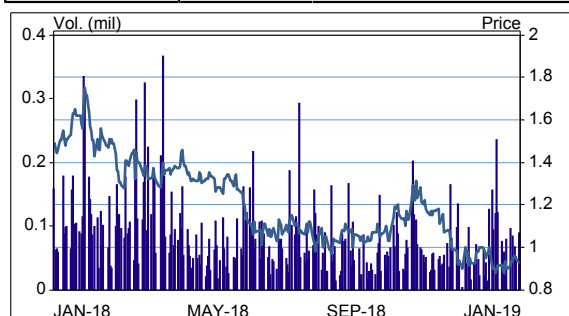


Auryn Resources, Inc. (AUG)
Rating: Buy

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High-Grade Mineralization Identified at New Prospect Near Sombrero; Other Recent Developments; Reiterate Buy

Stock Data		01/07/2019		
Price		\$0.93		
Exchange		NYSE American		
Price Target		\$1.70		
52-Week High		\$1.85		
52-Week Low		\$0.85		
Enterprise Value (M)		\$74		
Market Cap (M)		\$84		
Shares Outstanding (M)		90.2		
3 Month Avg Volume		70,155		
Short Interest (M)		0.46		
Balance Sheet Metrics				
Cash (M)		\$10.1		
Total Debt (M)		\$0.0		
Total Cash/Share		\$0.11		
EPS (C\$) Diluted				
Full Year - Dec		2017A	2018E	2019E
FY		0.00	(0.18)	(0.18)
Revenue (C\$M)				
Full Year - Dec		2017A	2018E	2019E
FY		0.0	0.0	0.0



Rock samples from prospective area south of Sombrero. On January 7, 2019, Auryn Resources reported results from a rock sampling program conducted at its Milpoc prospect, which is located about 12 kilometers south of the Sombrero project. The results identified a significant zone of stratiform copper-oxide mineralization, occurring over a strike length of 1.2 kilometers, with a width of 500-meters. The area of mineralization is characterized as an erosional window through volcanic cover with porous sandstone within the Casapalca formation that is found above the Ferrobamba limestone. We note that the Ferrobamba limestone is already known to host high-grade copper-gold exo-skarn mineralization in the Sombrero project. Rock samples returned copper-oxide grades ranging from 0.1-8.5% and silver grades ranging from 0.06 - 101 grams per ton (gpt). Management noted that these results are the first mineralization observed stratigraphically above the Ferrobamba limestone formation. Management believes these results represent further opportunity for the Sombrero district to discover an additional underlying center related to skarn and porphyry mineralization at depth. As Auryn continues to expand the Sombrero district, we feel the company is likely to drive value for shareholders of the junior mining company.

Key Milpoc rock samples. Highlights in the release included 8.75% copper and 101 gpt of silver from sample W654645, located within Section 1. Additionally, sample W647834 reported 5.55% copper and 52.7 gpt of silver within Section 2, which is roughly 1 kilometer east of Section 1 and thereby closer to the layer of Ferrobamba limestone. The company plans on continuing to evaluate the Milpoc prospect through magnetic surveying to identify the source of the mineralization.

Other key company developments. On December 19, 2018, Auryn entered into various agreements with Corporacion Aceros Arequipa S.A. (private) to option three important mineral concessions within the Sombrero project. We note that assuming the option is exercised these agreements would create an 80/20 joint venture in Auryn's favor, combining Aceros' 520-hectare concessions plus 4,600 hectares of Auryn's 120,000 hectare Sombrero land position. This option agreement should allow Auryn to not only leverage Aceros' project knowledge and relationships with local communities, but more importantly create a consistent land position. This is expected while Auryn progresses Sombrero towards an initial drill program spanning several areas, which the company expects to start in 2Q19. We note that this timing is contingent on permitting.

Several targets identified at Sombrero. On November 26, 2018, Auryn announced that the firm has identified several kilometer-scale targets under a copper-gold surface system located at the Sombrero project. These zones tend to start at the surface and go down to a depth of 600 meters, representing more than one meaningful opportunity for skarn and porphyry mineralization. We highlight that there are seven high-priority exoskarn targets over a 4.5-kilometer strike length, as well as six high-priority chargeability targets over a 7.25-kilometer strike length.

(continued on next page)

Both of these could potentially include bulk tonnage endoskarn and porphyry-styles of disseminated copper-gold mineralization. Management mentioned the mineralization is similar to the Las Bambas complex, and that the site shows the potential for the Sombrero district as it's rare to explore such a large and never before drilled project. The company anticipates that drill holes for the 2019 program are likely to range from 200-800 meters in depth.

Committee Bay drill results. On November 13, 2018, the company reported results from drilling at Committee Bay. These included 16 diamond drill holes at the Aiviq target, totaling 4,996 meters, which discovered a gold-bearing hydrothermal system that extends to the Kalulik prospect. The best intercept included 13.5 meters of 1.54 gpt gold, including 6 meters of 3.3 gpt gold in hole 12, leaving the system open in that direction. Auryn also identified two high-priority drill targets at Aiviq, one of which has been named the Shamrock prospect. The company also drilled 22 Rotary Air Blast (RAB) holes, totaling 4,135 meters, at the Kalulik and Aarluk prospects, which identified two additional gold-bearing hydrothermal systems that are similar to the Three Bluffs deposit. We previously mentioned that results from the Committee Bay drill program would be a near-term catalyst for the firm's share price.

We maintain our Buy rating and our \$1.70 per share price target. Our valuation is based on an in-situ valuation of the firm's resources, which we value at \$50 per gold equivalent ounce (GEO), or \$132.3 million. We also add \$20 million in value for the firm's remaining assets in Peru and Canada, including Sombrero, Huilacollo, Baños del Indio, Curibaya, and Gibson MacQuoid. We then add value for the firm's cash balance of roughly \$10.1 million, to arrive at our overall valuation of \$162 million, or \$1.68 per share. We round this to the nearest \$0.10 to reach our \$1.70 price target. We are still awaiting results from Homestake Ridge, which offers another near-term catalyst.

Risks. Commodity price risk; operating and technical risk; financial risk.

Auryn Resources*Figures below in 000's of U.S. dollars*

Value of Committee Bay and Homestake resources	\$132,289	<i>valued at ~\$50 per oz (peer average * 1.1x multiple)</i>	
Plus other exploration assets	\$20,000	<i>includes Sombrero, Huilacollo, Curibaya, Banos Del Indio, and Gibson MacQuoid</i>	
Plus cash & equivalents	\$10,138	<i>Proforma for 8/16/18 C\$7.3M flow through funding</i>	
Less debt	\$0		
Total current value	\$162,427		
Common shares	90,238	<i>Proforma for 8/16/18 flow through funding</i>	
Options	6,435		
Fully diluted shares	96,673		
Auryn (AUG) Share price	\$ 0.93	per share	
Auryn (AUG) Net Asset Value	\$ 1.68	per share	
Rounded (\$0.10) price target	\$ 1.70	per share	<i>45.3% discount to price target</i>

Source: H.C. Wainwright & Co. estimates.

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Distribution of Ratings Table as of January 7, 2019				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	289	90.03%	112	38.75%
Neutral	20	6.23%	4	20.00%
Sell	1	0.31%	0	0.00%
Under Review	11	3.43%	4	36.36%
Total	321	100%	120	37.38%

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