

AUGUR RESOURCES LIMITED

Golden Opportunities in Indonesia

Augur Resources Limited ("Augur", "AUK", "Company") is primarily focused on exploring and developing its advanced gold and copper projects, Wonogiri and Jampang in Indonesia; neither project is located within protected forestry reserves.

The 'flagship' project is Wonogiri, and is prospective for both epithermal and porphyry gold and copper mineralisation. The project contains the shallow Randu Kuning porphyry, a mineralised system that is proving up into a significant deposit.

Augur's Indonesian projects are in the early stages of discovery, resource delineation and extension providing strong news flow. We have a preliminary price target of 34cps which is based on Augur defining a large resource at Wonogiri over the next 9-12 months which we have discounted due to the speculative nature of the valuation. We expect Augur will be re-rated off the back of good drill results and we recommend the Company as a Speculative Buy.

Shallow gold-rich Randu Kuning porphyry

Augur now has 51% ownership of the project, having spent US\$1.5m in first stage 'earn-in', with the second stage 80% ownership underway through exploration spend of a further US\$2m prior to December 2012. The Company currently has four drill rigs active at Wonogiri with a new deep capacity (1,200m) drill rig testing deep targets at the porphyry. AUK has also identified nearby epithermal targets which will be tested by drilling.

Significant drill intercepts to date from the Randu Kuning porphyry include **222m @ 0.95g/t Au** and 0.20% Cu from 40m; **123.5m @ 1.42g/t Au** and 0.22% Cu from 44.5m; and **182m @ 0.75g/t Au** and 0.17% Cu from 68m, highlighting bulk tonnage open pit potential. The deposit remains open to the north, west and at depth, where it seems to be widening. The porphyry continues to be more gold-rich than copper-rich. Initial metallurgy for sulphide samples have been extremely encouraging with average copper recoveries of ~94% and average gold recoveries of ~83%, using floatation.

Indonesia a good address for large Cu-Au systems

Indonesia contains some of the world's most substantial gold-copper deposits, notably the porphyry-systems of Grasberg (120Moz Au, 96.6Bib Cu), Batu Hijau (12Moz Au, 12.6Bib Cu) and Tujuh Bukit (28Moz, 15Bib Cu) and remains highly prospective and in parts under explored.

Gold-copper porphyry deposits continue to be highly prized given the high tonnage potential and possibility for large gold and copper production. Also, the mines generally offer low operating costs (well below US\$500/oz for gold and under 90c/lb for copper) and offer long mine lives (>20 years). Conversely, the capital costs to develop porphyries into mines are extensive, commonly over US\$2b.

Share Price: \$0.135
Price Target: \$0.34

Brief Business Description:

Junior gold and copper explorer

Hartleys Brief Investment Conclusion

Quality shallow porphyry and epithermal targets for copper-gold in Indonesia.

Chairman & MD

Norm Seckold (Chairman)

Grant Kensington (MD)

Top Shareholders

Permgold Pty Ltd	29.1%
Rosignol Pty Ltd	6.8%

Company Address

66 Hunter Street
Sydney NSW 2000

Issued Capital	177.2m
- diluted (ITM options)	178.2m
Market Cap	\$23.0m
- diluted (ITM options)	\$23.2m
Cash (31 Dec '11)	\$1.8m
Debt (31 Dec '11)	\$0.0m
EV	\$22.2m



Author:

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Resources Analyst

Wonogiri ‘flagship’ project

The Wonogiri project is located ~30km to the south of the Indonesian city of Solo in central Java. The project lies within the Sunda-Banda arc and covers an area of ~39km². The project area is considered prospective for shallow gold and copper porphyry systems and high-grade epithermal gold mineralisation.

Augur can earn up to 80% in the project through expenditure of US\$3.5m over 2 years (December 2012). The project is subject to a claw-back arrangement with partner PT Oxindo, (MMG Group subsidiary) who has an option to buy-back up to a 65% interest should a significant copper resource (>100mt at a cut-off of 0.5% Cu) be identified within 4 years for 2.5 times AUK’s project expenditure. Augur retains 80% interest in any discrete gold resource or gold prospect in the event the buyback being exercised.

The project is considered to be at the advanced exploration stage as it contains the shallow Randu Kuning porphyry, a mineralised system that is proving up into a potentially large deposit, along with surrounding epithermal targets. Augur has accelerated drilling plans at the Randu Kuning prospect with the intention of estimating an initial JORC compliant resource covering the shallower portion of the porphyry deposit by early 2012. The deposit remains open and seems to be widening at depth. The porphyry system is more gold-rich than copper-rich.

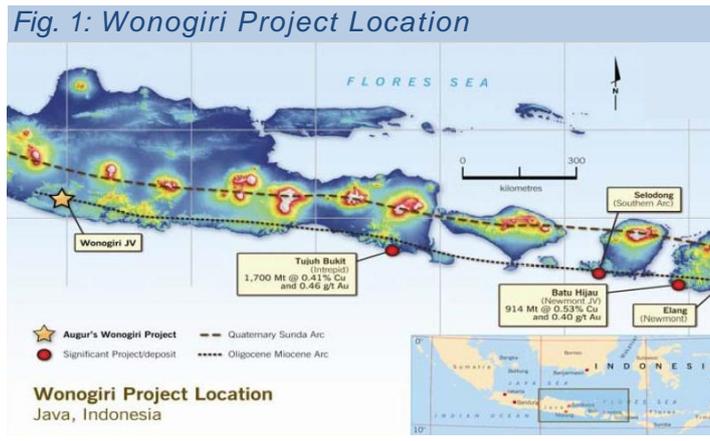
Though it could be argued that the Oxindo claw-back could limit the potential upside for AUK, to date the mineralisation has been around the 0.2% copper grade, well the below the 0.5% Cu cut-off grade needed for the claw-back. We estimate that AUK would be worth ~99cps if the clawback was exercised, assuming \$20m of exploration spend and a copper deposit of size is realised prior to claw-back.

Jampang call option being negotiated

The Jampang project covers an area of ~4km² in south-western Java, some 150km south of Jakarta, Indonesia. Previous owners explored the project area in the 1990’s and identified significant shallow epithermal gold mineralisation associated with multiple quartz veins. Much of the mineralisation was reported to be open at depth and along strike.

Since early 2010, AUK has been undertaking drilling and metallurgical testing to determine the viability of the project. AUK recently released a maiden inferred resource estimate for Jampang of 5.5mt @ 0.91g/t Au, 2.8g/t Ag and 0.14% Cu (cut-off 0.4 g/t gold) for ~161Koz Au, ~494Koz Ag and 7.8kt Cu.

AUK acquired a two year call option (which expires in early 2012) to earn a 90% interest in the project for US\$9m. The Company is currently in discussions with the project vendors, in regards to revisiting the terms of the call option. Unless the terms of the option agreement are revised and extended, AUK will likely let the call option lapse to concentrate full efforts on the Wonogiri project.



Source: Augur Resources Limited



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Hartleys has completed a capital raising in the past 12 months for Augur Resources Limited ("Augur") for which it has earned fees. Hartleys has a beneficial interest in 1,000,000 Augur options.

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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