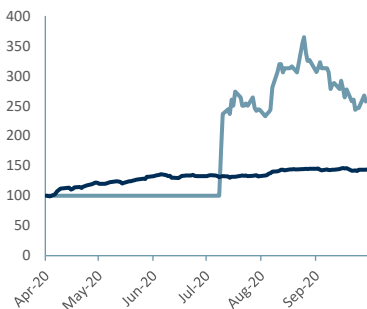


# POST-RESULTS

## VALUE RANGE

GBP 70.4 – 77.9



EUR 6m Price Relative Chart vs. FTSE AIM (darker)

### Wednesday, 30 September 2020

Intrinsic Price (GBP)	74.20
Value Range Low (GBP)	70.49
Value Range High (GBP)	77.91
Implied MCAP (m)	£2,144.37
Implied EV (m)	£2,144.10
AIM	EUA
Financial YE	31-Dec
Currency	GBP

#### Business Activity

PGM Mining

#### Key Metrics

Close Price (GBP)	18.50
MCAP (m)	£510.9
Net Debt (Cash) (m)	-£0.8
EV (m)	£510.1
52 Wk Hi	26.25
52 Wk Lo	0.44

#### Key Ratios

(Net Cash) / Shareholder Equity %	-0.16%
FX Rate USD/GBP	0.77

#### Extractives Sector Research

#### AiM Market Index

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## Eurasia Mining Plc 1H20A

### M&A Thesis Playing Out

EUA 1H20A earnings impacted by the West Kytlim Definitive Feasibility Study (DFS) timetable. The DFS, once approved by the Rosnedra government agency will confirm West Kytlim as holding the largest global soft rock PGM resource. However, EUA's focus remains the sale process of its Palladium-dominated Monchetundra asset. EUA appointed advisers including investment bank UBS and lawyers DLA Piper to assist with the sale process. For West Kytlim, the focus is to increase 2021 summer season production. Our palladium (Pd) and platinum (Pt) prices remain conservative. Our valuation is a 301% premium to close price. 1H20A sales confirm that our YE20E will be missed. However, given the total opportunity, the nature of mining and the ramp up potential, this is not our key valuation focus.

- Sale process for Monchetundra mine remains management focus;
- West Kytlim DFS on track for approval in 2020E;
- Palladium (Pd) + Platinum (Pt) supply deficit supports Pd/Pt prices;
- EUA's Pd sales may rise to ~45-50% of total revenues from 2023E;
- 1H20A revenues at £48.0k, suggest YE20E revs under £1m.

ACF est. £ (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2019A	1,129	-1,355	-1,547	-0.04	-0.04
2020E	17,737	9,281	5,281	0.22	0.20

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2019A	451.8x	NM	NM	NM	NM
2020E	28.8x	55.0x	96.6x	84.4x	90.5x

## Investment Case

### Competitive background

EUA is a London listed (AiM) Russian asset 4 PGM mining company (mining palladium, platinum, rhodium, iridium) and gold. Its two core projects include: 1) West Kytlim – an operating soft rock PGM mine in the Ural Mountains; and 2) Monchetundra – a palladium open pit deposit in the Kola peninsula.

#### ● Monchetundra sale process progressing

EUA noted it has appointed several professional advisers including UBS, an investment bank and lawyers DLA Piper to work through the sale process. The board and executive team have now been restructured to aid the sale process.

In October 2019, Impala Platinum Holdings acquired North American Palladium for ~\$0.8bn for ~5.0 Moz resources. Using the same ratio for Monchetundra (West Nittis + Loipishnune 1.9Moz and flanks 13.1Moz) suggests a total value of more than \$2.8bn which, is ~4x higher than the current \$ translated market cap of EUA.

#### ● West Kytlim on track for increased production in 2021

EUA is working to increase production at the West Kytlim mine. Its completed Definitive Feasibility Study (DFS), which is designed to upgrade all resources identified on the West Kytlim mining license to mineable categories, has been submitted for approval to Rosnedra (Russian state agency). Rosnedra approval of the West Kytlim DFS is anticipated by management to occur in 2020. The DFS provides for several parallel mine area production streams and, according to management, will eliminate single asset risk.

#### ● Strong outlook for Pd & Pt prices

Our palladium (Pd) and platinum (Pt) metals prices assumptions remain conservative compared with market consensus and spot pricing. PGM prices made a sharp recovery following the relative lows of March 2020. Market consensus forecasts suggest a continuing supply deficit of palladium. This is driven by several factors but primarily due to limited new sources of supply expected to come on stream in the near term.

At the same time Chinese car manufacturing has recovered and Pd loadings in autos are expected to increase 27% y/y. These drivers along with other contributing supply factors are expected to support PGM prices. Note that Covid lock downs have impacted both the supply and demand equation and have left PGM deficit expectations in place. EUA's Pd dominated Monchetundra asset is well positioned to benefit from the current structural supply deficit. (

## Catalysts

Sale of Monchetundra mine; Approval of DFS at West Kytlim to raise production volumes; Increase in commodity prices, especially palladium (Pd) and platinum (Pt).

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	2,725	2,890
Implied Intrinsic Price	78.70p	74.20
Value Range Low	74.76p	70.49
Value Range High	82.63p	77.91
AIM	EUA	
Financial YE	31-Dec	
Reporting Currency	GBP	

NoSh (m)	2,725
NoSh (m) expected dilution (Exp D)	2,725
NoSh (m) full dilution (FD)	2,890

Key Metrics	£	adj.
MCAP (m)	510.9	510.9
Net Debt (Cash) (m)	(0.8)	(0.79)
EV (m)	510.1	510.1
52 Wk Hi	4.20p	4.20
52 Wk Lo	0.41p	0.41
Free Float	79%	79%

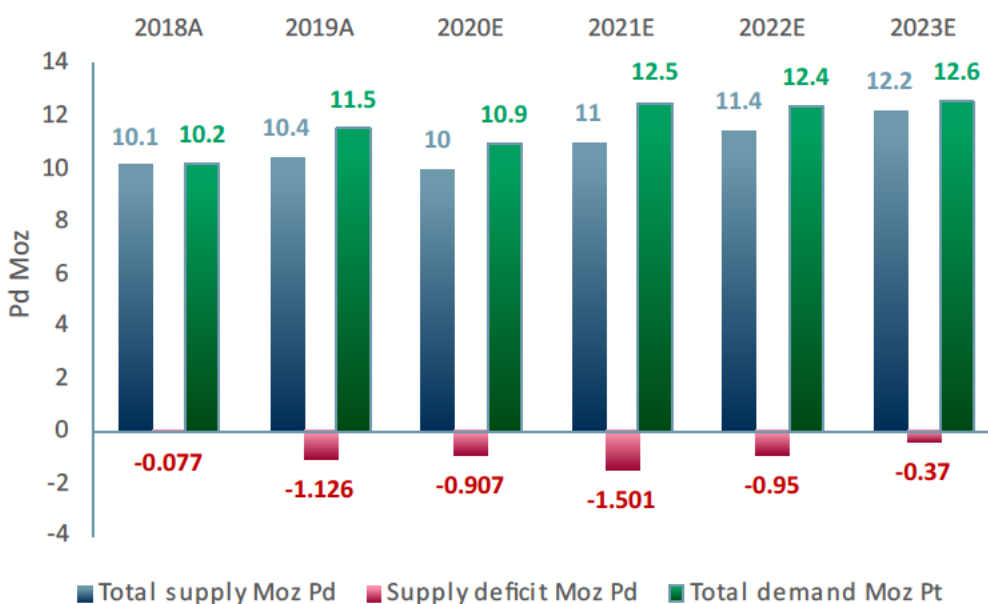
*Key Metrics FCF adj.	2019A	2020E
CPS (C\$)	-0.06	0.19
CPS (Exp D) (C\$)	-0.06	0.19
CPS (FD) (C\$)	-0.05	0.18
P/CPS	NM	95.4
P/CPS (Exp D)	NM	95.4
P/CPS (FD)	NM	101.2

## Operational Strategy

Eurasia Mining is a long-established PGM opportunity. With the relatively recent addition of rhodium to its metals basket, EUA is now best classified as a 4 PGM (palladium, platinum, iridium, rhodium) plus gold production company. Its strategy revolves around its two core projects: further expansion of production and life of the West Kytlim mine and its strategic review of its Monchetundra project, which includes potential sale of the mine.

Eurasia provides significant near-term exposure to the palladium market with palladium revenues set to rise to ~45- 50% of total revenue from 2023. Palladium has significantly outperformed the rest of the metals complex driven by structural tightness in market. Pd is expected to continue to remain in deficit at least until 2023, which should support prices.

Exhibit 1: Palladium market to remain in deficit

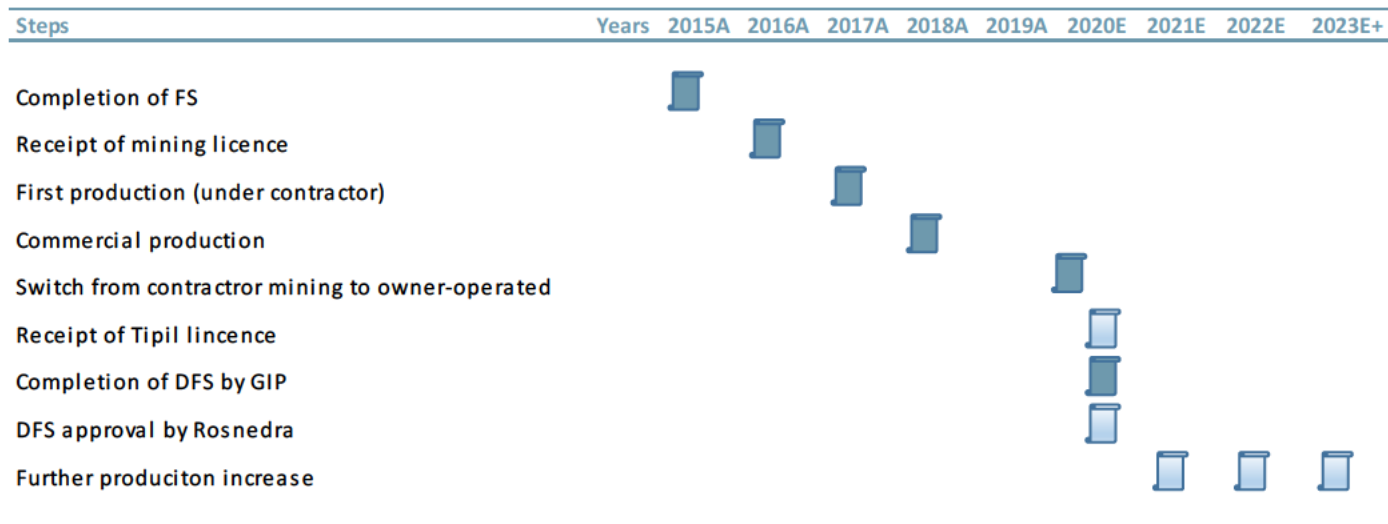


Sources: ACF Equity Research, Company Reports.

### West Kytlim Development Plan

The development plan at West Kytlim is dependent on obtaining approval from Russian state government agency Rosnedra for its Definitive Feasibility Study (DFS) and permit at the new Tipil license area leading to faster production potential and an extended life of mine. The DFS approval as well as the Tipil license is anticipated in 2020. Both of these events will allow for acceleration of production at West Kytlim into 2021.

EUA has sufficient funds to launch mining at several West Kytlim pits consecutively. EUA raised ~US\$10m via a private placement to institutional investors in August 2020.

**Exhibit 2: West Kytlim development plan**


Sources: Company Reports.

**Exhibit 3: Eurasia Mining EBITDA, Net Income, EPS**

Adj. Metrics £ (mn)	2017A	2018A	2019A	2020E	2021E
<b>EBITDA Adjusted</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>9</b>	<b>243</b>
%Growth		26%	3%	NM	2516%
%Margin	NM	-51%	-120%	52%	70%
EV/EBITDA adj.	NM	NM	NM	71x	3x
EV/EBITDA	NM	NM	NM	71x	3x
<b>EBT Adjusted</b>	<b>-2</b>	<b>-3</b>	<b>-1</b>	<b>8</b>	<b>208</b>
%Growth		52%	NM	-1043%	2673%
%Margin	NM	-126%	-71%	42%	60%
<b>NI Adjusted</b>	<b>-2</b>	<b>-3</b>	<b>-1</b>	<b>6</b>	<b>166</b>
%Growth		21%	-63%	-722%	2719%
%Margin	NM	-100%	-84%	33%	48%
<b>EPS Adjusted</b>	<b>-0.08</b>	<b>-0.09</b>	<b>-0.03</b>	<b>0.22</b>	<b>6.11</b>
%Growth		21%	-63%	NM	2719%
PE adj.	NM	NM	NM	85x	3x
PE	NM	NM	NM	85x	3x
<b>EPS FD Adjusted</b>	<b>-0.07</b>	<b>-0.09</b>	<b>-0.03</b>	<b>0.20</b>	<b>5.76</b>
%Growth		21%	-63%	NM	2719%
PE adj.	NM	NM	NM	91x	3x
PE	NM	NM	NM	91x	3x

Sources: ACF Estimates, Company Reports.

## Valuation

### M&A Case

In October 2019, Impala Platinum Holdings acquired North American Palladium for ~\$0.8bn for ~5.0 Moz resources. Using the same ratio for Monchetundra (West Nittis + Loipishnune 1.9Moz and flanks 13.1Moz) suggests a total value of more than \$2.8bn which, is ~4x higher than the current \$ translated market cap of EUA.

In the above scratch valuation approach (which is different to our DCF Sum of the parts (SoTP) approach), we assume Pd is only 40% of the resource (vs. geology currently implying flanks Pd is 50% of resource) and we model only the Pd production and its associated free cash flows, thereby excluding platinum, iridium and gold, which could reasonably be expected to make material contributions to total metals production.

### DCF SOTP

We value EUA using sum of the parts (SOTP) valuation. The three core projects – incorporated within the areas of West Kytlim and Monchetundra are valued using DCF modelling. Monchetundra is split into two projects) in our valuation

1. Loipishnune (Lo) and West Nittis (WN) and;
2. Flanks.

We also include ~\$15m NPV for the non-core Semenovskiy Tailings project.

#### Exhibit 4: Valuation summary

Valuation Range		
NPV Monchetundra Lo + WN (£m)	197	
NPV Monchetundra Flanks (£m)	1,896	
NPV West Kytlim (£m)	39	
NPV Semenovskiy (£m)	11	
NPV FCF (£m)	2,144	
Net Debt/(Cash)	0	
Fair Value (£m)	2,144	
NoSh (m)	2,725	
NoSh (diluted) (m)	2,890	
Intrinsic Value Per Share GBp	74.20	
Close Price GBp	18.75	
<b>VR (low - high)</b>	<b>70.49</b>	<b>77.91</b>
VR Spread	5.00%	
Implied VR Return (low - high)	275.9%	315.5%

Sources: ACF Research Estimates; Companies reports.

**Exhibit 5: West Kytlim cash flow model**

West Kytlim DCF													
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
in \$m													
Platinum (Kg)	791	791	791	791	791	791	791	791	791	791	791	791	791
Revenue	22.45	22.45	22.45	22.45	22.45	22.45	22.45	22.45	22.45	22.45	22.45	22.45	22.45
Mining tax	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
Operating cost	8.91	8.91	8.91	8.91	8.91	8.91	8.91	8.91	8.91	8.91	8.91	8.91	8.91
Working Capital	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Capex	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Cash flow pre-tax</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>
Taxes	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80	-1.80
Tax rate (%)	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
<b>Cash flow after-tax</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>	<b>7.20</b>
NPV (\$ mn)	6.54	5.94	5.39	4.90	4.45	4.04	3.67	3.33	3.02	2.74	2.49	2.26	2.05
<b>Total NPV (\$ mn)</b>	<b>51</b>												
<b>Total NPV (£ mn)</b>	<b>39</b>												

Sources: ACF Research Estimates; Companies reports.

**Exhibit 6: Monchetundra Lo + WN only cash flow model**

Montechundra Lo+WN																	
DCF	in	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
\$m																	
Production (000 t)	0	184	736	920	1288	1288	1472	1656	1840	1288	1288	1288	1288	1288	1288	1288	1288
Revenue	0	25	99	123	173	173	197	222	247	173	173	173	173	173	173	173	173
Mining tax	0	2	9	12	16	16	19	21	23	16	16	16	16	16	16	16	16
Operating cost	0	6	22	28	39	39	44	50	55	39	39	39	39	39	39	39	39
Working Capital	0	2	10	12	17	17	20	22	25	17	17	17	17	17	17	17	17
Capex	60	50	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash flow pre-tax</b>	<b>-60</b>	<b>-36</b>	<b>32</b>	<b>72</b>	<b>100</b>	<b>100</b>	<b>115</b>	<b>129</b>	<b>143</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Taxes	0	0	-6	-14	-20	-20	-23	-26	-29	-20	-20	-20	-20	-20	-20	-20	-20
Tax rate (%)	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash flow after-tax</b>	<b>-60</b>	<b>-36</b>	<b>26</b>	<b>57</b>	<b>80</b>	<b>80</b>	<b>92</b>	<b>103</b>	<b>115</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>
NPV	-54	-28	18	36	45	40	41	41	41	26	23	20	18	16	14	14	13
<b>Total NPV (\$ mn)</b>	<b>312</b>																
<b>Total NPV (£ mn)</b>	<b>247</b>																

Sources: ACF Research Estimates; Companies reports.

## Exhibit 7: Monchetundra Flanks cash flow model

Monchetundra Flanks																	
DCF	in	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
\$m																	
Production (000 t)	0	2500	10000	12500	17500	17500	20000	22500	25000	17500	17500	17500	17500	17500	17500	17500	17500
Revenue	0	391	1,563	1,954	2,736	2,736	3,127	3,518	3,909	2,736	2,736	2,736	2,736	2,736	2,736	2,736	2,736
Mining tax	0	37	147	184	257	257	294	331	367	257	257	257	257	257	257	257	257
Operating cost	0	75	302	377	528	528	603	678	754	528	528	528	528	528	528	528	528
Working Capital	0	30	119	149	208	208	238	268	298	208	208	208	208	208	208	208	208
Capex	149	72	64	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash flow pre-tax</b>	<b>-149</b>	<b>177</b>	<b>932</b>	<b>1,245</b>	<b>1,743</b>	<b>1,743</b>	<b>1,992</b>	<b>2,241</b>	<b>2,490</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>
Taxes	0	0	-186	-249	-349	-349	-398	-448	-498	-349	-349	-349	-349	-349	-349	-349	-349
Tax rate (%)	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash flow after-tax</b>	<b>-149</b>	<b>177</b>	<b>746</b>	<b>996</b>	<b>1,394</b>	<b>1,394</b>	<b>1,594</b>	<b>1,793</b>	<b>1,992</b>	<b>1,394</b>	<b>1,394</b>	<b>1,394</b>	<b>1,394</b>	<b>1,394</b>	<b>1,394</b>	<b>1,394</b>	<b>1,394</b>
NPV	-119	113	381	406	455	363	332	298	265	148	118	95	76	60	48	39	
<b>Total NPV (\$ mn)</b>	<b>3,078</b>																
<b>Total NPV (£ mn)</b>	<b>2,370</b>																

Sources: ACF Research Estimates; Companies reports.

## Financial Projections annual

P&L £(m)	2017A	2018A	2019A	2020E	2021E
<b>Revs</b>	<b>0.2</b>	<b>2.6</b>	<b>1.1</b>	<b>17.7</b>	<b>346.0</b>
gr%		1299%	-56%	1471%	1851%
Total Expenses	-1.2	-3.9	-2.5	-8.5	-103.2
<b>EBITDA</b>	<b>-1.0</b>	<b>-1.3</b>	<b>-1.4</b>	<b>9.3</b>	<b>242.8</b>
% Revs	-566%	-51%	-120%	52%	70%
FV adj.	0	0	0	0	0
% Revs	0%	0%	0%	0%	0%
<b>EBIT</b>	<b>-1.1</b>	<b>-1.3</b>	<b>-1.4</b>	<b>7.5</b>	<b>208.2</b>
EBT	-2	-3	-1	8	208
% Revs	NM	-126%	-71%	42%	60%
ETR	0%	0%	-6%	20%	20%
<b>NI</b>	<b>-2.1</b>	<b>-2.6</b>	<b>-0.9</b>	<b>5.9</b>	<b>166.4</b>
% Revs	NM	-100%	-84%	33%	48%
Adj EPS (p)	-0.07	-0.09	-0.03	0.20	5.76
Basic EPS (p)	-0.14	-0.12	-0.04	0.22	6.18
Diluted EPS (p)	-0.14	-0.12	-0.04	0.20	5.76
<b>Balance Sheet £(m)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>
PP&E	4.4	3.7	3.9	6.2	-24.4
<b>Total Fixed Assets</b>	<b>5.7</b>	<b>4.5</b>	<b>4.8</b>	<b>7.1</b>	<b>-23.6</b>
Current assets	0.1	0.1	0.2	0.3	6.8
Cash	0.1	0.5	0.9	5.9	230.1
<b>Total Current Assets</b>	<b>0.2</b>	<b>0.5</b>	<b>1.1</b>	<b>6.2</b>	<b>236.9</b>
<b>Total Assets</b>	<b>5.9</b>	<b>5.0</b>	<b>5.9</b>	<b>13.3</b>	<b>213.3</b>
Creditors	0.2	0.3	0.4	1.8	35.4
Other liabilities	0.2	0.0	0.1	0.1	0.1
Loans	0.6	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>1.1</b>	<b>0.3</b>	<b>0.5</b>	<b>1.9</b>	<b>35.5</b>
<b>Net Assets</b>	<b>4.8</b>	<b>4.7</b>	<b>5.4</b>	<b>11.3</b>	<b>177.8</b>
Share Capital	26.6	28.8	30.7	30.7	30.7
Accum. Profit/(loss)	-24.5	-26.6	-27.6	-21.7	144.8
<b>Total Equity</b>	<b>4.8</b>	<b>4.7</b>	<b>5.4</b>	<b>11.3</b>	<b>177.8</b>
<b>Total Equity &amp; Liabilities</b>	<b>5.9</b>	<b>5.0</b>	<b>5.9</b>	<b>13.3</b>	<b>213.3</b>
Basic NAV (p)	0.18	0.17	0.20	0.42	6.52
Diluted NAV (p)	0.17	0.16	0.19	0.39	6.15
<b>Cash Flow £(m)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>
EBT Profit/(loss)	-2.1	-3.2	-0.8	7.5	208.2
Finance costs	-1.1	-0.6	0.0	0.0	0.0
<b>FV adj. + Other adj.</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Cash Taxes	0.0	0.0	-0.1	-1.5	-41.6
WCap change	0.2	0.1	-0.1	1.3	27.1
<b>Net CFO</b>	<b>-0.9</b>	<b>-0.4</b>	<b>-1.1</b>	<b>9.0</b>	<b>228.2</b>



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