

Euromax Resources

Strategic relationships cemented

On 8 April, Euromax announced that it is to raise up to US\$30m via a strategic alliance with the mining finance vehicle of Consolidated Contractors Company (CCC). The raising will be in three tranches: a C\$5.2m 9% convertible loan note this month, convertible at an equity price of C\$0.40/share, plus (subject to the Ilovica project proceeding and CC Mining approval) US\$5m in equity in tandem with up to US\$20m in the form of a 10-year subordinated, secured loan facility at Libor plus 8%.

Year end	Revenue (C\$m)	PBT* (C\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/13	0.0	(5.4)	(6.6)	0.0	N/A	N/A
12/14	2.7	(6.6)	(7.8)	0.0	N/A	N/A
12/15e	3.7	(8.6)	(7.4)	0.0	N/A	N/A
12/16e	0.0	(8.8)	(3.6)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Consolidated Contractors Company (CCC)

CC Mining is the mining finance arm of Consolidated Contractors Company (CCC). CCC is a Lebanese group, historically focused on the oil & gas and general construction markets. Its construction function is headquartered in Athens and its lead negotiator, John Burgess, was formerly the managing director of ACC Rio Tinto Exploration (Arte) in India (inter alia). While originally a pure EPC contractor, CCC's modus operandi is now to make equity investments associated with projects in which it is pre-engaged. In return for its investment, CCC will have the right to appoint one director to Euromax's board and one Technical Committee member.

Further funding anticipated

In addition to its US\$30m headline financing, Euromax also announced US\$5m of further anticipated funding via the placing of a two-year, 12.5% convertible (convertible at C\$0.40/share) to a company 'insider'. Note that, for these purposes, the term insider should be seen in a Canadian context and interpreted to mean 'existing shareholder', rather than the UK meaning of the term.

Valuation: C\$1.03/share

In our March [outlook note](#), we increased our valuation of Euromax to C\$1.08/share (based on the present value of the fully diluted potential dividend stream to Euromax investors discounted at 10% pa) to reflect the results of Euromax's recently completed definitive feasibility study (DFS) on Ilovica. This month's funding announcement implies the issue of up to 41.4m common shares in Euromax. However, this is already incorporated into our future debt and equity funding assumptions and therefore does not change our valuation, except for a slight reduction to C\$1.03/share as a result of the effect of a weak US\$ vs both C\$ and the euro in the intervening time. In the meantime, we estimate that the Ilovica resource alone has a value in the range US\$52.0-78.8m cf Euromax's market capitalisation of c US\$52m.

Fund-raising

Metals & mining

18 April 2016

Price **C\$0.57**

Market cap **C\$67m**

C\$1.2853/US\$

Net cash* (C\$m) at end-September 2015 2.1

*Excludes liability relating to streaming agreement with Royal Gold.

Shares in issue 116.8m

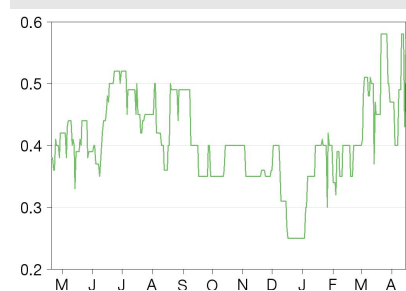
Free float 47%

Code EOX

Primary exchange TSX

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 21.3 42.5 62.9

Rel (local) 19.2 26.2 84.5

52-week high/low C\$0.58 C\$0.21

Business description

Euromax Resources is a Canadian resource company that focuses on the acquisition and development of mineral-bearing assets in south-east Europe. Its flagship asset, Ilovica, in Macedonia, is the subject of a recently completed definitive feasibility study.

Next events

Final (construction) permits June 2016

Construction commences H216

Analyst

Charles Gibson +44 (0)20 3077 5724

mining@edisongroup.com

[Edison profile page](#)

***Euromax Resources is a
research client of Edison
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Exhibit 1: Financial summary

	C\$'000s	2011	2012	2013	2014	2015e	2016e
December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		0	0	0	2,695	3,663	0
Cost of Sales		0	0	0	(2,251)	(3,018)	0
Gross Profit		0	0	0	444	645	0
EBITDA		(2,521)	(4,973)	(5,276)	(6,366)	(7,944)	(8,589)
Operating Profit (before amort. and except.)		(2,611)	(5,056)	(5,375)	(6,492)	(8,121)	(8,766)
Intangible Amortisation		0	0	0	(21)	(8)	0
Exceptionals		(40)	59	(1,806)	(4,186)	(1,979)	0
Other*		(835)	(428)	(835)	4	12	0
Operating Profit		(3,485)	(5,425)	(8,015)	(10,695)	(10,096)	(8,766)
Net Interest		0	0	(17)	(127)	(524)	15
Profit Before Tax (norm)		(2,611)	(5,056)	(5,392)	(6,619)	(8,645)	(8,752)
Profit Before Tax (FRS 3)		(3,485)	(5,425)	(8,033)	(10,822)	(10,620)	(8,752)
Tax		0	(33)	(30)	(25)	(27)	0
Profit After Tax (norm)		(2,514)	(4,947)	(5,414)	(6,640)	(8,660)	(8,752)
Profit After Tax (FRS 3)		(3,485)	(5,458)	(8,063)	(10,847)	(10,647)	(8,752)
Average Number of Shares Outstanding (m)		48.0	63.4	82.6	85.3	116.8	245.4
EPS - normalised (c)		(5.2)	(7.8)	(6.6)	(7.8)	(7.4)	(3.6)
EPS - normalised and fully diluted (c)		(4.5)	(6.7)	(5.8)	(5.7)	(5.6)	(3.1)
EPS - (IFRS) (c)		(7.3)	(8.6)	(9.8)	(12.7)	(9.1)	(3.6)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET							
Fixed Assets		11,929	17,084	18,015	16,641	26,293	26,115
Intangible Assets		0	0	29	430	422	422
Tangible Assets		11,929	17,084	17,985	16,211	25,871	25,693
Investments		0	0	0	0	0	0
Current Assets		2,798	3,341	6,290	3,180	3,281	133,556
Stocks		0	0	0	0	305	0
Debtors		776	1,579	608	199	301	0
Cash		2,022	1,762	1,335	2,110	1,804	132,685
Other		0	0	4,346	871	871	871
Current Liabilities		(530)	(749)	(1,208)	(5,831)	(7,790)	(7,542)
Creditors		(530)	(749)	(1,208)	(4,996)	(6,955)	(6,707)
Short term borrowings		0	0	0	(835)	(835)	(835)
Long Term Liabilities		0	0	0	0	(10,568)	(21,135)
Long term borrowings		0	0	0	0	(10,568)	(21,135)
Other long term liabilities		0	0	0	0	0	0
Net Assets		14,198	19,675	23,096	13,990	11,216	130,994
CASH FLOW							
Operating Cash Flow		(1,966)	(5,178)	(4,496)	(2,494)	(6,904)	(8,217)
Net Interest		0	0	(17)	(18)	0	0
Tax		0	0	(35)	(26)	(27)	0
Capex		(5,245)	(6,947)	(5,047)	(2,122)	(11,816)	0
Acquisitions/disposals		0	1,468	1,041	3,023	0	0
Financing		7,907	10,479	7,961	(74)	7,874	128,530
Dividends		0	0	0	0	0	0
Net Cash Flow		696	(178)	(594)	(1,711)	(10,873)	120,313
Opening net debt/(cash)*		(1,253)	(2,022)	(1,762)	(1,406)	(1,275)	9,598
HP finance leases initiated		0	0	0	0	0	0
Other		73	(83)	167	1,580	0	0
Closing net debt/(cash)*		(2,022)	(1,762)	(1,335)	(1,275)	9,598	(110,715)

Source: Company sources, Edison Investment Research. Note: *Net debt/(cash) includes 'restricted cash' from FY14.

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