

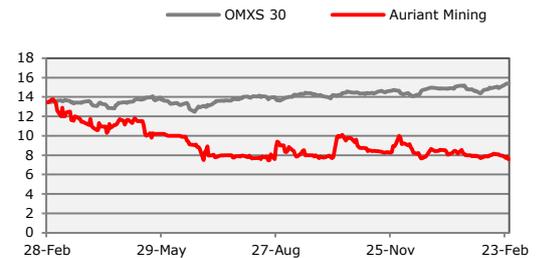
Summary

Auriant Mining AUR.ST

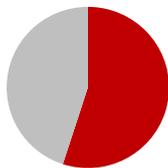
Weaker balance sheet but growth intact.

- Auriant reported a higher than expected revenue but with an increased cost of sales which dampened the EBITDA for the period.
- The balance sheet is weaker due to a write down of inventories with a very low equity on a consolidated level.
- The Ukrainian crisis has most likely increased the demanded risk premium for companies operating in Russia thus reducing the stock prices; Auriant will have some cushion if the gold price increases and the ruble weakens. The underlying operational business should not be affected much by the Ukrainian crisis and the company has reiterated their growth targets.
- If Auriant lives up to their growth targets and the gold prices stay on a healthy level we see a great possibility of Auriant becoming a profitable mining company. In our Base-case we see a motivated value of 10.7 SEK per share.

List: First North
 Market Cap: 137 MSEK
 Industry: Exploration & Mining
 CEO: Denis Alexandrov
 Chairman: Preston Haskell

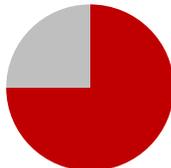

Redeye Rating (0 – 10 points)

Management



5.5 points

Ownership



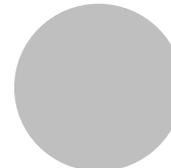
7.5 points

Growth prospect



5.0 points

Profitability



0.0 points

Financial strength



0.0 points

Key Financials

	2012	2013	2014E	2015E	2016E	Share information	
Revenue, MSEK	252	329	341	460	536	Share price (SEK)	7.7
Growth	68%	30%	4%	35%	17%	Number of shares (m)	17.8
EBITDA	30	-35	33	110	181	Market Cap (MSEK)	137
EBITDA margin	12%	-11%	10%	24%	34%	Net debt (MSEK)	669
EBIT	-40	-87	-48	23	91	Free float (%)	20 %
EBIT margin	-16%	-26%	-14%	5%	17%	Daily turnover ('000)	10
Pre-tax earnings	-72	-159	-96	-19	49	Analysts:	
Net earnings	-74	-129	-96	-14	36	Kristoffer Lindström	
Net margin	-29%	-39%	-28%	-3%	7%	kristoffer.lindstrom@redeye.se	
Dividend/share	0.00	0.00	0.00	0.00	0.00		
EPS adj.	-2.52	-6.84	-5.10	-0.76	1.90		
P/E adj.	Neg	Neg	Neg	Neg	4.04		
EV/S	2.37	2.23	2.36	1.75	1.37		
EV/EBITDA	19.94	Neg	24.65	7.28	4.04		

Important information: All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

Redeye Rating: Background and definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Growth Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

Growth Outlook

Our Growth Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Growth Outlook are: 1 – Strategies and business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicity, and 8 – Forthcoming binary events.

Stronger sales but higher costs

Higher revenue but lower production in Solcocon

Auriant mining reported a higher than expected revenue with a reported sale of 98.7 SEKm against our expected 62 SEKm for Q4. The main reason for beating our estimates is the higher than expected gold production in Borzia. The production in Solcocon was 27% lower than expected this was due to late arrival of ore crushing equipment and delays in commissioning. The production in Tardan is more or less on track and fell short of our estimate by 6%.

Outcome vs expectations				
(SEKm)	Q3'13	Q4'13E	Q4'13A	Diff
Sales	161,0	62,0	98,7	59%
EBITDA	41,0	-4,0	-43,2	n.m.
EBIT	24,0	-20,0	-57,8	n.m.
Production, kg	594,0	251,0	298,3	19%
Of which Tardan	295,0	204,0	192,0	-6%
Of which Solcocon	65,0	48,0	35,0	-27%
Of which Gold Borzia	234,0	0,0	71,3	n.m.

Source: Redeye Research

Cost of sales

Large cost of sales due to spillover cost

Auriant reported a larger EBITDA and EBIT loss than we expected. We see three possible reasons for this. That some of the costs in Q4 are spillover cost from Q3. The increase of external expenses that is due to the ramp up of the Tardan mine, this larger cost will have a better effect on revenue when the mine reaches full production capacity. The low production in Solcocon for the quarter gave rise to a higher cash cost than expected, due to the fact that a large part of the costs for the mine is fixed.

Solvency of 2%

Low equity on a consolidated level

The equity of Auriant on an consolidated level amounts to only about 7 SEKm, the large change in equity is due to inventory write offs of about 100 SEKm. It is very likely that the equity will turn negative during Q1 and Q2, but on a parent level the equity amounts to about 221 SEKm. Due to the fact that the parent company has a positive equity the company can still be operational even being insolvent. The company is looking for solutions for this matter and is having discussions with the owner of the shareholders debt, currently stated as current liabilities, to transfer this to equity instead. It would seem likely that it would then be converted to some sort of convertible if an agreement could be reached. It is also positive that the interest on the shareholders debt will be 10% going forward down from an 18% interest.

Ukrainian crisis

Increased risk aversion

The Ukrainian tension will most likely not affect Auriant on an operational basis, as the buyer of Auriant's gold is the Russian government, but it has likely already affected the share price. The effects on the share price come from a higher risk aversion of companies operating in Russia due to increased risk of military actions; we could say that the WACC of all Russian assets will increase due to a higher risk premium demanded.

Auriant is largely affected by the long-term gold price and the ruble (RUB). The initial response for the gold price and ruble is a higher gold price as investors seek safety and a depreciation of the ruble as investors move assets away from Russia. A higher gold price and a weaker ruble (lower cash cost) could act as a cushion for the stock price, but the increased risk aversion will most likely offset this.

Production and financial estimates

Higher cash cost in Solcocon than expected

Auriant reported the cash cost for Tardan and Solcocon separately. The company states that the reported cash cost of Solcocon was a lot higher than they expect in the future, they expect the cost for Solcocon to be reduced to about half and the Tardan cash cost to be reduced by about 20% in 2014 and even lower when the mine reaches full capacity.

		Total Hard Rock	Tardan	Solcocon hard rock gold
Direct Mining costs				
Rock mass	US\$ 000	12,532	9,780	2,752
	000 m ³	2,446	2,031	415
	\$/m ³	5.1	4.8	6.6
Stripping capitalised	US\$ 000	(1,966)	(1,966)	-
Cost of ore	US\$ 000	10,566	7,814	2,752
	000 t	481	269	212
	\$/t	22	29	13
Direct Processing costs				
Cost of ore and tailings processed	US\$ 000	10,566	7,814	2,752
Ore and tailings used in recovery	000 t	592	424	168
Cost of processing	US\$ 000	15,650	13,166	2,484
	\$/t	26	31	15
Indirect costs	US\$ 000	5,687	2,888	2,799
Cash operating costs				
	US\$ 000	31,903	23,868	8,035
	\$/oz	1,297	1,119	2,335
Taxes	US\$ 000	2,779	2,339	440
Total cash costs				
	US\$ 000	34,682	26,207	8,475
	\$/oz	1,410	1,239	2,463
EBITDA	US\$ 000	(1,347)	3,821	(5,168)

Source: Auriant Mining

With the new stated cash cost we have adjusted our estimates somewhat with a bit higher cost than before for both Tardan and Solcocon. Our production estimates remain unchanged but a higher overall cash cost decreases our estimate for 2014E and 2015E EBITDA. Down from 73 SEKm to 33 SEKm and 132 SEKm to 110 SEKm.

Financial development and estimates											
(SEKm)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	2013	2014E	2015E
Gold production, kg	37	42	259	305	78	172	594	298	1 142	1 389	1 872
of which Tardan	21	23	156	212	74	97	295	192	658	841	1 048
of which Solcocon	15	19	47	35	4	3	65	35	107	298	544
of which Borzya	0	0	56	58	0	71	234	71	377	250	280
Gold price, USD / tr oz	1 690	1 600	1 750	1 750	1 600	1 300	1 300	1 250	1 363	1 250	1 250
USD/SEK	6,7	6,5	6,5	6,5	6,5	6,5	6,5	6,5	6,5	6,5	6,5
Revenues	33	39	76	133	31	44	161	99	334	341	460
Of which sales of gold	15	16	87	116	28	42	161	73	304	341	460
Cash Cost, USD / tr oz	-4 643	-3 879	-1 328	-1 696	-2 081	-2 053	-965	-1 573	-1 257	-1 062	-893
Production costs	-33	-30	-68	-104	-30	-70	-116	-69	-284	-292	-333
Overhead	-4	-4	-4	-4	-4	-4	-4	-4	-16	-17	-17
Total costs	-37	-34	-72	-108	-34	-74	-120	-98	-300	-308	-349
EBITDA	-4	5	5	25	-3	-30	41	1	34	33	110
Depreciation	-6	-4	-10	-50	-11	-9	-17	-58	-121	-81	-87
EBIT	-10	1	-5	-26	-14	-39	24	-58	-87	-48	23
PTP	-11	-20	-3	-37	-31	-67	20	-81	-159	-96	-19
EPS, SEK	-0,8	-0,8	-0,4	-2,3	-1,2	-2,4	1,7	-5,3	-7,2	-5,4	-0,8

Source: Redeye Research

Valuation

The reduction of estimated EBITDA also lowers our estimate for future cash flow and this gives rise to a somewhat lower Base-case estimated value. Since our last company update Redeye have introduced a new Company Rating system and a new framework for estimating the companies WACC. The WACC used on Auriant is a bit higher than before (from 14% to 16.7%) this reduces our estimated value of the share. Redeye also have introduced a three case scenario analysis with a probably Base-case, pessimistic Bear-case and an optimistic Bull-case. The new rating is not comparable to the old rating structure.

In our Base-case we see a motivated value of 10,7 SEK per share

In our Base-case we assume an escalation of the production in Tardan and Solcocon and that by the year 2015 that it reaches full production capacity of about 2000 tones. In this scenario we assume that the long-term production costs for Tardan at about 700 USD/tr oz and for Solcocon of 800 USD/tr oz. We estimate the life time of Tardan to end in the year 2024 and Solcocon at about 2030. The long-term gold price is set to 1 300 USD/tr oz. Our motivated value for Auriant in our Base-case is 10.7 SEK per share.

Sum of the parts valuation			
Project	Enterprise value	% of value	Valuation approach
Tardan	376,9	53%	DCF
Solcocon	237,4	34%	DCF
Borzya	50,2	7%	DCF
Kala Beldyr, 30%	42,0	6%	Latest transaction
Value operating assets	706,4	100%	DCF
Overhead	-86,9		DCF
Net debt, end 2013	429,5		Book value
Market value	190,0		
Value per share	10,7		

Source: Redeye Research

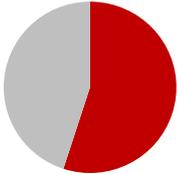
In our Bear-case we see a shorter lifespan, higher production cost and a lower estimate future gold price. The scenario is that the companies have overestimated the potential for future cost reductions and this also means that the economic resource base declines. In this scenario Tardan is expected to be in production until 2022 and with a long-term production cost of 750 USD/tr oz. For Solcocon the expected life of the mine is unchanged but the production cost is estimated to be 850 USD/tr oz. This assumptions yields an motivated sum-of-the-parts value of 3 SEK per share, assuming a long-term gold price of 1 200 USD/tr oz.

In our Bull-case we assume a longer life time for Tardan by 2 years and that the long-term production cost of about 650 USD/tr oz. The scenario is based on that Auriant succeed in materializing the cost reductions for Tardan and that successfully explorations succeeds in expanding the resource base. We also assume in this scenario that the long-term cash cost for Solcocon is lower at about 750 USD/tr oz. In this positive scenario we also expect that the gold market is recovering and that the long-term gold price is 1 400 USD/tr oz. This assumptions yields an motivated sum-of-the-parts value of 18.6 SEK per share

Summary Redeye Rating

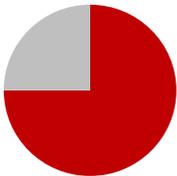
The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points. The new rating is not comparable to the old rating structure.

Management 5.5p



Auriant Mining has previously been poor at delivering on targets and production increases have been delayed. The new management has meant a great improvement, and since 2012, production has increased as planned. The established production goals appear to be reasonable and if the company in future would also be able to set cost targets the score would increase. Auriant has financed the ongoing production ramp-up through bank loans and loans from principal owner and it is positive that the company managed without issues. Auriant CEO Denis Alexandrov has previous experience from Russian mining company in the gold sector, which also applies to the CIO Max Yacoub

Ownership 7.5p



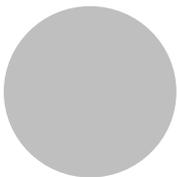
Preston Haskell, Chairman is the Company's largest shareholder, with 53 percent of the shares. He has also supported the company financially, which meant that it survived without new issues despite occasional weak finances. Mr. Haskell is active in the company and has also been CEO. Otherwise, the ownership of the board is low which affects the score negatively. President and parts of other management is the owners and have gradually increased their holdings. An increased ownership by the CEO and the Board (other than Mr. Haskell) would give a higher rating.

Growth prospect 5.0p



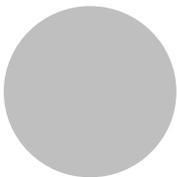
As gold is Auriant's single product, and the company is dependent on a single source of revenue where the market is pricing power. The price of gold has risen sharply over a 10-year period but the volatility has recently been high. But the asset is easy to convert to cash, which is positive. The company is well positioned to show a strong increase in production over the next two to three years and with an unchanged gold price gives a great effect on sales and earnings. The Russian gold producer market is fragmented with many small producers and Auriant have a long term goal to be part of a consolidation

Profitability 0.0p



The EBITDA-result for last year, 2013, was negative and the EBIT and net profit also thus the company receive a low score. We estimate that the profitability will rise during 2014 and this will create a higher score further ahead.

Financial strength
0.0p



Auriant has a low solidity, which is negative. The company's debt also poses a risk as long as earnings and cash flow is negative. If the company is able to leave up to our forecasts, the financial position would improve; the rating for financial strength is likely to be revised upwards in future.

Income statement	2012	2013	2014E	2015E	2016E
Net sales	252	329	341	460	536
Total operating costs	-222	-364	-308	-349	-354
EBITDA	30	-35	33	110	181
Depreciation	-41	-52	-81	-88	-91
Amortization	0	0	0	0	0
Impairment charges	-30	0	0	0	0
EBIT	-40	-87	-48	23	91
Share in profits	0	0	0	0	0
Net financial items	-32	-72	-48	-42	-42
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-72	-159	-96	-19	49
Tax	-2	30	0	5	-13
Net earnings	-74	-129	-96	-14	36
Balance	2012	2013	2014E	2015E	2016E
Assets					
<i>Current assets</i>					
Cash in banks	22	11	11	15	18
Receivables	0	0	0	0	0
Inventories	143	61	68	92	107
Other current assets	37	54	54	54	54
Current assets	202	127	134	161	179
<i>Fixed assets</i>					
Tangible assets	245	247	206	148	83
Associated comp.	0	0	0	0	0
Investments	46	69	69	69	69
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	152	168	183	199	214
O non-current assets	0	0	0	0	0
Total fixed assets	444	483	458	416	366
Deferred tax assets	0	0	0	0	0
Total (assets)	646	610	592	577	545
Liabilities					
<i>Current liabilities</i>					
Short-term debt	130	520	587	587	528
Accounts payable	9	0	0	0	0
O current liabilities	24	0	0	0	0
Current liabilities	163	520	587	587	528
Long-term debt	219	83	94	94	84
O long-term liabilities	2	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	384	602	680	680	612
Deferred tax liab	25	0	0	0	0
Provisions	12	0	0	0	0
Shareholders' equity	225	7	-89	-103	-67
Minority interest (BS)	0	0	0	0	0
Minority & equity	225	7	-89	-103	-67
Total liab & SE	646	610	592	577	545
Free cash flow	2012	2013	2014E	2015E	2016E
Net sales	252	329	341	460	536
Total operating costs	-222	-364	-308	-349	-354
Depreciations total	-70	-52	-81	-88	-91
EBIT	-40	-87	-48	23	91
Taxes on EBIT	-2	17	0	-6	-24
NOPLAT	-41	-70	-48	17	67
Depreciation	70	52	81	88	91
Gross cash flow	30	-19	33	104	158
Change in WC	-2	31	-7	-24	-15
Gross CAPEX	-45	-91	-56	-46	-41
Free cash flow	-18	-79	-30	35	102
Capital structure	2012	2013	2014E	2015E	2016E
Equity ratio	35%	1%	-15%	-18%	-12%
Debt/equity ratio	155%	8,076%	-766%	-660%	-912%
Net debt	326	592	669	665	595
Capital employed	551	599	580	562	527
Capital turnover rate	0.4	0.5	0.6	0.8	1.0
Growth	2012	2013	2014E	2015E	2016E
Sales growth	68%	30%	4%	35%	17%
EPS growth (adj)	-39%	73%	-25%	-85%	-352%

Profitability	2012	2013	2014E	2015E	2016E
ROE	-28%	-111%	0%	0%	0%
ROCE	-7%	-15%	-8%	4%	16%
ROIC	-7%	-13%	-8%	3%	12%
EBITDA margin	12%	-11%	10%	24%	34%
EBIT margin	-16%	-26%	-14%	5%	17%
Net margin	-29%	-39%	-28%	-3%	7%

Data per share	2012	2013	2014E	2015E	2016E
EPS	-4.20	-7.24	-5.41	-0.80	2.02
EPS adj	-2.52	-6.84	-5.10	-0.76	1.90
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	18.52	33.23	37.59	37.37	33.39
Total shares	17.62	17.80	17.80	17.80	17.80

Valuation	2012	2013	2014E	2015E	2016E
EV	599.3	734.0	806.3	802.3	731.6
P/E	-3.7	-1.1	-1.4	-9.6	3.8
P/E diluted	-3.7	-1.2	-1.5	-10.2	4.0
P/Sales	1.1	0.4	0.4	0.3	0.3
EV/Sales	2.4	2.2	2.4	1.7	1.4
EV/EBITDA	19.9	-20.9	24.6	7.3	4.0
EV/EBIT	-14.9	-8.4	-16.7	35.3	8.1
P/BV	1.2	19.1	-1.5	-1.3	-2.0

Share performance	Growth/year	11/13e
1 month	-2.5 %	Net sales
3 month	-13.5 %	Operating profit adj
12 month	-42.8 %	EPS, just
Since start of the year	-8.3 %	Equity

Shareholder structure %	Capital	Votes
Bertil Holdings	51.7 %	52.3 %
Swiss Life	6.1 %	6.2 %
Citigroup	5.3 %	5.4 %
Swiss Life	2.8 %	2.8 %
Svea Lands	2.6 %	2.6 %
SIX SIS AG	2.2 %	2.2 %
Clearstream Banking	2.0 %	2.0 %
Bernt Plotek	1.8 %	1.9 %
Robust AB	1.7 %	1.7 %
Royal Skandia	1.6 %	1.6 %

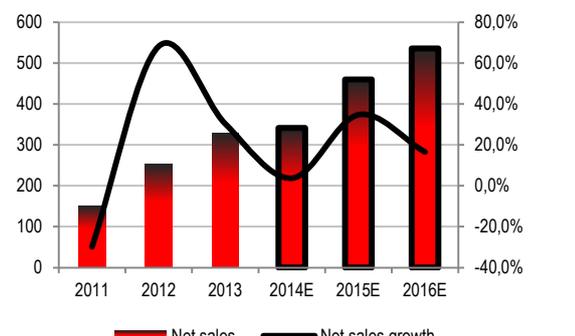
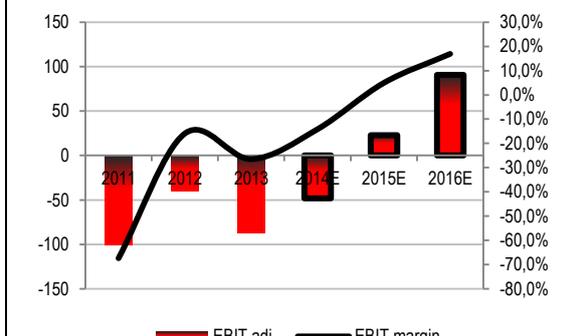
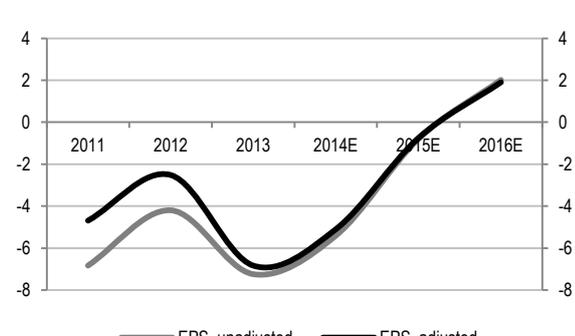
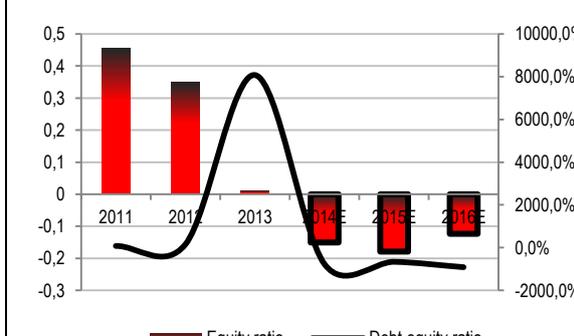
Share information	
Reuters code	AUR.ST
List	First North
Share price	7.7
Total shares, million	17.8
Market Cap, MSEK	137.1

Management & board	
CEO	Denis Alexandrov
CFO	Mihail Fedulov
IR	Max Yacoub
Chairman	Preston Haskell

Financial information	
Q1 report	May 30, 2014
Q2 report	August 29, 2014
Q3 report	November 28, 2014

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hjalmar.ahlberg@redeye.se

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
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Conflict of interests Kristoffer Lindström owns shares in the company : No Hjalmar Ahlberg. owns shares in the company : No Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.	Company description Auriant Mining AB is a Swedish junior mining company focused on gold production in Russia, primarily in Zabaikalskiy region and the Republics of Khakassia and Tyva. The company has currently 4 operations involving exploration and production of gold, one of which, Kara-Beldir LLC, is a joint venture with the major Canadian gold producer Centerra Gold Inc.																																										

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Redeye Rating (2013-12-12)

Rating	Management	Ownership	Growth Prospect	Profitability	Financial Strength
7,5p - 10,0p	18	14	8	9	16
3,5p - 7,0p	39	46	27	41	41
0,0p - 3,0p	9	6	31	16	9
Company N	66	66	66	66	66

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