

GOLD

New Liberty start-up should be recognised

Chris Cann

"There is very little turnover of ground and that makes it more difficult to acquire ground. You have to talk with people to get this and, he who has got the ground can determine the price."

Stephens gives the example of the Casualidad deposit, which sits on Codelco's books undeveloped.

The copper-iron-gold deposit has a 300Mt resource at a grade of around 0.5% Cu, according to Stephens, which Rivera, acting for the Chilean state-owned copper miner, proved up years ago. "As far as Codelco is concerned, that is too small," he said. But, operating within Chile's laws, it sees no need to give the project back to the state and allow someone else a crack at it or develop it further.

If you are lucky enough to overcome both of these issues, the lack of historical data available in Chile reduces the likelihood of making a speedy discovery.

"Despite the fact probably billions of dollars have been spent on exploration over the last 30-40 years, there is no repository of data. It's not like it is in Canada or Australia where you can go and access the results of previous work. As a result, you are very often re-inventing the wheel when it comes to looking at prospects," he said.

Against this backdrop, Coro has, so far, been able to navigate the country successfully, coming out with what Stephens feel is a core contingent of "Coro-type" projects.

"We don't care what stage of development they are, how small they are, as long as they provide a good rate of return and... you can get them into production as quickly as possible, as cheaply as possible, with as few delays as possible. Then we can start generating cash flow and not have to keep depending on the fickle market," he said.

A namecheck for Stephens' former employer puts the Coro story in context – everyone has to start somewhere. "We're following that FQM model, which is start small and get bigger."

Aureus Mining should be re-rated by the market in late May when it succeeds where many others have failed in bringing a new West African gold project into production, according to investment bank Numis Securities.

Canada-based and dual-listed (London/Toronto) Aureus has released details of an optimised mine plan for the New Liberty project in Liberia, but at the same time pushed back the start-up date from March to May.

"The new mine plan was released last week, which brings cashflow forward and, in our view, helps de-risk the project as it moves into production," Numis said in a note.

The plan gives an additional 28,000oz of production in the first year (+35%), bringing year-one production up to 122,000oz and helping to compensate for the delay caused by the Ebola outbreak, which cost Aureus an estimated US\$18 million.

The production increase will largely be achieved with an additional starter pit, which will also deliver increased operational flexibility through the provision of a larger stockpile and more working faces, plus earlier access to higher-grade ore.

"The new economics are better as life-of-mine cash generation increased by US\$51 million, operating costs are reduced by 8% to US\$692/oz and all in sustaining costs reduced by 7% to US\$789/oz," Numis said. "Overall, the new mine plan is project NPV accretive on our estimates, increasing it by 10% to US\$188 million."

Aureus is trading at 0.5 times price/net asset value and 3.6 times 2015 price/cash flow, compared with producer averages of 1.4x and 7.6x, and non-producers at 0.4x P/NAV.

"We continue to view Aureus as one of the better gold juniors out there, on the cusp of becoming a producer where many have faltered," Numis said.



Aureus' new gold plant in Liberia

"Aureus is currently valued as an emerging producer, below the producer peer group but above the non-producers.

"Taking a 12-month view, we believe there should be a re-rating on the shares once development risks are removed and the company starts profitable production."

Numis has increased its valuation multiples to 1.25x P/NAV and 7.5x P/CF, while

reducing its discount rate to 12%, from 14%, essentially removing 2% of the risk.

The target NAV has been increased by 24% to US\$199 million. This is unchanged on a 'per share' basis (36p/share [US23c/share]) because of the equity dilution associated with US\$15.3 million raised to cover the mine plan changes.

The Numis 2015 EPS target has increased to 2c, from -4c.



TENDER ANNOUNCEMENT ON THE "JEROOY" GOLD DEPOSIT



The Government of the Kyrgyz Republic announces a tender for the right of exploitation of the "Jerooy" gold deposit and exploration of the Jerooy area.

The cost of payment for the right to use a subsoil object is the amount not less than 100 million USD and the cost for a brief package of geological information is 1 million KGS.

All those who wish to participate in the tender should submit documents for participation in tender no later than 4.00 p.m. **March 23, 2015** to The State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic at: Bishkek, Erkindik Ave., 2, office No.217.

For more information, please visit the official website of the Agency <http://www.geology.kg/> and contact us for consultations: (+996 312) 300 246 (Russian), (+996 312) 909 869 (English).

