



Resources Stocks Down Under

“ I have thought it my duty to exhibit things as they are, not as they ought to be. ”

- Alexander Hamilton (1755 - 1804), Founding Father of the United States

AURA ENERGY

A uranium place in Africa that's not in Namibia

LOS CERROS

Hay oro en esas Cerros!

MARMOTA

There's gold in these leaves

AURA ENERGY

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Stocks Down Under rating: ★★★★★

ASX: AEE
Market cap: A\$104M

52-week range: A\$0.20 / A\$0.365
Share price: A\$0.255

The timing couldn't have been better for Aura Energy, the company developing the Tiris Uranium Project in Mauritania. Aura stock had been suspended between May 2020 and September 2021 while the company sorted out multiple issues with the ASX. When the stock finally came back on the boards, the price of uranium was in much better shape and investors were ready to hear about Tiris.

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52-week range: A\$0.093 / A\$0.225
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Share price chart



Source: Tradingview

If you were going to assemble a list of undeveloped uranium projects outside of Namibia with great prospects, Aura Energy's 85%-owned Tiris Project would be a good one to note down. In August 2021 Aura updated the Definitive Feasibility Study for Tiris, first published in mid-2019 and it's now putting the capital costs at a mere US\$74.8m. As for operating costs, Aura reckons that at the C1 line, that is, 'cash costs', Tiris can run for only US\$25 or US\$26 a pound while the All-In Sustaining Cost (AISC) can be less than US\$30 a pound. The simple reason it's so economic is that the Tiris ore lies very close to surface, as in, at a mere 1-5 metres, and an uncomplicated leach method allows you to extract 92% of the U3O8.

A nice house on a not-so-nice street

There's only one potential downside for Aura shareholders and that's the location. Tiris lies in the sparsely populated Tiris Zemmour region in north-eastern Mauritania, 680 km by road from the only decent population centre, an iron ore mining town called Zouérat. More significantly, Mauritania might conjure up negative sentiment on the part of investors. This West African nation, capital Nouakchott, population 4.1 million, doesn't generally come top of mind when people are talking about emerging economies that are attracting a lot of resources investment. The country has terrorist groups out in the desert regions, the economy is mostly unfree and there are coups every now and then.

Yeah, these Mauritanian Army officers really love their coups. They are up to eight now, the most recent one having taken place in 2008. When the current President, Mohamed Ould Ghazouani, took office in 2019 after winning that year's election, it was technically speaking the first time since the country's independence from France in 1960 that Mauritania had a peaceful transition of power. We say 'technically' because Ghazouani is himself a former general. Some of you may recall Woodside (ASX: WPL) discovering an oil field offshore Mauritania, called Chinguetti, back in 2001. By early 2006 Woodside was in dispute with the Mauritanian government and the following year Woodside sold its interests in the country. Between Chinguetti's discovery and Woodside's divestment the 2005 coup had taken place and the new government didn't like the deal the old government had made.

Starting small but plenty of room to grow

Let's assume that President Ghazouani chooses not to interfere with the development of Tiris and the price of uranium gets to US\$60 a pound and stays there. Under those conditions Aura's project is quite valuable on the August 2021 DFS. The NPV is A\$114m post-tax and royalties on an 8% discount rate. But this models just over 12 million pounds produced over a 15-year period, out of a 56-million-pound JORC 2012 resource. Spend another US\$60m in capex and you can triple the size of this operation. Meanwhile, some work on the flowsheet could allow vanadium recoveries, which would lower the cost of the operation. And, as for the size of the resource, Aura reckons there's more where that first 56 million pounds came from and it has plans to do some more drilling. Aura only had \$3m or so in June 2021, but there are \$6m worth of options currently in the money, so it can fund this exploration.

The timing of the Aura Energy re-quotations on 23 September 2021 was exquisite, coming as it did only a month or so after uranium's sudden leap beyond US\$40 a pound. The current board had been put in place in April, chaired by the Sydney investor Martin Rogers, one of the more talented stock promoters we've come across. That board had to resolve an issue from early 2020, which started in a dispute as to how best to fund Aura using a convertible note structure. That infighting led to the stock being suspended until the ASX could be satisfied that all its listing rules had been fully complied with. The company that was reinstated to official quotation, after given the all-clear by ASX, only had shares and options on issue, and no convertibles.

The commodity de jour

The big risk for Aura right now isn't corporate infighting or the politics of Mauritania. It's uranium prices, which have been volatile lately. That said, there's a school of thought, to which we are leaning, that says that US\$60 a pound won't be the peak of the current price cycle. US\$60 is just where it can easily get to, as utilities realise they don't have contracts for enough supply. However, in mid-2007 U3O8 was US\$140 a pound and, of course, the bear market that followed didn't end until 2016 when uranium was below US\$20.

This time around demand for uranium is expected to outpace supply for a long time, even when all the new mines come onstream and old capacity is restarted. Nuclear energy is carbon-free and if there's one thing a lot of the world thinks it needs right now, it's less carbon. We think Aura Energy is nicely leveraged for the upside, so four stars.

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Share price chart



Source: Tradingview

It was the kind of announcement every gold explorer wishes it could make more often. On 6 April 2021 Los Cerros disclosed that it had made a 'globally significant 582m @ 0.94 g/t drill intercept, starting on the surface on some ground called 'Tesorito', about 800m from Miraflores. As the length of that intercept will have suggested, this was with a diamond hole. Tesorito is a promising near-surface gold porphyry that forms part of Los Cerros' Quinchia Gold Project in Colombia.

More than a little treasure

The geologists at Quinchia pushed TS-DH16 deep into the earth at a prospect called Tesorito South. At about the 350-metre point there was a fault structure of interest. If the gold continued past that fault, they knew they were into something big because faults have a habit of vanishing away perfectly good mineralisation. When they got back close to 600 metres of core with decent grades all the way down, and increasing for a lot of that journey, they were excited. Sure, the assays were more like 0.5 g/t after the fault was crossed, but all that showed was the potential for more mineralisation than had previously been bargained for. Tesorito means 'little treasure' in Spanish and the drill work is suggesting it might not stay little for very long. At last count the company has delivered 14 intercepts starting at or near surface, grading around 1g/t gold and often better, for around 200m and often much longer.

Los Cerros's Quinchia Gold Project, of which Miraflores and Tesorito are a part, sits in the Risaralda Department of west-central Colombia. The country's second largest city, Medellin, is 200 km north and a major river called the Cauca flows north through the Department. The Mid-Cauca Gold-Copper Porphyry Belt has become a hotbed of exploration in recent years. Aris Gold (TSX: ARIS) has 6 million ounces in its Marmato Gold Project, not far from Quinchia, and on 13 April 2020 we touched on a potential new mine from AngloGold Ashanti (ASX: AGG | [see 13 April 2020 report](#)), called Quebradona, that's good for 7 million ounces or so.

That said, the mine count in this part of the Andes is relatively low compared to the same metal-rich geology north and south of the Mid-Cauca. Los Cerros reckons Quinchia can be one of the projects that fill that valuable gap and the great drill results keep getting announced at regular intervals, suggesting something big is coming up.

Gold, not white powder

Now, we know what some of you are thinking...isn't Colombia only good for drugs lords and Communist guerrillas? Well, that was then, this is now. The legendary President Álvaro Uribe delivered a blow to the bad guys and freed up the economy between 2002 and 2010. Two Presidents later Colombia is still free and prosperous, allowing Los Cerros to confidently go after the gold riches of Quinchia and surrounds. The country registered a big jump in 2020 in terms of Investment Attractive in the Frazer Institute's Annual Survey.

The Miraflores deposit at Quinchia, the subject of the 2017 DFS, is just part of the potential largesse. There are also several other mineralised zones - the aforementioned Tesorito, Chuscal, Dosquebradas and one which Los Cerros just started talking about, called Ceibal. What these zones have in common is that when the drill core goes into those porphyries you just know you're going to get some good intersections. Maybe not as juicy as TS-DH16 but still enough to keep investors interested.

Keeping the faith

The 2017 DFS modelled an underground mine working 4.3Mt of ore at 3.3 g/t gold over 9 years to deliver 421,000 ounces. After capital costs of US\$72m the backers would get an NPV of the same amount at an 8% discount rate. US\$72m/ A\$98m might still seem tiny, but gold was a different metal in 2017 and the DFS modelers only used US\$1,300 an ounce. Running the financial model at today's gold prices would have even more compelling outputs. In one sense it doesn't matter because the All-In Sustaining Cost was only US\$643 an ounce, helped by some silver credits.

Miraflores is just the beginning and possibly a side story given what they are finding elsewhere within the 3km radius that makes up Quinchia. Metminco had Miraflores as its flagship and in late 2018 negotiated a joint venture with AngloGold Ashanti to bring Chuscal into the project on modest terms. Then in 2019 Metminco merged with a private company called Andes Resources to become Los Cerros. Andes Resources, staked by Sandfire Resources (ASX: SFR | [see 27 July 2020 report](#)), brought with it a range of gold exploration projects in the Mid Cauca. The folks at Sprott in Canada liked the Quinchia story so much they assisted with a A\$20m raise at \$0.16 in July, which welcomed two of the world's largest and most respected precious metal funds. That transaction has depressed the stock slightly, but given the increased scope of Quinchia and four drill rigs in continuous operation we expect another upswing sooner rather than later. Four stars.

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Share price chart



Source: Tradingview

Gold takes priority in a three-pronged strategy

Located 100 km southwest of Coober Pedy and 50 km northeast of the mothballed Challenger Gold mine, the Aurora Tank gold discovery lies in the north of Marmota's 6,000 sq km tenement area in the Gawler Craton. Having carried out seven previous drill programs at the project, Marmota has demonstrated significant gold grades – including 165 g/t Au at Aurora's north-west flank – and continues to expand the mineralised zone which remains open in all directions. The high-grade intersections may indicate that Aurora is amenable to a low-cost and low capex open-pit heap leach operation, but first Marmota's eighth RC/DD campaign for 14 holes will lay the groundwork for pit design, resource estimates and feasibility studies.

Elsewhere in the company's portfolio, there has been little activity at its Junction Dam Uranium Project since 2014. However, a possible revival in uranium prices has driven Marmota to complete a strategic review of the 5.4-million-pound resource (at 557 parts per million uranium). Located 50 km west of Broken Hill and 15 km east of the Honeymoon uranium mine of Boss Energy -previously Boss Resources- (ASX: BOE | [see 26 May 2020 report](#)), the company is seeking an exploration target between 22 – 33 million pounds U3O8. With the Champion Copper Project in the Yorke Peninsula also on the backburner, all eyes are on Aurora Tank's expansion.

Weird science

Drilling at Aurora Tank in 2019 and 2020 surprised everyone a few times with the richness of the intersections. Like, we're talking in the order of 100 g/t. One hole called 18ATRC104 was so good Marmota, as it were, 'panned' the gold grains from the intersection and sent just those grains off to assay. The folks in the lab reported back that the gold was hypogene, meaning that, as primary mineralisation, it would continue at depth.

Marmota has a few other gold hunting tricks up its sleeve beyond that one. Marmota's Accelerated Discovery Initiative (ADI) yielded two new gold-in-calcrete discoveries at Aurora and the Woorong Downs deposit (between Aurora and Challenger) in the first phase of sampling in March.

With very little previous exploration at Woorong Downs and the surrounding Aurora tenements, the ADI provided an initial look-see by combining traditional calcrete sampling by way of auger drilling and biogeochemical sampling from tree leaves.

You read that right. Trees. While calcrete sampling is used to find mineralisation near surface, biogeochem sampling gold particles in tree leaves is now starting to be used to identify mineralisation traditional testing might miss. The success of Marmota's first ADI phase earned the company a \$225,000 grant from the South Australian government, helping to accelerate phase 2 infill sampling of the gold-in-calcrete discoveries in May.

As Aurora Tank grows outward, the company has since expanded its presence in the Gawler Craton with the acquisition of Tyranna Resources' popular Jumbuck Gold Project, which sits adjacent to the Gawler Craton project. After a closely fought battle with several other companies, Marmota secured the project for \$3m, giving the company an extra 5,000 km of ground to explore.

Jumbuck may make shareholders jolly

Marmota's eighth DD program is expected to be completed in August with RC work to follow. In the meantime, the company is waiting on final biochemical assays from ADI Phase 2 in order to select future drill targets. After its commitment to the Jumbuck sale, Marmota had \$4m in cash at the end of the June quarter to swiftly move forward at Aurora Tank and its surrounds. But as its share price is down from its high of \$0.07 in July 2020 it appears that investors are waiting for concrete production news.

Marmota's bullish pursuit of Jumbuck was not without cause: under Tyranna the project received a mineral resource value of 319,000 ounces of gold grading at 1.1 g/t gold while Challenger churned out over 1 million ounces. With big-time and junior explorers hoping to secure a piece of the Gawler Craton gold scene, grabbing a few more leases may be Marmota's best decision while the future of Challenger remains undecided. Four stars.



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