



EURASIA MINING

Key stats	
Company	Eurasia Mining
Ticker	LSE:EUA
Country	Listing: UK (AIM) Operation: Russia
Sector	Mining: PGM – Palladium
Stage	Pre-production
Market Cap	\$ 250m
Recommendation	BUY
Target price	70p GBP (+870% vs current share price of 7.20p GBP)

COMPANY OVERVIEW

- Eurasia Mining (“EUA”) is an AIM-listed junior miner focused on PGM projects in Russia
- EUA’s main asset is the Monchetundra PGM project in Northern Russia, and it also has 2 other assets – a producing PGM project, and a gold tailings project.

Monchetundra Northern Russia, next to Russia-Finland border	<ul style="list-style-type: none"> ▪ Crown jewel of EUA – 80% stake in a 2m oz resource Palladium-dominant (2:1 Pd Pt ratio) of PGM (0.96m oz of Palladium + 0.5m oz of Platinum), with in-situ value of ~\$3bn at current Pd and Pt prices. ▪ 13m more to be approved by St Petersburg department of Rosnedra (Russian federal body looking after resource licenses) – boosting in situ value to \$28bn ▪ Near-surface open pit deposit, estimated runway to production of ~2 years. Located in a very strong PGM area – a number of other resources are located nearby (Barrick’s Fedorova Tundra 5m+ Pd license), several similar assets across the border in Finland, Polymetal’s Viksha project. However, all the nearby projects are in much earlier stage of development and permitting vs Monchetundra. ▪ Mine is fully permitted, ready to start digging, if EUA decides to. EPC contract is in place with Sinosteel for \$176m of capex (\$150m of which in the form of debt). If Sinosteel triggered, equity portion to be covered from cashflows from operating West Kytlym Pt mine.
West Kytlym Ekaterinburg, on the border of European and Asian parts of Russia	<ul style="list-style-type: none"> ▪ Producing near-surface open pit alluvial Pt mine with resource of c. 0.4m oz of Pt (in-situ value of \$360m). Operational since 2016. ▪ EUA aims to produce >20k oz (~\$18m annual revenue / \$8m annual cashflow) from this mine once fully stabilized. Costs in 1Q of global curve - ~\$ 500/oz ▪ Exploration license in place for the adjacent (“flanks”) area of 71km (in addition to 21km licensed mining area) + 24km additional exploration license under application since Jun-19 ▪ Used to be in JV with Anglo American until 2014, and operated the mine jointly with a contractor on a revenue share basis. Bought out from contractors in 2019, with 2020 expected as first full year of production fully attributable to EUA.
Semenovsky Bashkiria, east of European part of Russia	<ul style="list-style-type: none"> ▪ Tailings project, with c. 100koz of contained gold (\$160m in-situ value @ \$1,600 / oz), c. \$100m potential cashflow over life of mine

- Monchetundra contains PGMs with in-situ value of c. **\$28bn**. Given the low estimated extraction cost (\$325 / oz), developing the asset into production can free cash flows over mine life of up to \$24bn. Initial capex to develop the mine is also very low compared to other PGM projects under development globally.

	Pd	Pt	Au	Cu	Ni
C1 (Russian classification = JORC inferred)	18	3	1	0.4k mt	0.8k mt
C2 (Russian classification = JORC inferred)	947	496	68	27.7k mt	29.6k mt
Total (2m oz area - per EUA resource statement 31-May-17)	965k oz	498k oz	69k oz	28k mt	30k mt
Flanks (13m oz area) - est	8,600	4,400			
Total (existing base)	9,570	4,900			
In situ value (Pt @ \$900 / Pd @ \$2,500) - \$ billion	28.3			0.67	
Nearby 5km area A - est	4,000				
Nearby 8km area B - est	21,000				
Total potential PGMs (k oz)	26,100	13,400			



- EUA listed in 1996 on AIM and initially focused on a portfolio of mining projects in Russia and the former USSR. EUA operated in a JV with Anglo American Platinum between 2000-2014. In 2008, EUA's drilling results at Monchetundra indicated open pit mine potential for PGMs.

<p>Dmitry Suschov <i>Non-executive Director</i></p>	<ul style="list-style-type: none"> ▪ One of the best-known figures in the Russian independent mining industry ▪ Investor in several mining production launches with successful exits, including one of the world's largest pulverized coal producers ▪ Started investing into EUA in 2008, at c. 5p / share, owns c. 20% of EUA
<p>Christian Schaffalitzky <i>Executive Chairman</i></p>	<ul style="list-style-type: none"> ▪ Founder of CSA Global, a mining industry consultancy. Chairman of Kibo Energy, and Katoro Gold.
<p>Alexei Churakov <i>Strategic board advisor</i></p>	<ul style="list-style-type: none"> ▪ Mining M&A and financier with experience at Goldman Sachs and Morgan Stanley ▪ Has invested ~\$10m into EUA so far

- EUA started gaining visibility around 6 months ago, when talks with banks for a potential M&A event were confirmed (share price rose >500% within 1 week following the release). Share price followed with another 2x run up in early February, during the Mining Indaba week.
- The current share price is also large enough (\$250m market cap) so attract institutional demand.

RECENT EVENTS

Event	Time	Notes
Mining license approved by Russian Prime Minister	Nov-18	
Flanks application submitted to Rosnedra	26-Sep-19	
Banks appointed RNS	24-Oct-19	<ul style="list-style-type: none"> ▪ Share price: 0.95 (+102%) ▪ Game-changing event – market found out M&A talks are serious ▪ Share price rallied 527% over the next 5 days
Monchetundra Flanks Approval by MOD	17-Dec-19	<ul style="list-style-type: none"> ▪ Russian MoD approved the flanks license. In Russia federally significant deposits are subject to additional layers of approvals by federal security services
Mining Indaba	3-6-Feb-20	<ul style="list-style-type: none"> ▪ World's largest mining conference in Cape Town ▪ Share price rallied 107% during the week, to 7.14p vs 3.45p
Shares Suspended	11-Feb-20	<ul style="list-style-type: none"> ▪ The (in)famous tweet by Michael Hammond released, suggesting EL signed with CITIC. Subsequently MH locked his account, however, did not delete the tweet. <div data-bbox="603 1361 1037 1630"> </div> <ul style="list-style-type: none"> ▪ Engagement letter signed part is highly significant as EUA had previously stated ELs would be signed once there is sufficient interest from acquirors ▪ Some trades have been reported as canceled on the LSE since. It is not clear as of now what these cancelations relate to.
Options exercised	12-Feb-20	<ul style="list-style-type: none"> ▪ Options and warrants got exercised by non-director employees, for a consideration of c. GBP 300k ▪ Options have been getting exercised in batches in recent months ▪ 10m warrants remain unexercised and held by directors – directors likely unable to exercise given the suspension
PDAC Toronto	Mar-20	<ul style="list-style-type: none"> ▪ EUA shared a stand with Rosnedra



Flanks approval from Sevzapnedra	(?)	<ul style="list-style-type: none"> Flanks approval to boost current resource 6x. Already approved by MoD, awaiting approval from regional office of Rosnedra for North-western region
Kytlym Operational Update	(?)	<ul style="list-style-type: none"> Minor event, but could be a nice cashflow boost if ramp-up is going well
Sale	(?)	<ul style="list-style-type: none"> Either an asset sale of Monchetundra, or in a combination with West Kytlym, or a full company sale

M&A PROCESS

- The main source of recent buzz around the company is the potential sale, which can yield proceeds multiples of current share price, within a relatively short period of time.
- VTB and CITIC are known to be working on a sale process, per RNS released in Oct-19, following which share price rose >5x in the next week.
- VTB is the largest investment bank in Russia, while CITIC is a major Chinese state-backed conglomerate. Banks had started work on a success fee basis, without engagement letters being signed.
- EUA **uniquely positioned** for a sale, because:
 - Shortest runway to production of all Palladium projects globally** – could produce as early as 2022-23 (fully permitted)
 - Lowest cost** producer (\$325 / oz)
 - Low capex**
 - Not affected by **power cuts in South Africa**
 - Best way to extract value is to bring in a major player
- EUA alternatively could trigger the Sinosteel contract and operate the asset, however, this would be a longer runway to monetize full value of the asset, and would not benefit from being able to draw on technical expertise and financial muscle of a large-cap mining group.
- A number of parties could be interested, with high-likelihood names being: Norilsk Nickel (has a nearby facility, own projects have a longer production runway), Anglo American (former JV partner, diversify from South Africa), and a number of other potential acquirors, among them, diversified mining majors, Japanese trading houses, Russian metals majors, and state-backed players from China and the Middle East.
- M&A processes typically start with a broad buyer list, following which the list is gradually narrowed down based on preliminary due diligence to a few select buyers who then battle it out between themselves to buy the asset for the highest price.
- In EUA's base, the company uniquely for an asset of such nature, has access to foreign acquirors, (due to its AIM listing, and it having gone through MOD to get approvals) as foreign ownership restrictions on federally-significant mines restrict foreign buyers from buying such mines without additional layers of approval. This significantly widens EUA's acquirer pool from just a handful of Russian mining majors, to the full pool of international investors.
- Acquirors naturally try to minimize acquisition price paid, with most valid arguments to try and bring the acquisition price down, with most valid arguments being: (1) expressing valuation as a premium to prevailing share price. The currently suspended trading mode provides a way to looking at the transaction as a private sale, detached from inefficiencies of market pricing, (2) current resource statement awaiting Sevzapnedra flanks approval. This is likely to naturally get resolved as more challenging MOD approval has already been granted, and the approval remaining is from a regional office of a federal government entity.
- EUA will try and maximize the exit value has the following tools at hand:
 - Run a **competitive auction**
 - Boost **share price** with additional news releases, thus putting a 'floor' on any consideration in question, such as: (1) **Flanks approval** for 15m oz, (2) Development of Semenovskiy Tailings or **West Kytlym – minor impact**, however showing traction, (3) Releasing news on '**clarifying their relationship with CITIC**'
- Below are summarized a few of the most likely acquirors, their potential rationale, and ability to execute given significant transaction size.

Potential acquiror	Overview & Rationale	Likelihood	Ability to execute
Norilsk Nickel	<ul style="list-style-type: none"> World's largest producer Own facilities are located nearby – easy to develop and process Own projects have a longer runway to production 	High	Yes, very cash rich Recently refinanced a bond
Anglo American	<ul style="list-style-type: none"> Diversify operations away from South Africa which is Former JV partner, knows EUA asset and team well 	High	Yes, has access to capital
CITIC	<ul style="list-style-type: none"> Chinese state-run conglomerate Active acquirer: owns significant minority stake in Ivanhoe, acquired for c. \$700m in 2018 	High	Yes



Other Chinese players: Zijin	<ul style="list-style-type: none"> Acquired Canada's Continental Gold for \$1bn in Dec-19 Gold-focused 	Low	Yes
Impala	<ul style="list-style-type: none"> Diversify away from South Africa Highly exposed to high-cost operations 	Moderate	Potentially, size is large relative to Impala
Polyus	<ul style="list-style-type: none"> Has done large M&A historically – 60m oz Sukhoi Log gold resource acquired from the government for >\$2bn However gold-focused 	Low	Yes
Polymetal	<ul style="list-style-type: none"> Acquiring EUA could serve as a good alternative to Viksha PGM which is only expected to produce from 2027 	Moderate	Yes
Sibanye-Stillwater	<ul style="list-style-type: none"> Very active in the M&A space However, could be focused on investing into the recently-acquired Stillwater asset, buying EUA might be spreading effort across too many assets 	Moderate	Yes
Barrick	<ul style="list-style-type: none"> Owens a nearby deposit, Fedorova Tundra, proving potential interest in PGMs in Russia Last news on Fedorova Tundra was in 2017 about Barrick awaiting license renewal – nothing since. Project could well be on hold / canceled, and if Barrick is still strategically interested in PGM in Russia, EUA can be a good target 	Moderate	Yes, global large-cap
Japanese Trading houses	<ul style="list-style-type: none"> Sumitomo has previously invested into a Quartz mining project in Russia 	Moderate	Yes, cash rich + strong access to capital
Lesego Platinum	<ul style="list-style-type: none"> Known to be in play per RNS on 16-Sep-19. However in Nov-19 CEO joined EUA's board and EUA announced they were exploring other options of working together, not necessarily M&A 	Low	Yes, backed by a Chinese private equity firm

▪ **Virus impact**

- The virus has definitely slowed negotiations – however
- China has had a very effective response

▪ Suspension is good for negotiation purposes because avoids benchmarking the asset to current share price

FINANCIAL SUMMARY

We value EUA (adjusted for its 80% ownership in Monchetundra) using 4 different methods:

- (1) Transaction precedents
- (2) Cashflows if developed into production + market trading multiple
- (3) PV of Life of Mine cashflows
- (4) Market Trading multiples of producing assets

TRANSACTION PRECEDENTS

Deal	Country	Stage	Date	Paid (\$ m)	M+I (m oz)	EV/oz M+I est	Production cost	Prevailing Pd
							(\$ / oz)	price (\$ / oz)
Impala - North American Palladium	Canada	Producing	Dec-19	750	5.0	150	830	2,000
Sibanye - Stillwater	USA	Producing	Dec-16	2200	20.0	110	450	670
Boliden - Kevitsee	Finland	Producing	Mar-16	712	1.3m PGM + Ni + Cu	-	-	-
Suhanko	Finland	Early	Jan-18	40	10.0	4	-	1,100
Average EV / oz paid (advanced-stage projects)							130	
Monchetundra est value - low (\$ m)					15	1,320	325	
Monchetundra est value - hi (\$ m)					15	3,350		

Note: high-end of estimate based on M&A precedents based on Impala – NAP transaction, adjusted for Monchetundra's expected margins at Pd \$2,500 / oz

CASHFLOW + TRADING MULTIPLES

Pd price / oz	2023 EBITDA @200k oz Pd production	EV @ 8x Discounted @ 25% IRR (80% stake)
1,500	240	1,920
2,000	340	2,720
2,500	440	3,520
3,000	540	4,320
3,500	640	5,120

Note: Assumes mid-range scenario of 200k oz of annual production. 8x multiple based on listed peers ex Zimplats & Sylvania.


Trading EV / oz multiples of producing assets

Company	Production status	Cost (\$ / oz)	M+I (m oz)	EV (\$ / m)	EV / oz M+I PGM oz	PGM % of business
Norilsk Nickel	Producing	500	123	56,827	185	40%
Sibanye-Stillwater	Producing	1,000	75	7,265	68	70%
Impala	Producing	1,250	240	6,627	28	100%
Northam Platinum Limited	Producing	900	114	3,585	31	100%
Platinum Group Metals Ltd.	Advanced stage Junior	770	19.5	169	9	100%
Average EV / oz - producing						42
Average EV / oz - junior						9
Eurasia Mining Plc - current						17
Eurasia Mining Plc - FV - LO - pre-production discount of 50% to NN				1,110	92	
Eurasia Mining Plc - FV - HI - pre-production discount of 25% to NN				1,660	139	

Metal	2m area	Flanks area	Price	Total (m oz)	In situ value (\$ m)	AISC (\$ / oz)	FCF
Pd	0.96 m oz	6.24	2,500 / oz	7.2	18,000	325	15,660
Pt	0.50 m oz	3.25	900 / oz	3.75	3,380	325	2,160
Ni	30k mt		12,500 / mt		380		
Cu	28k mt		5,500 / mt		150		
Total					21,910		17,820

Pd + Pt only Discounted 90% (\$ m)	1,430
Pd + Pt only Discounted 75% (\$ m)	3,560

- West Kytlym is valued at an additional \$50-75m, valuing profitability in steady state on a 8-10x multiple, or applying a 50-75% to LOM free cash flow estimate. Semenovsky is an additional \$10-20m of value.

Valuation - summary

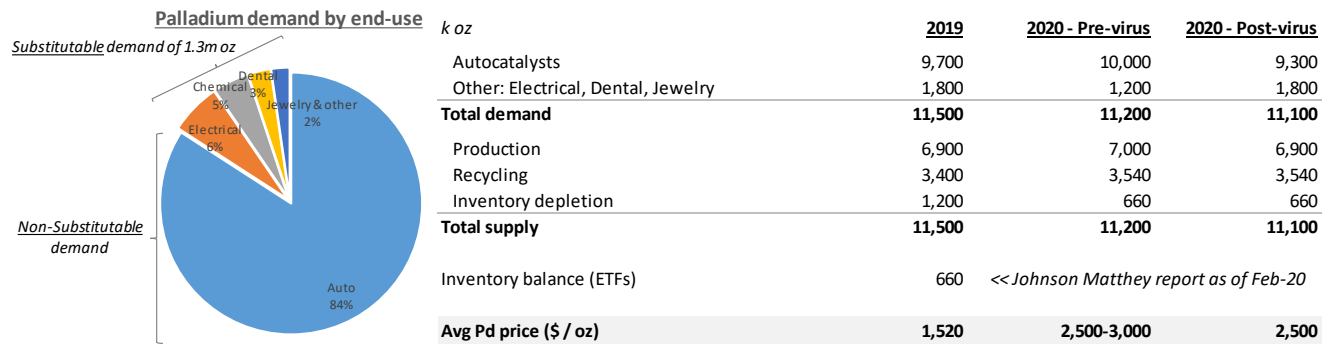
\$ m	Range - LO	Range - Hi
Transaction comps	1,320	3,350
Cashflows + trading comps	1,110	1,440
PV of Life of Mine	1,430	3,560
EV / oz - comps vs producing assets	1,110	1,660
Valuation range (\$ m)	1,110	3,560
Incremental value from West Kytlym	50	75
Incremental value from Semenovsky	10	20

Midpoint	2,413
per share / p	70

- Conclusion:** EUA's present equity value today is between \$1.2-3.6bn (midpoint of \$2.4bn, 70p per share). If acquired at such a valuation, the acquirer's return on invested capital is likely to be at least 25% in developing the mine to production.

PALLADIUM MARKET FUNDAMENTALS

- Palladium is mainly used in car catalytic converters. Russia and South Africa make up c. 80% of global production, remainder is from USA, Canada, and Zimbabwe.
- In 2019, new, stricter regulation around emissions came into force in China and the EU, driving demand for Palladium up. Regulations are rolled out in phases – so demand will keep increasing for several years till mid-2020s.
- Regulations comes with onerous testing requirements, and imply that once an engine is approved by relevant authorities with a particular type of catalyst, substituting it for something else (i.e. Platinum) is very difficult.
- Supply of Palladium is inelastic, because it is mined mostly as a by-product of Platinum. Platinum market is somewhat oversupplied, and prices have been sluggish for years.
- In 2020 (before virus hit), supply-demand imbalance was forecast to be 600-1,000k oz of Palladium. With virus having shut a large number of factories in China, the world's largest car market, demand for catalysts on a full-year basis is likely to take a hit.
- However, impact of the virus is likely to be relatively short-term, with global economy recovering to normal in H2 2020. Palladium demand is then likely to start experiencing a major physical imbalance in line with forecasts made by major market players (Johnson Matthey, Norilsk Nickel).
- Market was already in deficit in 2019, even before the new emissions regulations were fully implemented, and a deficit of 1.2m oz was met through inventory depletion. Inventories are widely believed to be nearly fully depleted, with the main source of remaining inventory being ETFs, which had only 660k oz as of year-end 2019.



- If a physical shortage gets too extreme, and stocks are insufficient to meet demand, market will balance itself by having the price increase, till demand from all non-essential users gets squeezed out: c. 1.3m oz is used in sectors where it can be substituted – i.e. dental, electronics, jewelry.
- Paper market for Palladium is relatively small, with c. 1.3m oz (10% of annual demand) of futures worth of open interest on the CME, insignificant to move the price much through speculation by paper traders, however large enough for a mid-sized producer to hedge a couple of years worth of output.
- An average car is loaded with c. 3gm (0.1 oz) of Pd, which costs c. \$250 / car. Even with the rally in Palladium over the past year, the absolute cost per car for an automaker has increased by only ~\$125, an insignificant amount relative to the overall cost structure.
- Palladium supply, in addition to fundamentally inelastic supply, is constrained by:
 - Power outages in South Africa
 - Oversupply in Platinum: disincentive to Platinum-rich miners (mostly in South Africa) to produce more Palladium
 - One-off supply disruptions: on 06-Mar-20 Anglo American shut its Rustenburg plant in South Africa due to an explosion, expected to be closed for up to 3 months, cutting PGM production guidance by 500k oz

What market participants are saying

“South Africa produces roughly 40 percent of the world’s palladium supply and is reportedly reducing output by 13.5 percent.”
 ~ Wall Street Journal – 22-Jan-20

“The world’s largest producer, PJSC Norilsk Nickel Co., recently raised its forecast for the supply shortfall in 2020 to 900,000 ounces, from the 500,000 ounces presented in November 2019”
 ~S&P Global Intelligence – 04-Mar-20

“The palladium market deficit widened to over 1 million ounces in 2019, as combined primary and secondary supplies grew only modestly, while autocatalyst demand surged higher on the back of new legislation in China and more stringent testing regimes in Europe”
 ~Johnson Matthey PGM Report 2020 – Feb-20

Common questions

- “Palladium price will crash”
 - Production for a mid-sized producer can be hedged for 2-3 years out in the paper market
 - Price is driven by extreme physical supply-demand imbalance which is unlikely to change dramatically for at least 5 years
 - Regulations are unlikely to be rewritten for automakers just because they have to spend \$100-200 extra per car on meeting clean air regulations
- “What if Palladium just runs out short-term”
 - 15% of demand base is from substitutable, and non-essential consumers will get squeezed out by rising prices until they switch to another metal
- “Automakers will substitute it for Platinum”
 - Regulations for emissions standards are very prescriptive, with tests and certification processes to get a particular catalytic converter approved cumbersome and lengthy
 - Average loading is only worth \$250 / car – spending significant R&D resources is not worth the effort for carmakers
- “Coronavirus will kill demand for cars”
 - There will be a temporary slowdown in demand, however:
 - China is already showing signs of containing the virus – as of today, outbreak is out of control in Italy and Iran
- “High Palladium prices are caused by speculative paper demand”
 - Paper market is only ~10% of annual physical demand, insufficient to move the prices enough for any prolonged period of time
- “Electric cars will kill demand for Palladium”
 - Electric cars, while growing, represent <5% of global car demand, and demand is mostly restricted to advanced nations
 - Emerging car markets, such as India, are growing demand mainly in the petrol car segment
 - In the USA, EVs are under 2% of the market



Upcoming supply

- “Electric cars will kill demand for Palladium”

Project	Overview	Timeline	Likelihood
Ivanhoe Platreef <i>South Africa</i>	<ul style="list-style-type: none"> ▪ 41.9m oz M+I ▪ Likely annual production: 220k oz 	2024-25	High
Platinum Group Metals / Impala Waterberg <i>South Africa</i>	<ul style="list-style-type: none"> ▪ 20m oz M+I ▪ Likely annual production: 300-400k oz ▪ \$767 AISC ▪ Impala owns 15% ▪ Underground, c. 400 meters depth ▪ Work to begin in 2021 	2024-25	High
Norilsk Nickel & Russian Platinum JV Arctic Palladium <i>Russia</i>	<ul style="list-style-type: none"> ▪ Several articles have appeared in Russian media about the potential project, and possible support from the Russian SWF ▪ Capex est. \$3bn+, due to challenging geography 	2024-25	Low
Polymetal Viksha <i>Russia</i>	<ul style="list-style-type: none"> ▪ Likely annual production: 120k oz ▪ Considering JV partner because Polymetal not a PGM specialist 	2027	High

Publicly-traded peers

- The closest peer in the junior space to EUA is Platinum Group Metals – a South African producer with a much longer runway to production – targeting start around 2024-25 at the earliest.

PUBLICLY TRADED COMPARABLES													
<i>(In USD million)</i>		Market	Enterprise	LTM Margin %		Revenue	EBITDA		P / E		Total Debt/EBITDA		
Company	Country	Capitalization	Value	EBITDA	Gross	EBITDA	LTM	LTM	Forward	LTM	Forward	LTM	LTM
Diversified	Norilsk Nickel	Russia	\$49,293	\$56,827	\$8,069	61.7%	59.5%	4.2x	7.0x	6.1x	8.5x	7.9x	1.2x
	Anglo American Platinum Limited	South Africa	\$18,693	\$17,569	\$2,163	27.0%	30.4%	2.7x	9.0x	5.5x	15.8x	8.3x	0.0x
	Sibanye Stillwater Limited	South Africa	\$5,979	\$7,265	\$1,034	23.1%	19.8%	1.5x	7.4x	2.3x	NM	2.9x	1.7x
PGM focused	Impala	South Africa	\$6,299	\$6,627	\$833	18.4%	22.0%	1.9x	8.5x	3.7x	36.7x	5.9x	0.8x
	Northam Platinum Limited	South Africa	\$2,661	\$3,585	\$346	36.4%	35.8%	4.1x	11.5x	5.3x	32.5x	8.7x	3.1x
	Royal Bafokeng Platinum Limited	South Africa	\$749	\$941	\$105	9.1%	19.5%	2.0x	9.9x	3.7x	173.2x	5.1x	2.6x
	Zimplats Holdings Limited	Zimbabwe	\$844	\$829	\$361	36.0%	50.4%	1.2x	2.4x	-	6.2x	-	0.0x
	Sylvania Platinum Limited	South Africa	\$190	\$158	\$54	51.2%	55.8%	1.7x	3.0x	1.7x	5.7x	3.2x	0.0x
Advanced Junior	Eurasia Mining Plc	Russia	\$251	\$249	(\$2)	NM	NM	89.9x	NM	35.0x	NM	72.0x	NM
	Platinum Group Metals Ltd.	Canada	\$119	\$169	(\$5)	-	-	-	NM	-	NM	NM	NM
Early stage Junior	Group Ten Metals Inc.	Canada	\$14	\$14	\$0	-	-	-	-	-	NM	-	-
	Palladium One Mining Inc.	Canada	\$9	\$9	\$0	-	-	-	-	-	NM	-	-
	New Age Exploration Limited	Australia	\$2	\$1	(\$1)	100.0%	-	44.3x	NM	-	NM	-	-
	Grid Metals Corp.	Canada	\$8	\$7	(\$1)	-	-	-	NM	-	NM	-	-
	Jangada Mines Plc	Brazil	\$6	\$6	(\$2)	-	-	-	NM	-	NM	-	NM
	Eastern Platinum Limited	Canada	\$24	\$21	(\$7)	(6.4%)	(24.3%)	0.8x	NM	-	NM	-	NM

INVESTMENT HIGHLIGHTS AND RISKS

Investment highlights

Likely exit	<ul style="list-style-type: none"> ▪ EUA's management has a track record of exits ▪ Fastest runway to production among junior palladium miners globally
Best-in-class resource quality	<ul style="list-style-type: none"> ▪ Palladium-dominant resource
Lowest cost producer globally	<ul style="list-style-type: none"> ▪ \$325 / oz, vs next closest peer at ~\$400 / oz (Stillwater). South African producers have costs close to \$1,000
If exit not immediate, strong mid-term cashflow potential	<ul style="list-style-type: none"> ▪ \$200-300m+ annual EBITDA if developed into production ▪ Revenue can be hedged for up to 2-3 years in the paper market given company size



Investment risks	
Russia risk	<ul style="list-style-type: none"> ▪ Likelihood of materializing: Low ▪ There have been instances in Russia where minority shareholder rights were breached (i.e. Rosneft – TNK-BP acquisition), Yukos case. However, in all of these situations there was either existing political ‘noise’ around shareholders and parties involved, or the asset in question was privatized from the government under somewhat questionable circumstances. Neither of these factors are in play with EUA, which strongly mitigates any country risk.
Resource in inferred category (voiced by some Twitter users)	<ul style="list-style-type: none"> ▪ <i>“Resource is almost 100% in inferred category”</i> ▪ Normal situation for a junior miner – North American palladium started with majority of its resource base in the inferred category in the early 90s when the mine was first discovered, moving from inferred to proven as more drilling was conducted ▪ <i>“Valuation should be lower given resource is inferred”</i> ▪ The current resource categorization is not about ‘whether the metal is there’, but rather a function of the number of holes drilled to measure the resource. Drilling at this stage would be an inefficient use of time and cash, as the area is widely known for its mineralization. To extract economic value from the project, main objective is to either sell the asset to a partner who will rapidly develop it into production, or fast-track development into production, not maximize drilling given high confidence around resource base.
Sale does not go through	<ul style="list-style-type: none"> ▪ Likelihood of materializing: hard to put an exact number given lack of precedent, but possible ▪ Sale discussions may resurface again, at a later stage ▪ EUA can trigger the Sinosteel EPC contract and start building, targeting production within 2 years ▪ However, acquirors pulling out, would be highly illogical, given EUA’s superior production timeline runway vs any other comparable project