

April 16, 2020
Auryn Resources, Inc. (AUG)
Rating: Buy

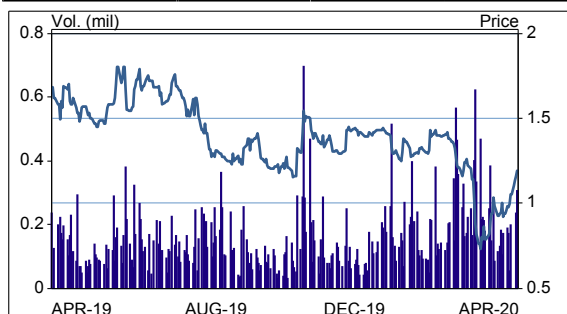
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Preliminary Economic Assessment for Homestake Ridge Project; Updated Mineral Resource Estimate; Reiterate Buy

Stock Data		04/15/2020	
Price		\$1.13	
Exchange		NYSE American	
Price Target		\$2.00	
52-Week High		\$1.84	
52-Week Low		\$0.71	
Enterprise Value (M)		\$107	
Market Cap (M)		\$118	
Shares Outstanding (M)		104.7	
3 Month Avg Volume		214,870	
Short Interest (M)		0.57	
Balance Sheet Metrics			
Cash (M)		\$11.4	
Total Debt (M)		\$0.0	
Total Cash/Share		\$0.11	
Cash (M): Pro forma for the C\$15.0M raised from non-brokered private placements.			
Total Debt (M): Pro forma for bridge loan amendment.			
EPS (C\$) Diluted			
Full Year - Dec	2019A	2020E	2021E
FY	C\$(0.15)	C\$(0.16)	C\$(0.16)



Independent preliminary economic assessment (PEA) for Homestake Ridge. On April 15, 2020, Auryn Resources released an independent PEA and updated resource estimate on the firm's Homestake Ridge project in northwestern British Columbia. The PEA lays out results at a variety of gold prices with the base case study utilizing a \$1,350 per ounce (oz) gold figure. Unsurprisingly the project is very sensitive to the price of gold utilized, and we illustrate the economic variability across multiple price scenarios in Exhibit 1 on page 2 of this note.

Strong life of mine (LOM) metrics yield operational longevity and profitability. When utilizing the aforementioned \$1,350/oz gold price, Homestake yields an after-tax NPV₅ of \$108M, an after-tax internal rate of return of 23.6%, and a 36-month payback period. Further, the project presents a robust 13-year LOM with total estimated LOM gold equivalent ounce (GEO) production of 590,040 oz, and peak annual production of 88,660 GEOs during year three of operations. From a cost perspective, pre-production CapEx represents a relatively modest \$88.0M when accounting for the fairly remote locality of Homestake and proposed underground mining technique. Additionally, all-in sustaining cost estimates for the site are only \$670/oz of gold, supporting healthy margins under the PEA gold price assumption of \$1,350/oz, which become substantially more pronounced when using current spot prices that exceed \$1,700/oz. Upon understanding the entirety of Homestake's value, we highlight the property's industry-leading exploration potential, and in turn, expansion opportunities, which remain highly characteristic of British Columbia's Golden Triangle.

Updated mineral resource highlights strong precious metal content. Auryn's mineral resource estimate for the Homestake Ridge project provides a total indicated resource of 0.7M tonnes with average gold and silver grades of 7.02 gpt and 74.8 gpt, respectively. The site therefore has a total metal content of 165,993 oz of gold and 1.8M oz of silver. Additionally, the resource estimate incorporates 2.87M pounds of copper and 1.25M pounds of lead in the indicated category. On an inferred basis, total tonnage reaches 5.5M tonnes of material with gold and silver grades of 4.58 gpt and 100.0 gpt, respectively. As total drilling at site represents roughly 90,000 meters, we emphasize the potential to continue adding meaningful nearby resources laterally and at depth, especially at the Homestake Main and Homestake Silver deposits. For additional color on the exploration potential we guide readers to Exhibit 2 on page 2 of this report.

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We maintain our Buy rating on Auryn Resources and our PT of \$2.00 per share. While our overall NAV was slightly reduced due to a less favorable C\$/US\$ exchange rate, this change was offset by a slightly higher multiple on Auryn's asset base given continued success in its exploration programs. Notably, we now include ounces from Homestake based on the updated PEA results in our valuation for the firm as our overall valuation for the company remains based on an in situ valuation of the firm's resources. We further assign an unchanged \$50.0M valuation to the Sombrero property and an additional \$30.0M for Auryn's non-core assets. We then add the firm's cash and marketable securities balance to arrive at our overall valuation of \$224.7M for a rounded value of \$2.00 per share. Going forward, we continue to see substantial upside towards resource expansion at Homestake and believe that management has established a strong foundation as the company continues to pursue a series of exploration targets at its various sites.

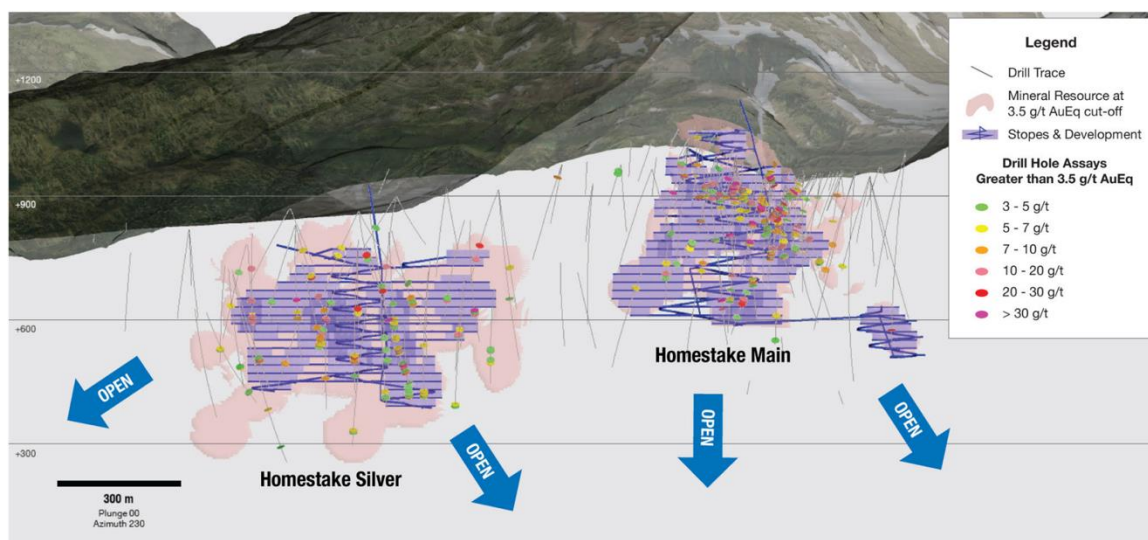
Risks. (1) Commodity price risk; (2) operating and technical risk; (3) and financial risk.

Exhibit 1: Sensitivity Analysis for Varying Precious Metal Prices Versus NPV₀ and NPV₅ Scenarios

	Gold Price (US\$/oz)	Silver Price (US\$/oz)	NPV at 0% (US\$M)	NPV at 5% (US\$M)	IRR	Payback (Mo)
40%	\$1,890	\$16.80	\$373	\$239	39.4%	31
30%	\$1,755	\$15.60	\$326	\$206	35.8%	32
20%	\$1,620	\$14.40	\$278	\$173	32.0%	33
10%	\$1,485	\$13.20	\$231	\$141	28.0%	34
Base Case	\$1,350	\$12.00	\$184	\$108	23.6%	36
-10%	\$1,215	\$10.80	\$137	\$75	18.8%	40
-20%	\$1,080	\$9.60	\$90	\$42	13.2%	46
-30%	\$945	\$8.40	\$39	\$6	6.4%	75

Source: Auryn Resources' April 15, 2020 press release.

Exhibit 2: Near-Deposit Expansion Potential Given Limited Drilling To-Date at Homestake



Source: Auryn Resources' April 14, 2020 company presentation on Homestake Ridge.

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

Value of resources at Committee Bay and Homestake	\$ 133,386	<i>valued at ~\$50 per oz (peer average * 1.1x multiple)</i>
Plus Sombbrero copper-gold project in Southern Peru	\$ 50,000	<i>increased from \$30 million as of 5/15/2019 given incremental trenching and core sampling results</i>
Plus other exploration assets	\$ 30,000	<i>includes Huilacollo, Curibaya, Sambalay, Salvador, Banos Del Indio, and Gibson MacQuoid</i>
Plus cash & equivalents	\$ 11,352	<i>Pro forma for the C\$15.0M raised from non-brokered private placements.</i>
Less debt	\$ -	<i>Assumes bridge loan will ultimately be converted into equity as per February 6, 2020 amendment</i>
Total current value	\$224,737	1.41 C\$/US\$ exchange rate as of 4/15/20

Common shares 104,682 *as of 3/19/20*Options & Warrants 8,688 *as of 3/19/20***Fully diluted shares** **113,369** *as of 3/19/20***Auryn (AUG) Share price** \$ **1.13** per share *as of 4/15/20*

Auryn (AUG) Net Asset Value \$ 1.98 per share

Rounded (\$0.10) price target \$ **2.00** per share **43.5% 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 April 15, 2020					
Ratings	Count	Percent	IB Service/Past 12 Months		
			Count	Percent	
Buy	379	90.89%	126	33.25%	
Neutral	35	8.39%	6	17.14%	
Sell	0	0.00%	0	0.00%	
Under Review	3	0.72%	3	100.00%	

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