

Euro Manganese Inc

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Canaccord Genuity's top Australian stock picks for 2021 highlight gold and manganese players

Canaccord Genuity has released its Top Australian Stock Picks for 2021, covering predictions across a range of sectors, including investment recommendations, potential catalysts and bull/base/bear target price scenarios for 22 companies.

This year, Perseus Mining Ltd (ASX:PRU) (TSE:PRU) (OTCMKTS:PMNXF), Tietto Minerals Ltd (ASX:TIE) and Euro Manganese Inc (ASX:EMN) (CVE:EMN) (OTCMKTS:EROMF) (FRA:E06), have made the metals and mining list.

Euro Manganese strategically located

Euro Manganese is developing the Chvaletice Manganese project in the Czech Republic and Canaccord says it is the only direct manganese supplier for the battery supply chain on the ASX.

Chvaletice is targeting production of ultra-high-purity electrolytic manganese metal (HPEMM) with specifications exceeding 99.9% manganese and ultra-high-purity manganese sulphate monohydrate (HPMSM) with a minimum manganese content of 32.34% - both of which exceed typical industry standards.

Notably, the demand for high-purity manganese products is growing rapidly, fuelled largely by the Li-ion and electric vehicle markets, particularly in Europe where 100% of high-purity manganese products are imported.

Investment highlights

EMN is confident of progressing partnership options and financing, with the project's location in the heart of Europe's fast-growing EV production hub making it a European and globally strategic asset.

Canaccord stated: "Being located in the Czech Republic we believe it will gain favourable treatment by the EU battery supply chain and development cycle.

"We believe that the operation will be the first large scale, ex-China producer into production, and due to favourable chemistry, we expect it will be placed at the low end of the cost curve.

"The project has strong ESG credentials given it will reclaim and rehabilitate existing tailings during the processing, which is another feature of EU-based projects."

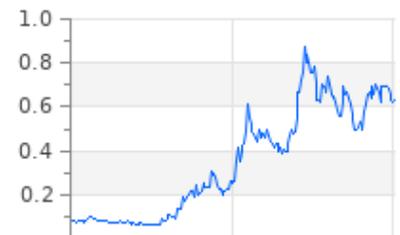
Potential catalysts

In 2021, EMN will build a pilot plant to process ore and generate samples for offtake partners and expects the feasibility study for project to be completed by the end of the year.

Price: 0.635

Market Cap: \$230.88 m

1 Year Share Price Graph



April 2020 November 2020 April 2021

Share Information

Code: EMN

Listing: ASX

52 week High Low
0.965 0.058

Sector: General mining & base metals

Website: www.mn25.ca

Company Synopsis:

Euro Manganese Inc (ASX:EMN) is focused on advancing the development of the Chvaletice Manganese Project in the Czech Republic. The proposed project entails re-processing a significant manganese deposit hosted in historical mine tailings, strategically located in the heart of Europe, about 90 kilometres east of Prague.

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Canaccord stated: "We anticipate any signing of offtake agreements to be a strong positive for the equity.

"The company continues to investigate options for partnerships, and if an experienced or large-scale partner is found we would expect a material rerating of the equity.

"Funding arrangements are also a key focus in 2021, with the EU indicating a desire to accelerate the project by providing funding.

"If a low-cost debt option is provided this would significantly de-risk our model, given we run a 12% WACC and 40% risk weighting in setting our price target."

Canaccord recommended a speculative buy rating with the target price at A\$0.55.

FYE JUN	2020A	2021F	2022F	2023F
Revenue (A\$m)	0.0	0.0	0.0	0.0
EBITDA (A\$m)	-3.9	-2.1	-5.0	-5.0
NPAT (A\$m)	-3.9	-2.0	-13.2	-15.4
EPS (A¢ps)	-0.5	-0.2	-1.2	-1.4
PE (x)	nmf	nmf	nmf	nmf
EV/EBITDA (x)	nmf	nmf	nmf	nmf
Dividend (cps)	0.0	0.0	0.0	0.0
Yield %	0.0%	0.0%	0.0%	0.0%

Source: Company reports, FactSet, Canaccord Genuity Australia estimates

The project is favourably located in central Europe where a large battery supply chain is being established.

Perseus top 5 ASX gold producer

Perseus Mining's 200,000 ounces per annum Yaoure Gold Project was commissioned on time and budget by the end of 2020, with the first gold pour five weeks ahead of schedule.

With the successful delivery of the project, the company owns and operates three gold mines, and Canaccord expects this will increase PRU's group production by around 90% from FY20 to about 500,000 ounces per annum by FY21/22.

Investment highlights

At full production, Yaoure will elevate PRU to a top 5 ASX gold producer (by production).

Canaccord stated: "We estimate that Yaoure will deliver a material increase in group gold production (>480,000 per annum by late 2021), and with it, a substantial lift in earnings and FCF.

"To put this in perspective, this run rate would put PRU in the top five largest gold producers on the ASX (currently 10th)."

Additionally, the acquisition of Exore Resources, which held a highly prospective 2000 square kilometre land package in Cote d'Ivoire, could add valuable mine life to Sissingue.

The most advanced is the nearby Bagoé project, which hosts mineral resources of 530,000 ounces at 2.3 g/t and offers the potential for mine life extensions (currently to 2023).

Attractive valuation metrics

Canaccord stated: "PRU is currently trading on a 2022 FCF yield of 35% (vs sector average of 14%) and a 2022 EV/EBITDA of 0.9 (vs sector 3.9x).

"PRU also trades on a P/NAV of 0.66x (vs sector average of 0.72x).

"A successful ramp-up at Yaoure should close this valuation gap, in our view."

Potential catalysts

With construction of the project's processing plant and associated infrastructure largely complete, Perseus will now focus on satisfying continuous performance tests and positioning to declare commercial production in the March 2021 quarter.

The first shipment of gold from Yaouré and an updated life of mine plan for the project (taking the actual commissioning date, current mining rates, operating costs and possible increases in mineral resources into account) are also anticipated in the March 2021 quarter.

The company expects to commence drilling and a DFS for Bagoé in early to mid-2021.

Canaccord listed PRU as a buy rating and target price at A\$2.05.

FYE JUN	2020A	2021F	2022F	2023F
Revenue (A\$m)	595.3	693.0	1216.2	1347.0
EBITDA (A\$m)	255.9	279.6	647.2	757.7
NPAT (A\$m)	102.7	96.3	320.2	392.6
EPS (A¢ps)	7.0	7.0	25.0	30.0
PE (x)	19.3	19.3	5.4	4.5
EV/EBITDA (x)	6.5	3.9	0.9	0.0
Dividend (cps)	0.0	1.0	2.0	2.0
Yield %	0.0%	0.7%	1.5%	1.5%

Source: Company reports, FactSet, Canaccord Genuity Australia estimates

Upon successful delivery of Yaoure the company would own and operate three gold mines.

Tietto pursues resource growth

Tietto Minerals has recently commenced a new diamond drilling campaign at its 3.02 million-ounce Abujar Gold Project in Côte d'Ivoire, which is designed to underpin 2021 gold resource growth and a definitive feasibility study (DFS) on its proposed large-scale open-pit mining.

Up to six rigs will complete 7,000-11,000 metres of drilling per month, targeting multiple new and existing prospects on three parallel corridors to drive further resource growth with the pre-feasibility study on track for delivery in the first quarter of 2021.

Investment highlights

Tietto is targeting open pit mining from a single large pit with smaller satellite feed/heap leach sources, and potentially underground if economics allow.

Canaccord stated: "We see the upcoming PFS for the Abujar Gold Project as a potentially strong catalyst that will give a clearer picture of what a future development could look like.

"We believe there is evidence that supports the opportunity for a high-margin starter pit that the market may not be pricing in.

"This starter pit could yield 500,000 ounces in years 1+2 of a potential 9-year LOM, operating at 3.5 million tonnes per annum to produce an average of +150,000 ounces per annum."

The company is well-funded with around A\$55 million in cash with Canaccord NAV (85% attributable) Unrisked at A\$728 million and Risked at A\$596 million.

Potential catalysts

In the near-term, the company aims to aggressively grow Abujar gold resources at extremely low drilling costs whilst progressing its PFS (due in late January) and DFS (due in the September quarter).

The company is also moving towards securing the last two statutory approvals, the mining licence and mining convention for the project with the aim to release an updated resource in the June quarter.

Canaccord recommended a speculative buy rating with a target price of A\$0.90.

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