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**Aurora Minerals Limited** 07 Jul 10

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ARM



### **Crucified without a good reason**

The company is trying to put the most recent drill results into context, where previous releases have been poorly understood. Nothing much seems to have changed. Past releases included drill logs and the results of metallurgical testwork that investors assumed were representative of the whole deposit.

Aurora's management is pleased with how its effort is progressing. Results can always be better but the company has shown that the manganese at Capricorn Southeast is not just a surface effect.

Drilling has demonstrated continuity of mineralisation with depth, and high grades were obtained from some holes. The company has reported that in its maiden drilling program 51 holes had assays grading over 15% manganese.

In the context of a weak broader market, some investors have been selling the stock down due in part to its excellent liquidity relative to the junior resource sector as a whole.

We still like the Aurora story but it may take sometime before the company knows what it has. The plan is to hopefully define a resource as soon as possible. This certainly would be the best way to get value back in to the stock. It should also be remembered that drilling has not just started only with the best areas first but is planned sequentially along the 56 kilometres of strike from east to west. There is still another 40 kilometres not yet investigated.

This is a terrible market for junior miners that are not reporting good gold and or copper results. This is a market to be extremely cautious in and we are erring to conservatism and we are revising our recommendation on the company from BUY to HOLD. Aurora's market capitalisation is within a whisker of where it was when we initiated coverage in FAT-MIN-194; but its share price is now well below our entry price of A\$0.44.

Meanwhile Aurora has raised more than A\$15 million and has taken major steps forward at its Capricorn Southeast Manganese Project.

### **SHARE PRICE CHARTS AND COMMENTS:**

Turning to the charts, Aurora Minerals is currently range bound in between support at the 23.6% Fibonacci retracement level of 33.6 cents and resistance at the 38.2% Fibonacci level of 51.2 cents. The bearish moving average cross formed during late June, suggests that momentum in the short term is favoured to the downside. Thus, this period of consolidation should continue in the short term.



From the weekly chart, firm support is located in between the 33 and 38 cents region. The 33.6 cent level being the 23.6% Fibonacci retracement and 38 cents being the 200 week moving average (red line). Aurora Minerals is currently consolidating above this region, which is a positive sign of base building. This also indicates the potential end of the downward move.



**STATE OF PLAY** On 2 June 2010, Aurora released a project update for its manganese project. The first drill program confirmed three mineralised bedrock zones and intersected manganese-iron laterites.

Composite samples were taken from drill chips to begin testwork on beneficiation. These samples were not taken using a selected lower cut-off grade but rather as a first pass assessment of the mineralisation as visually interpreted in a few drill holes. These samples were collected for purposes of preliminary beneficiation work to see what overall uplift in grade might be obtained.

The results of the beneficiation testwork were very encouraging and upgrades of between 42% and 230% were obtained. Testwork will be ongoing testing a range of ore types, cut-off grades and beneficiation techniques. In addition whole of core samples crushed to the size of possible run-of-mine product that would be produced by crushing and screening at a commercial operation will be required as the project approaches feasibility. In this regard the product will be much coarser than the finer chips produced by RC drilling.

The main point of the beneficiation testwork was to show that material from Capricorn Southeast was amenable to being upgraded. In this respect the work was highly successful and showed that beneficiation was indeed capable of producing good results. We think this should have been a positive catalyst for the company's share price.

Let's now turn to the most recent results from the first phase of drilling. Investors were no doubt disappointed that there were not a lot of holes with high-grade manganese rather than only four reported. The widths of mineralised intersections were generally narrow at 1-3 metres. There were only three six-metre intersections. The highest grade intersections ranged from 26.1% manganese to 42.3% manganese.

The mineralisation is hosted in pods and lenses typical of many manganese deposits. The next phase of drilling will target along strike of the better results already obtained and test other prospects within the Ridge and Laterite Targets.

The drilling program was reconnaissance in nature and designed to test a range of targets. To help better define the targets for the next round of drilling a large heliborne EM/Magnetics program is going to be completed along a strike length of 50 kilometres of the ridge including the flanking alluvial and colluvial deposits. This work will hopefully better define the ridge targets and indicate cross cutting features that might host accumulations of high grade secondary manganese.

Two prospects that will likely be the subject of further drilling are Mango 9 and Mango 26. At Mango 9 drill hole CSRC0087 intersected 4 metres at 25.2% manganese from 43 metres.

A drill hole at Mango 9, CSR0100, intersected 1 metre grading 16.5% manganese from 64 metres. This hole confirmed mineralisation to depth.

The mineralisation is highly variable along strike and down dip. This will not make it easy to calculate a resource with a high degree of certainty. Capricorn Southeast is not like a massive volume of consistent low grade copper-gold ore. Getting to a stage of resource estimation will require a lot of work.

In summary the next round of drilling at the ridge prospects will involve drilling around the best results obtained so far as well as testing targets identified from airborne geophysics.

The laterite targets are located to the north of the ridges and exceed six metres thick in places. One hole intersected 6 metres grading 20% manganese from 9 metres. The laterite target is very large and the grade is highly variable so at this point in time there is no telling if there are coherent zones of potentially economic material. A lot of extra work will be needed to test the potential of the laterite and the detrital targets.

Beneficiation testwork is continuing and these results will be reported in due course.

At this juncture it is worth noting some of the features of OM Holdings Bootu Creek deposit in the Northern Territory. Bootu Creek has mineral resources of 32.9 million tonnes grading 23.1% manganese. The Bootu Creek material upgrades to a saleable product of around 38% manganese. The ore bodies occur in lenses and pods of 2-6 metres thick.

OM Holdings uses ground-based electromagnetic geophysics to follow up anomalies identified from airborne surveys. This method of exploration has been found to work well over parts of the Bootu Creek deposit. We would expect Aurora to follow suite before drilling any targets outlined by the airborne survey which is scheduled to commence this month.

Exploration and evaluation of Capricorn South East was never going to be a fast exercise and investors will have to be patient as Aurora completes the next phase of exploration. Aurora's

management have good reason to have a positive view on the results so far obtained. Unfortunately there are only another four or five months left in the current field season. But that is long enough for good results from the follow up drilling. The electro magnetic survey will identify hot spots in addition to those already identified from surface sampling and drilling.

The company is hopeful that it will know if it probably has an economic deposit by the end of the year. If this is the case the company will be able to announce an initial resource before the year ends.

**Aurora is a high risk exploration play. It has a project with merit and it has the potential to make a significant commercial discovery of manganese.**

**At this point in time the company will remain firmly held in the Portfolio.**

## Snapshot ARM

### Aurora Minerals Limited

It is not very often that a junior explorer has a project of considerable merit. Aurora has joined the club with its Capricorn Southeast Project in WA. This is a high-grade manganese play that should not have been missed by previous explorers. This property has never been drilled but to-date the results from surface sampling have been excellent. The company is exploring 95km strike where high-grade manganese occurs in three parallel zones. There are multiple prospects within the project area and so far only 50km has been mapped and sampled. One sample from the Far East Area graded 55.1% Mn, and 46 of 262 samples assayed over 40% Mn. Drilling will start at the end of the wet season, probably March 2010.

<b>Market Capitalisation</b>	<b>A\$40.6m</b>
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