

Amur Minerals

Gaining traction

Updated PFS results

Metals & mining

27 February 2019

Price **3.3p**

Market cap **£23m**

US\$1.3187/£

Net cash (US\$m) at 30 June 2018 3.4

Shares in issue 699.1m

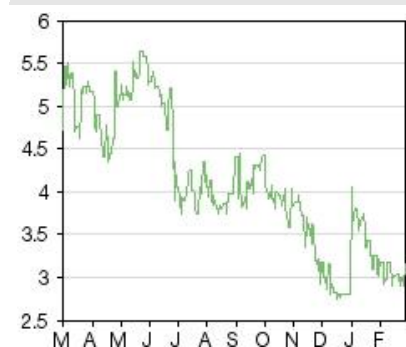
Free float 99.5%

Code AMC

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (2.7) 2.9 (40.4)

Rel (local) (7.0) 1.0 (39.1)

52-week high/low 5.6p 2.7p

Business description

Amur Minerals is an exploration and development company focused on base metal projects in Russia's Far East. The company's principal asset is the Kun-Manie nickel sulphide deposit in the Amur Oblast, comprising over a million tonnes of contained nickel in at least five deposits.

Next events

FY18 results June 2019

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On 26 February, Amur announced the long-awaited results of its updated pre-feasibility study (PFS) into its Kun-Manie project in Russia's Far East. In contrast to previous studies, the PFS considered just two options, namely a toll smelt option and a low-grade matte option, and dispensed with the high-grade matte and refinery options. Detailed financial models are not yet available. However, both considered a 6Mtpa mining operation and results are comparable to those published by Edison in our note, Cobalt-plated nickel, published on 16 April 2018.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/16	0.0	(3.8)	(0.7)	0.0	N/A	N/A
12/17	0.0	(1.9)	(0.3)	0.0	N/A	N/A
12/18e	0.0	(2.7)	(0.4)	0.0	N/A	N/A
12/19e	0.0	(3.7)	(0.5)	0.0	N/A	N/A

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

Good comparability to earlier estimates

Amur's updated PFS on the toll smelt option calculated an NPV₁₀ of US\$614.5m and an IRR of 29.3% at a nickel price of US\$8.00/lb (US\$17,640/t) cf a spot price at the time of writing of US\$5.88/lb (US\$12,975/t). That compares with an Edison calculated NPV₁₀ of US\$398.0m at a nickel price of US\$7.50/lb in April 2018 or US\$533.7m at US\$8.00/lb Ni. Its updated PFS on the low-grade matte option calculated an NPV₁₀ of US\$987.4m and an IRR of 34.7% at US\$8.00/lb, which compares with an Edison calculated NPV₁₀ of US\$822.2m at US\$7.50/lb Ni or US\$967.2m at US\$8.00/lb Ni. Initial capex for the toll smelt option is estimated at US\$570.4m cf US\$541.8m in our comparable model. For the low-grade matte option, it is US\$695.0m cf our US\$660.0m. C1 cash costs were estimated to be US\$3.87/lb and US\$2.34/lb for the toll smelt and low-grade matte scenarios, respectively, putting both in the second lowest-cost quartile globally.

Valuation: 8.7–22.5cps cf a share price of 4.4c

In our report, [Gold stars and Black holes: Analysing the discount: From resource to sanction](#), published in January 2019, we calculated that, excluding outliers, the average value of companies with projects at PFS stage is 9.9% of attributable NPV, with a range between -15.4% and 51.3%. On the basis of Amur's published NPVs (at US\$8.00/lb Ni), this would imply a valuation for the company of US\$60.8m (or 8.7c/share) based on the toll smelt option, or US\$97.8m (or 14.0c/share), based on the low-grade matte option. However, given the relationship between valuations and IRRs seen in our report, coupled with both scenarios' high IRRs, these percentages could increase to 13.0% for the toll smelt option and 15.9% for the low-grade matte option, implying valuations of US\$79.9m (or 11.4c/share) and US\$157.0m (or 22.5c/share), respectively. These compare with valuations calculated in our April 2018 [note](#) of 15c and 27c respectively, based on a 10% discount rate applied to forecast dividends (although these were calculated at a nickel price of US\$7.50/lb and assumed equity dilution at a 4.4p share price). Note that our detailed valuations will be updated as soon as practicably possible.

Exhibit 1: Financial summary

	US\$'000s	2010	2011	2012	2013	2014	2015	2016	2017	2018e	2019e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS											
Revenue		0	0	0	0	0	0	0	0	0	0
Cost of Sales		0	0	0	0	0	0	0	0	0	0
Gross Profit		0	0	0	0	0	0	0	0	0	0
EBITDA		(1,928)	(2,892)	(1,750)	(2,539)	(2,358)	(4,114)	(3,768)	(1,924)	(2,236)	(3,768)
Operating Profit (before GW and except.)		(1,928)	(2,892)	(1,750)	(2,539)	(2,358)	(4,114)	(3,768)	(1,924)	(2,236)	(3,768)
Intangible Amortisation		0	0	0	0	0	0	0	0	0	0
Exceptionals		(328)	(1,505)	(435)	(151)	1,158	1,184	(2,007)	767	0	0
Other		0	0	0	0	0	0	0	0	0	0
Operating Profit		(2,256)	(4,397)	(2,185)	(2,690)	(1,200)	(2,930)	(5,775)	(1,157)	(2,236)	(3,768)
Net Interest		0	(211)	(1,813)	(1,141)	(161)	2,224	4	3	(452)	33
Other		0	0	0	0	0	0	0	0	0	0
Profit Before Tax (norm)		(1,928)	(3,103)	(3,563)	(3,680)	(2,519)	(1,890)	(3,764)	(1,921)	(2,688)	(3,735)
Profit Before Tax (FRS 3)		(2,256)	(4,608)	(3,998)	(3,831)	(1,361)	(706)	(5,771)	(1,154)	(2,688)	(3,735)
Tax		0	0	0	0	0	0	0	0	0	0
Profit After Tax (norm)		(1,928)	(3,103)	(3,563)	(3,680)	(2,519)	(1,890)	(3,764)	(1,921)	(2,688)	(3,735)
Profit After Tax (FRS 3)		(2,256)	(4,608)	(3,998)	(3,831)	(1,361)	(706)	(5,771)	(1,154)	(2,688)	(3,735)
Average Number of Shares Outstanding (m)		193.9	271.8	345.1	387.2	431.2	445.7	547.9	613.3	660.2	692.5
EPS - normalised (c)		(1.0)	(1.1)	(1.0)	(1.0)	(0.6)	(0.4)	(0.7)	(0.3)	(0.4)	(0.5)
EPS - FRS 3 (c)		(1.2)	(1.7)	(1.2)	(1.0)	(0.3)	(0.2)	(1.1)	(0.2)	(0.4)	(0.5)
Dividend per share (c)		0.0	0.0	0.0	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	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	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	N/A	N/A	N/A
BALANCE SHEET											
Fixed Assets		14,151	13,903	17,928	18,955	12,035	12,162	19,903	25,260	27,944	35,612
Intangible Assets		13,685	13,503	17,084	18,318	11,783	11,513	17,167	22,376	24,964	24,964
Tangible Assets		466	400	844	637	252	649	2,736	2,884	2,980	10,648
Other receivables		0	0	0	0	0	0	0	0	0	0
Current Assets		7,215	7,386	8,389	11,074	9,090	11,355	9,723	4,065	3,740	1,510
Stocks		167	165	224	269	237	512	756	769	769	769
Trade Debtors		0	0	0	0	0	0	0	0	0	0
Cash		3,066	4,436	2,048	2,392	1,389	9,613	8,199	2,555	2,230	0
Other receivables/other		3,982	2,785	6,117	8,413	7,464	1,230	768	741	741	741
Current Liabilities		(109)	(102)	(119)	(123)	(407)	(539)	(416)	(768)	(768)	(9,537)
Creditors		(109)	(102)	(119)	(123)	(407)	(539)	(416)	(768)	(768)	(768)
Short term borrowings		0	0	0	0	0	0	0	0	0	(8,769)
Long Term Liabilities		0	0	0	0	0	(509)	(3,461)	(176)	(176)	(176)
Long term borrowings		0	0	0	0	0	0	0	0	0	0
Other long term liabilities		0	0	0	0	0	(509)	(3,461)	(176)	(176)	(176)
Net Assets		21,257	21,187	26,198	29,906	20,718	22,469	25,749	28,381	30,740	27,409
CASH FLOW											
Operating Cash Flow		(1,201)	(2,761)	(1,071)	(1,556)	(1,960)	(3,090)	(2,210)	(2,703)	(2,236)	(3,768)
Net Interest		0	0	0	0	0	0	4	3	(452)	33
Tax		0	0	0	0	0	0	0	0	0	0
Capex		(492)	(20)	(3,482)	(2,315)	(748)	(2,751)	(4,533)	(3,704)	(2,684)	(7,668)
Acquisitions/disposals		363	0	0	0	0	0	0	0	0	0
Financing		3,527	4,344	2,165	4,242	1,841	14,407	6,589	570	5,046	404
Dividends		0	0	0	0	0	0	0	0	0	0
Net Cash Flow		2,197	1,563	(2,388)	371	(867)	8,566	(150)	(5,834)	(326)	(10,999)
Opening net debt/(cash)		(997)	(3,066)	(4,436)	(2,048)	(2,392)	(1,389)	(9,613)	(8,199)	(2,555)	(2,230)
HP finance leases initiated		0	0	0	0	0	0	0	0	0	0
Other		(128)	(193)	0	(27)	(136)	(342)	(1,264)	190	0	0
Closing net debt/(cash)		(3,066)	(4,436)	(2,048)	(2,392)	(1,389)	(9,613)	(8,199)	(2,555)	(2,230)	8,769

Source: Company sources, Edison Investment Research

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