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Research Update:

Aura Minerals Inc. Outlook Revised To Positive On Larger Scale And Strong Metrics; 'B+' Ratings Affirmed

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Rating Action Overview

- Aura Minerals Inc. (Aura) concluded an IPO on U.S. stock exchange the Nasdaq on July 17, 2025, raising almost $200 million from the listing, which will help it sustain low leverage metrics despite the ongoing growth strategy.
- Aura also announced the acquisition of Serra Grande, a mine of 80,000 ounces (oz) of production capacity per year, which will accelerate volume growth.
- On July 21, 2025, S&P Global Ratings revised the global scale and national scale rating outlooks on Aura to positive from stable. We also affirmed the global scale long-term issuer credit rating at 'B+' and the Brazilian national scale rating at 'brAA'.
- In addition, we affirmed the 'brAA' issue-level ratings on the debenture issued by Aura Almas, with the recovery ratings of '3' (65%) unchanged.
- The positive outlook indicates the possibility of an upgrade in the next 12 months if the company succeeds in growing its scale, namely with the ramp up of Borborema, integrating Serra Grande, and starting another project in that timeframe, while it keeps gross debt to EBITDA below 2.0x.

Rating Action Rationale

The U.S. listing should allow accelerated growth for Aura without any increase in leverage. Aura raised $196 million from the IPO by issuing 8.1 million shares, or about 10% of the company's capital. The proceeds will be used to pay for the $76 million acquisition of Serra Grande mine in Brazil and the development of new projects, such as Matupá in Brazil and Era Dorada in Guatemala. With the ramp up of the low cash cost Borborema mine in third-quarter 2025, and the annualized output of Serra Grande (transaction still to be approved by antitrust authorities), Aura's production should surpass 400,000 oz in 2026 and get close to 500,000 oz in 2027 with the startup of a new project.

Aura has built a track record of constructing small to medium projects and successfully turning around older assets. Since the change in ownership in 2016, Aura has turned around older and costlier assets. This includes the Aranzazu and San Andres mines, which had life of mines (LOM) of about five years and were extended continuously with higher exploration expenses, maintaining stable production volumes in the past five years. Additionally, the company started commercial operations at Almas in 2023 and should ramp up Borborema in the next few months. This track record will be necessary for the company in its attempt to decrease cash costs and increase production at the newly acquired Serra Grande mine, and to develop new projects such as Matupá or Era Dorada.

Record high gold prices are propelling free operating cash flow (FOCF) amid the company's significant expansion capital expenditure (capex) program. The geopolitical uncertainties that drove gold demand up are resulting in record prices that reached $3,450 per oz in June 2025 and an average of $3,100 per oz in the year to date, versus $2,200 in the same period of 2024. This, along with growing volumes, means we expect FOCF of about $90 million in 2025, and about $130 million annually in the next few years, even amid a heavy expansion capex plan of at least $170 million per year. Also, we expect gross debt to EBITDA will be close to 1.0x, even considering extraordinary dividend payments and discretionary share repurchases.

Our rating reflects our view of Aura's limited scale. Aura is a smaller gold producer, with production for 2025 estimated at slightly below 300,000 oz. It has diversified production between six mines, considering Borborema's startup and Serra Grande's integration, but it still lacks scale compared to higher-rated peers. Nevertheless, the comprehensive pipeline of new projects and cushion in its metrics partially mitigate this smaller scale.

Outlook

The positive outlook reflects our view that the company should accelerate volume growth following the U.S. listing and the acquisition of the Serra Grande mine in Brazil. Aura should approach 400,000 oz of production in 2026 and get close to 500,000 oz in 2027. Additionally, the company's cash generation is boosted by favorable gold prices, which should maintain gross debt to EBITDA below 1.5x in the next few years, allowing the company to internally fund its significant capex plan, and acquisitions.

Upside scenario

We could upgrade Aura in the next 12 months if the acquisition of Serra Grande succeeds, the ramp up of Borborema occurs in the next few months, and the company proceeds with new expansion projects. In that scenario, its volumes would surpass 400,000 oz in 2026, and approach 500,000 oz in 2027, almost doubling its scale compared to 2024. Additionally, we would expect debt to EBITDA to remain below 2.0x.

Downside scenario

We could revise the outlook back to stable in the next 12 months if the company does not continue growing, or if a drop in gold and copper prices or poorer operational volumes from a decrease in ore grades or adverse weather hurt volumes, while high capex, dividends, and working capital needs weaken credit metrics.

Company Description

Aura is a mining company that operates and develops gold and copper projects in the Americas. The company's producing assets include the mineral properties of the Minosa/San Andrés gold mine in Honduras, the Apoena/Ernesto Pau-a-Pique (EPP) mining complex and Almas mine in Brazil, and the Aranzazu gold and copper mine in Mexico. Aura is also developing the low-cash-cost gold project Borborema in Brazil, which should start production in second-half 2025, and has other gold projects in Brazil such as Matupá, Serra da Estrela, and a 11.3% stake in Altamira. In 2024, it acquired the mining rights for Cerro Blanco/Era Dorada, a mine in Guatemala, and it has a gold project--Tolda Fría--in Colombia.

Aura's majority shareholder is Northwestern Enterprises Ltd. (not rated), which controls the company with slightly more than 51% ownership. Northwestern Enterprises is owned by the chairman of Aura's board of directors, Paulo Carlos de Brito. The company is incorporated in the British Virgin Islands and publicly traded on Canadian, Brazilian, and U.S. stock exchanges. Revenue totaled $624 million and EBITDA $296 million in the 12 months ended March 2025.

2024 production and cost profile by mine

Mines	Country	Commodity	Production (koz - GEO)	Cash costs ($/oz)	AISC ($/oz)
Aranzazu	Mexico	Copper-gold	98	965	1,308
Apoena (EPP)	Brazil	Gold	37	1,189	1,822
Minosa (San Andres)	Honduras	Gold	78	1,126	1,205
Almas	Brazil	Gold	54	950	1,139
New projects					
Borborema	Brazil	Gold	--	--	--
Matupá	Brazil	Gold	--	--	--
Carajás (Serra da Estrela)	Brazil	Copper-gold	--	--	--
Tolda Fría	Colombia	Gold	--	--	--
Cerro Blanco	Guatemala	Gold	--	--	--
Serra Grande*	Brazil	Gold	80		
Total			267	1,041	1,320

GEO--Gold equivalent ounces. /oz--Per ounce. Koz--Thousand ounces. AISC--All-in sustaining costs. Source: S&P Global Ratings and company reports. *Serra Grande acquisition still depends on Brazilian competition body approval.

Our Base-Case Scenario

Assumptions

- Brazil's GDP to grow 2.2% in 2025, 1.7% in 2026, and 2.1% in 2027.
- Brazil's inflation to average 5.1% in 2025, 4.5% in 2026, and 3.5% in 2027.
- Average exchange rate of Brazilian real (R$) 5.70-R$5.90 per $1 over the next few years.
- Mexico's inflation averages 3.8% in 2025, 3.4% in 2026, and 3.1% in 2027.
- Average exchange rate of Mexican peso (MXN) 19–MXN21 per $1 over the next few years.

- Honduras' inflation averages 4.0% in the current and coming years.
- Average exchange rate of Honduran lempira (HNL) 26–HNL28 per $1 over the next few years.
- Sales volumes of about 290,000 gold equivalent ounces (GEOs) in 2025, 400,000 GEOs in 2026, and 485,000 GEOs in 2027 as the company expands capacity in Borborema and starts operations in Serra Grande.
- Gold prices of about $2,900 per oz in 2025 assuming $3,100 per oz realized in first-half 2025 and S&P Global Ratings' price deck of $2,900 per oz for the remainder of 2025, $2,500 per oz in 2026, and $2,100 per oz in 2027.
- Copper prices of approximately $9,900 per ton in 2025, of $9,400 per ton in 2026, and of $9,500 per ton in 2027.
- Capex of approximately $170 million in 2025 and $180 million in 2026 and 2027.
- Dividend distributions of 20% of EBITDA minus sustaining and exploration capex, and extraordinary dividend payments when cash generation is strong, amounting to about $70 million in 2025, 2026, and 2027.
- Share repurchases of $15 million in 2025 and 2026, and $25 million in 2027.

Key metrics

Aura Minerals Inc.--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. $)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	445	393	417	594	833	975	1,001	1,083
Gross profit	221	171	175	314	461	548	523	579
EBITDA (reported)	185	134	136	268	415	494	461	512
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	1	0	(7)	0	0	0	0	0
EBITDA	186	134	129	268	415	494	461	512
Less: Cash interest paid	(4)	(16)	(25)	(36)	(70)	(62)	(48)	(42)
Less: Cash taxes paid	(25)	(41)	(13)	(19)	(77)	(97)	(92)	(106)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	157	77	90	214	269	335	320	364
EBIT	126	88	80	211	376	450	418	465
Interest expense	13	7	20	31	70	62	48	42
Cash flow from operations (CFO)	128	81	99	186	264	324	314	368
Capital expenditure (capex)	77	101	102	190	170	180	180	180

Aura Minerals Inc.--Forecast summary

Free operating cash flow (FOCF)	50	(20)	(3)	(3)	94	144	134	188
Dividends	86	20	28	43	73	80	74	101
Share repurchases (reported)	--	9	--	13	15	15	25	35
Discretionary cash flow (DCF)	(35)	(50)	(31)	(60)	6	49	35	52
Debt (reported)	157	202	295	443	443	443	443	443
Plus: Lease liabilities debt	1	39	39	24	24	24	24	24
Plus: Pension and other postretirement debt	--	--	--	--	--	--	--	--
Less: Accessible cash and liquid Investments	--	--	--	--	--	--	--	--
Plus/(less): Other	--	--	--	--	--	--	--	--
Debt	159	241	334	467	467	467	467	467
Equity	272	310	315	223	561	757	935	1,116
FOCF (adjusted for lease capex)	48	(65)	(6)	(6)	84	133	122	176
Interest expense (reported)	13	7	20	31	70	62	48	42
Capex (reported)	79	103	96	181	170	180	180	180
Cash and short-term investments (reported)	161	128	237	270	370	408	431	471
Adjusted ratios								
Debt/EBITDA (x)	0.9	1.8	2.6	1.7	1.1	0.9	1.0	0.9
FFO/debt (%)	99.0	32.0	26.9	45.7	57.5	71.6	68.5	77.8
FFO cash interest coverage (x)	44.7	5.9	4.5	6.9	4.9	6.4	7.6	9.6
EBITDA interest coverage (x)	14.7	18.4	6.6	8.6	6.0	7.9	9.5	12.0
CFO/debt (%)	80.5	33.4	29.8	39.8	56.6	69.3	67.2	78.8
FOCF/debt (%)	31.7	(8.4)	(0.8)	(0.7)	20.2	30.8	28.6	40.3
DCF/debt (%)	(22.3)	(20.7)	(9.3)	(12.7)	1.4	10.5	7.4	11.1
Lease capex-adjusted FOCF/debt (%)	30.0	(27.1)	(1.9)	(1.3)	18.0	28.5	26.1	37.7
Annual revenue growth (%)	48.2	(11.7)	6.2	42.5	40.3	17.0	2.6	8.2
Gross margin (%)	49.7	43.6	41.9	52.8	55.3	56.2	52.2	53.4
EBITDA margin (%)	41.8	34.1	30.9	45.2	49.8	50.6	46.1	47.2

Aura Minerals Inc.--Forecast summary								
Return on capital (%)	31.0	18.0	13.3	31.5	43.7	39.9	31.9	31.2
Return on total assets (%)	22.4	13.4	9.7	21.0	29.6	28.7	23.5	23.5
EBITDA/cash interest (x)	51.8	8.5	5.1	7.4	6.0	7.9	9.5	12.0
EBIT interest coverage (x)	10.0	12.1	4.1	6.8	5.4	7.2	8.6	10.9
Debt/debt and equity (%)	36.8	43.7	51.4	67.7	45.5	38.2	33.3	29.5
Debt fixed-charge coverage (x)	14.7	18.4	6.6	8.6	6.0	7.9	9.5	12.0
Debt/debt and undepreciated equity (%)	36.8	43.7	51.4	67.7	45.5	38.2	33.3	29.5
All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. $--U.S. dollar.								

Liquidity

We continue to view Aura's liquidity as adequate. The company's sources of cash exceed its uses by more than 30% for the next 12 months, bolstered by the U.S. listing cash inflows of $196 million. This is despite high expansion capex, dividend payments, and an acquisition payment due within the next 12 months. In a stress scenario, Aura could postpone a portion of its capex and dividend payments, further enhancing its liquidity cushion. In addition, the company has comfortable covenant headroom of above 80% in the forecast period.

Principal liquidity sources

- Cash and cash equivalents of $198 million as of March 31, 2025;
- Expected funds from operations of about $310 million in the next 12 months from March 2025; and
- IPO cash inflows of $196 million in July 2025.

Principal liquidity uses

- Short-term debt of about $100 million as of March 31, 2025;
- Working capital outflows of almost $50 million in the next 12 months from March 2025;
- Maintenance and expansion capex of about $200 million in the next 12 months from March 2025;
- Acquisition payments of $76 million;
- About $75 million of dividends; and
- $15 million in share repurchases.

Covenants

Aura has acceleration covenants that are measured quarterly. They differ from our calculations, because we analyze gross debt figures and consider lease liabilities as debt.

Net debt to EBITDA currently must be less than 2.75x, dropping to less than 2.0x from December 2026, and less than 1.5x from March 2027.

Aura has a comfortable cushion for the current and next years of above 80% for the forecast period.

Environmental, Social, And Governance

Environmental and social factors are negative considerations in our credit rating analysis of Aura. Extreme weather conditions, such as floods, could affect Aura's operations, although this is partly offset by its footprint across three countries in the Americas and five operating assets. The company uses downstream tailing dams, which are safer than upstream ones, but still pose risks. However, the volume of tailings generated by gold mining is much lower than for other minerals, and Aura's dams are located far from populated areas. Aura also has exposure to social conflicts, such as the blockage of its mines in Honduras that shut down its operations for several days in July 2021, hampering production. We see governance factors as moderately negative, reflecting detrimental decisions in the past, such as the default on its U.S. subsidiary (without guarantees from Aura or other subsidiaries) in November 2021 and operational setbacks, such as the mine blockage in Honduras in 2021.

Issue Ratings--Recovery Analysis

Key analytical factors

- We have a recovery rating of '3' on the company's unsecured debenture, which indicates a recovery of 50%-70% (65%) in our default scenario. The debentures issued by Aura Almas are rated 'brAA', the same level as the national scale rating on the company.
- We consider this debenture at the same ranking as debt at the holding level because Aura fully guarantees it. We also consider it unsecured because the collateral consists of mining rights and shares of Aura Almas and there are no other real assets. The value and timing for sale of those mining rights and shares would be uncertain and wouldn't cover the full amount of the debenture in our scenario.
- Nevertheless, we see that this debt would have priority over other purely unsecured debt but not enough to call it secured or to have a rating one notch above the corporate rating, which is 'brAA'.
- We analyze Aura on a going-concern basis because we expect the company would be restructured following a default scenario, generating higher value for creditors.
- In our simulated default scenario, we contemplate a deterioration in the company's operating performance weakening volumes, combined with a sharp decline in prices for gold and copper.
- In our default scenario, the company's emergence EBITDA would be about $110 million.
- We apply a 5.0x multiple to our projected emergence-level EBITDA, in line with our standard metals and mining upstream multiple.

Simulated default assumptions

- Simulated year of default: 2029

- EBITDA at emergence: $110 million
- Implied enterprise value (EV) multiple: 5.0x
- Estimated gross EV at emergence: $550 million

Simplified waterfall

- Net EV after 5% administrative costs: $520 million
- Priority debt at operating subsidiaries: $270 million
- Unsecured debt: $210 million
- Recovery expectations: 50%-70% for its unsecured debt

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	B+/Positive/--
Local currency issuer credit rating	B+/Positive/--
Business risk	Weak
Country risk	Moderately high risk
Industry risk	Moderately high risk
Competitive position	Weak
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bb-
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Negative
Stand-alone credit profile	b+

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Tear Sheet: Aura Minerals Inc., May 27, 2025
- Bulletin: Aura Minerals Inc.'s Issuance Upsize Is Credit Neutral, Oct. 1, 2024,
- Aura Almas Mineracao S.A.'s Proposed R$500 Million Senior Unsecured Debenture Rated 'brAA' (Recovery Rating: '3'), Sept. 9, 2024

Ratings List

Ratings list		
Ratings Affirmed; Outlook Action		
	To	**From**
Aura Minerals Inc.		
Issuer Credit Rating	B+/Positive/--	B+/Stable/--
Foreign Currency	B+/Positive/--	B+/Stable/--
Brazil National Scale	brAA/Positive/--	brAA/Stable/--
Ratings Affirmed; Recovery Ratings Unchanged		
Aura Almas Mineracao S.A.		
Senior Unsecured	brAA	
Recovery Rating	3(65%)	