
Ticker: EMR AU	Net cash: (A\$74m)	Project: Okvau
Market cap: A\$613m	Price: A\$1.14/sh	Country: Cambodia
<i>RECOMMEND. (unc): BUY</i>	<i>TARGET (unc): A\$1.40/sh</i>	<i>RISK RATING: HIGH</i>

Firstly – taking control should flush out final minorities, not the least given the 11% premium EMR stock was trading at (114c spot) vs. bid (103c), and given minorities risk being diluted down and/or incurring additional costs of being a minority holder. Today’s application to the takeover panel from disgruntled minorities appears to be ‘last gasp’; with the Panel not having appointed a sitting panel yet this could be dismissed, or ruled on in coming days if a sitting panel is appointed. Without predicting that decision, given Emerald now owns >50% of the company, even if a new target statement is required this should only delay matters, hence our own view that the lodgement to the takeover panel itself may simply being done as part of other legal matters. For now, **we maintain our BUY rating, and 1.2xNAV_{5%-1850} A\$1.40/sh PT**. Put simply, this means our previously published SCPe A\$100m capex, 3Mtpa @ 1.5g/t operation supporting >130koz pa remain outside our valuation / PT, and thus has the potential for an upward rerating in due course, not the least requiring the gold to be defined first. In addition to that, catalysts ahead include potentially material outperformance at Okvau leading to sustained above-nameplate production; as well as assays from maiden satellite drilling at new Cambodian asset Memot which may define a second mine in Cambodia.

Stock halted pending takeover panel ruling; we think ‘when not if’

Last week Emerald’s **takeover offer went unconditional** with 53% ownership as of last week ahead of January 14th official close. Today, minority holder Hongkong Xinhe applied to the takeover panel submitting that target statement is deficient, undisclosed associations, breach of Emerald’s continuous disclosure, and issue of shares during discussions and a variety of other breaches.

Why we like Emerald

- Management has built seven mines on time and on budget at Equigold, Regis and Emerald
- Management aligned with holders as A\$19m equity invested
- Second advanced project (and regional holding) points to second-mine potential in Cambodia
- US\$100m acquisition debt facility, and low-cost-build IP to enable growth via M&A
- Potential Australian Bullseye acquisition could double production and give belt control

Catalysts

- 1Q22: Deep and satellite drilling at Okvau
- 1Q22 onward: Regional drilling on Memot target 95km from mill
- 1H22: 4Q21 results potential show sustained above-nameplate production
- 15 January 2022: Offer expires for Bullseye

Research

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker: EMR AU	Price / mkt cap:	A114c/sh, A\$588m	Group P/NAV today:	0.99x	Country Cambodia
Author: B Salier / B Gaspar	Rec/1.2xNAV5% PT:	BUY, A\$140c/sh	1xNAV5% _{1Q21} FF FD:	A\$119.8c/sh	Asset: Okvau

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E
Gold price	1,761	1,793	1,807	1,838	1,850

Group-level SOTP valuation Mar 22

	A\$m	US\$m	O/ship	NAVx	A\$/sh*
NPV Okvau 1Q22	729	532	100%	1.2x	165.13
NPV central & finance costs	(99.4)	(72.6)	-	1.2x	(22.53)
Net cash prior quarter	(58.5)	(42.7)	-	1.2x	(13.26)
Cash from options	7.3	5.3	-	1.2x	1.64
Explor'n (0.5Moz@US\$50/oz)	34.2	25	-	1.2x	7.76

1xNAV5% 2Q21 US\$1850/oz **447** **139**

Asset value: 1xNAV (US\$m, geared)*

Group NAV (US\$m)	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
9% discount	378	409	439	470	500
7% discount	393	425	457	490	521
5% discount	409	443	477	511	543
Ungeared project IRR:	0%	0%	0%	0%	0%

Group NAV1450 (A\$/sh)

	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
9% discount	117	127	136	146	155
7% discount	122	132	142	152	162
5% discount	127	138	148	158	169

*Company NAV net finance costs and SG&A, discounted to 2Q21

Group NAV5% over time Mar 22 Mar 23 Mar 24 Mar 25 Mar 26

	Mar 22	Mar 23	Mar 24	Mar 25	Mar 26
Okvau net cent. costs (US\$m)	459	398	335	265	181
Net cash prior quarter	(42.7)	33.5	110.9	190.5	280.1
Cash from options (US\$m)	5.3	5.3	5.3	5.3	5.3
Explor'n (0.5Moz@US\$50/oz)	25	25	25	25	25
NAV (US\$m)	447	462	476	486	492
1.2xNAV5%/sh FF FD (Ac/sh)	139	144	148	151	153

1.2xNAV/sh @ SQ20 vs gold, discount, recoveries (US\$m, geared)^

1.2xNAV (US\$/m)

	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
9% discount	378	409	439	470	500
7% discount	393	425	457	490	521
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1.2xNAV (A\$/sh)

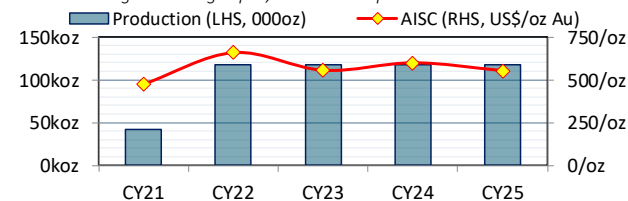
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^Project NPV less central SG&A & finance cost, plus net cash at the time

Production (Y1 from 3Q20) CY21 CY22 CY23 CY24 CY25

	CY21	CY22	CY23	CY24	CY25
Production (000oz)	42	118	118	118	118
AISC cost (US\$/oz)	609	767	769	769	769
C3 cost (US\$/oz)	826	1,035	1,038	1,039	1,039

AISC = C1 + ug sustaining capex, C3 = C1 + depreciation



Source: SCP estimates

Resource	Au (koz)	Au (g/t)	Reserve Au (koz)	Au (g/t)
Okvau M & I & Inf	1,141koz	2.01g/t	Okvau P& 907koz	2.0g/t

Share data

Basic shares (m)	515.4	Spot share price (A\$/sh)	114
FD with options (m)	530		

Ratio analysis

	CY19A	CY20E	CY21E	CY22E	CY23E
Average shares out (m)	305	524	529	529	529
EPS (A\$/sh)	(1.65)	(3.29)	2.06	12.91	14.16
CFPS (A\$/sh)	(4.32)	(15.03)	(7.75)	19.74	20.06
EV (A\$m)	336.8	570.9	661.2	556.9	450.8
FCF yield (%)	-	-	-	17%	18%
PER (x)	-	-	55.2x	8.8x	8.0x
P/CF (x)	-	-	-	5.8x	5.7x
EV/EBITDA (x)	-	2,010.2x	13.5x	3.5x	2.8x

Income statement

	CY19A	CY20E	CY21E	CY22E	CY23E
Revenue (A\$m)	0.1	0.3	82.5	291.2	296.2
COGS incl. royalty (A\$m)	-	-	(33.3)	(132.1)	(132.5)
D&A (A\$m)	(0.0)	0.0	(10.7)	(34.8)	(34.8)
Gross profit (A\$m)	0.1	0.3	38.5	124.3	128.9
Finance cost (A\$m)	(0.0)	(0.7)	(7.7)	(23.1)	(21.6)
Exploration (A\$m)	(2.8)	(5.5)	(4.1)	(2.0)	-
Admin + other (A\$m)	(2.3)	(11.3)	(8.2)	(6.7)	(6.7)
Tax (A\$m)	-	-	(7.6)	(24.2)	(25.7)
Net income (A\$m)	(5.0)	(17.2)	10.9	68.3	74.9
EBITDA (A\$m)	0.1	0.3	49.2	159.1	163.7

Cash flow statement

	CY19A	CY20E	CY21E	CY22E	CY23E
Revenue (A\$m)	-	0.2	82.5	291.2	296.2
Payments (A\$m)	(8.0)	(2.5)	(45.2)	(160.6)	(159.5)
Chaning in WC (A\$m)	-	0.9	(12.2)	4.7	(0.2)
Others (A\$m)	(2.9)	(4.6)	(11.1)	(26.2)	(25.7)
Cash flow ops (A\$m)	(10.9)	(6.0)	13.9	109.0	110.7
PP&E (A\$m)	(2.3)	(72.7)	(54.9)	(4.7)	(4.7)
Cash flow inv. (A\$m)	(2.3)	(72.7)	(54.9)	(4.7)	(4.7)
Share proceeds (A\$m)	(0.6)	78.3	0.0	-	-
Debt draw (repay) (A\$m)	-	92.9	(2.1)	(25.3)	(25.3)
Cash flow fin. (A\$m)	(0.6)	171.1	(2.1)	(25.3)	(25.3)
Net change in cash (A\$m)	(13.8)	92.5	(43.1)	79.1	80.8

Balance sheet

	CY19A	CY20E	CY21E	CY22E	CY23E
Cash (A\$m)	10.7	76.8	28.7	107.8	188.5
Acc rec. + inv. (A\$m)	0.4	3.0	31.5	27.6	27.9
PPE (A\$m)	41.3	123.3	179.4	149.3	119.1
Others (A\$m)	0.0	13.6	33.9	33.9	34.0
Total assets (A\$m)	52	217	273	319	369
Debt (A\$m)	-	50.9	87.2	61.9	36.6
Accnts payable (A\$m)	2.7	12.3	13.7	14.5	14.5
Total liabilities (A\$m)	2.7	63.1	100.9	76.4	51.1
Shareholders equity (A\$m)	115.8	195.4	195.9	197.2	198.5
Retained earnings (A\$m)	1.2	0.3	1.5	1.5	1.5
Reserves (A\$m)	(67.4)	(83.1)	(72.6)	(4.4)	70.5
Liabilities + equity (A\$m)	52	217	273	318	369

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Summary of Recommendations as of January 2022	
BUY:	49
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	50

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