,015	-875	-973	-1,004	-1,120	-1,066
Forex gain/(loss)	888	-126	-225	-1,043	-82	-413	262	209	448
Profit before income tax expense	1,094	-125	-3,253	-4,697	-2,336	-1,648	-1,747	-860	1,268
Tax	361	30	-608	-671	-536	-16	-102	-608	-13
Marginal tax rate (%)	33.0	-24.0	18.7	14.3	22.9	1.0	5.8	70.7	-1.0
Profit after tax	733	-155	-2,645	-4,026	-1,800	-1,632	-1,645	-252	1,281
Average number of shares during the period (000's)	31,425	74,827	74,847	98,649	98,649	98,649	98,649	98,649	98,649
EPS (US\$/sh)	0.023	-0.002	-0.035	-0.041	-0.018	-0.017	-0.017	-0.003	0.013

Source: Auriant Mining, Edison Investment Research.

Auriant's EPS of 1.3 US cents per share in Q319 equates to annualised EPS of 5.2c. Note that, while production from the heap leach operation was robust in Q319 (7,279oz), sales were less so (6,763oz) and were materially lower than the 12,908oz produced in Q316, for example. By contrast, steady state production from the Tardan CIL operation should amount to c 7,318oz per quarter (an uplift of 8.2% relative to Q319 sales) and should be achieved at a materially higher margin (eg 58% cf 37%) – implying that, all other things being equal, steady state EPS from the Tardan CIL operation should be comfortably in excess of 5.2c/sh.

As at end-September 2019, Auriant had net debt of US\$83.4m on its balance sheet. Assuming the company raises an additional SEK385.9m (US\$40.0m) in cash via equity funding in Q120 (as previously described on page 20), we anticipate its net debt will evolve as follows until FY25, before being eliminated in FY26:

Exhibit 24: Auriant forecast net debt evolution, FY17–FY20e (US\$m)

End-year	FY18	FY19e	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e
Net debt	75.9	75.2	36.1	41.4	70.2	75.6	59.6	13.0

Source: Edison Investment Research

Note that our estimate of Auriant's maximum net debt requirement of US\$75.6m at end-FY23 equates to a leverage ratio (net debt/(net debt+equity)) of 61.3%.

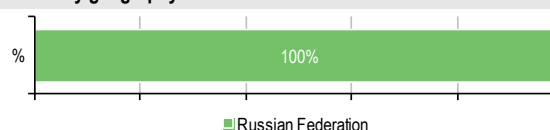
Exhibit 25: Financial summary

	US\$'000s	2015	2016	2017	2018	2019e	2020e	2021e	2022e
December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS									
Revenue		33,429	43,380	33,532	17,373	33,186	56,207	42,989	42,367
Cost of Sales		(19,360)	(19,391)	(25,061)	(16,790)	(21,854)	(22,018)	(20,766)	(19,867)
Gross Profit		14,069	23,989	8,471	583	11,332	34,189	22,222	22,500
EBITDA		10,242	21,987	8,846	(1,714)	8,832	31,189	19,222	19,500
Operating Profit (before amort. and except.)		919	15,416	2,487	(6,373)	4,123	27,310	15,673	16,252
Intangible Amortisation		0	0	0	0	0	0	0	1
Exceptionals		(14,216)	0	(104)	0	0	0	0	0
Other		0	0	1,027	(1,763)	919	0	0	0
Operating Profit		(13,297)	15,416	3,410	(8,136)	5,042	27,310	15,673	16,253
Net Interest		(7,081)	(7,577)	(5,568)	(3,798)	(4,188)	(6,020)	(2,886)	(3,309)
Profit Before Tax (norm)		(6,162)	7,839	(3,081)	(10,171)	(65)	21,290	12,787	12,943
Profit Before Tax (FRS 3)		(20,378)	7,839	(2,158)	(11,934)	854	21,290	12,787	12,944
Tax		(1,116)	(1,355)	(28)	1,831	884	(5,840)	(2,296)	(2,620)
Profit After Tax (norm)		(7,278)	6,484	(2,082)	(10,103)	1,738	15,450	10,491	10,323
Profit After Tax (FRS 3)		(21,494)	6,484	(2,186)	(10,103)	1,738	15,450	10,491	10,324
Average Number of Shares Outstanding (m)		17.8	17.8	35.6	92.7	98.6	159.9	221.2	221.2
EPS - normalised (c)		(40.9)	36.4	(5.8)	(10.9)	1.8	9.7	4.7	4.7
EPS - normalised and fully diluted (c)		(35.8)	35.1	(5.7)	(10.8)	1.7	9.6	4.7	4.7
EPS - (IFRS) (c)		(120.7)	36.4	(6.1)	(10.9)	1.8	9.7	4.7	4.7
Dividend per share (c)		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	60.8	51.7	53.1
EBITDA Margin (%)		30.6	50.7	26.4	-9.9	26.6	55.5	44.7	46.0
Operating Margin (before GW and except.) (%)		2.7	35.5	7.4	-36.7	12.4	48.6	36.5	38.4
BALANCE SHEET									
Fixed Assets		56,192	53,684	49,397	57,690	59,727	70,920	89,523	128,724
Intangible Assets		32,197	32,638	30,183	30,525	30,594	32,314	33,844	35,544
Tangible Assets		23,995	21,046	19,214	27,165	29,133	38,605	55,679	93,180
Investments		0	0	0	0	0	0	0	0
Current Assets		10,460	17,062	19,102	8,436	7,545	51,466	43,250	14,298
Stocks		4,833	7,883	7,425	3,753	5,531	9,368	7,165	7,061
Debtors		2,272	186	5,148	3,298	1,818	3,080	2,356	2,321
Cash		43	4,173	5,069	1,189	0	38,822	33,534	4,719
Other		3,312	4,820	1,460	196	196	196	196	196
Current Liabilities		(36,001)	(34,149)	(6,179)	(16,227)	(15,263)	(15,277)	(15,174)	(15,100)
Creditors		(5,901)	(3,537)	(2,005)	(1,828)	(3,038)	(3,052)	(2,949)	(2,875)
Short term borrowings		(30,100)	(30,612)	(4,174)	(14,399)	(12,225)	(12,225)	(12,225)	(12,225)
Long Term Liabilities		(70,307)	(66,995)	(82,054)	(73,053)	(73,404)	(73,053)	(73,053)	(73,053)
Long term borrowings		(61,366)	(58,117)	(71,098)	(62,671)	(63,022)	(62,671)	(62,671)	(62,671)
Other long term liabilities		(8,941)	(8,878)	(10,956)	(10,382)	(10,382)	(10,382)	(10,382)	(10,382)
Net Assets		(39,656)	(30,398)	(19,734)	(23,154)	(21,394)	34,056	44,546	54,869
CASH FLOW									
Operating Cash Flow		6,347	19,359	9,752	3,992	12,330	26,733	22,468	25,035
Net Interest		(7,081)	(7,577)	(5,568)	(3,798)	(4,188)	(6,020)	(2,886)	(3,309)
Tax		(13)	(27)	(79)	(58)	884	(5,840)	(2,296)	(2,620)
Capex		(118)	(2,391)	(3,025)	(8,605)	(8,413)	(15,700)	(22,575)	(47,920)
Acquisitions/disposals		0	0	0	0	0	0	0	0
Financing		49	(10)	5,424	2,367	22	40,000	0	0
Dividends		0	0	0	0	0	0	0	0
Net Cash Flow		(816)	9,354	6,504	(6,102)	634	39,173	(5,289)	(28,815)
Opening net debt/(cash)		90,607	91,423	84,556	70,203	75,881	75,247	36,074	41,362
HP finance leases initiated		0	0	0	0	0	0	0	0
Other		0	(2,487)	7,849	424	(0)	0	(0)	0
Closing net debt/(cash)		91,423	84,556	70,203	75,881	75,247	36,074	41,362	70,177

Source: Company sources, Edison Investment Research

Contact details

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Revenue by geography

Management team
Chairman: Lord Daresbury

Baron Daresbury is a title in the peerage of the United Kingdom and was created in 1927 for Sir Gilbert Greenall, second Baronet and head of the family brewing business, Greenalls. The present Lord Daresbury (the fourth Baron) has held many directorships and chairs in the mining industry, including Sumatra Copper & Gold, Evraz, Kazakhgold and Highland Gold. He is chairman of Stellar Diamonds, Nasstar and Mallett and on the board of Bespoke Hotels and Rusan. He is chairman of The Jockey Club's Haydock Park Racecourse, having held the same position at Aintree Racecourse for 25 years.

CEO: Sergey Ustimenko

Formerly the head of internal control at LUKOIL (Russia's largest private oil company), over the last 10 years, Mr Ustimenko has held the position of CFO at several significant Russian and international companies engaged in the sale and service of machinery and equipment. Prior to this, he graduated from Bauman Moscow State Technical University as an engineer and has seven years' experience as a certified public accountant at BDO, KPMG and Arthur Andersen. He is a Russian citizen and joined Auriant Mining in May 2014.

Acting CFO: Marina Makarova

Marina joined Auriant in 2012 as the treasury and corporate finance manager. She graduated from Kostroma State Technological University with degrees in economics and management and has extensive finance and banking experience with large Russian and international concerns. She has been acting CFO since 2018.

Deputy CEO: Maria Carrasco

Maria Carrasco is a Swedish citizen and joined Auriant as head of the Stockholm office and deputy CEO in 2016. Her previous experience includes working as CEO of the Ural branch of United Europe Holding group and as a key account manager for the LVMH Group. She has been head of sales at several large Russian and international health and lifestyle companies and has more than five years' experience as a tax specialist in the Swedish Tax Agency. She studied economics and business administration in Russia and graduated from Orenburg State University.

Principal shareholders

	(%)
Preston Haskell IV (via Bertil Holdings Limited)	52.27
GoMobile Nu	23.05
Danske Bank	2.20
Avanza Pension	1.83
Mangold Fondkommission	1.66
Carl Peter Schroder	1.57
Christoffer Bergfors	0.77

Companies named in this report

Auriant Mining, Highland Gold, Norilsk Nickel, China National Gold Group, KazZinc.

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