



## MORNING COMMENT

EURASIA MINING PLC\*

4 Dec 2019

- **Price:** 2.42p
- **MCp:** £65m
- **Tk:** EUA.L
- **Sector:** Resources
- **Recommendation:** BUY
- **Price Target:** 12.75p

### Monchetundra Resources & Sinosteel Update.

In two detailed announcements, **Eurasia Mining (EUA.L)** has this morning clarified the extent of its PGM resources at Monchetundra in the Kola Peninsula of north-west Russia and provided an update on its EPC contract with Chinese state owned Sinosteel.

### Comment & Recommendation.

Given today's positive clarification statement at Monchetundra, strong PGM price background and Eurasia's on-going strategic discussions with VTB Capital and CITIC we have computed a valuation and price target for the shares based upon a risked NPV model for both the advanced Monchetundra and producing West Kytlim projects.

For Monchetundra, based on a 15-year mine life, production of 18.4mt of ore, a discount rate of 10%, commodity prices near or just below current levels\*\*, we have computed a risked post tax NPV of **US\$298.4m** net to Eurasia for its 80% interest. This includes a 20% risk factor to take into account country risk and any potential construction risk, given its current pre-mining stage. Financing risk is

essentially close to zero, as the project is 100% financed through the Sinosteel EPC contract.

For the remaining unmined resource that lies in the neighbouring area and flanks, amounting to 22.6mt, we have assigned a net development value of **US\$68.7m**. This is based upon a per tonne value that is 15% of the un-risked NPV for the main 18.4mt mine area.

With West Kytlim already in production, this is considered on an un-risked NPV basis, but uses similar commodity pricing and discount parameters to Monchetundra, with a 15-year mine life. Our NPV for West Kytlim comes to **US\$76m** net to Eurasia for its 68% ownership.

Using the above three project component valuations, we compute a value of **US\$443.1m** (£343.4m) to Eurasia Mining, which amounts to 12.75p per share.

With PGM prices on an upward trajectory, talks with interested parties in motion, a favourable mineral licensing regime, a highly liquid share that is now on the radar screen of institutional investors, we recommend the shares in **Eurasia Mining** as a 'Buy' with a price target of 12.75p per share, representing considerable upside from the current share price of around 2.42p.

*\*\*Commodity prices used, (nickel US\$13,224 p/t, copper US\$5,730 p/t, gold US\$1,400 p/oz, platinum US\$900 p/oz, palladium US\$1,760p/oz, rhodium US\$5,279 p/oz, Iridium US\$1,460 p/oz)*

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