

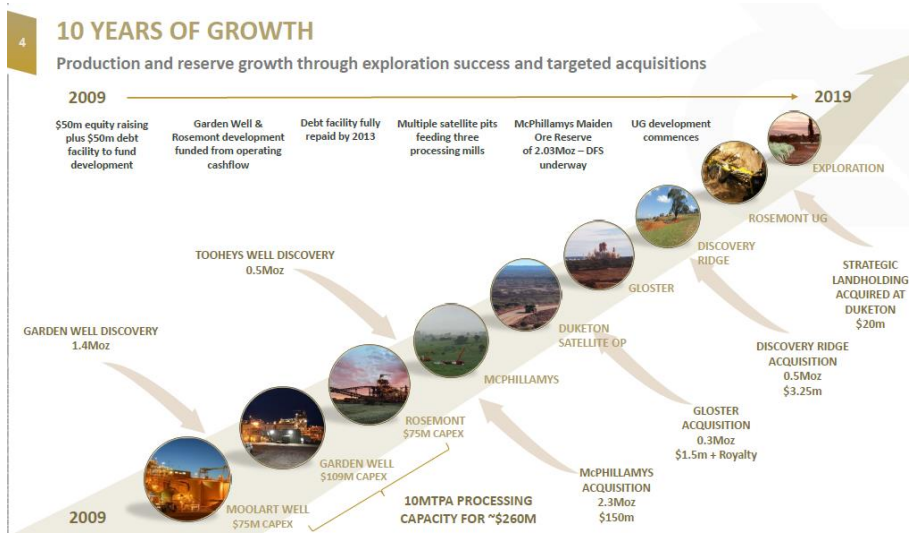
## EMR Research Note

Date: 30/10/2020

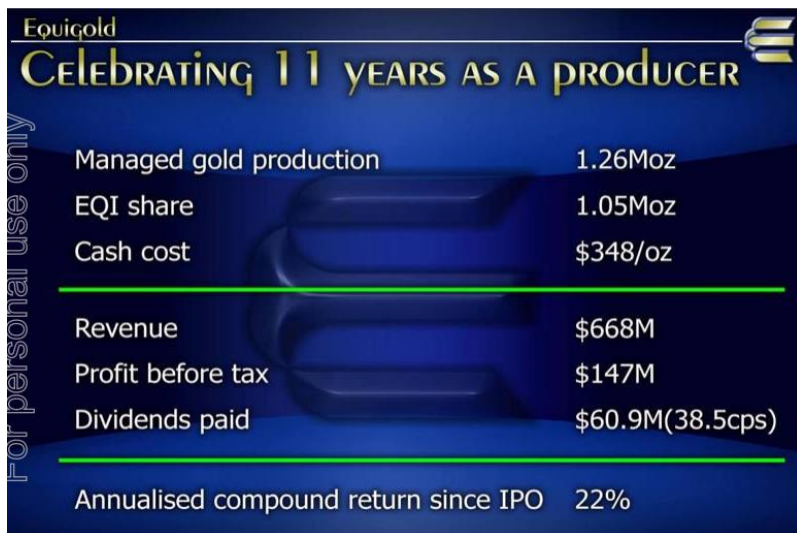
- EMR operates the Okvau gold project in Cambodia. The mine is ~40% complete by spend with first gold pour expected in May 2021. The mine is expected to produce an average of 106koz p.a. at an average AISC of ~USD750/oz, however, these numbers are likely to prove conservative.
- Morgan essentially took over control of EMR in late 2014 after leaving RRL. EMR was rudderless and essentially a shell that Morgan could use to find a project and build a business around. In 2016 he signed a JV with RNS who owned the Okvau project in Cambodia, however, before the year was out, EMR merged with RNS.
- Simon Lee and Mick Evans also joined EMR with Morgan who were former running mates at RRL and Equigold before that. Amongst these ventures, they've been involved in building 6+ mines across Australia and West Africa, all of which were successful and profitable operations even through low gold price environments.
- EMR has a quality asset run by a quality team (Morgan still pulling people out of RRL). Simon and Morgan alone have put in \$12m+ along the way. No freebies given out. ESOP given out have strikes at a premium when issued so staff have to create value before benefiting from it. Insiders own ~22% of the company.
- EMR is essentially another reiteration of the prior build and sell approach Morgan and Co have done before with Samantha Gold (merged into RSG in the 90s), Equigold NL (bought out by Lihir Gold in 2008). Regis Resources was not bought out but was always valued at a premium which largely prevented it being an acquisition target.
- The build and sell approach is to use the development of the first mine to fund the acquisition and development of a few more and selling the company off to a larger producer looking for growth. Simon did this with Samantha Gold and Equigold NL. Morgan was with Simon at Equigold whilst I note Samantha Gold was full of people who were in Equigold and RRL as well which have joined EMR (i.e. Mick Evans, Ross Stanley and Bernie Cleary).
- The raise to build the first mine tends to be the last one on the way to a multi mine operator. This was the case for RRL outside of the issue of script to acquire the McPhillamys project in 2012. Appendix one is RRL history, whilst appendix 2 is from the Equigold AGM address in 2007 prior to acquisition in 2008.
- It's clear that the key people involved know how to find good gold projects, build them and build the well, and ensure that it translates into returns in the share price for investors.
- Okvau is the flagship asset for EMR and comprises of a reserve of 907koz of high grade gold from a mix of open pit and underground. It is the first gold mine in Cambodia and operates under a Mineral Investment Agreement (MIA) signed off by the government. Cambodia is considered to have modest sovereign risk, however, for EMR it is considered lower due to the MIA, whilst PRI rates are amongst the lowest in the SE Asian region (EMR has PRI for USD100m at a rate of less than 1%).
- The mine is expected to produce an average of 106koz p.a. on average at an AISC of USD750/oz making it a high margin operation that can survive through the cycle. However, I think these operating metrics will prove conservative for 3 reasons:
  - Grade control has shown grade to be higher than the reserve estimate by 22% within the first 25m at depth. The deposit should also benefit from the reverse nugget effect as the reserve has a top cut that limits value ascribed to high grade sections. The use of a MIK for R&R modelling is also conservative in a deposit like this.
  - Recoveries in the feasibility are likely conservative given they plan to leave ore in residence for up to twice as long, thus recoveries could be mid to high 80% range versus the modelled 84%.
  - They believe they can run the mill at 10% to 15% over nameplate whilst the mining contractor has capacity and the ability to bring in additional equipment to increase mining rates to match milling rates with limited issue. Note that RRL's first mill, Moolart Well ran at 25%+ above design throughput rate whilst Garden Well was designed for 4mtpa and ran at 5.5mtpa by 2013.
- With these 3 factors, the mine could produce anywhere up to a run-rate of ~150koz p.a. from the 106koz run-rate stated in the DFS. In addition, the higher production potential from grade and recovery comes with nil extra cost whilst running the mill at a higher rate would incur marginal extra mining and processing costs, thus AISC could be under USD600/oz range if the production run-rate is closer to the 150koz p.a. mark. The table in appendix 3 shows a matrix on potential production outcomes in the first year or two. The hardest thing to understand is how high the grade uplift could be over LOM but indications are it'll be higher in general. However, to what degree and consistency won't be known until they mine through the deposit.
- The project is about 40% completed by amount spent and slated to come into production in May 2021. They are currently tracking to budget but expect to come in slightly below given favourable steel and labour prices at current.
- The project is fully funded and cash should trough no lower than USD10m ahead of first cashflows, which I believe is a sufficient buffer in case some issues arise. However, the team has a history of not getting these things wrong.



## Appendix 1



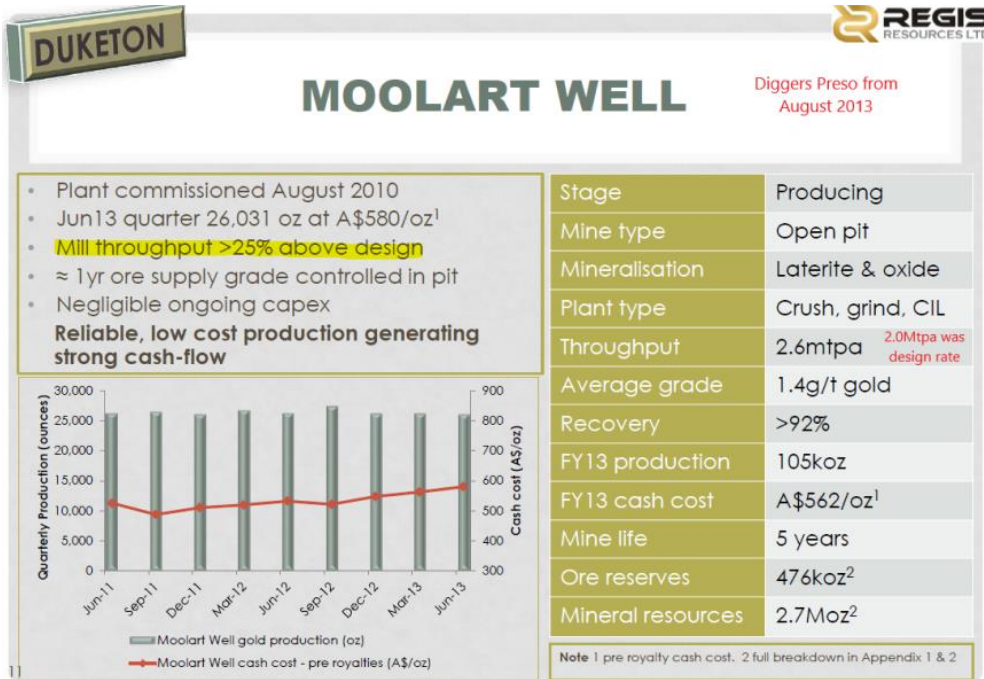
## Appendix 2



## Appendix 3

	DFS Metrics	@ 20% grade	+20% grade @ 88% recovery	+20% grade & +12.5% Mill @ 88% recovery
Mill Rate	2,000,000	2,000,000	2,000,000	2,250,000
Head Grade	1.98	2.38	2.38	2.38
Recovery	0.84	0.84	0.88	0.88
Produced Ounces	106,946	128,335	134,447	151,252
Cost per Milled Tonne	34.72	34.72	34.72	36.94
Cost/oz	649.30	541.08	516.49	549.53
Royalty/oz	66.50	66.50	66.50	66.50
Total Cost/oz	715.80	607.58	582.99	616.03
Gold Price/oz	1,900.00	1,900.00	1,900.00	1,900.00
Margin/oz	1,184.20	1,292.42	1,317.01	1,283.97
Operating CFs	126,645,791	165,862,949	177,067,852	194,203,520
FX Rate	0.7200	0.7200	0.7200	0.7200
Operating CFs AUD	175,896,932	230,365,207	245,927,572	269,727,112
Multiple	3.50	3.50	3.50	3.50
Ent. Value	615,639,262	806,278,225	860,746,500	944,044,891
Sol	515,000,000.00	515,000,000.00	515,000,000.00	515,000,000.00
SP	1.20	1.57	1.67	1.83
TSR	94.4%	154.6%	171.8%	198.1%
*Run-rate production, Zero debt basis (in EV)				

Appendix 4



Appendix 5

