

# Eagle Mountain Mining (EM2)

Rating: Buy | Risk: High | Price Target: \$0.30

31 January 2024

## December Quarter 2023 – Progress towards Scoping Study in 3QCY24

### Key Information

Current Price (\$ps)	0.07
12m Target Price (\$ps)	0.30
52 Week Range (\$ps)	0.05 - 0.25
Target Price Upside (%)	347.8%
TSR (%)	332.8%
Reporting Currency	AUD
Market Cap (\$m)	20
Sector	Materials
Avg Daily Volume (m)	0.2
ASX 200 Weight (%)	0%

### Fundamentals

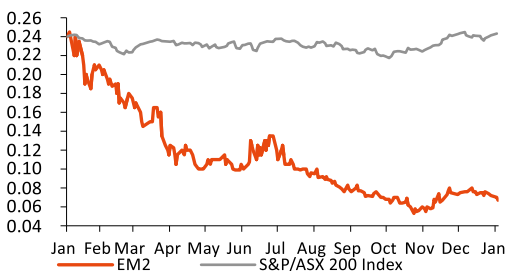
YE 20 Jun (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	0	0	0	159
NPAT (\$m)	(14)	(8)	(9)	36
EPS (cps)	(4.7)	(2.7)	(2.8)	11.8
EPS Growth (%)	60.5%	43.1%	(3.4%)	524.3%
DPS (cps) (AUD)	0.0	(1.0)	(1.0)	6.0
Franking (%)	0%	0%	0%	100%

### Ratios

YE 20 Jun	FY23A	FY24E	FY25E	FY26E
P/E (x)	(2.1)	(2.5)	(2.4)	0.6
EV/EBITDA (x)	(1.2)	(1.9)	(1.9)	0.4
Div Yield (%)	0.0%	(14.9%)	(14.9%)	89.6%
Payout Ratio (%)	0.0%	37.1%	35.9%	50.7%

### Price Performance

YE 20 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(10.8%)	14.6%	(7.4%)	(73.8%)
Absolute (%)	(10.7%)	21.8%	4.7%	(72.1%)
Benchmark (%)	0.1%	7.2%	12.1%	1.7%



### Major Shareholders

Charles Bass	27.7%
Paradise Investment Management Pty Ltd.	6.4%

### Peter Kormendy | Senior Research Analyst

+61 3 9268 1099

[Peter.Kormendy@shawandpartners.com.au](mailto:Peter.Kormendy@shawandpartners.com.au)

### Andrew Hines | Head of Research

+61 3 9268 1178

[andrew.hines@shawandpartners.com.au](mailto:andrew.hines@shawandpartners.com.au)

### Dorab Postmaster | Analyst

+61 8 9263 5211

[Dorab.Postmaster@shawandpartners.com.au](mailto:Dorab.Postmaster@shawandpartners.com.au)

### Event

Eagle Mountain Mining reported December quarter results. Testing confirmed potential for lower capital and operating costs and a lower environmental footprint at Oracle Ridge compared with conventional mining and processing. Work will progress towards a Scoping Study in 3QCY24.

### Highlights

- Eagle Mountain is aiming to become a low-cost producer of low-emission copper at the Oracle Ridge Copper Project in Arizona. Oracle Ridge has significant infrastructure in place, including 18km of underground development, access roads, a tailings facility (currently closed), underground electrical and water services.
- Testing during the quarter identified a simpler processing method at Oracle Ridge with a raft of cost and environmental benefits. Highlights from recent testwork include:
  - Increased mining productivity as a result of larger stopes and multiple fronts, enabled by the updated Mineral Resource, refer below.
  - Up to 30% increase in copper head grade from ore sorting.
  - Reduced power costs and operating footprint from high pressure grinding rolls compared with traditional crushing equipment.
  - Excellent copper recovery from rougher flotation, direct tank-leaching and an onsite SX/EW plant that produces LME grade copper sheet.
- The Mineral Resource Estimate for Oracle Ridge was also upgraded to 28.2mt at 1.35% Cu, 11.06g/t Ag and 0.16g/t Au using a 0.8% copper cut-off grade for 380kt of contained copper. Measured and Indicated Resources now account for 54% of the MRE.
- The new MRE benefits from extensive new geological information gained from accessing underground workings such as 50 additional drillholes and 1km of high detail underground channel sampling providing 3D information on mineralisation and its localised controls.
- The presence of extensive lengths of mineralisation containing higher-grade sections enhances the optionality of Oracle Ridge, supporting either bulk mining or selective high-grade mining scenarios. Eagle Mountain completed refurbishment of the underground mine during the December quarter 2022 which allows future campaigns to be drilled from underground.
- Underground access will also better enable metallurgical and geotechnical test work that will feed the Scoping Study, expected in 3QCY24.
- We base our valuation modelling on Oracle Ridge on a resource in-line with the current base. Key parameters include a long-term copper price of US\$6,800/t, resource grade in-line with the current JORC and US\$210m capex.
- EM2 announced a 1:4 renounceable entitlement offer at \$0.06 to raise \$4.5m subsequent to quarter end. Copper's inclusion on the US Critical Materials allows Eagle Mountain to pursue US Government funding under the enormous Inflation Reduction Act.
- The most aggressive interest rate tightening cycle in a generation and a relatively strong USD has been a headwind for the copper price over the past two years, however potential for these conditions to reverse in 2024 means the next 12 months looks to be a more constructive period for copper.

### Recommendation

We maintain our Buy rating and \$0.30 price target. Our price target is set based on a discounted cash flow analysis of our estimated development scenario with a 0.3x NPV multiple.

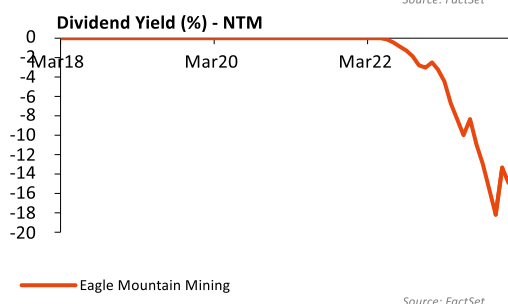
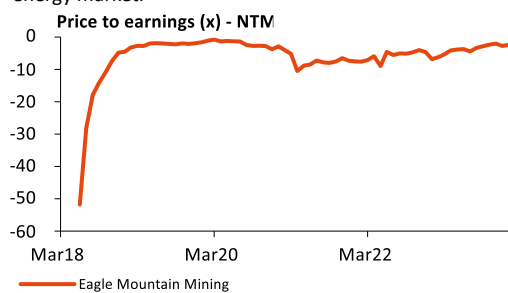
**Eagle Mountain Mining  
Materials**

FactSet: EM2-AU / Bloomberg: EM2 AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.07
Target Price (\$ps)	0.30
52 Week Range (\$ps)	0.05 - 0.25
Shares on Issue (m)	305
Market Cap (\$m)	20
Enterprise Value (\$m)	16
TSR (%)	332.8%

**Company Description**

Eagle Mountain Mining is a copper-focussed exploration and development company with the key objective of becoming a low-emission producer at its Oracle Ridge copper project in Arizona to supply the growing green energy market.



**Financial Year End: 20 June**

Investment Summary (AUD)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS (Reported) (cps)	(12.0)	(4.7)	(2.7)	(2.8)	11.8
EPS (Underlying) (cps)	(12.0)	(4.7)	(2.7)	(2.8)	11.8
EPS (Underlying) Growth (%)	1.6%	60.5%	43.1%	(3.4%)	524.3%
PE (Underlying) (x)	(2.2)	(2.1)	(2.5)	(2.4)	0.6
EV / EBIT (x)	(0.5)	(1.2)	(1.9)	(1.9)	0.4
EV / EBITDA (x)	(0.5)	(1.2)	(1.9)	(1.9)	0.4
DPS (cps) (AUD)	0.0	0.0	(1.0)	(1.0)	6.0
Dividend Yield (%)	0.0%	0.0%	(14.9%)	(14.9%)	89.6%
Franking (%)	0%	0%	0%	0%	100%
Payout Ratio (%)	0.0%	0.0%	37.1%	35.9%	50.7%
Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	0	0	0	0	159
Sales Growth (%)	(100.0%)	n/a	n/a	n/a	n/a
Other Operating Income	0	0	0	0	0
EBITDA	(29)	(13)	(8)	(8)	44
EBITDA Margin (%)	nm	nm	nm	nm	27.4%
Depreciation & Amortisation	(1)	(1)	0	0	(5)
EBIT	(29.6)	(13.2)	(8.0)	(8.2)	38.2
EBIT Margin (%)	nm	nm	nm	nm	24.0%
Net Interest	(0)	(0)	(0)	(0)	(2)
Pretax Profit	(30)	(14)	(8)	(9)	36
Tax	0	0	0	0	0
Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%
NPAT Underlying	(30)	(14)	(8)	(9)	36
Significant Items	0	0	0	0	0
NPAT Reported	(30)	(14)	(8)	(9)	36
Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	(30)	(13)	(8)	(8)	38
Payments to Suppliers	(29)	(13)	(8)	(8)	(116)
Receipts from Customers	0	0	0	0	159
Tax Paid	0	0	0	0	0
Change in Working Capital	0	0	(2)	0	(11)
Depreciation & Amortisation	1	1	0	0	5
Other	(1)	(1)	(0)	(0)	(8)
Operating Cashflow	(29)	(13)	(10)	(9)	30
Capex	(1)	(3)	0	(200)	(120)
Acquisitions and Investments	0	0	0	0	0
Disposal of Fixed Assets/Investments	0	0	0	0	0
Other	0	0	0	0	0
Investing Cashflow	(1)	(3)	0	(200)	(120)
Equity Raised / Bought Back	32	6	0	20	0
Dividends Paid	0	0	0	3	(3)
Change in Debt	0	2	0	0	0
Other	(1)	(1)	0	0	0
Financing Cashflow	31	7	0	23	(3)
Exchange Rate Effect	1	0	0	0	0
Net Change in Cash	2	(9)	(10)	(185)	(93)
Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	11	2	(8)	(193)	(286)
Accounts Receivable	0	0	0	0	14
Inventory	0	0	0	0	12
Other Current Assets	0	0	0	0	0
PPE	12	15	15	215	330
Total Assets	23	18	8	22	71
Accounts Payable	1	1	0	0	16
Short Term Debt	0	0	0	0	0
Long Term Debt	12	13	13	13	13
Total Liabilities	14	14	13	13	29
Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	(350.7%)	(180.4%)	(1,905.0%)	(236.5%)	131.7%
Gearing (%)	4.1%	70.1%	121.9%	95.0%	87.2%
Net Debt / EBITDA (x)	(0.0)	(0.8)	(2.6)	(25.2)	6.8

### Key risks

- Eagle Mountain Mining is a pre-development company in the relatively early stages of Resource definition and therefore carries risk that the size and grade of the Resource may change as it progresses in definition.
- The Oracle Ridge Copper Project is not yet producing and there is a risk that Eagle Mountain Mining is unable to bring the operation in to production. The project may cost more than expected to build and may not operate as expected.
- We have forecast future capital and operating costs to inform a discounted cash flow valuation for the project. These operating costs are uncertain given we are making capital and operating cost estimates ahead of comprehensive disclosures (ie. scoping study) from the Company.
- Eagle Mountain Mining will require significant additional financing to develop the Oracle Ridge Copper Project. There is a risk that debt or capital markets may not be willing to fund the project.
- Smaller companies carry more significant 'key personnel' risk than larger organisations. If senior management depart the company, then it could delay projects or exacerbate operational risks.
- Copper prices are trading above cost curve support and there are risks that if demand for copper does not meet expectations or supply exceeds expectations then the prices of these metals could revert to historical averages.

### Core drivers and catalyst

- Copper is a critical future facing metal. Significant new supply is required to meet forecast future demand. Current market dynamics will benefit companies, such as Eagle Mountain, that can move quickly to deliver new supply into current market dynamic.
- Oracle Ridge is uniquely positioned for rapid restart. It is in a tier 1 jurisdiction in Arizona with a supportive community. Mineralisation is within a ridge, which allows for lateral access to the ore body. There is 18km of existing underground development. It will likely have a simple single copper-gold concentrate flowsheet, with access to low cost power, and has proximity to rail and local potential customers.
- Potential remains for extensions to the current Resource, with encouraging drill results outside the current Resource area. The Resource remains open and within a strong geophysical target area.
- Infill and Resource expansion drilling is ongoing, with large scale potential for multiple styles of mineralisation across the broader Eagle Mountain tenement package.

## Rating Classification

<b>Buy</b>	Expected to outperform the overall market
<b>Hold</b>	Expected to perform in line with the overall market
<b>Sell</b>	Expected to underperform the overall market
<b>Not Rated</b>	Shaw has issued a factual note on the company but does not have a recommendation

## Risk Rating

<b>High</b>	Higher risk than the overall market – investors should be aware this stock may be speculative
<b>Medium</b>	Risk broadly in line with the overall market
<b>Low</b>	Lower risk than the overall market

**RISK STATEMENT:** Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

### Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	65	92%
Hold	6	8%
Sell	0	0%

### History of Investment Rating and Target Price - Eagle Mountain Mining



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Sydney   Head Office	Melbourne	Brisbane	Adelaide	Canberra	Perth	Noosa
Level 7, Chifley Tower	Level 36	Level 28	Level 25	Level 9	Level 20	Suite 11a Q Place
2 Chifley Square	120 Collins Street	111 Eagle Street	91 King William Street	5 Constitution Avenue	108 St Georges Terrace	2 Quamby Place
Sydney NSW 2000	Melbourne VIC 3000	Brisbane QLD 4000	Adelaide SA 5000	Canberra ACT 2601	Perth WA 6000	Noosa Heads QLD 4567
Telephone: +61 2 9238 1238	Telephone: +61 3 9268 1000	Telephone: +61 7 3036 2500	Telephone: +61 8 7109 6000	Telephone: +61 2 6113 5300	Telephone: +61 8 9263 5200	Telephone: +61 7 3036 2570
Toll Free: 1800 636 625	Toll Free: 1800 150 009	Toll Free: 1800 463 972	Toll Free: 1800 636 625	Toll Free: 1800 636 625	Toll Free: 1800 198 003	Toll Free: 1800 271 201