

Euromax Resources

TSX listing approval

Since our last [update note](#), Euromax has announced a number of developments that represent a systematic de-risking of the Ilovica project, including 1) the first tranche of convertible debt funding by CCC and similar financing by the EBRD; 2) submission of the EIA to the Macedonian Ministry of Environment as the first step for its international ESIA; 3) German government confirmation of UFK eligibility for the debt financiers of Ilovica; and finally, yesterday 4) approval to move to the main board of the TSX.

Year end	Revenue (C\$m)	PBT* (C\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/14	2.7	(6.6)	(7.8)	0.0	N/A	N/A
12/15	4.7	(8.4)	(7.2)	0.0	N/A	N/A
12/16e	0.1	(6.7)	(2.7)	0.0	N/A	N/A
12/17e	0.0	(37.5)	(10.0)	0.0	N/A	N/A

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

Funding and Environmental Impact Assessment (EIA)

While superficially a convertible debt funding with both the EBRD and CCC (Consolidated Contractors Company), a conversion price of C\$0.40/share in both cases is both in the money currently and self-evidently designed to convert into equity. In the meantime, Euromax's EIA submission is effectively a draft international Environmental and Social Impact Assessment (ESIA), which is also required to go through the local Macedonian process. The details of the main mining project have already been the subject of a fairly extensive consultation process with the Macedonian government. The formal permit application process will begin on 24 July, after which the government has 60 days to raise any remaining issues before a construction permit is granted.

UFK eligibility and TSX promotion

The German government's confirmation of UFK eligibility followed a formal application by UniCredit Bank in its capacity as UFK agent for the project finance facility. It is significant in that application implicitly demonstrates due diligence on the project having been accepted by all parties involved. Finally, approval to move up to the main board of the TSX (from the TSX Venture Exchange) should enhance the company's credibility in the Canadian market, its access to funding and the liquidity of its shares.

Valuation: C\$1.05 per share

In our April [update note](#), we valued Euromax at C\$1.03/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 its definitive feasibility study on Ilovica. This remains substantially unchanged in the wake of yesterday's announcement. Our updated valuation of C\$1.05/share is solely occasioned by a change in FX rates, although it does so in conjunction with a self-evident reduction in risk. In the meantime, we estimate that the Ilovica resource alone has a value in the range US\$52.0-78.8m of Euromax's market capitalisation of c US\$50m.

Main board listing approval

Metals & mining

21 June 2016

Price **C\$0.43**

Market cap **C\$50m**

C\$1.2813/US\$

Net cash* (C\$m) at end-March 2016 0.9
*Excludes liability relating to streaming agreement with Royal Gold.

Shares in issue 116.8

Free float 47%

Code EOX

Primary exchange TSX

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (14.0) (4.4) (14.0)

Rel (local) (14.6) (8.0) (10.1)

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

Formal permitting start 24 July 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 Investment Research Limited

Exhibit 1: Financial summary

	C\$'000s	2011	2012	2013	2014	2015	2016e	2017e
December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Revenue		0	0	0	2,695	4,729	96	0
Cost of Sales		0	0	0	(2,251)	(4,005)	(80)	0
Gross Profit		0	0	0	444	724	16	0
EBITDA		(2,521)	(4,973)	(5,276)	(6,366)	(7,749)	(6,541)	(7,184)
Operating Profit (before amort. and except.)		(2,611)	(5,056)	(5,375)	(6,492)	(7,917)	(6,709)	(39,555)
Intangible Amortisation		0	0	0	(21)	(19)	(11)	0
Exceptionals		(40)	59	(1,806)	(4,186)	(1,979)	0	0
Other*		(835)	(428)	(835)	4	24	0	0
Operating Profit		(3,485)	(5,425)	(8,015)	(10,695)	(9,891)	(6,720)	(39,555)
Net Interest		0	0	(17)	(127)	(434)	52	2,058
Profit Before Tax (norm)		(2,611)	(5,056)	(5,392)	(6,619)	(8,351)	(6,657)	(37,497)
Profit Before Tax (FRS 3)		(3,485)	(5,425)	(8,033)	(10,822)	(10,325)	(6,668)	(37,497)
Tax		0	(33)	(30)	(25)	(47)	(13)	0
Profit After Tax (norm)		(2,514)	(4,947)	(5,414)	(6,640)	(8,374)	(6,670)	(37,497)
Profit After Tax (FRS 3)		(3,485)	(5,458)	(8,063)	(10,847)	(10,372)	(6,681)	(37,497)
Average Number of Shares Outstanding (m)		48.0	63.4	82.6	85.3	115.8	245.0	373.1
EPS - normalised (c)		(5.2)	(7.8)	(6.6)	(7.8)	(7.2)	(2.7)	(10.0)
EPS - normalised and fully diluted (c)		(4.5)	(6.7)	(5.8)	(5.7)	(5.4)	(2.4)	(9.1)
EPS - (IFRS) (c)		(7.3)	(8.6)	(9.8)	(12.7)	(8.9)	(2.7)	(10.0)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A	16.7	N/A
EBITDA Margin (%)		N/A	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	N/A
BALANCE SHEET								
Fixed Assets		11,929	17,084	18,015	16,641	29,696	29,517	319,174
Intangible Assets		0	0	29	430	514	503	503
Tangible Assets		11,929	17,084	17,985	16,211	29,182	29,014	318,671
Investments		0	0	0	0	0	0	0
Current Assets		2,798	3,341	6,290	3,180	4,871	137,535	18,079
Stocks		0	0	0	0	0	8	0
Debtors		776	1,579	608	199	1,056	8	0
Cash		2,022	1,762	1,335	2,110	3,478	137,182	17,742
Other		0	0	4,346	871	337	337	337
Current Liabilities		(530)	(749)	(1,208)	(5,831)	(5,443)	(5,911)	(8,602)
Creditors		(530)	(749)	(1,208)	(4,996)	(5,443)	(5,911)	(8,602)
Short term borrowings		0	0	0	(835)	0	0	0
Long Term Liabilities		0	0	0	0	(15,596)	(26,164)	(231,172)
Long term borrowings		0	0	0	0	(15,596)	(26,164)	(231,172)
Other long term liabilities		0	0	0	0	0	0	0
Net Assets		14,198	19,675	23,096	13,990	13,528	134,977	97,480
CASH FLOW								
Operating Cash Flow		(1,966)	(5,178)	(4,496)	(2,494)	(5,765)	(4,981)	(2,420)
Net Interest		0	0	(17)	(18)	(144)	0	0
Tax		0	0	(35)	(26)	(93)	(13)	0
Capex		(5,245)	(6,947)	(5,047)	(2,122)	(12,956)	0	(322,028)
Acquisitions/disposals		0	1,468	1,041	3,023	705	0	0
Financing		7,907	10,479	7,961	(74)	5,255	128,130	0
Dividends		0	0	0	0	0	0	0
Net Cash Flow		696	(178)	(594)	(1,711)	(12,998)	123,136	(324,447)
Opening net debt/(cash)*		(1,253)	(2,022)	(1,762)	(1,406)	(1,275)	12,118	(111,018)
HP finance leases initiated		0	0	0	0	0	0	0
Other		73	(83)	167	1,580	(395)	0	0
Closing net debt/(cash)*		(2,022)	(1,762)	(1,335)	(1,275)	12,118	(111,018)	213,429

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

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