

ARM

AUD \$0.440

Spec.

**HIGH****B**

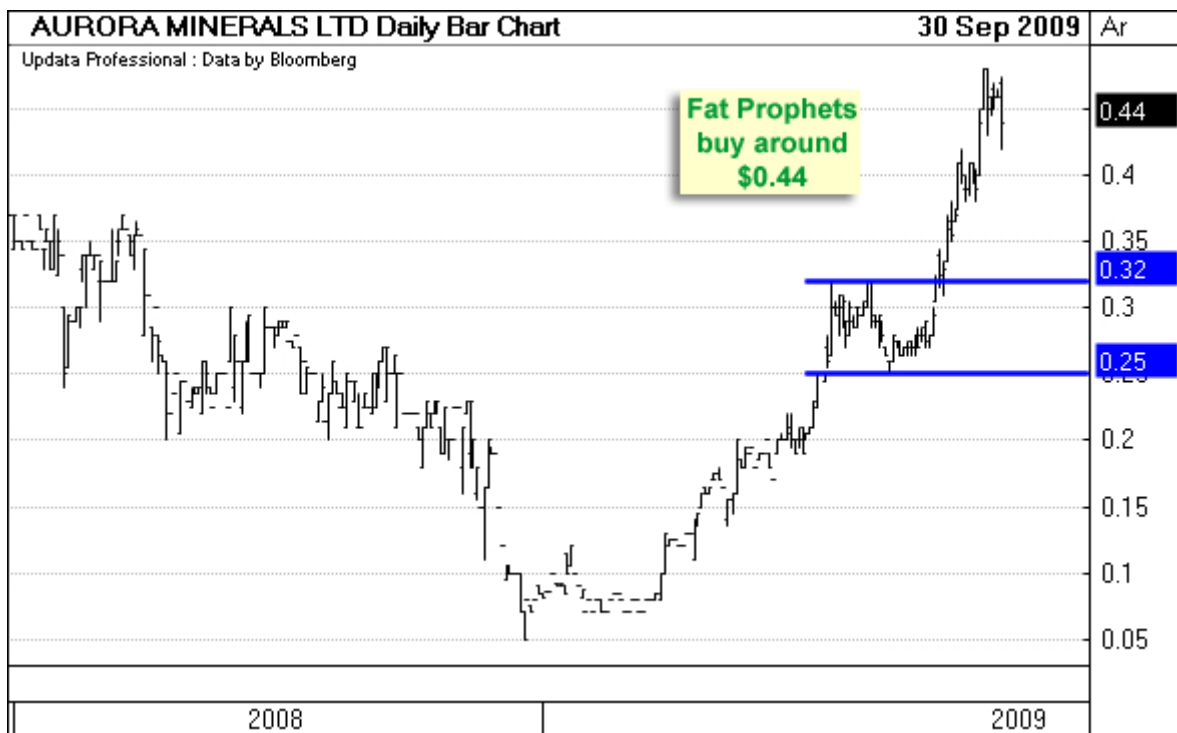
### Capricorn Southeast, a manganese project with merit.

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 (Mn) 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. If drilling supports an economic discovery the current market capitalisation of \$A37M will look cheap. The share price is starting to reflect positive sentiment for the Capricorn Southeast Project.

This is our first coverage of Aurora Minerals Ltd (ASX: ARM).

From a charting perspective, there has been an encouraging improvement to the outlook for Aurora Minerals during 2009. Following close to two years of falling prices, strong gains over the past nine months has returned broader momentum back to the upside.

From a low of \$0.25 in August, prices have close to doubled in price over the past six weeks, reaching a high of \$0.48. Given the speed of these gains, we believe a period of consolidation is likely in the near-term, allowing balance to return to prices. Initial support is located at \$0.38, underpinned by additional support at \$0.32.



From a broader perspective, we believe the past nine months are the beginnings of a sustained upward trend. As such, we believe Aurora Minerals offers additional upside potential over the longer-term.

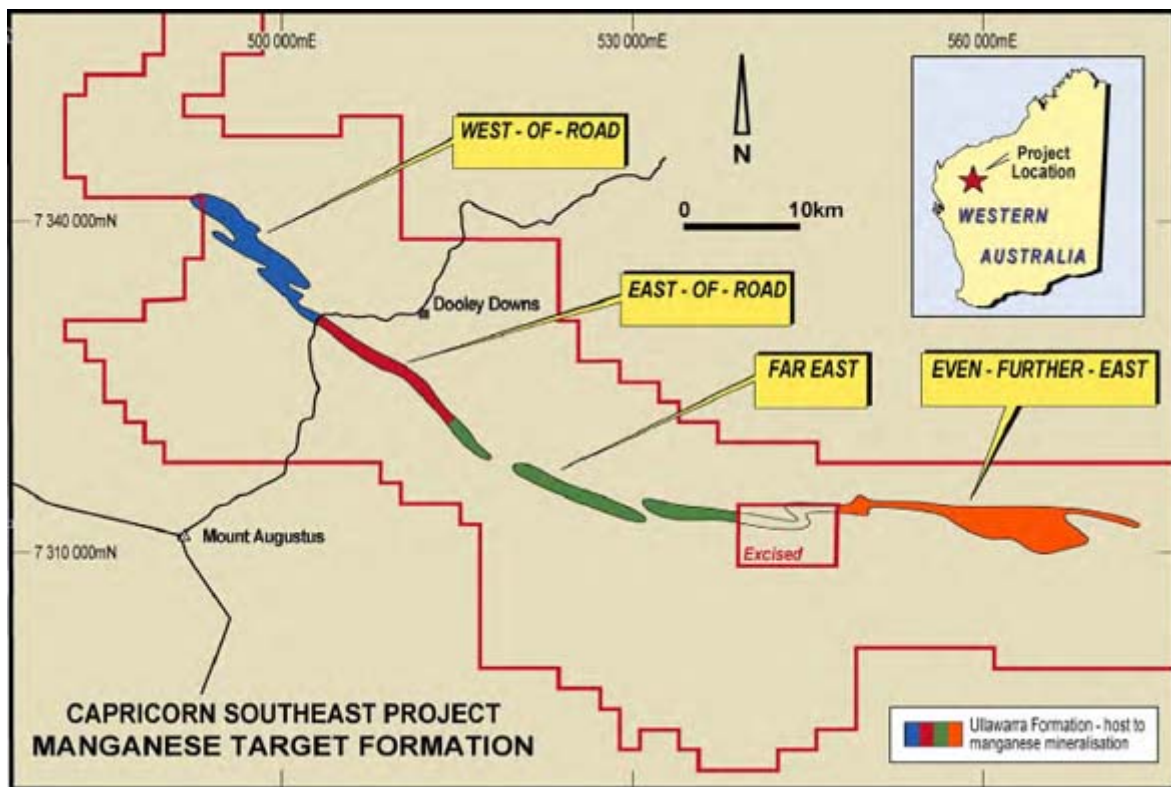


Aurora is led by Dr Rob Taylor, Executive Director. Dr Taylor has over 35 years experience as an exploration geologist. In the past he has served with Selection Trust, Kennecott, Rio Tinto and Goldfields Limited. Dr Taylor has had previous exploration successes that include copper and zinc in South Africa, gold and copper-gold in the USA and Central America, diamonds in Zimbabwe, and gold discoveries in Western Australia and

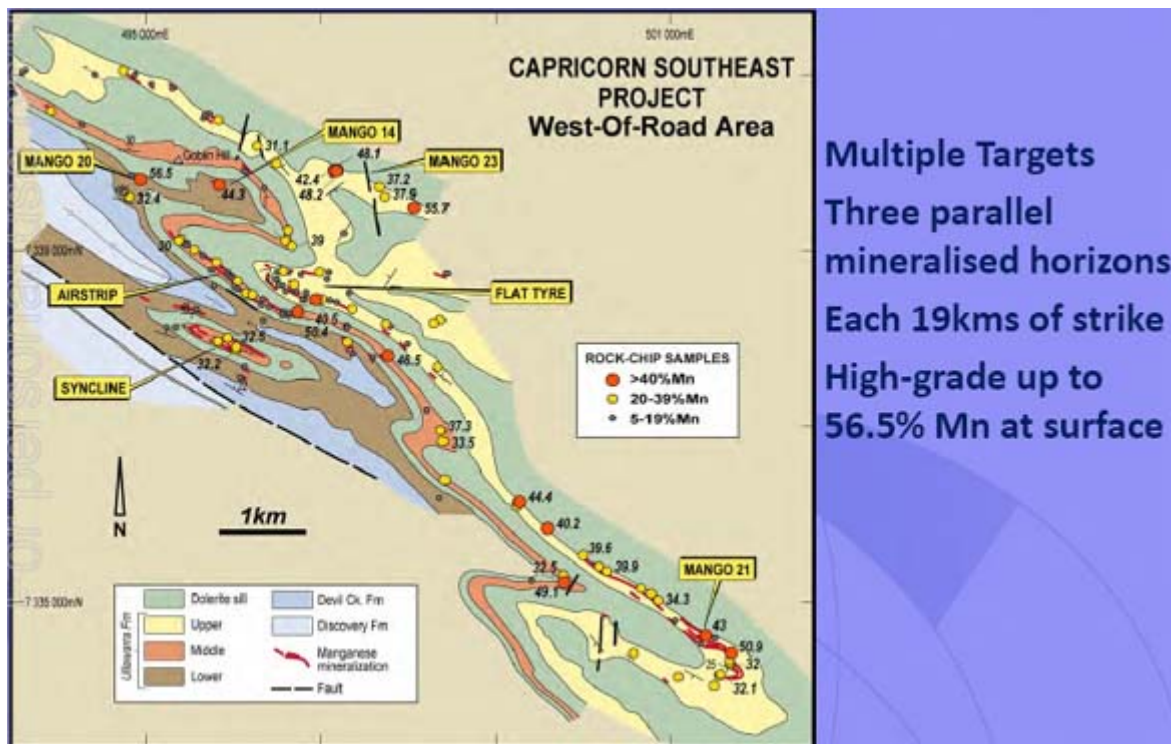
Tasmania. His recent success is the Capricorn Southeast manganese project that has the potential to transform the company from junior explorer to major producer of Mn.

Manganese is a high value mineral used for hardening steel. There is no substitute for Mn in the hardening of steel. Demand for Mn has grown apace with rising steel production in China and in other emerging economies. Steel accounts for 90% of Mn production which is around 38Mtpa. The major supplier is South Africa accounting for 70-75% of production. China accounts for 45-50% of demand.

Looking more closely at the Mn project there are multiple pods and lenses of massive manganese oxides. At the Mango 9 prospect, surface sampling over 16m averaged 40.4% Mn and at the Mango 4 prospect, a 10m sample averaged 33.5% Mn. A map of the project area is shown in the next figure.



A more detailed map of the West-Of-Road Area is shown in the next picture. Where there are no sample markers only means that no sample was taken in that location and not that there was no mineralisation in outcrop.



**Multiple Targets**  
**Three parallel mineralised horizons**  
**Each 19kms of strike**  
**High-grade up to 56.5% Mn at surface**

Recent results from surface sampling at the Far East Area have been very encouraging, and if the project proceeds to development, mining will likely start at the Far East Area. We have already cited results from this area but the interesting feature of this prospect is a fourth mineralised horizon carrying grades up to 47% Mn. High-grade Mn assaying over 40% Mn can be traced for a strike length of 19km running southeast from the Mango 9 high-grade prospect. The remaining 42km of strike that still needs to be prospected is in the Even-Further-East-Area.

We have focused on Capricorn but Aurora also has other significant interests. The company owns 52% of ASX listed Desert Energy which is exploring for uranium in the Meekatharra/Mt Magnet region of WA. Dawn Metals, a 100% owned subsidiary of Desert Energy is exploring for uranium north of Laverton, also in WA. Other prospects include Wellstead (iron) near Albany, Camel Hills, Glenburgh, Berringarra and Capricorn. The last four prospects are also in WA and have collective potential for nickel, copper, gold, uranium, lead, zinc, iron and platinum.

The capital structure is fairly tight with only 80.7M shares on issue. At the end of the June quarter the company held a cash balance of \$A7.2. Since the end of 2Q09 the company has issued 10.53M shares at 25 cents. The recent share issue will be used for working capital and advance exploration at Capricorn Southeast. The stock is fairly tightly held with the Top 20 Shareholders owning more than 63% of the issued capital. The company is well funded for the short- to medium term.

What might the company be worth if Capricorn proves economic? There are two mainland Mn producers in Australia, OM Holdings and Woodie Woodie. OM Holdings owns the Bootu Creek deposit in the NT, and is variously involved in the Mn industry. The market capitalisation of OM Holdings is more than \$A600M. The Bootu Creek deposit has ore reserves of around 22.4Mt at 22.1% Mn that is up-graded for sale. The Woodie Woodie deposits are in WA; the mine produces 900,000tpa at up to 48% Mn. The deposits at Woodie Woodie occur as 50 irregular pods and lenses over 20km. Woodie Woodie was the key asset in ConsMin when it was

privatised in 2008 for \$A1.15bn. The style of mineralisation at Capricorn seems similar to Bootu Creek. Does Capricorn have potential for a similar size deposit of say 20Mt? The simple answer is yes when considering known mineralisation and the yet to be mapped and sampled extensions of known mineralisation. The initial target is 10Mt of ore grading 15-40% Mn with low impurities. The second quarter of 2010 will be all important for Aurora because this is when the market should get a real sense from drilling results for the potential development of the Capricorn project.

Aurora is a speculative play. However, the risk to reward ratio for investors is excellent.

**Accordingly we recommend Aurora Minerals as a Buy for all Members at around \$0.44. Aurora will be firmly held within the Fat Prophets Australian Mining and Resources Portfolio.**

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## Snapshot ARM

### Aurora Minerals Limited

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**Market Capitalisation: \$37.1M**

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