

**29 September 2021**

### Stock Data

Ticker	AAZ LN
Share Price	119p
Market Cap	£136m

### Price Chart



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## Establishing development pipeline

Anglo Asian Mining is an AIM listed precious and base metals producer running flagship Gedabek operations in western Azerbaijan which include open pit and underground mining facilities and a processing complex fit for different types of ores. Production runs at ~70kozpa GEO (~80% gold) with low operating costs status allowing the Company to generate FCF for organic growth opportunities within the highly prospective +2,500km<sup>2</sup> land package and potential value accretive transactions over targets outside Azerbaijan while offering a generous dividend yield.

**64-72koz GEO (FY20: 67koz) guided for FY21 comprised of 48-54koz Au and 2.5-2.8kt Cu with more high grade feed sourced from underground Gedabek mine;**

**FY21 to deliver robust financial results helped by strong commodity prices (~80% of Sales is gold; YTD average gold price ~\$1,800/oz) and low cost status of operations (AISC '21: ~\$780/oz; '20: ~\$700/oz);**

**Exploration focused on Ugur like deposits delivers new discoveries providing near term Gedabek life of mine extension opportunities;**

- A gold discovery at Avshanchli may provide low cost soft free digging feed in late 2021/early 2022; Zafar maiden MRE delivered in Aug/21 (8.5mt at reserves ~0.8% CuEq) with reserves targeted for 2022 and first ore in 2023.

**Restored contract areas offer significant organic growth potential adding +30p in value on conservative basis and potentially +130p once projects are de-risked into production as well as add to AAZ copper exposure;**

- Garadagh and Xarxar CAs to add >800km<sup>2</sup> of prospective ground consolidating land holding in Gedabek and Gosha areas adding potentially +300kt Cu (0.6% Cu) in open pittable copper porphyry resource;
- Kyzilbulag and Demirli CAs hosts Cu-Mo Demirli (formerly "Kashen") porphyry deposit with an estimated ~300kt CuEq resource (0.5% Cu) adding \$11m or 7p/share reflecting heavy risk related discounting.

**AAZ is one of the few AIM listed miners paying out a dividend with the Board having declared 4.5c interim dividend for H1/21 (~5.5% annualised DY).**

**Debt free, \$37m in cash and \$6m in unsold inventory as of H1/21 with \$10-15m FCF guided for H2/21 means AAZ is well positioned to execute on production growth strategy.**

**Valuation:** We updated our target price to reflect updated commodity price assumptions, FY21 production guidance as well as included risked NAV estimates for restored contract areas arriving at 180p and reiterating BUY recommendation

(Dec year end)		2018	2019	2020	2021E	2022E
Gold price	US\$/oz	1,271	1,408	1,780	1,795	1,900
Copper price	\$/t	6,554	6,027	6,185	9,318	10,413
Gold production	koz	73	70	57	50	52
Copper production	kt	1.6	2.2	2.6	2.8	2.9
GE production	koz	84	81	67	67	69
AISC (incl PSA, reported)	US\$/oz	541	591	702	781	786
Revenue	US\$m	90	92	102	104	111
EBITDA	US\$m	50	50	53	41	48
FCF	US\$m	27	19	34	16	22
EV/EBITDA	x	1.5	3.0	2.9	3.6	3.1
PER	x	4.9	8.6	8.3	12.0	9.4
DY	%	10.4%	5.6%	5.5%	5.0%	4.9%
Net Debt	US\$m	-6	-12	-37	-42	-54

Source: SP Angel, Company

## Valuation

Gedabek operations have proven to be a reliable source of free cash flow over the years allowing the Company to become debt free and accumulate \$39m cash as of YE20 while paying out more than \$20m in dividends since first interim dividend announced in 2018 (average DY of >7% over the 2018-20 period) and fund extensive exploration programme.

Having established a strong production platform at Gedabek with flexible processing facilities that can accommodate oxide gold as well as sulphide gold/copper ores and good access to infrastructure, the team is working on extending the life of mine at existing operations as well as growing production of the Group.

The Company is well positioned with a strategic landholding of >2,500km<sup>2</sup> (assuming Garadagh, Xarxar and Demili CAs are approved by the parliament) or ~3% of the national territory in Azerbaijan offering strong pipeline for organic growth opportunities.

With plenty of targets to go after, our understanding is that the priorities are Gedabek CA targets (Gedabek OP/UG and Gadir UG extensions, Avshanchli and Zafar among others) as well as adjacent properties (Gosha, Garadagh and Xarxar) which represent the most capital efficient development opportunities followed by Ordubad and restored Kyzylbulag+Demirli CAs with the latter being more advanced and hosting existing mining and processing infrastructure but access restricted for now.

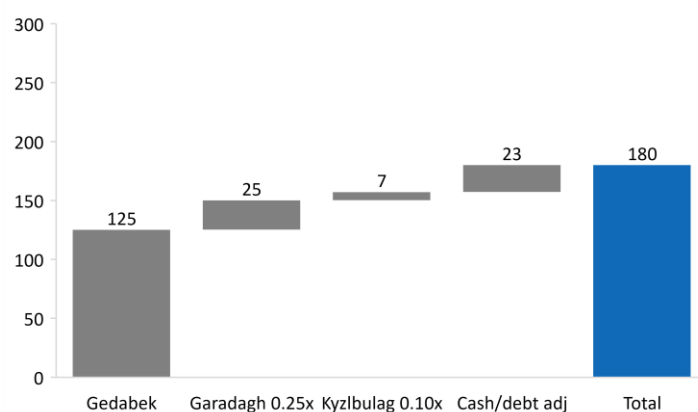
Given growth in the license portfolio with the latest deal adding three new contract areas (Garagah, Xarxar and Demirli) we have updated our target valuation for the Company. In arriving at our 180p target price for AAZ we use sum-of-parts method applying EV/EBITDA multiple (4.5x) for Gedabek EBITDA21 and EBITDA22 estimates as well as a blend of market value multiples for Garadagh and Kyzylbulag risked NAVPS contributions.

Valuation		EBITDA US\$m	Multiple	\$m
FY21E		41	4.5x	185
FY22E		48	4.5x	216
Gedabek	US\$m			200
Garadagh	US\$m			40
Kyzylbulag	US\$m			11
Net cash/(debt)	US\$m			37
Target NAV	US\$m			288
Target price	pence			180

Source: S P Angel

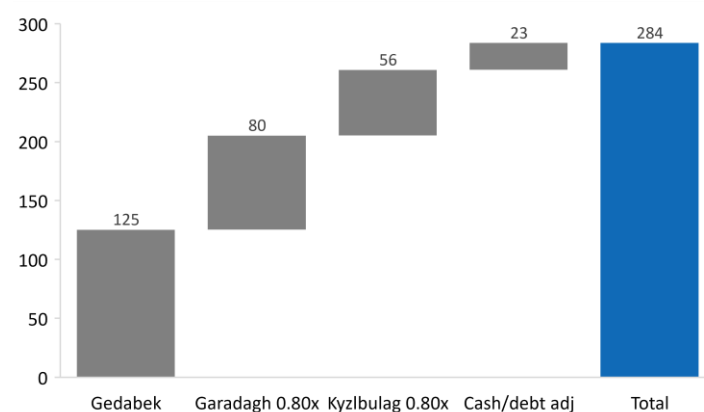
We touch on organic growth opportunities including Gedabek CA discoveries and restored contract areas that drive the value for AAZ in a little more detail below.

Valuation with risk adjusted contribution from proposed new CAs (GBp)



Source: S P Angel

Valuation at 0.80x risk factor (accounting for potential funding risk/dilution) contribution from proposed new CAs (GBp)



Source: S P Angel

### Exploration around Gedabek processing facilities focused on Ugur-like discoveries to extend the life of mine

Three years into an extensive exploration programme, Gedabek CA remains the focus reflecting a large number of priority targets previously identified in an airborne geophysical survey followed up with ground work and drilling. Availability of processing facilities in close vicinity to discoveries should help to fast track Ugur-like discoveries into production. Gedabek accounted for \$4m or nearly 80% of capitalised exploration spend in 2020. Investment is paying off with the team having shortlisted five discoveries (Avshancli 1 and 3, Zafar and Cell 9, Ugur Deeps and Gilar) as near term Gedabek life of mine extension opportunities.

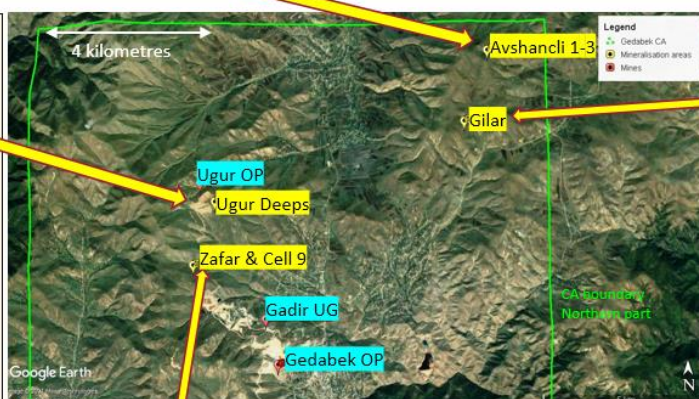
### Exploration targets at Gedabek

#### Avshancli 1 and Avshancli 3

- Potential for open pit mine producing gold-rich ore for leaching and copper-rich ore for flotation with production potentially commencing in late 2021 or early 2022

#### Ugur Deeps

- Potential underground mine - infrastructure and road access of the Ugur mine in place.
- Good copper grades at depth encountered - potential production from 2023



#### Gilar

- Gold in quartz on surface with underlying copper
- Underground mine planned with potential production in 2022
- Further exploration is on-going

#### Zafar & Cell 9

- Maiden Resource Estimate for Zafar published in August 2021
- 8.47 million tonnes of mineralisation with average grades of 0.60 per cent. copper, 0.47 per cent. zinc and 0.30 grammes per tonne of gold
- Cell 9 area - 600 metres west of the leach pad facilities, may be linked to Zafar at depth
- Porphyry characteristics

Source: Company

**Avshancli 1** may provide low cost soft free digging processing plant feed as early as later this year or start of 2022. The team is planning to mobilise a drilling rig to test continuity of mineralisation at depth. Meanwhile, a gold rich oxide cap (estimated 200x300x5m at about 2g/t grades containing 25koz to 30koz) will potentially act as a sweetener for main Gadir/Gedabek agitation leaching plant feed.

At **Zafar**, the Company released its maiden mineral resource estimate in Aug/21 after announcing a discovery at the start of the year. MRE is estimated at 8.5mt at 0.60% Cu and 0.30g/t for 51kt Cu and 82koz Au contained with the 8.2mt at 0.60% Cu and 0.31g/t in the higher confidence Indicated category. There may be potential to schedule mining in favour of higher grade zone that is believed to host 0.7-0.8% Cu and 0.5-1.0g/t Au material.

Zafar MRE (2021)	mt	Au g/t	Cu %	Zn %	Au koz	Cu kt	Zn kt
Measured & Indicated	8.2	0.31	0.60	0.48	81.0	49.0	39.0
Inferred	0.3	0.12	0.77	0.38	1.0	2.0	1.0
<b>Total</b>	<b>8.5</b>	<b>0.30</b>	<b>0.60</b>	<b>0.47</b>	<b>82.0</b>	<b>51.0</b>	<b>40.0</b>

Source: Company

There are currently five drilling rigs running at Zafar with ~27,000m of drilling completed as of Aug/21 and the team planning up to 40,000m focused on infill meters ahead of maiden Mineral Reserve estimate (exp 2022) as well as some step out drilling

to test resource growth potential. Updated MRE is expected in late 2021 or early 2022. Metallurgical testwork samples are being collected to test best processing route.

Grades, recoveries and geotechnical work will drive the optimal scale of the operation and whether existing plant facilities would accommodate Zafar or expansion of the flotation circuit makes more sense. Zafar is planned as an underground sub level caving operation (~200m below surface) that may potentially start supplying ore to the plant as early as 2023.

**Gilar** is located 2km south of Avshancli and is reported to host two styles of mineralisation including gold in quartz veins and gold/copper hydrothermal mineralisation at depth (~250m). Drilling in H2/20 and H1/21 returned a series of high grade gold and copper intersections, although, given variability in grades, the team is considering driving an underground tunnel for further cost effective drilling and bulk sampling.

**Ugur Deep**s mineralisation is found next to now depleted Ugur open pit where drilling previously returned high grade copper-silver intersections (25m at nearly 2% copper). Drilling in H1/21 intersected mineralisation at depth, although, at lower grades with the team deciding to temporarily suspend drilling and refocus on areas with nearer term production potential.

#### Summary of Gedabek CA priority targets

Avshancli 1 and 3	<ul style="list-style-type: none"> <li>located NE of Gedabek, 6.5km from processing facilities;</li> <li>potential open pit feed of gold rich ore for leaching plant and copper rich ores for flotation;</li> <li>gold and copper zones hosted within Avshancli 1 area are found at surface and are potentially free dig material lending itself for rapid and low cost development.</li> </ul>
Zafar	<ul style="list-style-type: none"> <li>new discovery announced in Jan/21 following the start of drilling in Aug/20;</li> <li>located ~1km away from Gedabek processing facilities, off the road connecting Gedabek and Ugur;</li> <li>maiden MRE released in Aug/21 for 8.5mt at 0.60% Cu and 0.30g/t Au (&gt;95% is in the Indicated category);</li> <li>mineral reserve targeted for 2022 and potential underground source of copper/gold ore in 2023</li> <li>high priority target with five drilling rigs on site at the moment carrying infill, stepout, metallurgical/hydrogeological/geotechnical drilling.</li> </ul>
Gilar	<ul style="list-style-type: none"> <li>discovered in Q3/19, located 2km south of Avshancli and east of the Maarif Cu-Mo "porphyry" mineral occurrence;</li> <li>gold mineralisation in narrow quartz veins at surface with underlying copper;</li> <li>historic drilling returned good hits of Au/Cu at depth (~200m);</li> <li>potential for underground operation subject to further exploration.</li> </ul>
Ugur Deep	<ul style="list-style-type: none"> <li>located SE of Ugur open pit mine;</li> <li>historic drilling encountered good Cu grades at depth (~300-350m) including 25m at 1.93% (19UGDD06), 5.4m at 2.14% (20UGDD01), 5m at 2.66% (20UGDD04);</li> <li>H1/21 drilling returned lower grades with exploration temporarily suspended; further Cu targets to be assessed by geophysics with follow up drilling in the Ugur region.</li> </ul>

Source: Company



### Restored areas consolidate the land holding in a highly prospective region, underpin organic production growth plans and increase exposure to copper

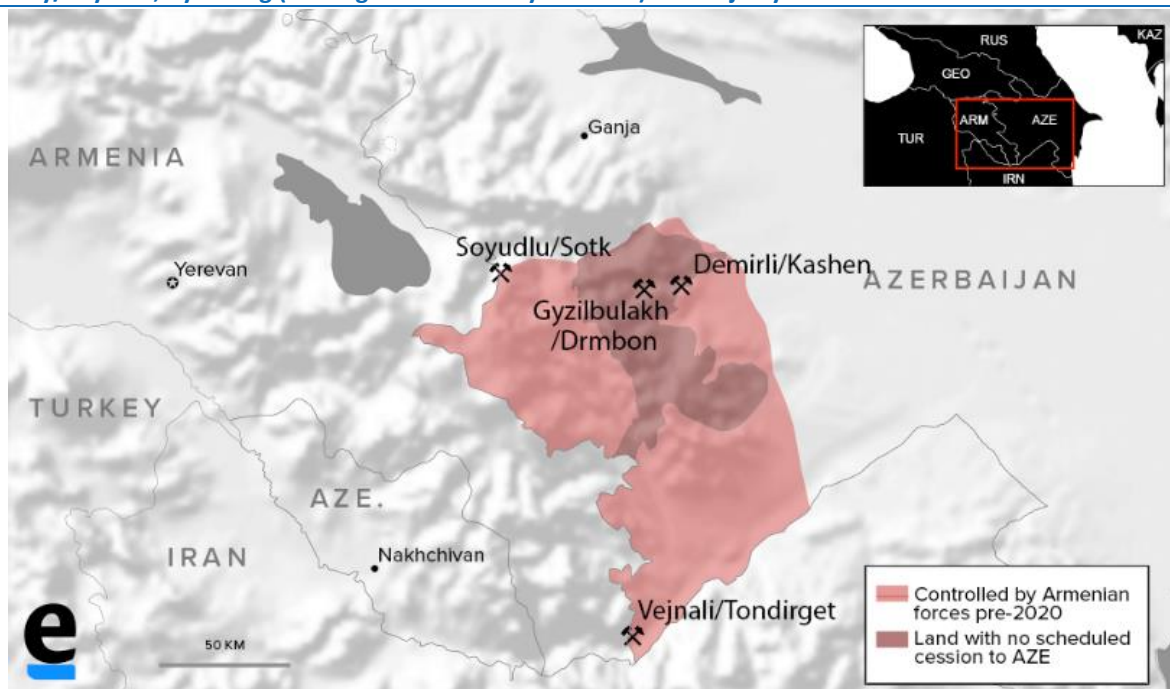
Following the Azerbaijan/Armenia military conflict, the Company restored three contract areas in the formerly occupied territories and the Karabakh economic region (Soutely, Vejnaly, Kyzilbulag) nearly doubling the Company's land package adding ~900km<sup>2</sup> of land hosting existing mines and offering exceptional exploration potential.

In Sep/21, the Company agreed with the government to relinquish the Soutely contract area, hosting the Zod gold/silver mine, and was granted three new concessions (Garadagh, Xarxar and Demirli, an extension to the Kyzilbulag CA). The agreement is subject to the parliamentary approval with the decision expected over the next several months.

The development of Soutely would have required Anglo Asian to assume significant capital cost and technical risk amid ongoing security considerations with the Armenia/Azerbaijan demarcation line going right through the site. The deposit is refractory that would have required standalone processing facilities with no infrastructure available to service the mine on the Azeri side at the moment. The team estimated it would have cost \$200-300m to commission the project not to mention time it would take to fine tune the process to treat the refractory ore.

The three new concessions offer safer and more capital efficient development opportunities as well as providing higher exposure to copper, the metal at the centre of the global decarbonisation effort.

#### Soutely/Soyudlu, Kyzilbulag (hosting Demirli and Gyzilbulakh) and Vejnaly licenses relative to Restored Areas



Source: Eurasianet

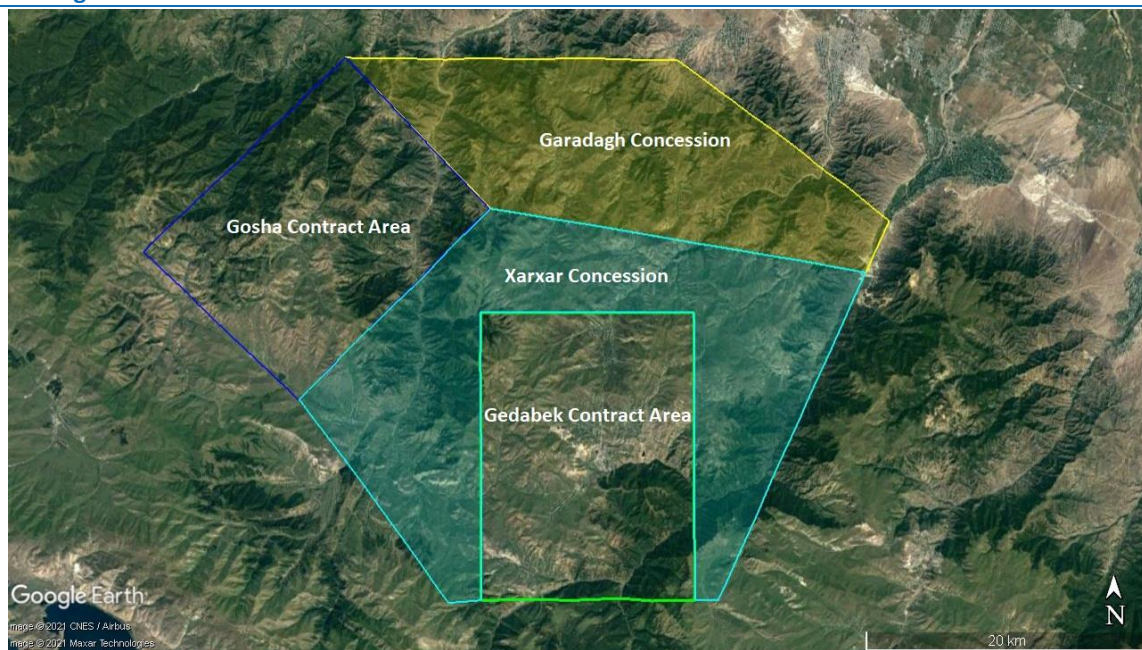
In terms of access and timing on commencement of evaluation works, we would expect the Company to start at Garadagh and Xarxar once parliamentary approval is secured while Vejnali CA has already been visited by the team. Kyzilbulag+Demirli CA access is somewhat currently restricted since the status of the Karabakh economic region is uncertain with Russian peacekeepers on the ground to monitor the ceasefire agreement.

Below, we prepared a rough estimate of what the value contribution of respective license areas to the Group might be and highlight significant upside potential should new licenses secure an approval.

***Garadagh and Xarxar CAs to consolidate land holding between Gedabek and Gosha for +1,400km<sup>2</sup> across four concessions adding potentially +300kt Cu in resources***

Garadagh (344km<sup>2</sup>) and Xarxar (464km<sup>2</sup>) Contract Areas are adjacent to Gedabek and Gosha offering significant exploration, development and operational synergies. Unlike the other new Contract Areas, both licenses, once approved by authorities, can be readily accessed for exploration and evaluation work. At this point only Garadagh has a GKZ level mineral resource estimate for 49mt at 0.65% Cu for ~320kt Cu contained in both C1 and C2 categories (see the table below).

**Garadagh and Xarxar licenses relative to Gedabek and Gosha CAs**



Source: Company

The team is planning to launch a comprehensive exploration programme to prepare JORC compliant MRE followed by a mineral reserve estimate on two properties assisting with evaluation of an optimal mining and processing operations scale as well as potential funding for the operation.

<b>Garadagh GKZ Resource (1992)</b>	<b>mt</b>	<b>Cu %</b>	<b>Cu kt</b>
C1	25.4	0.66	168.0
C2	23.7	0.64	150.7
<b>Total</b>	<b>49.0</b>	<b>0.65</b>	<b>318.7</b>

Source: Company

In assessing potential value the new CAs might contribute to the group we used market valuation multiples (see Appendix 1-2 for more information) that were applied to available GKZ Garadagh resources as well as assumed production rates adjusted for a risk factor reflecting early stage status of projects.

We assumed a nominal 2mtpa flotation operation that may be potentially integrated at Gedabek facilities benefitting from access to infrastructure including power, tailings facilities and labour/equipment camp. Using assumed 0.65% Cu grades and 85% metallurgical recoveries we arrive at ~10-11ktpa in payable copper and \$90mpa in net sales (post 12.75% PSA; \$10,500/t Cu). This is just a guesstimate as the Company may opt for a higher scale operation (as most of lower grade copper porphyry deposits are) with a planned exploration programme and economic study to help identify optimal development scenario.

On market EV multiples we arrive at ~\$160m unrisks NAV for Garadagh that we scale back by a 0.25x risk factor to arrive at \$40m risks NAV and 25p/share contribution to the group valuation highlighting significant upside potential as the team progressively de-risks the property.

**Garadagh CA NAV estimate**

Copper price assumption 10,500

PSA 12.75%

Parameters	kt CuEq/\$m	EV multiple	NAV \$m	Interest	Risk	NAV \$m
PP	NA	NA	NA	100%	NA	NA
MI	NA	NA	NA	100%	NA	NA
MI&I	319	250	80	100%	0.25x	20
Production	10.7	15,000	160	100%	0.25x	40
Sales (post PSA)	91	2.0	181	100%	0.25x	45
Median \$m			160			40
NAVPS GBp			100			25

Source: SPA, Company



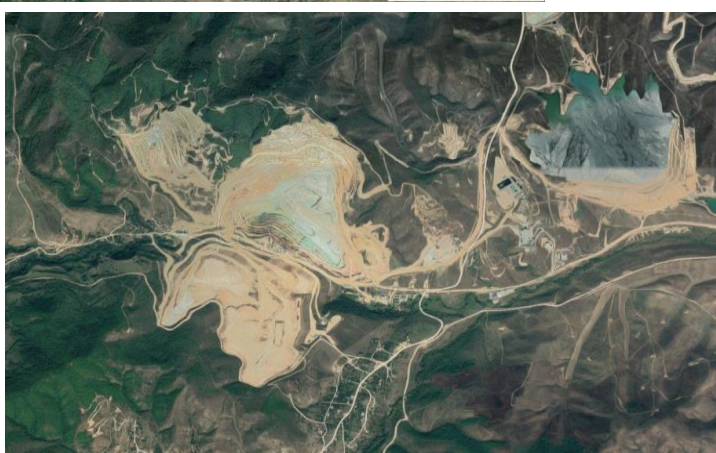
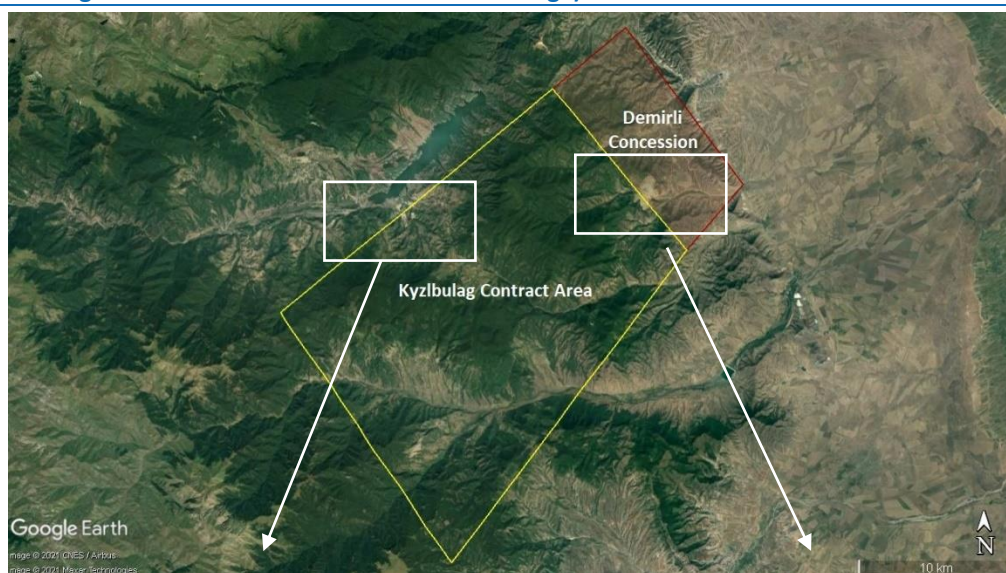
**Kyzlbulag CA hosts Cu-Mo Demirli porphyry deposit with estimated ~300kt CuEq in resources**

The Kyzlbulag Contract Area along with the extension (Demirli CA) covers the Demirli copper-molybdenum porphyry deposit in the northern part of the Karabakh economic region where an Armenian Company “Vallex Group” is reported to have commissioned a treatment plant. No compliant MRE is publicly available, but separate reports referred to an estimate of 275kt copper and 3.2kt of molybdenum with the Group claiming to have invested \$130m in processing facilities. The plant is reported to have ~2mtpa capacity. Vallex pointed to the resource of 56mt that would imply ~0.5% Cu and 0.01% Mo grades.

The Company is reporting that to their knowledge the plant was not affected by the conflict with both mining and processing operations currently on halt with operations cut off from pumping station that is now in the region controlled by Azerbaijan.

Additionally, the license area includes the historic underground Heyvali copper/gold operation that was also run by the same group at ~35kozpa before mining was suspended as the focus moved to the Demirli project. The operation is located in the west boundary of the Kyzlbulag CA next to the Heyvali village.

**Kyzlbulag and Demirli CAs in the Karabakh economic region (Bottom Left: Heyvali underground copper/gold operation next to Heyvali village; Bottom Right: Cu-Mo Demirli mine near Demirli village)**



Source: Company, Google Maps, Ministry of the Foreign Affairs of the Republic of Azerbaijan

The Kyzlbulag Contract Area along with the extension is probably the most limited in terms of the site access as is located in the Karabakh economic region with peacekeepers stationed in Khankendi (formerly “Stepanokert”), the largest city in the region, to monitor the ceasefire between Armenian and Azerbaijan forces agreed in Nov/20. Russian troops are agreed to remain in place for an initial five year period (the



term automatically rolls over for another five years unless any of three signatory parties (Russia, Azerbaijan, Armenia) object).

Similar to Garadagh CA NAV calculation, we used available information on the potential scale of the Demirli resource and production applying average copper producers' valuation multiples to arrive at a rough potential NAV contribution of the Kyzbulag+Demirli CA.

We used installed 1.75mtpa flotation plant capacity and suggested minimum 25 year life of mine and assumed the deposit to host 44mt (25y\*1.75mtpa) at 0.5% Cu producing over 7ktpa CuEq and generating >\$60mpa in net sales (post 12.75% PSA).

Applying market based EV multiples to assumed reserves/resources/production/sales we arrived at >\$110m unrisks NAV for Kyzbulag and discounted it by 0.10x factor. Heavy discount is meant to reflect risks of the status of the area, little information over the size/grades of the deposit as well as uncertainty over access to the deposit and production facilities. At the same time, the discount also reflects the upside potential of the project as highlighted points are addressed. Overall, we include \$11m NAV or 7p/share Kyzbulag contribution in our valuation.

#### Kyzbulag CA NAV estimate

Copper price assumption	10,500					
PSA	12.75%					
Parameters	kt CuEq/\$m	EV multiple	EV \$m	Interest	Risk	NAV \$m
PP	226	500	113	100%	0.10x	11
MI	NA	NA	NA	100%	NA	NA
MI&I	302	250	76	100%	0.10x	8
Production	7.4	15,000	110	100%	0.10x	11
Sales (post PSA)	63	2.0	125	100%	0.10x	13
Median \$m			112			11
NAVPS GBp			70			7

Source: SPA, Company

### ***Vejnaly CA includes historic mine/plant with evaluation works to restart***

The Vejnaly Contract Area is located in the Zangilan district of southwestern Azerbaijan or ~180km from Gedabek (~420km by roads). The area hosts the Vejnaly deposit with some historical mining and small scale processing carried previously. Across the Armenian border, the site is only 25km away from the active Kapan polymetallic underground mine (~60kozpa GE, 0.5moz GE at 3.3g/t in PP; 2.8moz at 5.3g/t in MI&I) owned and operated by AIM-listed Chaarat Gold.

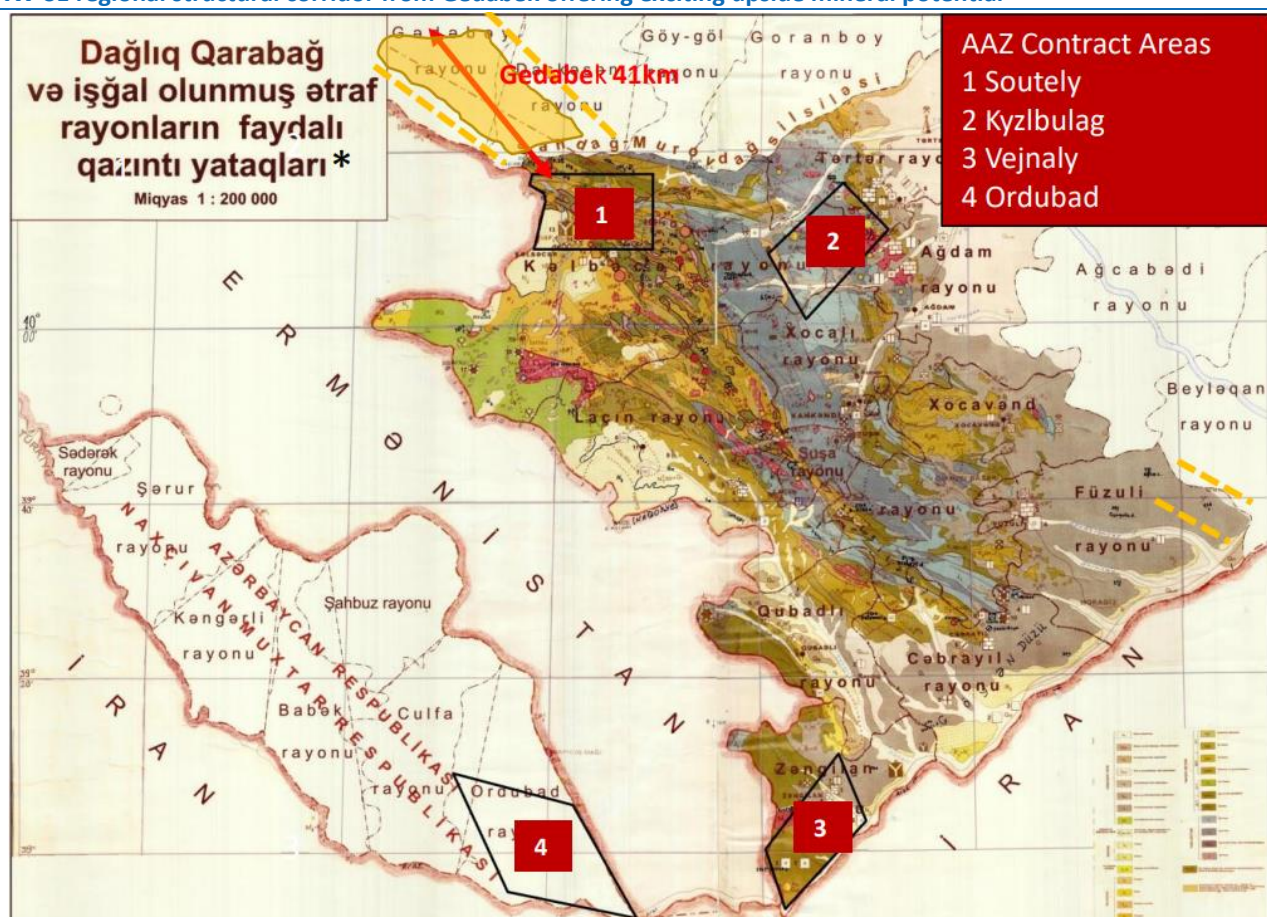
The team carried out a brief site visit previously and identified high grade ore stockpiles from historic mining operations. The team is evaluating feasibility of processing this material at Gedabek and is planning to carry evaluation of existing resources and infrastructure in due course. No value is currently assigned to Vejnaly in our target valuation.

### **New concessions are located within the NW-SE trend with a number of mineral discoveries highlighting significant “blue sky” exploration potential**

Regionally, AAZ CAs are all located on a NW-SE running structural trend that hosts a number of precious and base metals orebodies straddling across Azerbaijan (including newly restored CAs), Armenia and Iran.

New concession areas are set to expand Company’s strong regional footprint further improving exposure to future discoveries.

### **NW-SE regional structural corridor from Gedabek offering exciting upside mineral potential**



Source: Company

## APPENDIX 1 – Selected gold producers and respective market value multiples

Company	Ticker	Price	Crncy	EV \$m	EBITDA21	EBITDA22	PP koz	MI koz	MI&I koz	MI&I g/t	Output koz	EV/EBITDA21	EV/EBITDA22	EV/PP	EV/MI	EV/MI&I	EV/Output
<b>Junior Producers</b>																	
Pan African Resources	PAF LN	15.8	GBp	544	159	151	10,870	24,120	37,600	3.52	198	3.4	3.6	50	23	14	2,745
Golden Star	GSS US	2.4	USD	365	100	138	1,089	3,537	11,720	3.53	170	3.7	2.7	335	103	31	2,147
Pure Gold	PUR LN	50.5	GBp	274	9	86	1,013	2,063	2,530	8.67	80	29.3	3.2	271	133	108	3,430
Chaarat Gold	CGH LN	23.0	GBp	220	19	17	1,047	6,926	9,389	2.60	57	11.6	13.2	210	32	23	3,887
Shanta Gold	SHG LN	13.1	GBp	169	40	54	625	1,275	3,176	3.58	63	4.2	3.1	270	132	53	2,700
Thor Explorations	THX CN	0.3	CAD	163	17	87	518	608	676	4.64	85	9.4	1.9	315	268	241	1,918
Caledonia Mining	CMCL LN	900.0	GBp	151			528	902	1,768	3.23	64			287	168	86	2,363
Anglo Asian Mining	AAZ LN	119.0	GBp	150	41	48	500	1,603	2,051		67	3.6	3.1	299	93	73	2,242
Hummingbird Resources	HUM LN	16.1	GBp	127	49	71	676	4,405	6,673	1.85	105	2.6	1.8	188	29	19	1,209
Scotgold Resources	SGZ LN	86.0	GBp	77			209	261	280	14.12	24			369	295	275	3,272
Goldstone Resources	GRL LN	11.1	GBp	73			-	361	602	1.77	50				201	121	1,455
Serabi Gold	SRB LN	65.5	GBp	70	25	46	222	458	851	5.07	35	2.9	1.5	317	154	83	2,043
Mean												7.8	3.8	265	136	94	2,451
Median												3.7	3.1	287	133	78	2,302
<b>Larger Producers</b>																	
Polymetal	POLY LN	1278.0	GBp	10,157	1,744	1,826	27,949	35,895	49,812	4.12	1,500	5.8	5.6	363	283	204	6,771
Fresnillo	FRES LN	792.0	GBp	8,106	1,386	1,680	16,902	49,482	80,095	1.76	1,406	5.9	4.8	480	164	101	5,764
Endeavour Mining	EDV CN	29.9	CAD	6,445	1,455	1,496	18,034	28,368	36,966	1.79	1,430	4.4	4.3	357	227	174	4,507
Petropavlovsk	POG LN	20.9	GBp	1,687	312	432	7,160	12,970	19,500	0.76	450	5.4	3.9	236	130	87	3,750
Perseus Mining	PRU CN	1.3	CAD	1,271	362	393	3,274	4,942	6,982	1.18	431	3.5	3.2	388	257	182	2,948
Centamin	CEY LN	93.0	GBp	1,193	375	395	5,000	12,250	18,960	1.09	415	3.2	3.0	239	97	63	2,874
Hochschild	HOC LN	139.6	GBp	998	408	434	1,341	12,973	16,847	1.05	366	2.4	2.3	744	77	59	2,726
West African Resources	WAF AU	0.9	AUD	678	277	185	1,500	2,370	5,170	2.01	265	2.4	3.7	452	286	131	2,558
Resolute Mining	RSG LN	21.8	GBp	493	152	218	4,050	6,754	8,524	2.48	328	3.2	2.3	122	73	58	1,507
Mean												4.0	3.7	376	177	118	3,712
Median												3.5	3.7	363	164	101	2,948

Source: Bloomberg (270921),

Company



## APPENDIX 2 – Selected copper producers and respective market value multiples

Company	Ticker	Price	EV	Revenue, US\$M		EBITDA, US\$M		EV/SALES		EV/EBITDA		EV/Output	EV/PP	EV/MI&I	Output	PP	PP grade	MI&I	MI&I grade
			US\$M	21FY	22FY	21FY	22FY	21FY	22FY	21FY	22FY	\$/t	\$/t	\$/t	CuEq kt	CuEq kt	CuEq pp	CuEq kt	CuEq pp
Ero Copper	ERO CN	23	1654	478	466	326	317	3.5	3.5	5.1	5.2	32,846	2,153	769	50.4	768	1.08%	2,152	1.01%
Capstone Mining	CS CN	5	1500	792	766	454	419	1.9	2.0	3.3	3.6	18,125	409	175	82.8	3,669	0.47%	8,550	0.39%
Copper Mountain	CMMC CN	3	786	444	368	230	153	1.8	2.1	3.4	5.1	18,251	359	199	43.1	2,191	0.35%	3,960	0.33%
Taseko Mines	TKO LN	133	761	348	346	151	146	2.2	2.2	5.0	5.2	13,310	83	57	57.2	9,214	0.36%	13,294	0.33%
Central Asia Metals	CAML LN	243	596	216	210	140	134	2.8	2.8	4.3	4.4	22,109	2,870	574	27.0	208	1.94%	1,038	0.15%
Atalaya Mining	ATYM LN	313	500	459	479	228	252	1.1	1.0	2.2	2.0	9,428	712	201	53.0	702	0.38%	2,491	0.73%
Rambler Metals & Mining	RMM LN	22	42									7,734	278	56	5.5	152	1.98%	755	1.98%
25th percentile								1.8	2.0	3.3	3.8	14,514	371	181	45				
Median								2.0	2.2	3.8	4.8	18,188	560	200	52				
75th percentile								2.6	2.7	4.8	5.2	21,144	1,793	481	56				
Average								2.2	2.3	3.9	4.3	17,400	980	290	46				

Source: Bloomberg (270921),  
Company

## Earnings Summary

\$m unless stated (YE Dec)

Market data								
Ticker		AAZ LN						
Last price	GBP	119						
Target price	GBP	180						
Rec		BUY						
GBPUSD		1.37						
Mkt cap	GBPm	136.1						
	USDm	186.5						
EV	GBPm	109.2						
	USDm	149.6						
Av # of sh in issue	mln	114.4						
Av # traded, 100d	mln	0.1						
			Operating metrics	FY18	FY19	FY20	FY21E	FY22E
			USDAZN	1.70	1.70	1.70	1.70	1.70
			Gold price US\$/oz	1,271	1,408	1,780	1,795	1,900
			Copper price US\$/t	6,554	6,027	6,185	9,318	10,413
			Gold production koz	73	70	57	50	52
			Copper production kt	1.6	2.2	2.6	2.8	2.9
			GE production koz	84	81	67	67	69
			AISC (incl PSA) US\$/oz	541	591	702	781	786
			Income Statement (\$m)	FY18	FY19	FY20	FY21E	FY22E
			Revenues	90	92	102	104	111
			<b>EBITDA</b>	<b>50</b>	<b>50</b>	<b>53</b>	<b>41</b>	<b>48</b>
			<b>margin</b>	<b>55%</b>	<b>55%</b>	<b>52%</b>	<b>40%</b>	<b>43%</b>
			EBIT	27	31	36	24	29
			Net Interest	-2	-1	-0	-0	0
			<b>PBT</b>	<b>25</b>	<b>30</b>	<b>36</b>	<b>24</b>	<b>29</b>
			<b>Tax</b>	<b>-9</b>	<b>-11</b>	<b>-13</b>	<b>-8</b>	<b>-9</b>
			<b>PAT</b>	<b>16</b>	<b>19</b>	<b>23</b>	<b>16</b>	<b>20</b>
			<b>EPS basic, cents</b>	<b>14</b>	<b>17</b>	<b>20</b>	<b>14</b>	<b>17</b>
			<b>EPS diluted, cents</b>	<b>14</b>	<b>17</b>	<b>20</b>	<b>14</b>	<b>17</b>
			Cash flow (\$m)	FY18	FY19	FY20	FY21E	FY22E
			<b>CFO</b>	<b>51</b>	<b>38</b>	<b>60</b>	<b>44</b>	<b>49</b>
			Interest paid	-1	-1	-0	-0	-0
			Tax paid	-4	-8	-11	-14	-12
			<b>Net CFO</b>	<b>46</b>	<b>28</b>	<b>49</b>	<b>29</b>	<b>37</b>
			Capex (incl Exploration)	-18	-9	-16	-14	-15
			<b>CFI</b>	<b>-18</b>	<b>-9</b>	<b>-16</b>	<b>-13</b>	<b>-15</b>
			Issue of shares	0	-	-	-	-
			Dividends paid	-3	-9	-10	-11	-10
			Proceeds from borrowings	14	1	-	-	-
			Repayment of borrowings	-26	-8	-2	-1	-1
			<b>CFF</b>	<b>-15</b>	<b>-16</b>	<b>-13</b>	<b>-11</b>	<b>-10</b>
			Net cash flow	12	3	21	5	12
			<b>Cash cf</b>	<b>15</b>	<b>18</b>	<b>39</b>	<b>43</b>	<b>55</b>
			Balance Sheet (\$m)	FY18	FY19	FY20	FY21E	FY22E
			Cash	15	18	39	43	55
			Receivables/prepayments	8	27	7	15	15
			Inventories	34	44	41	37	37
			<b>Current assets</b>	<b>57</b>	<b>88</b>	<b>87</b>	<b>96</b>	<b>108</b>
			Exploration & PPE	98	90	91	87	83
			<b>Non-current assets</b>	<b>99</b>	<b>93</b>	<b>92</b>	<b>87</b>	<b>83</b>
			<b>Total assets</b>	<b>156</b>	<b>182</b>	<b>180</b>	<b>183</b>	<b>191</b>
			Payables, provisions	17	30	19	20	20
			Borrowings ST	7	3	0	1	1
			<b>Current liabilities</b>	<b>7</b>	<b>33</b>	<b>20</b>	<b>21</b>	<b>21</b>
			Borrowings LT	2	3	1	1	1
			Other	32	37	37	37	35
			<b>Non-current liabilities</b>	<b>34</b>	<b>40</b>	<b>38</b>	<b>38</b>	<b>36</b>
			<b>Total liabilities</b>	<b>40</b>	<b>73</b>	<b>58</b>	<b>58</b>	<b>56</b>
			<b>Net assets</b>	<b>115</b>	<b>109</b>	<b>122</b>	<b>125</b>	<b>135</b>
			Key financial metrics	FY18	FY19	FY20	FY21E	FY22E
			Net debt/(cash)	-6	-12	-37	-42	-54
			Av # of sh (diluted)	114	114	114	114	114
			EV/EBITDA	1.5	3.0	2.9	3.6	3.1
			PER	4.9	8.6	8.3	12.0	9.4
			FCF (NCFO-Capex)	27	19	34	16	22
			FCF yield	34%	12%	17%	8%	12%
			DY	10.4%	5.6%	5.5%	5.0%	4.9%
			ROA	10.6%	11.5%	12.8%	8.6%	10.6%
			P/BV	0.69	1.52	1.58	1.50	1.38
			Interest coverage	17.0	26.2	110.3	391.5	-158.1
			Net Debt/EBITDA	-0.1	-0.2	-0.7	-1.0	-1.1

Source: SP Angel, Company

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