

## Aurania Resources

Oct 04, 2024

Nat Resources

**AUIAF**

OTCQB

Rating

**Outperform**

Unchanged

Current Price

**\$0.46**

Target Price

**\$0.60**

Market Capitalization

**45.03M**

Shares Outstanding

**96.55M**

Float

**54.15M**

Institutional Holdings

**0.000001%**

12-Month Low/High

**\$0.13/\$0.66**

Average 90-Day Volume

**8560**

Fiscal Year End

**12/31/2024**

### Memoranda of Understanding Executed to Advance Nickel-Rich Placer Project in France

**Memoranda of Understanding.** Through a wholly owned subsidiary, Aurania entered into a non-binding Memoranda of Understanding (MOU) with the Communes of Ogliastro and Nonza in Cap Corse, Northern Corsica, France for the exploitation of heavy mineral beach placers that are enriched with nickel and other metals. An accumulation of black sand comprised of awaruite and magnetite on the beaches of Albo and Nonza originated from asbestos mine waste that had previously been dumped in the Mediterranean Sea. The waste traveled up along the coast and accumulated silt at the historic ports of Albo and Nonza. Awaruite is a natural nickel-iron mineral alloy.

**Placers are rich in nickel.** While no resource or reserve has been established, Activation Laboratories Ltd. conducted an analysis of a heavy mineral concentrate produced by simple panning of the beach sand by hand which yielded an assay of 50.4% nickel, 0.701% cobalt, and 0.476% copper. Moreover, a Mozley gravity table concentrate of magnetic beach sand performed by SGS Laboratories yielded 40.1% nickel. At some point, we think Aurania will likely take a bulk sample for analysis.


**Experts retained to provide assays and a scoping study.** Aurania retained SGS Laboratories/Lakefield to evaluate the best method for awaruite commercial recovery. An SGS geologist verified the material and took samples. His report is pending receipt of final assays. Aurania retained IHC Mining B.V., a company that specializes in dredging solutions, to prepare a scoping study to evaluate suitable heavy mineral recovery methods and equipment. Both awaruite and magnetite are heavy minerals and may be readily recovered from beach sand using gravity techniques and can readily be separated.

**Rating is Outperform.** In our view, the discovery of nickel-rich beach placers in France represents an intriguing opportunity for Aurania. The contemplated project won't require long-tailed exploration since the source of the nickel, copper, and cobalt has been identified. It will be more a matter of working through regulatory processes, community agreements, verifying the economics of the project, financing, development, and then production.


Revenues (\$ MIL)			
Period	2022A	2023A	2024E
Q1	\$0.0A	\$0.0A	\$0.0A
Q2	\$0.0A	\$0.0A	\$0.0A
Q3	\$0.0A	\$0.0A	\$0.0E
Q4	\$0.0A	\$0.0A	\$0.0E
	\$0.0A	\$0.0A	\$0.0E

EPS (\$)			
Period	2022A	2023E	2024E
Q1	\$(0.10)A	\$(0.09)A	\$(0.07)A
Q2	\$(0.05)A	\$(0.02)A	\$(0.02)A
Q3	\$(0.03)A	\$(0.03)A	\$(0.02)E
Q4	\$(0.05)A	\$(0.01)A	\$(0.02)E
	\$(0.23)A	\$(0.15)A	\$(0.13)E

### Equity Research

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**Refer to the last two pages for Analyst Certification & Disclosures**

## Memoranda of Understanding Executed to Advance Nickel-Rich Placer Project in France

Aurania entered into a non-binding Memoranda of Understanding (MOU) with the Communes of Ogliastro and Nonza in Cap Corse, Northern Corsica, France for the exploitation of heavy mineral beach placers that are enriched with nickel and other metals. The MOU with the communities is the first step. An accumulation of black sand comprised of awaruite and magnetite on the beaches of Albo and Nonza originated from asbestos mine waste that had been dumped into the Mediterranean Sea from the Canari open pit mine during the years 1948 to 1965. This waste traveled up along the coast and accumulated silt at the historic ports of Albo and Nonza. Awaruite is a natural nickel-iron mineral alloy. The Memoranda of Understanding represents the first step. Aurania will likely need to complete an environmental assessment which could entail a limited amount of drilling and apply for an exploitation permit.

While no resource or reserve has been established, Activation Laboratories Ltd. conducted an analysis of a heavy mineral concentrate produced by simple panning of the beach sand by hand which yielded an assay of 50.4% nickel, 0.701% cobalt, and 0.476% copper. Moreover, a Mozley gravity table concentrate of magnetic beach sand performed by SGS Laboratories yielded 40.1% nickel.

Aurania retained SGS Laboratories/Lakefield to evaluate the best method for awaruite commercial recovery. An SGS geologist verified the material and took samples. His report is pending receipt of final assays. Aurania retained IHC Mining B.V., a company that specializes in dredging solutions, to prepare a scoping study to evaluate suitable heavy mineral recovery methods and equipment. Both awaruite and magnetite are heavy minerals and may be readily recovered from beach sand using gravity techniques and can readily be separated.

Dr. Keith Barron, Aurania's CEO, is very experienced with heavy mineral recovery and believes that the awaruite product could be dried, bagged, and shipped to a potential smelter or nickel sulphate producer. While it is still early days, we can appreciate a relatively straight-forward path to production without the need for drilling, blasting, or beneficiation, coupled with few intermediate steps prior to shipping to a potential smelter. The project won't require long-tailed exploration since the source of the nickel, copper, and cobalt has been identified. It will be more a matter of working through regulatory processes, community agreements, verifying the economics of the project, financing, development, and then production. Because the heavy metals, including nickel, copper, and cobalt, are leaching from the beach material and contaminating marine life, the project offers environment benefits in addition to economic potential for Aurania and the local community.

## Company Profile

Aurania Resources Ltd. is a junior mining exploration company engaged in the identification, evaluation, acquisition, and exploration of mineral property interests, with a focus on precious metals and copper. Its flagship asset, The Lost Cities - Cutucu Project, is in southeastern Ecuador in the Province of Morona-Santiago. The project includes 42 mineral exploration concessions encompassing an area of approximately 207,764 hectares. The company's common shares are traded on OTCQB Venture Market under the symbol "AUIAF", the TSX Venture Exchange under the symbol "ARU" and on the Frankfurt Exchange under the symbol "20Q".

## Fundamental Analysis - 2.0 / 5.0 Checks

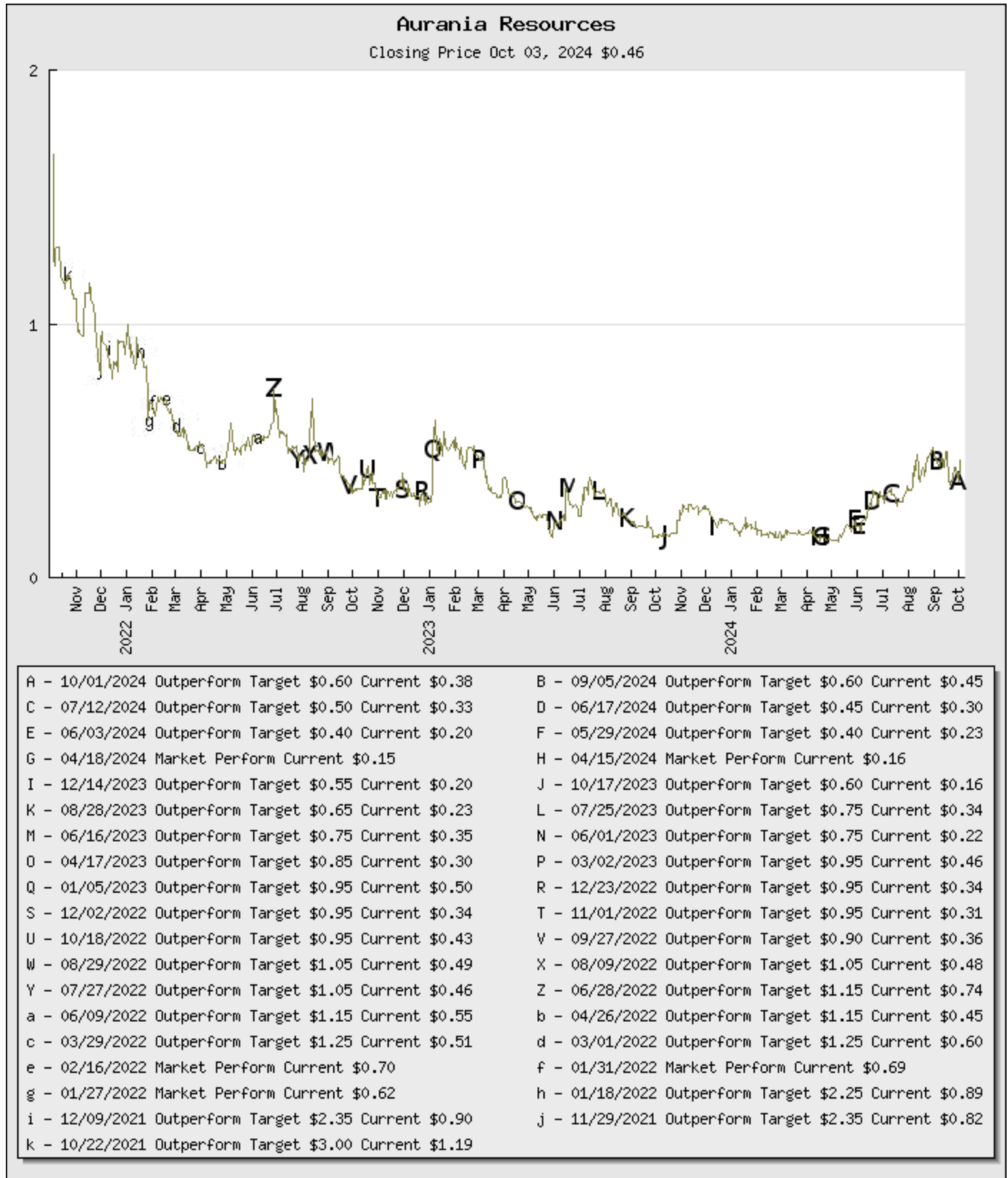
Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. Our fundamental rating is 2.0 checks out of 5.0 checks which falls within our "Below Average" rating. Aurania's board of directors is comprised of three independent directors and one management director. Our rating reflects the fact that the company is not generating revenues or operating cash flow, is an early-stage greenfield exploration company, and is operating in Ecuador, a higher-risk mining jurisdiction, relative to others such as the United States or Mexico. As an exploration company, Aurania is dependent on external financing to fund its activities. For further explanation of our fundamental analysis, refer to the disclosures at the end of this report.

## Valuation Summary

Our investment rating is Outperform with a 12-month price target of C\$0.80 or US\$0.60 per share. Aurania Resources cannot be valued based on revenues, EBITDA, earnings or cash flow. We have relied on a cost approach that is based on the idea that the value of an exploration property is its potential for the existence and discovery of an economic mineral deposit. Due to fluctuations in exchange rates, we have employed a baseline exchange rate of US\$0.75 per C\$1.00. A strategic partnership or joint venture with a larger mining concern would be a significant development and enhance the company's ability to advance its projects.

For our purpose of valuing Aurania Resources, we use the current enterprise value of the company divided by the cumulative incurred exploration expenses to arrive at a multiple which we think represents the value investors are placing on the company's exploration efforts to date. We have applied a multiple representing an improvement to the company's cumulative incurred and our estimate of future exploration expenses to arrive at a future value that reflects the financing needed to fund the exploration program, including debt and equity financing. We believe there is the potential for multiple expansion over time and the potential for greater forward exploration expenditures based on results.

Investment risks include but are not limited to: 1) Aurania's failure to identify economic mineral resources, 2) failure to renew concessions 3) delays in obtaining or failure to obtain required governmental, regulatory, environmental or other approvals, 4) country and political risks unique to Ecuador, 5) an inability to accommodate indigenous communities, 6) uncertainties associated with the availability and costs of future financing, 7) changes in capital market and macroeconomic environments, 8) fluctuations in exchange rates, 9) changes in supply and demand fundamentals for minerals, including but not limited to copper, gold and silver, 10) delays in the development of projects, and 11) the potential for operating costs and financing costs to vary from management estimates. An investment in Aurania should be considered highly speculative and could result in high reward or potentially the loss of a shareholder's investment.



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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

### Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

### The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

### Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

### Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

### Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclical, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

### ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Equity Analyst focusing on Basic Materials & Mining. 20 years of experience in equity research. BA in Business Administration from Westminster College. MBA with a Finance concentration from the University of Missouri. MA in International Affairs from Washington University in St. Louis.

Named WSJ 'Best on the Street' Analyst and Forbes/StarMine's "Best Brokerage Analyst."

FINRA licenses 7, 24, 63, 87.

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	90%	25%
Market Perform: potential return is -15% to 15% of the current price	10%	3%
Underperform: potential return is >15% below the current price	0%	0%

**NOTE:** On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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