

Chairman Letter to Shareholders

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ST. JOHN'S, Jan. 8, 2021 - As we embark on 2021, we are excited about the prospects for Aurion and our shareholders.

The gold-producing industry appears to be finally emerging from a prolonged period of fiscal discipline, balance sheet repair and asset divestiture. The sector is now rapidly consolidating and moving towards a growth-seeking phase.

With a growing high-grade surface discovery and a dominant land position in an emerging gold camp – we believe that Aurion is ideally positioned.

We look forward to the resumption of normal exploration programs and the chance for major advances on several still-early-stage discoveries:

Aamurusko:

We will be back on our flagship high-grade surface discovery at Aamurusko, after being forced to suspend exploration due to the pandemic. High-grade drilling discoveries on the western and eastern extents of the Aamurusko boulder field suggest that the 600m central Gap zone is an obvious and exciting opportunity.

Launi:

Most of our 2020 exploration was directed at finding the sources of the extensive surface mineralization at Launi. The Hinge Zone and the many discrete gold bearing veins intercepted in drilling suggest that we may be onto a significant gold-bearing system.

B2Gold Joint Venture:

Step-out drilling at Kutuvuoma resulted in a meaningful expansion of the deposit footprint. In 2021 we expect our partner will test for the possible extensions of Rupert's Ikkari discovery – made adjacent to the property boundary.

Risti:

This larger property envelope, with Aamurusko at its center, has many advanced targets and will be subject to scout programs throughout 2021.

Year in review - 2020

An Unexpected Pivot

Aurion's 2020 exploration season was focused primarily on making new discoveries. This was not entirely by design. On March 16th Prime Minister Trudeau urged Canadian's travelling abroad to return home in anticipation of border closure as a result of the COVID-19 global pandemic. In the following weeks, our field crew and the operators of our diamond drill program returned to Canada. In consultation with our crews and in consideration of the unknown health risks associated with travel, we opted not to ask Canadian staff to travel abroad for the balance of the year.

Our excellent Finnish exploration team continued to work under strict health protocols and, as a result, we were able to run a limited program for the remainder of the season.

The most serious consequence of limited staff and equipment was the suspension of helicopter-supported drilling on our flagship high-grade discovery at Aamurusko.

With our primary discovery out of action for the year we opted to run a scout-drill program on our Launi property. This program was aimed at finding the sources of the extensive surface footprint of gold mineralization. We gradually expanded this to include regional exploration on Risti and Kaasselkä.

The scout program ultimately provided the initial evidence of discovery at the Launi Hinge Zone which was later confirmed with a higher capacity rig.

A Pleasant Surprise

While progress on our own properties was incremental, we were pleasantly surprised by a major discovery, in close proximity to our joint venture with B2 Gold. Rupert's Ikkari discovery has multi-million ounce potential. Since the announcement of step-out drill results, Rupert's market capitalization has regularly hovered near a billion dollars.

In every exploration season since the discovery of Aamurusko, we have devoted significant capital and human resources to further generative exploration in continuing pursuit of new discoveries. Rupert's discovery, on our mutual border, is a dramatic illustration of the importance of these programs.

The Value of New Discoveries in New Places

Aurion's first major stock price appreciation occurred because of evidence provided by rock-chip sampling, not drilling. Investments from Kinross and Goldcorp followed – still prior to drilling. Why was this? Quite simply, there is nothing more valuable in exploration than finding new things in new places. The Hemlo gold discovery, the Voisey's Bay Nickel discovery, Uranium at Elliot Lake, the freakishly large and rich VMS deposit at Kidd Creek. These great discoveries came, seemingly, out of nowhere and caused staking rushes that saw multiple public stocks skyrocket in price.

New and unexpected as they were, none of these discoveries occurred overnight. The first documented evidence of gold at Hemlo was recorded in 1869. The discovery hole drilled by International Corona, number 76, was spotted in 1981. The site of the great Elliot Lake uranium discovery was first visited by Franc Joubin in 1949. Early sampling of radioactive showings contained minimal uranium. Four years later, while traveling in London, Joubin and Charles Davidson discussed surface leaching of uranium in the Witwatersrand. This provided the critical insight that sent him back to the trenches that would become the western extent of one of the richest uranium discoveries in history. Kidd Creek's intense geophysical signature was first detected by Texas Gulf Sulfur in 1959. Over the next four years, it was regularly used to calibrate the instrumentation on the survey helicopter. It was the 66th and last anomaly that TGS was willing to drill. Dragon 66, as the hole was codenamed, discovered the largest base metal deposit of this type ever found in Canada.

Aamurusko is a significant discovery and contains some areas that grade kilograms of gold, but unless we keep exploring, we will never know if it is our best. The Ikkari discovery, so close to our property border, hardens our resolve to continue searching.

Cycles Matter

When Aurion began acquiring its Finnish projects in 2014, resource stocks were headed into the last and most difficult year of an epic bear market. The climactic capitulation-selling happened in late 2014 and was followed by a year of complete investor indifference. On January 20th, 2016 the TSXV touched a four-decade low. There was no parade. The consensus forecast was misery for the foreseeable future. By the end of April that year, many quality resource stocks had increased in price by 100% or more. It seemed likely that resource markets had entered a new cycle.

The 2016 recovery caught many off guard. Veteran investors were cautious. Bankers and portfolio managers were slow to return. The first phase of the bull market dissipated in June of 2017 as the thin funds-flow from returning investors was exhausted.

In 2019, gold began a major move from US\$1,100 to over US\$2,000 and the industry's true recapitalization

had finally begun.

Positive investment funds-flow is the primary force behind increasing stock prices. Growing free-cash-flow from producers is the single most powerful funds-flow that the industry can experience. Even though there is more pressure than ever on producers to pay dividends, a substantial portion of that cash will invariably be directed to growth. Perhaps more importantly, resource markets are extremely pro-cyclical. A steady positive funds-flow can have a very outsized impact. Generalist investors, attracted to growing free-cash-flows, "crowd-out" early investors from the producing companies. These same early investors move upstream to the developers and explorers.

Aurion's Aamurusko discovery in 2017 resulted in the company ending the year with a \$140 million market capitalization. We were, at the time, an extreme outlier. Today new discoveries are regularly rewarded with valuations of \$500 million to \$1 billion.

With a market capitalization of less than \$100 million today, we believe that Aurion's share price has substantial room to appreciate.

Merger Activity

Transaction volume in the space increased markedly in 2020.

With the rise of ETFs and factor-based investment, companies in the sector are now focused on attaining the attributes that result in passive and "smart" index inclusion. There is a growing multitude of ETFs, "smart-beta" and factor-based funds. Many of these funds screen for portfolio companies using common factors: size, liquidity, reserve growth, earnings growth etc. The net result is that companies are rewarded for getting bigger faster. Consolidation for size and scale started at the very top of the sector with the merger of Barrick and Randgold and later that of Newmont and Goldcorp. Roll-up strategies are blossoming everywhere - Endeavour Resources in West Africa, Equinox Gold in the Americas, Kirkland Lake Gold in Canada and Australia, etc. Lowball bids on distressed companies now stimulate vicious competition and result in acquisition prices that are a multiple of the initial offer (Guyana Goldfields, Cardinal Resources). The early focus has been on operating or near-production assets but activity is already trending towards earlier stage projects.

Transaction size is also growing, but the multi-billion dollar growth driven acquisitions that often signal maturing cycles are nowhere in sight (Barrick/Equinox, Kinross/Redback, Newcrest/Lihir).

We believe that the industry is early in this M&A cycle.

The Secret Recipe

The recipe for success in exploration has many ingredients and many different formulations. The one that we favour is as follows:

- Acquire good properties in bad markets and raise capital in good markets.
- Acquire properties big enough to make big discoveries.
- Acquire properties that are big enough so that the acquiror can make additional big discoveries.
- Keep your eye on the cycle; discoveries fetch the best price when producers need to replace reserves and/or when investors demand growth rather than divesture and balance sheet repair.
- Use capital conservatively when producers are divesting assets and repairing balance sheets; use capital aggressively when producers are replacing reserves and buying growth.

We believe that by sticking to this discipline, we will get the highest possible share price for our investors. Increases in market capitalization are of little value when they are matched by increases in shares issued.

Finally, we would like to thank you for your continued faith in the Aurion team. We look forward to delivering on the immense promise that we see in our projects and prospects during 2021.

About Aurion Resources Ltd.

[Aurion Resources Ltd.](#) (Aurion) is a Canadian exploration company listed on the TSX Venture Exchange (TSX-V: AU) and the OTCQX Best Market (OTCQX: AIRRF). Aurion's strategy is to generate or acquire early-stage precious metals exploration opportunities and advance them through direct exploration by our experienced team or by business partnerships and joint venture arrangements. Aurion's current focus is exploring on its Flagship Risti and Launi projects, as well as advancing joint venture arrangements with Kinross Gold Corp., B2 Gold Corp., and [Strategic Resources Inc.](#) in Finland.

On behalf of [Aurion Resources Ltd.](#),
David Lotan, Chairman

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