

Auryn Resources, Inc. (AUG)
Rating: Buy

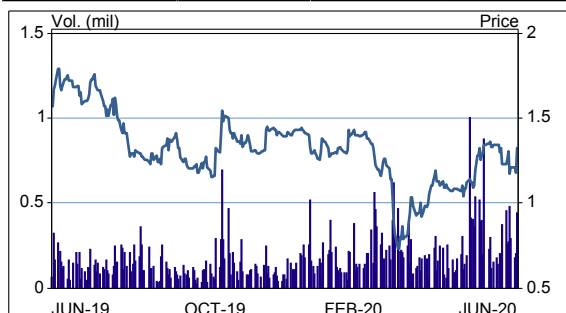
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Resumption of Work in Peru; Push for Sombrero Drill Permitting Amid Pre-Drilling Activities at Curibaya; Reiterate Buy

Stock Data		06/17/2020	
Price		\$1.32	
Exchange		NYSE American	
Price Target		\$2.00	
52-Week High		\$1.84	
52-Week Low		\$0.71	
Enterprise Value (M)		\$131	
Market Cap (M)		\$138	
Shares Outstanding (M)		104.7	
3 Month Avg Volume		252,981	
Short Interest (M)		0.60	
Balance Sheet Metrics			
Cash (M)		\$9.7	
Total Debt (M)		\$2.2	
Total Cash/Share		\$0.09	
EPS (C\$) Diluted			
Full Year - Dec	2019A	2020E	2021E
FY	C\$(0.15)	C\$(0.14)	C\$(0.14)



Work resumption in Peru. On June 17, 2020, Auryn Resources announced that the company has received authorization from the Peruvian Government to restart exploration work following a variety of COVID-19 related work restrictions. In turn, the company intends to continue pushing its drill permitting efforts at Sombrero in addition to the continuation of pre-drilling work at Curibaya. Although the company previously experienced significant delays to its permitting process due to COVID-19, management believes that this extended timeline may ultimately allow for a deeper involvement with the surrounding communities, and in turn, a stronger overall project going forward.

Push for drill permitting at Sombrero. Auryn's community teams continue their extensive work with the Huanca Sancos community to provide a positive outcome for the Consulta Previa process. This includes liaising the Peruvian Government and local community to gain additional support for a Sombrero Main drilling program. The company is also looking to advance its Nioc and Good Lucky targets, while simultaneously awaiting permits, as the company works towards traditional community agreements with the local Lucanamarca and San Jose de Huaracaya communities. On the exploration front, Auryn management plans to conduct ground-based geophysics over its Ccello target, a large alteration system with high-sulphidation characteristics.

Pre-drilling focus and target generation at Curibaya. At Curibaya, the work plan for the remainder of FY20 includes a 450-line-kilometer (km) airborne magnetic survey, as well as a radiometric survey over a 4x5km alteration center. This alteration zone encompasses much of the high-grade precious metal veining at site. Additionally, the company has budgeted for 2,000 meters of channel sampling focused along defined vein corridors, as well as the margins of dome complexes, which could feed high-grade veining at the site. Looking ahead, Auryn intends to conduct about 30-line km of ground based geophysics across the aforementioned corridors and dome margins. Lastly, the company aims to perform road access improvements due to flooding, and establish an exploration camp at site.

We are reiterating our Buy rating and our PT of \$2.00 per share. Our valuation remains based on an in situ valuation of the company's resources. We continue to assign an unchanged \$50.0M valuation to the Sombrero property and an additional \$30.0M for Auryn's non-core assets. We believe that these valuations remain inline with comparable assets in similar jurisdictions carrying equal geopolitical risks factors. We then add the company's cash balance to arrive at our overall valuation of \$220.9M for a rounded price target of \$2.00 per share. In conclusion, we believe that the company's surface and geophysical work at Sombrero has outlined a copper-gold system with analogous traits to other significant deposits that are located along the same mineralization belt, and thus, we look forward to additional drilling in the future.

H.C. Wainwright 1868

Risks. (1) Commodity price risk; (2) operating and technical risk; (3) and financial risk.

Auryn Resources

Figures below in 000's of U.S. dollars

Value of resources at Committee Bay and Homestake	\$ 133,386	valued at ~\$50 per oz (peer average * 1.1x multiple)
Plus Sombrero copper-gold project in Southern Peru	\$ 50,000	increased from \$30M as of 5/15/2019 given incremental trenching and core sampling results
Plus other exploration assets	\$ 30,000	includes Huilacollo, Curibaya, Sambalay, Salvador, Banos Del Indio, and Gibson MacQuoid
Plus cash & equivalents	\$ 9,740	
Less debt	\$ (2,202)	
Total current value	\$220,924	1.36 C\$/US\$ exchange rate as of 6/17/20

Common shares	104,682	as of 5/12/20
Options & Warrants	8,388	as of 5/12/20
Fully diluted shares	113,069	as of 5/12/20

Auryn (AUG) Share price	\$ 1.32	per share	as of 6/17/20
Auryn (AUG) Net Asset Value	\$ 1.95	per share	
Rounded (\$0.10) price target	\$ 2.00	per share	34.0% discount to price target

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

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Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of June 17, 2020

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	388	90.44%	139	35.82%
Neutral	38	8.86%	8	21.05%
Sell	0	0.00%	0	0.00%
Under Review	3	0.70%	3	100.00%

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