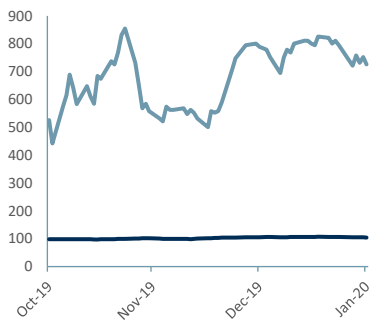


M&A

VALUE RANGE

GBP 54.8 – 60.6



FTSE AiM vs. EUA (lighter line) price relative

Monday, 03 February 2020

Intrinsic Price (GBP)	57.71
Value Range Low	54.82
Value Range High	60.59
Implied MCAP (m)	£1,554.53
Implied EV (m)	£1,554.26
AIM	EUA
Financial YE	31-Dec
Currency	GBP

Business Activity
PGM Mining

Key Metrics	
Close Price (GBP)	3.45
MCAP (m)	£92.9
Net Debt (Cash) (m)	-£1.0
EV (m)	£91.9
52 Wk Hi	4.20
52 Wk Lo	0.41

Key Ratios	
(Net Cash) /	-1.08%
Shareholder Equity %	
FX Rate USD/GBP	0.77

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Eurasia Mining Plc

Does Monchetundra make EUA a £1bn+ play?

Eurasia Mining (EUA.L) is an AiM-quoted Russian asset PGM producer. The West Kytlim project is revenue generating with production expected to ramp up in 2020 resulting in EUA becoming a de-risked prospect compared to its peers. However, the key asset is the M&A triggering EUA flagship palladium-driven project, Monchetundra, near to production. Could a Monchetundra sale turn a 100m MCAP AiM company into a £1.5bn exit for investors, equating to an approximate 15x rerating on the current price? There are many risks reflected in our conservative 30% risk adjusted WACC for the Monchetundra flanks project (only), lower and delayed production and Pd/Pt ratio. Risk adjusted WACC for Monchetundra Lo + WN is 12%.

- Flanks extension success would raise resources to 15Moz;
- Flanks licence application approved by Russian Defence Ministry;
- Additional licence potential of 25Moz in 5km perimeter for acquiror;
- Open pit mine potential with far lower costs vs. Bushveld complex;
- Proven M&A management team at EUA.

ACF est. £ (k)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2019E	1,029	-380	-493	-0.01	-0.01
2020E	19,107	10,719	6,719	0.23	0.21

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2019E	89.3x	NM	NM	NM	NM
2020E	4.8x	8.6x	13.7x	14.8x	16.3x

Investment Case

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	2,694	2,967
Implied Intrinsic Price	63.57p	57.71
Value Range Low	60.39p	54.82
Value Range High	66.75p	60.59
AIM	EUA	
Financial YE	31-Dec	
Reporting Currency	GBP	

NoSh (m)	2,694
NoSh (m) expected dilution (Exp D)	2,694
NoSh (m) full dilution (FD)	2,967

Key Metrics	£	adj.
MCAP (m)	92.9	92.93
Net Debt (Cash) (m)	(1.0)	(1.00)
EV (m)	91.9	91.93
52 Wk Hi	4.20p	4.20
52 Wk Lo	0.41p	0.41
Free Float	79%	0.79

*Key Metrics FCF adj.	2019E	2020E
CPS (C\$)	0.25	0.25
CPS (Exp D) (C\$)	0.25	0.25
CPS (FD) (C\$)	-0.02	0.23
P/CPS	NM	13.83
P/CPS (Exp D)	NM	13.83
P/CPS (FD)	NM	15.24

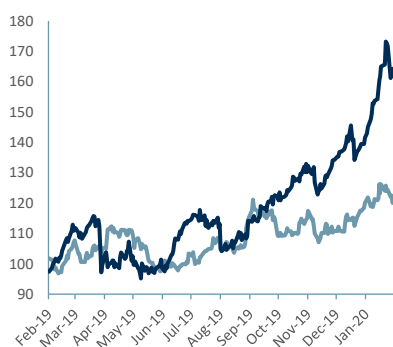
Platinum Group Metal (PGM) focused company – EUA is a PGM mining company based in Russia and listed on the London Stock Exchange AIM market. Its two core projects include – 1) West Kytlim - an operating PGM mine in the Ural Mountains; and 2) Monchetundra – a palladium open pit deposit in the Kola peninsula. Eurasia also maintains an interest in the Semonovsky Gold in Mine Tailings Project.

West Kytlim already in production – West Kytlim, the second largest alluvial PGM mine in production globally, has been in full-scale production since 2018 (~165 Kg of platinum produced). Contractor related issues saw production declining in 2019 which EUA has since overcome and is now aiming to ramp up production to 709kg or 25,000oz of platinum per annum over the next couple of years. EUA now operates the mine on a 100% revenue basis compared to previous arrangement of 30-35% revenue.

Palladium rich Monchetundra moving towards production- Eurasia has made considerable progress in the advancement of its second key asset – the Monchetundra project – towards production. It is a low-cost open pit palladium-driven project. Located in the Kola peninsula it boasts of excelling mining infrastructure ensuring low costs and capital intensity. Monchetundra (80%-owned) has approved reserves of 1.9 Moz of palladium equivalent (2 PGM+Au) in addition to significant copper and nickel deposits. The deposit is palladium-rich with a Pd to Pt ratio of 3:1 based on grade, making it one of only few new palladium-dominant development projects globally. The project has received a mining permit and is fully funded via a \$176 million Engineering Procurement, Construction and Commissioning (EPC) contract with Sinosteel.

Monchetundra sale could raise in excess of \$1.5bn on Pd valuation alone – Given its attractive characteristics Monchetundra is a very likely M&A play for major mining companies looking for Pd rich quality assets. Recognizing this, management has indicated the option of a strategic sale of the asset. EUA management states that it has started to work with two banks; CITIC, one of China's largest investment banks and VTB Capital, one of Russia's largest investment banks to help with the sale.

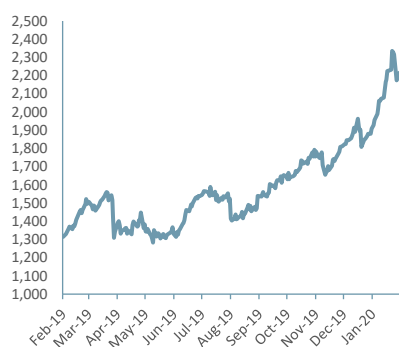
Investment Case



12m price relative Pt vs. Pd (darker line)



12m platinum (Pt) price (\$/oz)



12m palladium price (Pd) (\$/oz)

In October 2019, Impala Platinum Holdings acquired North American Palladium for ~\$0.8 billion 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 \$2.4bn which, is ~19x 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 free cash flows, which we discount using a risk adjusted WACC of 30% for the entirety of the Monchetundra 15Moz asset.

In our SoTP DCF we assign the 30% risk adjusted WACC to the Monchetundra flanks project only (no licence and no EPC yet in place). We also assume there is nil production until 2023 vs. managements forecast of production starting in 2021. In the SoTP DCF our Monchetundra Lo + WN risk adjusted WACC is 12% and our West Kytlim risk adjusted WACC is 10% both of which are reasonably conservative to arrive at a Eurasia valuation of ~£1.7bn.

Management team with proven track record in mining – The management team and board members have significant experience in M&A and in successfully executing mining projects in Russia and other countries. Executive Chairman Christian Schaffalitzky has multiple discovery credits including Lisheen Mine in Ireland. Dmitry Suschov, a board member, has significant experience in several mining production launches with successful exits.

Current valuation Monchetundra (Lo + WN + Flanks) GBP 1.6bn – ACF's current forecasts suggest an equity value for EUA on the Monchetundra asset of GBP 1.6bn.

Catalysts

Sale of Monchetundra mine; Granting of Monchetundra flanks licence; successful execution of expansion at West Kytlim; Increase in commodity prices, especially palladium (pd) and platinum (pt); Increase in petrol cars vs. diesel; Increase in uses of palladium through technological innovation; Policy drivers for the adoption of hydrogen and related clean fuel technologies (Pd bound onto Ag can replace Pt as a catalyst due to low price for Ag).

Operational Strategy - Current

EUA is targeting resource expansion in areas adjacent to its two projects.

Eurasia Mining is a long-established palladium, platinum, iridium, rhodium and gold focused production company. Its strategy revolves around its two core projects: further expansion of West Kytlim mine and strategic review of its Monchetundra project which includes potential sale of the mine.

West Kytlim is the 2nd largest alluvial PGM mine globally by production.

West Kytlim (WK) - West Kytlim is the second largest alluvial PGM (Platinum group metals) mine by production globally located in the Russian Ural Mountains. EUA has 68% ownership stake in the project. The mine is fully permitted for production on a 21.5 sq. km mining license valid through 2040. The mining was previously carried out via contractor with EUA receiving ~35% of revenues and the remaining being retained by the contractor. However, due to delays and inconsistencies by the original contractor, EUA retired all contractors from the operation in September 2019 and since then has been operating the mine on an owner operated (100% of revenue) basis. EUA has indicated that it is fully financed to start the 2020 drilling season without contractors using its own equipment, keeping all margins and positive effects from platinum group metal prices.

2018 was the first full-year of industrial scale production at West Kytlim.

Fully operational: The mine is fully operational having begun initial production in 2016. 2018 was the first full year of industrial-scale production resulting in ~165 kg or 5,300 oz of raw platinum. Mining progressed from the Malaya Sosnovka area in 2018 to the Kluchiki area in 2019. EUA had a single wash-plant at Kluchiki operating at full capacity for the entire 2019 mining season. It is planning to add a second wash-plant during 2020 which should significantly improve total throughput.

A second wash-plant being added at West Kytlim for 2020 mining season.

Production expansion strategy: EUA is focusing on further expanding its mineable reserves at West Kytlim via a combination of gaining new adjacent licenses as well as updating old reserves through a new drilling program. Under Russian subsoil licensing rules, a company that holds a mining permit has the automatic right to apply for exploration ground directly adjacent or surrounding the already identified mineral reserves. Accordingly, in December 2018 EUA was granted an additional exploration license for 71.1 sq. km of the area surrounding the West Kytlim open pit mine. This has the potential to significantly increase the resource base and life of the mine for the operational West Kytlim project. In June 2019, EUA applied for another license called Tipil in the West Kytlim area. The new Tipil license (24.5 sq. km) contains around 17km of river course and sedimentary units that have been proven to host platinum group metal deposits. When the license is granted, West Kytlim's total project area will grow to 116 sq. km.

EUA won additional exploration license for 71.1 Km² area adjacent to its current mine.

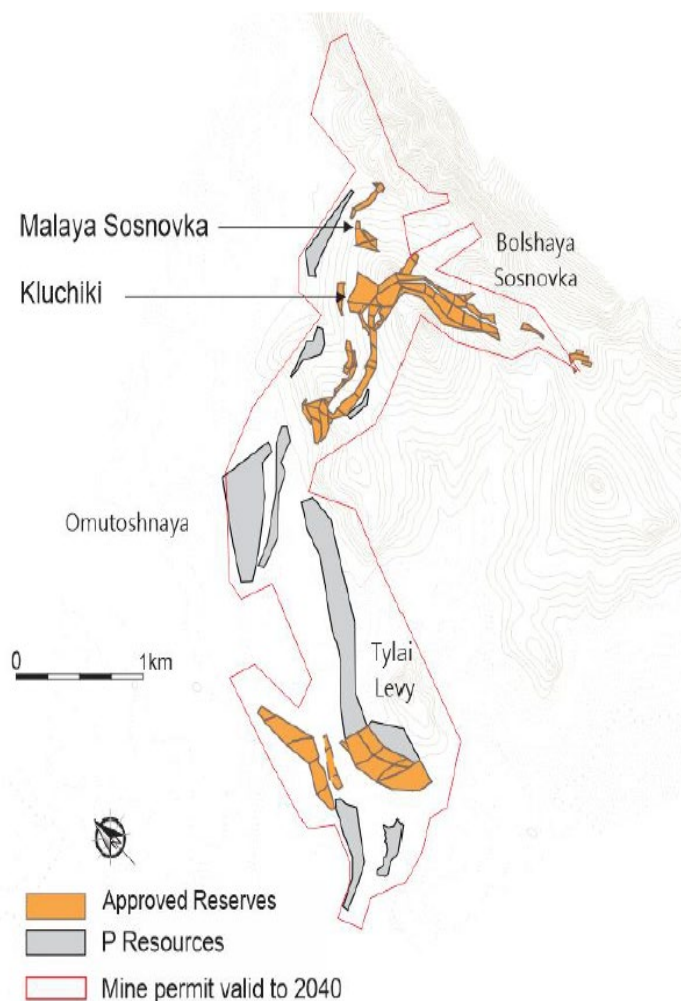
EUA aims to upgrade the entire WK mine's existing reserves into the Russian C1 category (compared to C2 currently) through a drilling programme. A total of 2,600m of drilling is planned in separate areas within the WK deposit.

Initiated new drilling program to upgrade reserves at West Kytlim (WK) from C2 to C1 category, raising the market value in turn.

This WK drilling programme is fully funded and currently underway. Once completed, greater production volumes can be expected by potentially lifting the majority of the ore to higher reserve categories. If achieved the project market value should rise.

Exhibit 1: **West Kytlim mine area layout**

Current mining activity is primarily in Malaya Sosnovka and Kluchiki area.

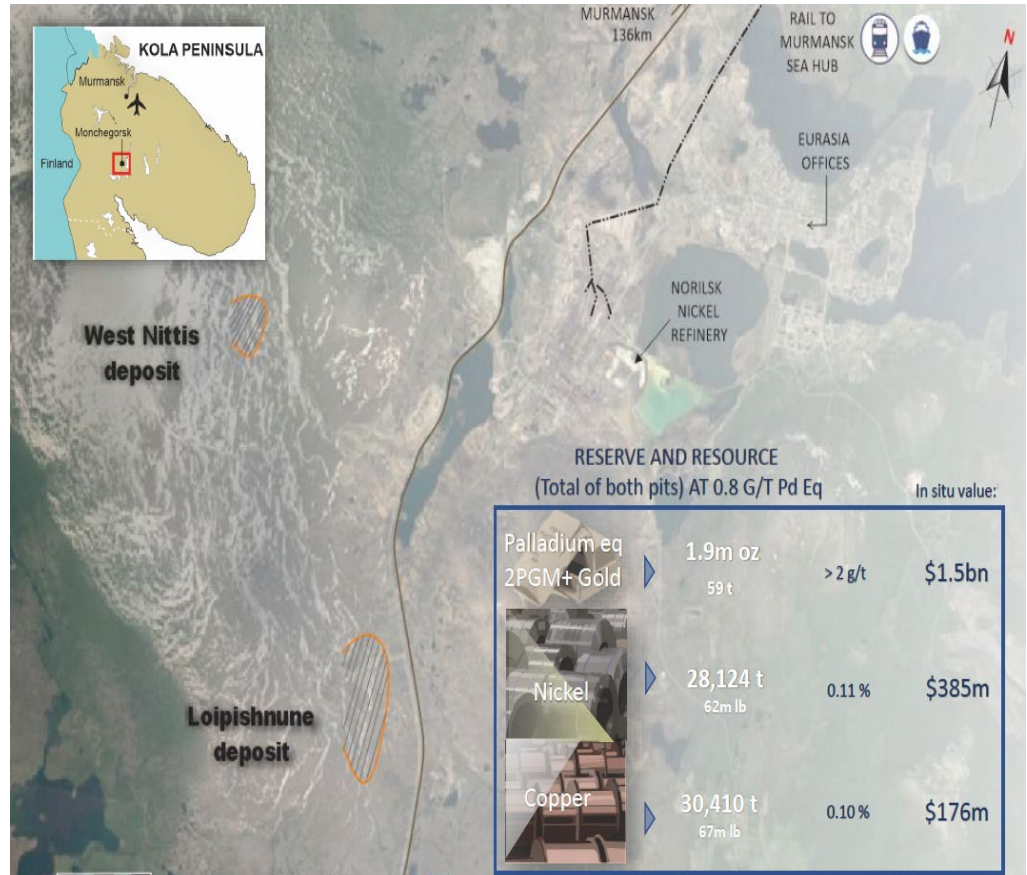


Source: ACF Research; Company Reports

Monchetundra is palladium rich driven by high 3:1 palladium to platinum ratio.

Monchetundra Project: Eurasia's future flagship project that comprises 1.9 million oz of palladium-led reserves and resources with platinum, gold, copper and nickel credits in two open pittable deposits near the town of Monchegorsk on the Kola Peninsula, Northwest Russia. The asset is slated to enter full production in 2021 and the license is valid until 2038. EUA has ~80% ownership stake in the project. EUA management believes that Monchetundra can be developed into a new global mining region for PGM to rival other large PGM producing regions of the world including the Bushveld Complex in South Africa and the Taimyr Peninsula in Russia.

Exhibit 2: Monchetundra location



Source: ACF Research; Company Reports

Fully permitted project with EPC financing secured. Initial production likely to start in 2021.

Fully permitted project: EUA has taken significant steps towards bringing Monchetundra to production. EUA has in place an EPCF (Engineering Procurement Construction and Financing) contract worth \$176 million with Sinosteel, a state-owned Chinese corporation focused on mining. This agreement fully finances the project through the building of the 1.7m tonnes per annum processing facility at Monchetundra. This is important as EUA can now fund the project without any equity dilution. The other significant step is the final approval for the Monchetundra mining permit which was received in November 2018.

Total resource potential at Monchetundra estimated to be around 40 Moz of palladium.

EUA is in the process of completing production preparation activities. In line with EUA's exploration program co-ordinator, Central Kola Expedition submitted a Detailed Project Report (a statutory reporting requirement) in September 2019 containing details such as mine design, land surveying, and proposals for locations for tailings storage and waste rock dump.

Completing production preparation activities is a necessary prerequisite to beginning the EPC contract and meeting the requirements of Russia's mining authority. CEO Mr. Schaffalitzky has stated that the company plans to ramp up activity at Monchetundra over the next six to 12 months.

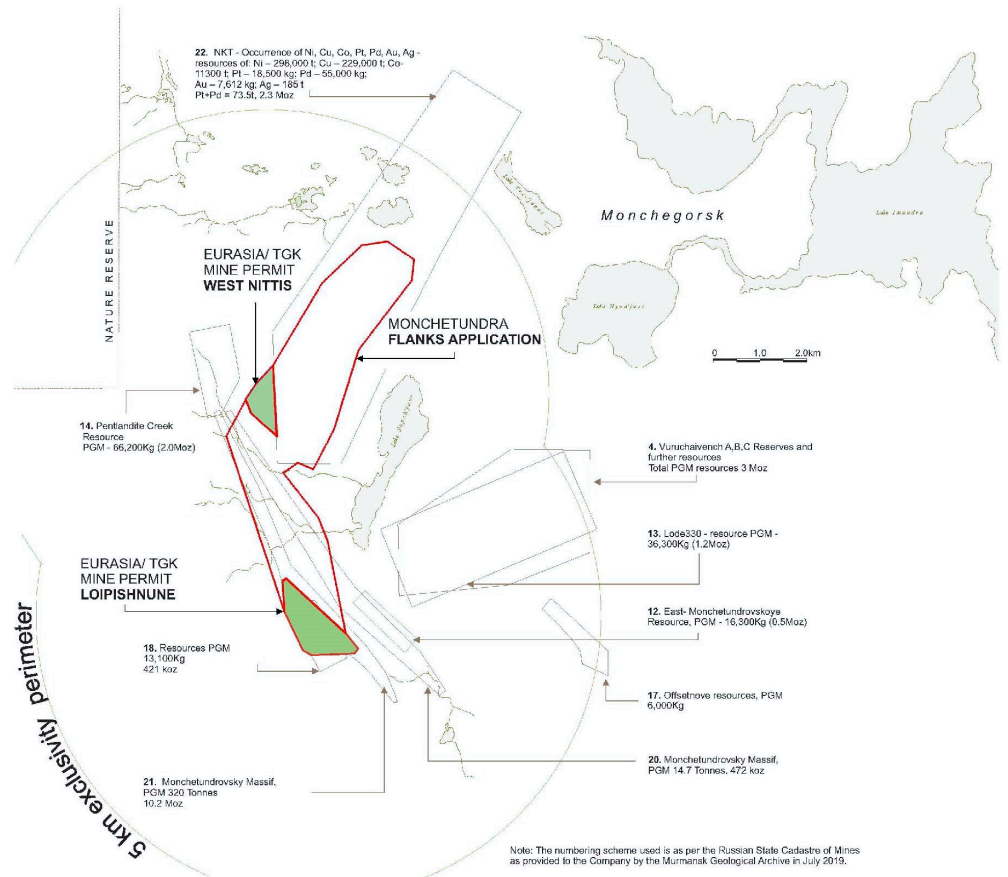
Expanding resource estimate severalfold: EUA intends to make use of its right to apply for further exploration area in the immediate vicinity of the mining license. The company has already submitted the Flanks application in September 2019. Eurasia's flanks application is for an 8 sq. km area covering on-strike continuation of mineralisation at both open pit deposits (Loipishnune and West Nittis). As per the Russian Cadastre, a panel of independent experts, the potential for the area could be 40 million oz of PGMs comprised of:

- 1) Potential resources within the existing company licence and the flanks application of ~15 million oz.
- 2) Potential resources occurring within 5km of the Monchetundra mining license and areas neighbouring the company's deposits of ~4 million oz.
- 3) Potential resources within the wider Monchegorsk district in which the Monchetundra license is located of ~21 million oz.

M&A play: The company has already stated its intentions to look for strategic options for Monchetundra including a potential sale. Last year EUA appointed former Goldman Sachs and Morgan Stanley senior investment banker Alexei Churakov as strategic adviser. Mr. Churakov has extensive mining merger and acquisition experience and has top level contacts with mining companies. Previously Mr. Churakov had assisted EUA in negotiating the EPC contract with Sinosteel. More recently he has been involved in facilitating due diligence on the Monchetundra project by South-Africa based Lesego Platinum. Mr. Churakov assisted with arranging detailed due diligence and multi-day site visits by Lesego CEO James Nieuwenhuys as part of an evaluation of Monchetundra and West Kytlim. Lesego is considering the potential partial acquisition of Eurasia's subsidiaries and joint venture opportunities at the sites.

EUA looking at strategic options for Monchetundra including sale of the project to maximize shareholder value.

Exhibit 3: Monchetundra flanks licence application area



Source: ACF Research; Company Reports

Semenovsky Tailings Project: It is a gold and silver tailings project located in the Republic of Bashkiria, Russia. It is in the pre-production stage and not currently a major focus for the company. Eurasia believes that there is potential to develop a gold operation with a 10-year life of mine producing 12.5 oz gold per annum. The company's estimate of capex is \$3-5 million with operating cash costs of \$400-\$500/oz. Eurasia internal estimates indicate that the project could potentially generate a \$15 million NPV.

PGM Market Outlook

PGM refers to six metals - ruthenium, rhodium, palladium, osmium, iridium, and platinum.

The Platinum Group Metals refers to six metals - ruthenium, rhodium, palladium, osmium, iridium, and platinum. Of these, the two most important are palladium and platinum. EUA focuses on the mining of these two metals. West Kytlim mine is platinum rich with significant credits for palladium and rhodium and Monchetundra boasts high Palladium reserves.

Platinum has long traded at a premium to palladium owing to the former's favour in the jewellery industry and its better catalytic, thermophilic and other physical properties which make it more widely applicable in the auto-industry, in fuel refining and the pharmaceuticals industry.

Restrained demand from diesel manufacturers impacting Platinum prices.

In 2019, platinum played second string to palladium. Restrained demand from diesel vehicle manufacturers, which use Platinum in emission-reducing catalytic converters, has weighed on sentiment. The spot price of palladium is currently \$2,295/oz whilst platinum is languishing at \$1,012/oz. This reflects growth in the auto catalyst market which consumes around 84% of palladium demand.

Increasing demand and limited supply are driving the palladium prices.

The PGM market looks attractive in the foreseeable future. Increasing demand and limited supply are driving the palladium and rhodium prices upwards. Platinum prices did not seem to be as encouraging in 2019 but analysts are predicting small increases in both price per ounce and industry demand going forward.

Prices of palladium are likely to remain firm amid forecasts of supply deficit.

Market consensus continues to forecast a supply deficit of palladium. This is driven by several factors but primarily due to limited new sources of supply due to come on stream. This view is further validated by Norilsk which states that the palladium premium over platinum is sustainable in the medium term due to rising demand from the auto sector and supply constraints.

EUA well positioned to take advantage of strong palladium fundamentals.

Monchetundra is one of the few pure-play Palladium projects available in the market which positions EUA to take advantage of improving Palladium fundamentals. The other projects, located mainly in South Africa's Bushveld complex, are platinum driven with palladium mined only in small quantities. It is also important to note that EUA's cost of production is at the lower end of the global cost curve compared to South African PGM mines that produces ~70%-80% of global platinum production. This positions EUA as a rare dominant pure-play palladium producer.

PGM continue to find new industrial applications and with a continuing role in transportation technology, backed up by jewellery and investment demand, long-term price forecasts contribute to a strong investment case for a PGM focused mining company.

Management Team

➤ Chairman, Christian Schaffalitzky.



Christian has over 40 years of experience in minerals exploration. He was a founder of Ivernia West PLC where he led the exploration, discovery and development of the Lisheen world class zinc deposit in Ireland. Christian was Managing Director of Ennex International PLC, an Irish quoted mineral exploration company, focused on zinc development projects. He has also been engaged in precious and base metals minerals exploration and development in Russia and the former Soviet Union. He is Chairman of Kibo Mining plc and on the board of two other listed companies.

➤ Non-Executive Director, Dmitry Suschov.



Dmitry is a commodities trading veteran who has successfully built a major Pulverized Coal Injection (PCI) franchise throughout Asia, Europe and America with an annual turnover of up to \$100 million, thus accumulating around 2.5% of the global PCI market share. He is also an investment banker with extensive experience in the Russian resources industry and has previously worked with IG Capital, MDM Bank, PricewaterhouseCoopers and Ernst & Young as mining & metals leader in corporate finance for Russia and CIS.

➤ Non-Executive Director, James Nieuwenhuys.



James has held senior positions including Chief Operating Officer at Polyus Gold, Russia's largest gold miner, and is currently Chief Executive Officer at South African Lesego Platinum Mining Limited. Mr. Nieuwenhuys has an engineering background and has also held senior positions at a number of EPC organisations.

Forecasts

Exhibit 4: EUA financial metrics

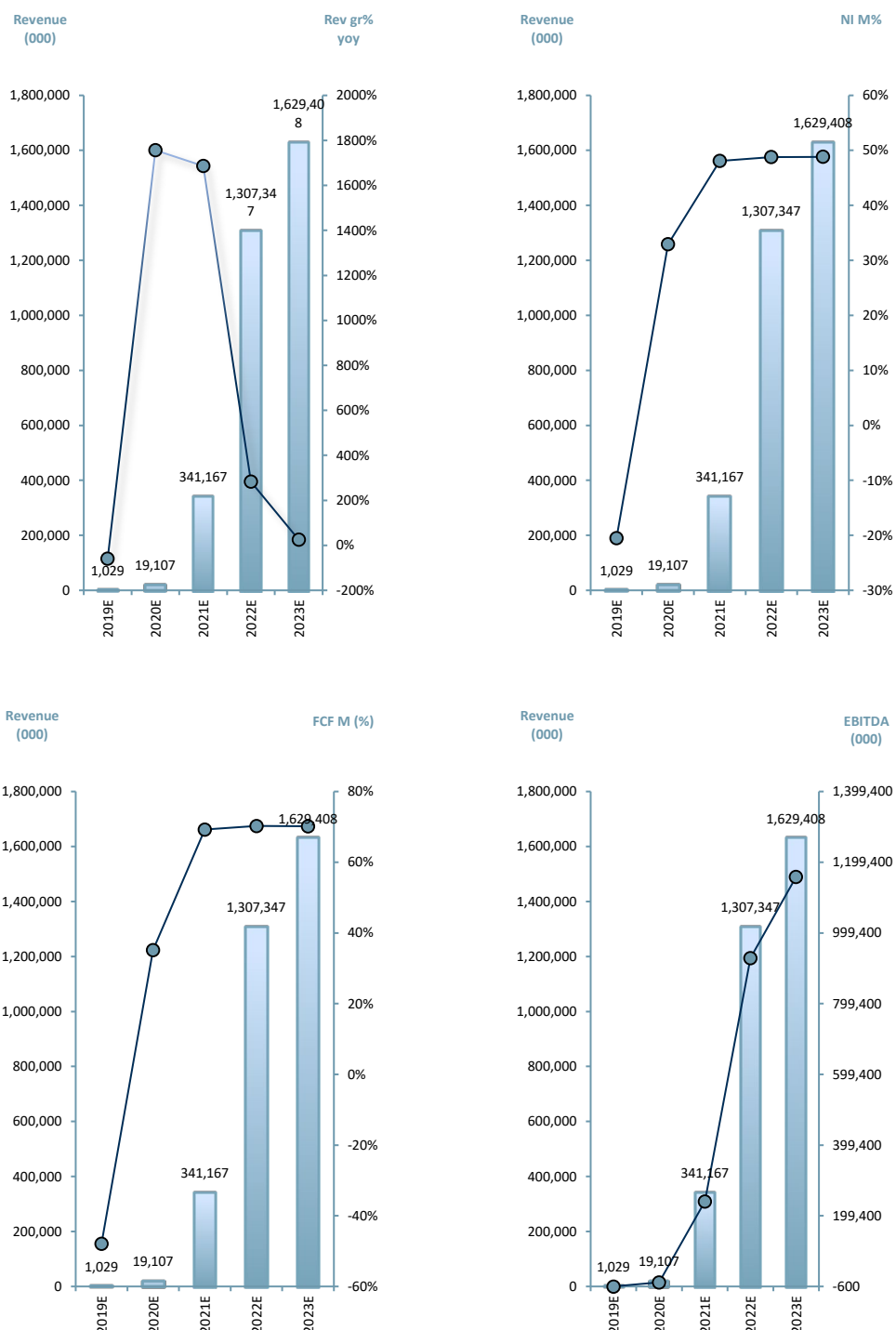
The charts show our 5-year forecasts for key metrics EUA.

Note that columns and lines show our forecast values.

The EBITDA chart shows dramatic acceleration in EBITDA over our 5-year forecast horizon as if the flanks project came on stream, as we expect both West Kytlim and the Monchetundra projects to be running full-scale.

For the purpose of this M&A valuation we have made the same assumption for Monchetundra flanks

The net income margins also witness acceleration and we forecast margins of ~35% at the end of 2023.



Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important for assessing elements of balance sheet strength, nevertheless we are strongly of the view that only cash matters.

Valuation

Exhibit 5: EUA WACC, DCF and Value Range

ACF est. £ ('000)	2017A	2018A	2019E	2020E	2021E
Revenue	184	2,573	1,029	19,107	341,167
EBITDA	-1,041	-949	-380	10,719	240,195
Net Income	-2,120	-2,573	-211	6,287	164,103
FCF	-1,221	-1,062	-493	6,719	236,195
CPS (diluted) (GBP)	-0.04	-0.04	-0.02	0.23	7.96

We see fair value of EUA at GBp 57.7 per share (fully diluted).

West Kytlim WACC Calc		Monchetundra Flanks	
Pre-tax cost of debt	7.0%	Pre-tax cost of debt	7.0%
ETR	20.0%	ETR	20.0%
After-tax cost of debt	5.6%	After-tax cost of debt	5.6%
Current Leverage	0.0%	Current Leverage	0.0%
Debt/(Cash)	-	Debt/(Cash)	0.0%
Equity	92.9	Equity	5.6%
Target Leverage	30.0%	Target Leverage	30.0%
D / (D+E)	23.1%	D / (D+E)	23.1%
ACF β adj levered	1.50	ACF β adj levered	1.5
rf	0.64%	rf	0.64%
ERP	5.5%	ERP	5.50%
Cost of equity	8.9%	Cost of equity	8.89%
Risk adj.	2.0%	Risk adj.	22.00%
WACC	10%	WACC	30%
		Note: Successful completion of licence application will significantly reduce our WACC.	

Valuation Range		
NPV Monchetundra Lo + WN (£m)	192	
NPV Monchetundra Flanks (£m)	1,476	
NPV West Kytlim (£m)	33	
NPV Semensovsky (£m)	12	
NPV FCF (£m)	1,712	
Net Debt/(Cash)	0	
Fair Value (£m)	1,712	
NoSh (m)	2,694	
NoSh (diluted) (m)	2,967	
Intrinsic Value Per Share GBp	57.71	
Close Price GBp	3.45	
VR (low - high)	54.82	60.59
VR Spread	5.00%	
Implied VR Return (low - high)	1489.1%	1656.3%

Note: implied value range in this ACF research note is based upon diluted shares in issue at the date of this note.

Sensitivity Analysis

ACF's valuation is conservative. We have factored in risk adjustment to account for the uncertainty over EUA's project expansion and development plans. We have assumed, arguably, a rather modest total production estimate, completely ignoring any upside to mineral resource estimates from the ongoing exploration program at both the projects and the proximity areas. When we substitute our estimates in the DCF valuation this gives us a EUA value fully diluted of GBP 57.7. Assuming a standard deviation of 5%, the fully diluted valuation range comes around GBP 54.8 to 60.6 per share.

Below we highlight the sensitivity of our EUA NAV per share (Exhibit 5) to changes in various input parameters. Our model is most sensitive to changes in palladium price, platinum price and discount rates.

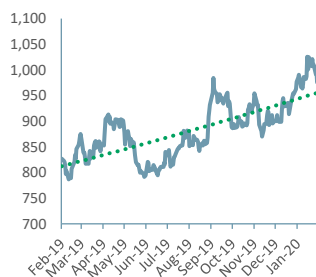
Exhibit 6: Valuation sensitivity to Pd/Pt prices and WACC

WACC (%)	Share Price				
	Palladium Price (\$/g)				
	54	64	74	84	94
8%	57.42	59.02	60.62	62.22	63.82
10%	56.27	57.64	59.01	60.38	61.76
12%	55.34	56.52	57.71	58.89	60.08
14%	54.58	55.61	56.64	57.67	58.70
16%	53.95	54.85	55.76	56.66	57.56
18%	53.44	54.23	55.02	55.82	56.61
20%	53.00	53.71	54.41	55.11	55.82

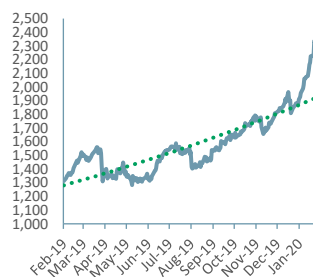
WACC (%)	Share Price				
	Platinum Price (\$/g)				
	21	26	31	36	41
6%	56.64	57.31	57.98	58.65	59.32
8%	56.58	57.21	57.83	58.46	59.08
10%	56.53	57.12	57.71	58.30	58.89
12%	56.49	57.05	57.60	58.16	58.72
14%	56.45	56.98	57.51	58.05	58.58
16%	56.42	56.93	57.44	57.95	58.45
18%	56.39	56.88	57.37	57.86	58.35

Source: ACF Research Estimates.

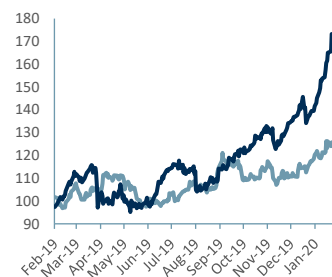
Trend lines (lighter green) for platinum (Pt) and palladium (Pd) price (\$/oz) use exponential formula to indicate momentum.



12m Pt price (\$/oz)



12m Pd price (\$/oz)



12m price relative Pt vs. Pd (darker line)

Peer Group Comparators

Exhibit 7: Trailing EUA peer group metrics

Trailing TTM Metrics / Company Name	Market	MCAP (\$m)	EV (\$m)	Reserves (Moz)	Resources (M+I+I) (Moz)	EV/ Reserves (\$/oz)	EV/ Resources (\$/oz)
Eurasia Mining Plc	AIM	121	119	2.25	40.00	53.06	2.98
Norilsk Nickel	MCX	52,656	58,506	118	251	497.08	232.81
Impala Platinum	JSE	7,421	7,571	21	132	357.12	57.53
Northam Platinum	JSE	2,948	3,918	30	244	128.88	16.09
Average			23,332	56	209	327.69	102.14
Median			7,571	30	244	357.12	57.53

Source: ACF Research Estimates; Companies reports; Thomson Reuters.

Our peer group is made up of PGM mining producers with assets located mainly in Russia and South Africa. We note that all of the peers are more platinum focused companies. This is in contrast to EUA which is more Palladium focused on account of its Monchetundra project. These are arguably EUA's closest and most relevant peers in our view.

EUA does not make up a constituent of our average or median values in the peer group metrics at the bottom of Exhibit 7:6. We have excluded EUA from these values to make the comparison with the rest of the peer group as clean and undistorted as possible.

Recent transactions in the PGM space suggest that premium is being given to palladium producers as indicated by the sale of Stillwater to Sibanye in December 2016 for \$2.2 billion and the most recent (Oct 2019) acquisition of North American Palladium to Impala Platinum for \$758 million. EUA is exploring a potential sale of palladium rich Monchetundra project and we expect it to receive similar premium if the transaction occurs.

Peer Group Selection

Norilsk Nickel (**GMKN, MCX** listed) is a Russia based mining company and is the world's largest producer of nickel and palladium. Its assets are located in northern Russia, the Kola Peninsula, Western Finland, Botswana and South Africa and Western Australia. It boasts of ~195.9 Moz of Palladium resources.

Impala Platinum Holdings Ltd (**IMPJ, JSE** listed) is a South Africa based mining company and a leading producer of platinum group metals (PGMs). Its operations are located on the Bushveld Complex in South Africa, the Great Dyke in Zimbabwe which are the two most significant PGM-bearing ore bodies in the world. In FY2018 the company produced 2.92 Moz of PGMs which included 1.47 Moz of platinum.

Northam Platinum (**NHMJ, JSE**) is a South Africa based integrated PGM producer. Its two primary assets - the Zondereinde and Booyssendal mines are located in the South African Bushveld Complex. The Company's activities are integrated; from the underground mining, through to the concentrating, smelting and base metal recovery processes. Its primary products are the three main PGMs: platinum, palladium and rhodium.

Project NPV

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, which is the licence area currently under application and approved by the Russian Defence Ministry. We also include ~\$15m NPV for the Semenovskiy Tailings project based on EUA's internal calculations. Though the project remains non-core currently.

Prices - Our long-term price assumptions are Pt \$975/oz, Pd \$2,286/oz, Au \$1,570/oz, Copper \$6,245/t and Nickel \$13,805/t.

West Kytlim – We base our assumptions for the project based on operating parameters in the company's mine plan. We assume that the mine produces 791 kg in 2020, 791 Kg of platinum in 2021 based on management's expectations of raising production versus previous estimates. This suggests an annual peak production rate of ~25,500 oz of platinum. Our model assumes a remaining mine life of 13 years. We assume total operating cost of \$350/oz.

Monchetundra Lo + WN (only) – We assume a 24-month construction period in 2019 and 2020, leading to first production in 2021. This is slightly more conservative than Eurasia's forecast timeline which anticipates first production from mid-2020. We assume a production run rate on ~1.3 million tonnes per annum on average over the mine life of 16 years. We assume total capex of \$176 million in line with the EPC contract with Sinosteel, \$50 million of which will be used for pre-stripping and pre-development activities and \$126 million for the plant construction. We assume total operating cost to be \$35/t.

Monchetundra Flanks - We assume a 12-month period of additional construction during period 1, leading to first production in 2021. We assume a production run rate of ~15.6 million tonnes per annum on average over the mine life of 16 years. We assume total capex in pro-rata line with the EPC contract with Sinosteel signed for Lo + WN, which will be used for pre-stripping, pre-development activities and for the plant construction. We assume total operating cost to be \$35/t. All other operating and price assumptions are migrated from our assumptions for Lo + WN which are adjacent to and contiguous with the flanks licence application. However, we have applied a risk adjusted WACC of 30% for the flanks project to capture the associated risks, in that there is currently no licence granted and no EPC contract to fund development and other associated project risks.

Exhibit 8: 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	24.81	24.81	24.81	24.81	24.81	24.81	24.81	24.81	24.81	24.81	24.81	24.81	24.81
Mining tax	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99	1.99
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	2.48	2.48	2.48	2.48	2.48	2.48	2.48	2.48	2.48	2.48	2.48	2.48	2.48
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
Cash flow pre-tax	10.94	10.94	10.94	10.94	10.94	10.94	10.94	10.94	10.94	10.94	10.94	10.94	10.94
Taxes	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19	-2.19
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
Cash flow after-tax	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75
NPV (\$ mn)	7.96	7.23	6.58	5.98	5.43	4.94	4.49	4.08	3.71	3.37	3.07	2.79	2.54
Total NPV (\$ mn)	62												
Total NPV (£ mn)	48												

Source: ACF Research Estimates; Companies reports.

Exhibit 9: Monchetundra Lo + WN only cash flow model

Montechundra Lo+WN																
DCF	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
in \$m																
Production (000 t)	0	184	736	920	1288	1288	1472	1656	1840	1288	1288	1288	1288	1288	1288	1288
Revenue	0	24	98	122	171	171	196	220	245	171	171	171	171	171	171	171
Mining tax	0	2	9	12	16	16	18	21	23	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
Working Capital	0	2	10	12	17	17	20	22	24	17	17	17	17	17	17	17
Capex	60	50	25	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash flow pre-tax	-60	-36	32	71	99	99	113	128	142	99	99	99	99	99	99	99
Taxes	0	0	-6	-14	-20	-20	-23	-26	-28	-20	-20	-20	-20	-20	-20	-20
Tax rate (%)	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash flow after-tax	-60	-36	25	57	79	79	91	102	113	79	79	79	79	79	79	79
NPV	-54	-29	18	36	45	40	41	41	41	26	23	20	18	16	15	13
Total NPV (\$ mn)	311															
Total NPV (£ mn)	239															

Source: ACF Research Estimates; Companies reports.

Exhibit 10: Monchetundra Flanks cash flow model

Monchetundra Flanks																
DCF	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
in \$m																
Production (000 t)	0	2500	10000	12500	17500	17500	20000	22500	25000	17500	17500	17500	17500	17500	17500	17500
Revenue	0	394	1,575	1,969	2,757	2,757	3,150	3,544	3,938	2,757	2,757	2,757	2,757	2,757	2,757	2,757
Mining tax	0	37	148	185	259	259	296	333	370	259	259	259	259	259	259	259
Operating cost	0	75	302	377	528	528	603	678	754	528	528	528	528	528	528	528
Working Capital	0	30	120	150	210	210	240	270	300	210	210	210	210	210	210	210
Capex	149	72	64	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash flow pre-tax	-149	180	942	1,257	1,760	1,760	2,011	2,263	2,514	1,760	1,760	1,760	1,760	1,760	1,760	1,760
Taxes	0	0	-188	-251	-352	-352	-402	-453	-503	-352	-352	-352	-352	-352	-352	-352
Tax rate (%)	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash flow after-tax	-149	180	753	1,006	1,408	1,408	1,609	1,810	2,011	1,408	1,408	1,408	1,408	1,408	1,408	1,408
NPV	-114	106	343	352	379	292	256	222	190	102	79	60	46	36	28	21
Total NPV (\$ mn)	2,398															
Total NPV (£ mn)	1,846															

Source: ACF Research Estimates; Companies reports.

Track record of establishing EPCF funding.

Recently strengthened team with strong EPCF funding experience and contacts.

Opex assumptions are conservative to highly conservative.

We only attempt to capture economies of scale for WCAP.

There are likely to be significant economies for scale for OPEX and potentially for CAPEX for Monchetundra Flanks, as it is both contiguous with Loipishnune (Lo) and West Nittis, and 6.5x larger.

Our ore grade assumption is conservative for Monchetundra Flanks. Geological opinion is that NKT (major part of flanks) has higher ore grades vs. Lo and WN.

Monchetundra Flanks cash flow model assumptions - are based upon a survey of the financial and geological documents available and discussions with management.

Funding (CAPEX) - We have assumed that capex funding for the development of the Flanks project is achieved via an EPCF similar to the deal EUA has signed with Sinosteel.

Life of Mine (LoM) – We have assumed that the LoM will be such that Flanks, Lo and WN are exhausted in the same period, in other words production from the Flanks project will be accelerated. **Opex** – We have forecast operating costs for Flanks that are similar per oz to those for Lo and WN. This is a conservative assumption as we have not modelled any economies of scale, which it is reasonable to assume would be available given the flanks project is 6.5x bigger than the combined Lo and WN projects. **Working capital (WCAP)** – For Flanks we forecast the relationship between working capital and ore production at 1.20%, this is lower than the 1.33% for Lo and WN and considerably above the West Kytlim value of 0.31%. Our 1.20% value for Monchetundra Flanks is designed to indicate potential economies of scale.

Geology – We have assumed that both the ore grades and the extraction percentage for each metal for flanks is the same as Lo and WN. It is likely that the ore grades will in fact be higher based upon the geological data.

Risks to our Assumptions

Project development risk – This includes failure to be granted a licence or to discover or develop an economically recoverable ore reserve, to conclude a definitive feasibility study, and to obtain the necessary consents and approvals for the conduct of exploration and mining.

Commodity price risk – EUA is highly exposed to commodity price volatility. A potential fall in commodity prices could lead to its projects becoming economically unviable. Though EUA takes measures to hedge its risk including steps such as stockpiling when prices are low and price hedging when prices rise above expectation. Also, it is important to note the EUA's cost of production is at the lower end of the global cost curve as opposed to South Africa that produces ~70% of global platinum production.

Funding availability – Mining is a capital-intensive business and requires significant amount of investment as well as working capital. If the company is unable to raise capital for its exploration and development activities it will adversely impact the timelines for its projects. Also, too much new equity (raising money via issuing equity) will lead to dilution while debt funding will increase interest cost thereby further putting pressure on cash flows.

Regulatory risk – The mining projects tend to attract high regulations given their impact to the environment as well as to the country's natural resources. EUA's assets are located in Russia which has extensive regional laws and regulations. Failure to comply with them could lead to delay or complete shutdown of the development of the assets.

Personnel - Small and mid-sized companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and investor perception compared to similar events at larger more mature (often ex-growth) companies.

Financial Projections

Our forecasts do not capture any resource expansion or acquisitions.

We reach our forecast numbers here by assuming that the West Kytlim resumes full-scale production in 2020 and Monchetundra begins initial production in late 2021.

P&L £(m)	2017A	2018A	2019E	2020E	2021E
Revs	0	3	1	19	341
gr%		1299%	-60%	1756%	1686%
Total Expenses	-1	-4	-1	-8	-101
EBITDA	-1	-1	0	11	240
% Revs	-566%	-37%	-37%	56%	70%
FV adj.	0	0	0	0	0
% Revs	0%	0%	0%	0%	0%
EBIT	-1	-1	-1	9	206
EBT	-2	-3	0	8	205
% Revs	NM	-126%	14%	43%	60%
ETR	0%	0%	65%	20%	20%
NI	-2	-3	0	6	164
% Revs	NM	-100%	-21%	33%	48%
Adj EPS (p)	-0.07	-0.09	-0.01	0.21	5.53
Basic EPS (p)	-0.14	-0.12	-0.01	0.23	6.09
Diluted EPS (p)	-0.14	-0.12	-0.01	0.21	5.53
Balance Sheet £(m)	2017A	2018A	2019E	2020E	2021E
PP&E	4	4	4	6	-24
Total Fixed Assets	6	4	4	7	-24
Current assets	0	0	0	0	7
Cash	0	0	0	6	227
Total Current Assets	0	1	0	6	233
Total Assets	6	5	5	13	210
Creditors	0	0	0	2	35
Other liabilities	0	0	0	0	0
Loans	1	0	0	0	0
Total Liabilities	1	0	0	2	35
Net Assets	5	5	4	11	175
Share Capital	27	29	29	29	29
Accum. Profit/(loss)	-24	-27	-27	-21	144
Total Equity	5	5	4	11	175
Total Equity & Liabilities	6	5	5	13	210
Basic NAV (p)	0.2	0.2	0.2	0.4	6.5
Diluted NAV (p)	0.2	0.2	0.2	0.4	5.9
Cash Flow £(m)	2017A	2018A	2019E	2020E	2021E
EBT Profit/(loss)	-2	-3	0	8	205
Finance costs	-1	-1	-1	-1	-1
FV adj. + Other adj.	0	0	0	0	0
Cash Taxes	0	0	0	-2	-41
WCap change	0	0	0	1	27
Net CFO	-1	0	0	10	225

Source: ACF Research Estimates; Companies reports.

Glossary

EBIT	Earnings before interest and tax (also often referred to or equates to operating profit).
EBITDA	Earnings before interest, depreciation and amortisation – the presentation of EBITDA by companies is not a requirement of UK GAAP or IFRS accounting standards. However, in certain cases it can act as a close proxy to free cash flow.
EBT	Earnings before tax. Also often expressed as PBT – profit before tax.
FCF	Free Cash Flow generated in ACF's models after all obligatory cash costs have been satisfied such as Interest payable (Ip), cash taxes and maintenance capex (as opposed to investment capex). FCF represents the cash remaining for theoretical distribution or investment after all obligatory cash-based costs including net interest payable have been deducted.
EUA	Eurasia Mining Plc (EUA) the subject company of this ACF research note.
JV	Joint Venture – generally a legal structure between two corporate entities involving participation in equity capital in the JV vehicle. JV can also refer to more informal arrangements.
PGM	Platinum Group Metals (PGM) refers refers to six metals namely ruthenium, rhodium, palladium, osmium, iridium, and platinum.
Pd	Refers to the symbol for Palladium
Pt	Refers to the symbol for Platinum
NoSh	Number of Shares in issue (NoSh).
NPV	Net Present Value (NPV) refers to the current value of future cash flows generated by the project
WACC	Refers to the weighted average cost of capital for the firm.

Notes [Intentionally Blank]

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