

# Eurobattery Minerals

Mangold Insight - Commissioned Research, 20 January 2020

**MANGOLD**

## Mining company ready for electric car boom

Mangold initiates coverage of mining company Eurobattery Minerals with a Buy recommendation and a price target of SEK 106 per share in a 12-month perspective. Eurobattery Minerals is a greentech mining company with focus on environmentally friendly metals production for the European battery and electric car market. Mangold has assessed that Eurobattery Minerals has tremendous potential to become a successful supplier of metals to the battery industry due to strong growth in the electric car industry, tough consumer demands and limited competition.

## Car buyers demand greentech

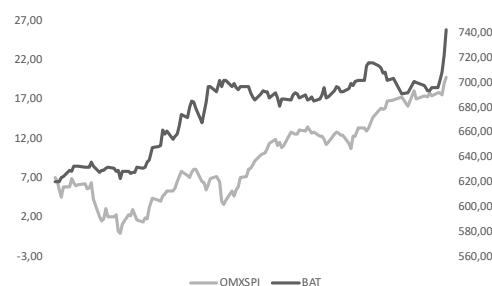
Eurobattery Minerals is one of the few mining companies that can meet all the requirements of the European automotive industry in terms of the need for metals for battery manufacturing. Up until now, electrical vehicles have been equipped with batteries that have been manufactured using environmentally harmful methods, and this is not something the car buyer of the future is expected to accept. The European automotive industry is well aware of this and will therefore ensure that all batteries coming from European manufacturers will be eco-labelled.

## High risk - substantial upside

Mangold has evaluated Eurobattery Minerals' mine project in Corcel, Spain, based on the expected annual production of nickel, copper and cobalt starting in 2021. We therefore estimate a sales value of SEK 1.7 billion and a free cash flow of over SEK 500 million. Our cash flow valuation amounts to SEK 1,000 million or SEK 106 per share, which includes a substantial deduction for risk in this early project. We can state that Eurobattery Minerals' shares offer a substantial upside. The upcoming final drilling results from Corcel will be an important catalyst for the stock as the company will then be able to take an important step forward and move closer to the start of production.

## Information

Rec./Price target (SEK)	Buy 106
Risk	High
Price (SEK)	25.0
Market cap. (SEK M)	251
Number of shares (M)	9 695
Free float	100%
Ticker	BAT
Next report	26 Feb. 2020
Homepage	<a href="http://eurobatteryminerals.com">eurobatteryminerals.com</a>
Analytiker	Magnus Behm



## Price Trend

	1m	3m	12m
BAT	22.9	49.6	na
OMXSPI	3.7	11.3	25.6

## Key ratios

	2019P	2020P	2021P	2022P	2023P
Sales (SEK million)	0	1.7	1 738	1 738	1 738
EBIT (SEK million)	-12.8	-4.1	661.7	514.8	535.3
Profit before tax (SEK million)	-12.8	-4.1	661.7	485.3	505.8
EPS, adjusted (SEK)	-1.32	-0.33	53.24	39.05	40.70
EV/Sales	nm	nm	0.1	0.1	0.1
EV/EBITDA	-18.3	nm	0.4	0.4	0.4
EV/EBIT	-18.3	-56.6	0.4	0.5	0.4
P/E	-18.9	-75.0	0.5	0.6	0.6

## Ownership Structure

	No. of shares	Capital
Ulex Recursos S.L.	1 145 768	11.8%
Marbury Ridge Ltd	1 073 116	11.1%
Andrew Randall	842 753	8.7%
Kimberly Wrixon	653 880	6.7%
Daniel Eddington	646 169	6.7%
He Shin Kim	359 723	3.7%
Avanza Pension	332 504	3.4%
Swedbank Försäkring	318 936	3.3%
Totalt	9 694 694	100%

# Investment Case

## Mining company ready for electric car boom

Mangold initiates coverage of Eurobattery Minerals with a Buy recommendation and a price target of SEK 106 per share in a 12-month perspective. This results in an upside of over 300 percent in comparison to the current share price of SEK 25. We provide four arguments here to support the Buy-case for Eurobattery Minerals:

### 1. Macro tailwinds and raw materials.

After a period of synchronised growth, global GDP growth has lost momentum since the middle of 2018. Growth in the United States has also slowed somewhat; the Federal Reserve showed restraint with interest rate hikes, while inflation expectations edge higher. This scenario equates to falling real interest rates. As a result, the U.S. dollar has weakened, dropping from historically high levels. These conditions drive up commodity prices, (which are priced in dollars) including prices for metals, oil and gold, and favours investment in mining stocks.

Weaker U.S. growth lifts commodities

### 2. Valuation with upside

Eurobattery Minerals' shares are an attractive investment. It is a high risk, as are other mining projects in the same phase of development. However, we have taken this risk into account and can still make the assessment that the stock has great upside potential both in absolute terms and relative terms in comparison to the company's peers. The valuation of Corcel in our valuation range is from approximately SEK 500 million to SEK 2,200 million, or SEK 55 to SEK 225 per share. However, we have not included the potential value from the seven Swedish mining assets or any future value from other mineral areas in Corcel, Spain. It is assessed that these assets can have an effect on the company's valuation, as these assets are a significant part of the company's overall market cap today.

Our valuation at SEK 106 per share, with a valuation range between SEK 55 and SEK 225 per share

### 3. Environmental requirements and electric vehicles

The electric car market in Europe is expected to explode over the next few decades, with a predicted growth from 500,000 vehicles in 2019 to over 12 million in 2040. A number of car manufacturers have now started to invest in battery capacity, and requirements are now set according to high environmental standards. This means that the minerals used in battery manufacturing need to meet the same high environmental requirements. In the future, the European car buyers will not be likely to purchase a car if its batteries do not meet the strictest environmental requirements. At the same time, Eurobattery Minerals and other European mining companies will not be able to fully meet the demand for battery metals within Europe.

Future car buyers will only accept electric cars with batteries that meet the highest environmental standards

### 4. Mining asset Corcel

Prospecting and test drilling in Corcel have been underway for a couple of years now. The results have continued to prove positive for Ni, Co and Cu levels. Corcel is the company's flagship project and is ideal from a strategic standpoint. It is located within Europe and fulfils many requirements in terms of infrastructure (roadways, ports, electricity and water supply), sustainability requirements and the necessary permits from regulatory authorities. Corcel does not have any major competitors, as there are only a few mines within Europe's borders. The expected positive results from test drilling during the first quarter of 2020, will be an important catalyst and value driver for Eurobattery Minerals' stock.

Corcel, one of the few mining assets that can meet the needs of the automotive industry

# Eurobattery Minerals - The company in brief

## A mining company dedicated to sustainability

Eurobattery Minerals (formerly Orezone) is a mining company with a vision to help the European electric vehicle industry become self-sufficient in ethically sourced, traceable battery minerals. The company hopes to achieve this by being at the base of the value chain, that goes from battery minerals to battery manufacturing and culminates in electric vehicle manufacturing. Eurobattery Minerals is a greentech mining company that strives to adhere to the highest possible environmental standards and to conduct activities in a socially responsible manner.

Ethically sourced and traceable battery minerals for the European electric vehicle industry

## The Corcel project

The company's primary focus is the extraction of nickel, cobalt and copper, three minerals that are essential in battery manufacturing. An important step in this strategy was the acquisition of Corcel Minerals S.L, which owns a nickel/cobalt/copper project in Galicia, Spain. The Corcel project consists of three prospecting areas: Castriz, Monte Mayor and Monte Castello. In Castriz, which is the company's primary focus, we received promising results in the beginning of December which confirmed that there are elevated levels of nickel, cobalt and copper in the area. Additional results are expected in the beginning of 2020.

Corcel is the company's flagship project

## Project in Sweden

In addition to the flagship project in Spain, Eurobattery Minerals also has seven exploration permits in northern Sweden which collectively cover an area of 25.2km<sup>2</sup>. Here, the company is currently performing tests to determine the potential the different areas offer. Eurobattery Minerals has also initiated a collaboration with Uppsala University and AGH University of Science & Technology in Krakow to find new methods for the extraction of rare earth metals.

Eurobattery Minerals has seven exploration permits in Sweden

## Eurobattery Minerals - Swedish mining assets

Location	Size (hectare)	Minerals
Ornbäcken, Västerbotten	1698	Vanadium, Molybdenum, Rare Earth Metals
Fetsjön, Västerbotten	304	Vanadium, Molybdenum, Rare Earth Metals
Bruksberget, Västernorrland	113	Gold, Silver and Copper
Brännkammen, Västerbotten	51	Gold, Silver, Copper, Zinc, Lead
Piettarasjärvi, Norrbotten	133	Copper
Sörtjärn, Västerbotten	151	Gold, Zinc and Lead
Pahtavaara, Norrbotten	67	Gold and Copper

Source: Eurobattery Minerals

## Business Model

The company's business model centres around building a project pipeline within all phases of the mining process. The company is striving to have four to six projects in the exploratory phase (this is where the Swedish projects are now), two to three projects in the development phase (this is where the Corcel project is now) and, finally, one to two projects in the production phase. In addition to the expertise within the company, the company also has an extensive network with access to industry-specific expertise and contacts across a broad shareholder circle that we are able to utilise as needed before any new acquisitions or expansions.

Eurobattery Minerals has a business plan that includes acquisition and expansion

# Eurobattery Minerals - Company Management

## CEO

Since March of 2019, Eurobattery Minerals has been under the leadership of Roberto Garcia, who has 25 years of experience within the mining industry at the international level. In addition to his role as CEO, Roberto is also a member of the Board of Directors. Roberto Garcia's career has included work within both the practical and theoretical aspects of the prospecting and mining industry.

Garcia started his career serving in various roles within Rio Tinto, the world's second largest mining company. Between 2007 to 2009, he served as CEO for Global Projects GmbH, a Berlin based consulting firm primarily focused on the mining industry. He then moved to Africa, where he spent the next ten years as CEO of Haliburton Overseas Ltd, which is an active player in the West African mining industry. Garcia holds a Doctor of Law degree and a bachelor's degree in economics and industrial psychology. He owns 67,857 shares in Eurobattery Minerals via Nazgero Consulting Services Ltd.

Roberto Garcia has extensive experience in the practical operation of mining activities and in administration and prospecting.

## Chair of the Board

Monia Benbouzid is the new Chair of the Board at Eurobattery Minerals as of December 2019. Her areas of expertise are green tech and marketing. Monia has extensive experience within these areas both in the private and public sectors. The appointment of Benbouzid to Chair of the Board has further reinforced Eurobattery Minerals' vision to contribute to a more sustainable mining industry. Benbouzid is currently Vice President of Marketing and Sales at Nanol Technologies, a company active within the greentech sector. Benbouzid has a master's degree in international relations and international economics from Stockholm University. Benbouzid owns no shares in Eurobattery Minerals.

Monia Benbouzid adds valuable expertise within greentech and marketing

## Other Board members

Martin Boldt-Christmas has 20 years of experience in the financial markets where he has held positions within the U.S., Europe and Asia at companies including Credit Suisse and UBS. Boldt-Christmas served as Chair of the Board until December 2019 and represents large owner Marbury Ridge on the board, a company he co-founded. Martin Boldt-Christmas has a degree in economics and political science from the University of Gothenburg. Boldt-Christmas privately owns 114,286 shares in Eurobattery Minerals and represents Marbury Ridge that owns 1,073,116 shares.

Martin Boldt-Christmas has extensive expertise in financial matters

Jan-Olof Arnbom has been a board member since 2018. From 2007 to 2017, he served as Head of Division for the Geological Survey of Sweden. He has experience as a geological consultant, with assignments that have included IVL Swedish Environmental Research Institute and Sveriges Geologiska AB. Jan-Olof Arnbom holds a Licentiate degree in geology from Uppsala University. Arnbom owns no shares in Eurobattery Minerals.

Jan-Olof Arnbom adds expertise within the field of geology

In its overall assessment, Mangold believes that Eurobattery Minerals' management and board have a well-balanced mix of relevant experience to operate the company successfully. The management and board contain members with experience in the mining industry, greentech and geology as well as financial expertise.

A well-balanced mix of experience and expertise

# Eurobattery Minerals - The Corcel project

## Flagship in Spain

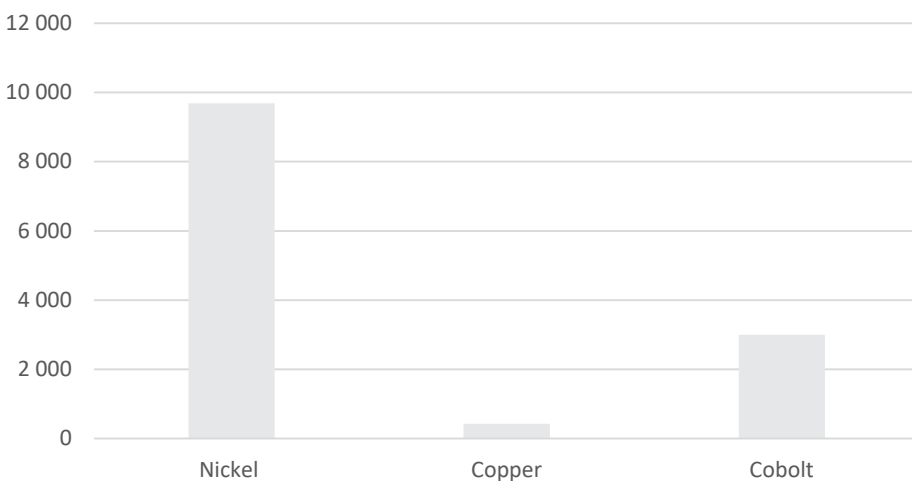
Corcel Minerals S.L was founded in 2017 to identify nickel, cobalt and copper projects in Europe, which are in an advanced prospecting and development stage. The company holds rights to the Corcel Ni-Co-Cu project, which is located within the Monte Castelo region in Galicia, in northwestern Spain. Corcel is located approximately 60 kilometres from the city of A Coruna and approximately 40 kilometres from the city of Santa Comba.

Corcel Minerals was founded in 2017

Corcel is located in an area with mafic-ultramafic rocks, which are geological formations with potential Ni-Co-Cu mineralisations. Previous prospecting and geological mapping have indicated the presence of multiple mineralised zones. The concentrated metals occur together with sulphide minerals, and the metals can be extracted and enriched using conventional and widely used mining and processing methods. The project area is believed to contain sulphide mineralisations with both low volumes with high metal concentrations and large volumes with lower metal concentrations. Both types of mineralisation are suitable for what is known as bulk mining. In our analysis, we have used the company's own data and the latest available data concerning the number of tonnes of ore that can be expected to be mined each year. According to the latest data, the metal concentrations amount to approximately 0.30 percent for nickel, 0.01 percent for cobalt and 0.04 percent for copper.

Mining is considered possible using both conventional methods and bulk mining.

Corcel/Spanien - Expected Production (ton)



Corcel is an area with extensive existing infrastructure that Eurobattery Minerals will be able to utilise. The paved roads from the project area to the nearby city, existing electricity and water networks and nearby ports in both Vigo and La Coruna are three things that show the advantageous geographic location of the Corcel project. The favourable geographic location will help the company contain costs. The Santa Comba Municipality has a long history of mining operations in the region and of promoting this type of industry. Mining operations within Galicia are governed by modern laws and regulations, and the submission of a permit application for mining operations also requires the establishment of a remediation plan. Socio-economic conditions in the community and the likely environmental impact of mining operations must also be included in a permit application.

Advantageous geographic location in northwestern Spain

Local politicians in Spain are amenable to the mining industry

# Minerals for electric vehicle batteries

## Electric car boom

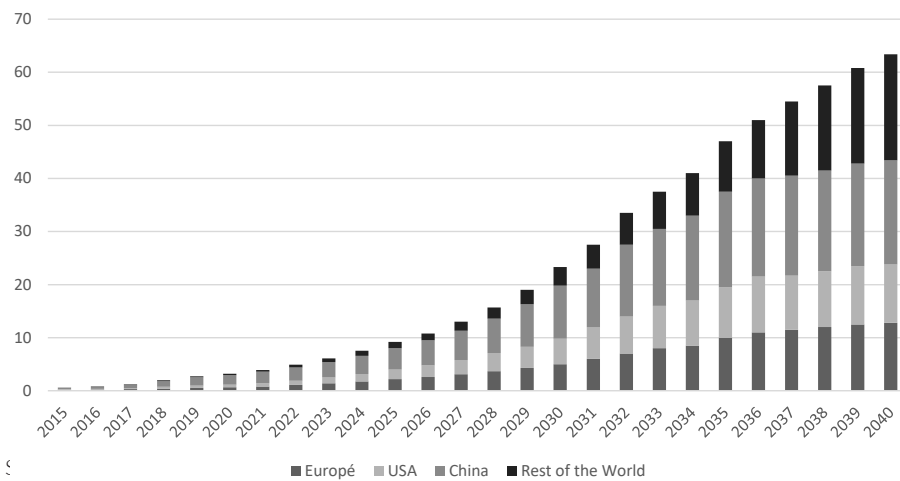
Europe and the automotive industry have initiated a much needed environmental transition of the transport sector. Car manufacturers have been slow in their efforts to replace the internal combustion engine. One of the reasons for this is that they simply want to continue to receive returns on those large investments that have already been made in the old technology. However, a number of car manufacturers are now in the process of transformation, investing in battery technology and a large number of new car models for 2020 and onwards. We believe that the car buyer of the future will accept nothing less than environmentally certified batteries when purchasing a hybrid or electric car.

The real surge in demand will occur when the price of a hybrid or electric car comes down to the level of older conventional cars with internal combustion engines. In an electric car, the batteries and the electric motor/drive chain represent approximately 40 percent of the car's value. With rapidly falling battery prices spurred by increased volumes and mass production, electric cars and fossil-fuel cars will soon cost just as much. The global fleet of electric cars is expected to explode from just 3 million units in 2019 to over 65 million vehicles by the year 2040. And, the European market is expected to grow from approximately 500 000 vehicles in 2019 to over 12 million vehicles by 2040, a 24-fold increase or just over 16 percent per year.

Car manufacturers are investing heavily ahead of the electric car boom

A European market of 12 million electric cars 2040

Global number of sold electric cars 2015-2040 (millions)



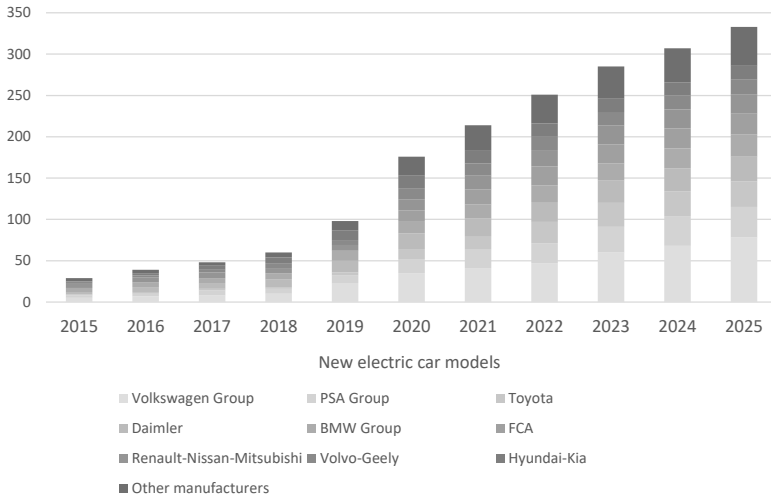
Explosion of new models of electric cars

It is especially exciting when we look at the plans for new electric car models from all of the different car manufacturers. Between 2019 and 2021, the number of planned electric car models available to consumers will double, from approximately 100 to over 200 new electric car models. It is primarily Volkswagen, PSA, Toyota, Daimler and BMW that will account for this huge increase. See page 7 for trends between 2015 to 2025. We can therefore assert, that the world's car manufacturers, led by the German manufacturers, are now making serious efforts to transform their model programmes to feature hybrid and electric cars. Eurobattery Minerals has prioritised the supply of sustainable, ethically sourced minerals for battery manufacturers serving the German automotive industry.

Eurobattery Minerals focuses on Germany

# Minerals for electric vehicle batteries cont.

New electric car models per car manufacturer 2015-2025



More than doubling between 2019 and 2021

Source: Bloomberg NEF

## Europe invests heavily in batteries

Historically, the world's supply of lithium-ion batteries for electric vehicles has been manufactured by companies such as Panasonic, Samsung and Tesla, but Europe is now getting in the game to play a role in the industrial transformation of automobile manufacturing. At the end of 2019, the EU decided in one of several projects, to grant state aid totalling EUR 3.2 billion to a private battery project valued at just over EUR 5 billion, for a total investment cost of approximately EUR 9 billion. The project includes the companies BASF, BMW and Fortum. The state aid will be divided among the following member states - Germany, EUR 1.25 billion; France, EUR 960 million; Italy, EUR 570 million; Poland, EUR 240 million; Belgium, EUR 80 million; Sweden, EUR 50 million and Finland, EUR 30 million. Other private car and industrial companies have recently announced similar large investments in battery manufacturing, including Daimler. EU representatives have declared that the window of opportunity for the European battery industry is now open, 2020-2021. During this period, Europe needs to show the world that they can build the world's best, most sustainable batteries to meet the explosive growth that is expected in the electric vehicle market.

EU drives strategic industry initiative

## Automobile manufacturers promote sustainability

Just this January, BMW announced that they would be the first car manufacturer to join IRMA - The Initiative for Responsible Mining Assurance. IRMA's goal is to create more socially and environmentally responsible industrial mining practices. Sustainability is very important to BMW, and the company stresses that they are fully conscious of their own responsibility in the mineral value chain. IRMA's ambitious standards for certification will improve environmental and social factors across the entire value chain between mining companies and car manufacturers. Irma measures mines against a series of benchmarks, such as health and safety, human rights, control of emissions and pollutants, and land stewardship and land reclamation. This is one of the most recent and strongest signs that Eurobattery Minerals' vision of helping Europe become self-sufficient in its use of ethically sourced, traceable battery minerals for the electric vehicle industry has come at the right time.

Confirmation of Eurobattery Minerals' vision

# Eurobattery Minerals - Forecasts

## One billion investment starting in 2021

Mangold assumes that the Corcel project will enter the production phase in 2021. We have also assumed that investment costs will be taken during 2021. This allows us to create a simplified basis for calculating the company's valuation. It is worth noting that there is a risk of delay in the company's planning of operations.

Forecasts for the volume the project is expected to generate are based on mineral concentration tests performed in combination with the scope of the project. The latest test results came in December and confirmed the elevated concentrations that were indicated in previously performed field studies. Additional test results will be presented in the first quarter of 2020.

Assumed start of production 2021

Recent tests showed positive indications

## Eurobattery Mineral - Income Statement and Cashflow

(SEK million)	2021P	2022P	2023P
Sales Ni	1 402 670	1 402 670	1 402 670
Sales Cu	149 501	149 501	149 501
Sales Co	185 934	185 934	185 934
<b>Total Sales</b>	<b>1 738 105</b>	<b>1 738 105</b>	<b>1 738 105</b>
Opex	1 140 220	1 140 220	1 140 220
EBITDA	666 531	666 531	666 531
<b>Net profit</b>	<b>516 119</b>	<b>378 506</b>	<b>394 500</b>
EPS (SEK)	53.24	39.05	40.70
<b>Operating cash flow</b>	<b>367 018</b>	<b>554 055</b>	<b>549 544</b>
Investments	-984 180	-15 040	-15 040
Free cash flow	-637 011	546 603	541 476

Source: Mangold Insight

The anticipated cost of investment for the Corcel Ni-Co-Cu project is just under SEK 1 billion. We expect that the company will take out a loan for the equivalent amount, and that both the loan and the investment will be posted during 2021.

Investment of SEK one billion

Our sales forecast has been based on prevailing market prices for the respective minerals along with the production volume estimates given above. Production volumes are assumed to be consistent over the project life cycle. Variations in market prices for nickel, cobalt and copper will thus explain any future variation in sales from the current forecast of SEK 1,738 million.

Consistent production over time

Opex amounts are based on values estimated by the company given the assumed size of the mineral deposit and scope of the project. Of the total opex of approximately SEK 1,140 million, ore mining and processing account for just over half. Just under half of opex is attributable to administration costs, overhead, transport, and other maintenance costs.

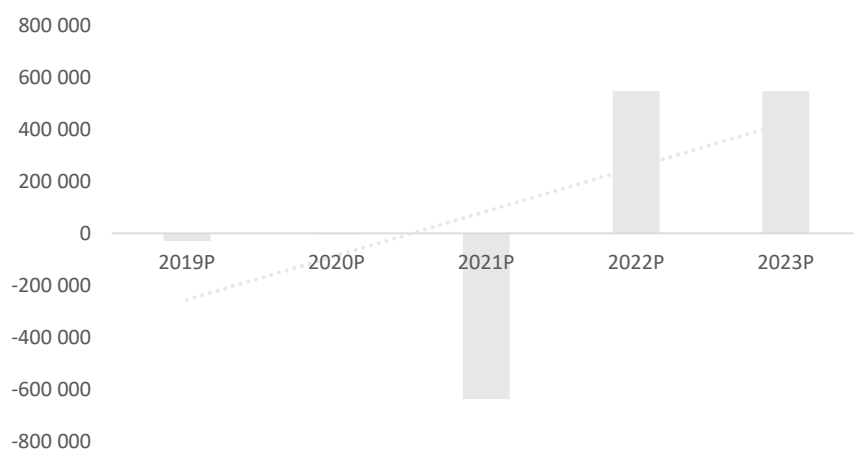


# Eurobattery Minerals - Forecasts

## Cash flow over SEK 500 million

In calculating its forecast for Eurobattery Minerals, Mangold has assumed that the company will invest SEK one billion in 2021, the impact of which is seen in a large negative free cash flow. In the following eleven years, cash flow is expected to amount to approximately SEK 500 million per year.

Eurobattery Minerals - Free Cash Flow (SEK '000)



Stable cash flow from 2022

## Sensitivity to fluctuations in metal prices

Increased sales due to higher mineral prices, in principle, lead straight to profit as the costs of the project are largely linked to production volumes. A change in all metal prices of 10 percent would thus have an impact on the operating profit/loss of 26 percent.

### Eurobattery Minerals - Sensitivity analysis for metal prices

Fluctuations in metal prices	-10%	2021P	+10%
EBIT (SEK Million)	487.1	661.7	835.5
<b>Change in EBIT</b>	<b>-26%</b>		<b>+26%</b>

10 percent change in metal prices has a 26 percent impact on earnings

Source: Mangold Insight

# Eurobattery Minerals - Valuation

## Valuation with substantial upside

Mangold has valued Eurobattery Minerals in a discounted cash flow valuation based on the Corcel project in Spain. We have opted to exclude the Swedish mining assets, as these are in a very early phase of development and it is not certain whether these assets will receive permits to start production. Despite this, there may be significant trade-sell value in these assets. Such a transaction therefore represents another significant upside for Eurobattery Minerals' stock.

DCF SEK 106 per share with more upside along the way

The expected production volume in Corcel will provide a gross cash flow of approximately SEK 500 million over at least 12 years of production, with a cost of capital of 16 percent and with an assumed risk factor of 50 percent, and we thus arrive at a motivated valuation of approximately SEK 1,000 million or SEK 106 per share. This results in an upside of over 300 percent in comparison to the current share price of SEK 25 per share.

Consideration is given to the high risk in our valuation

## Eurobattery Minerals - DCF

(SEK Million)	2020P	2021P	2022P	2023P...	...2031P
EBIT	-4 143	661 693	514 792	267 648	267 648
Free cash flow	-3 466	-637 011	546 603	340 740	340 740

Assumptions	Risk factor	Disc. rate	Growth	Tax
	0.5	16%	3%	25%

## Price Target

Enterprise value	1 019 573
Equity value	1 027 535

**Price target per share 106.00**

Source: Mangold Insight

## Sensitivity Analysis DCF

In the valuation of most smaller, listed companies that have not yet reached the market, we set a relatively high required return. In order to reflect the special risks that come with a mining project that has not yet reached the production phase, we also set a risk factor on future cash flows. Both the assumed required return and the risk factors drop when we approach the start of production in 2021.

## Eurobattery Minerals - Sensitivity Analysis (SEK/share)

Required return	12%	14%	16%	18%
Risk factor 0.0	225	200	175	160
Risk factor 0.5	135	120	<b>106</b>	95
Risk factor 0.8	85	75	65	55

Lower required return and risk factors provide a significant boost in valuation

Source: Mangold Insight

Assuming Eurobattery Minerals will move forward in 2020 with test results, financing and investment decisions on moving forward with the mining operation in Corcel, then the motivated valuation could quickly increase towards SEK 2 000 million or SEK 200 per share as the assessed risk would then diminish.

# Eurobattery Minerals - Valuation

## Peers add support for our valuation

In order to create a picture of what valuation looks like for mining companies, we have chosen to compare Eurobattery Minerals' stock with two companies in a similar phase of development. We have also chosen to compare with two companies that are in the production phase, in order to gauge how the valuation can look over the longer term.

Savannah Resources is an appropriate company for comparison as their flagship project is located in southern Europe, much like Eurobattery Minerals' Corcel project. The projects are also in similar phases and both are focused on minerals for batteries for the electric vehicle market. Savannah Resources currently has more than double the market capitalisation despite the two companies' many similarities.

Savannah Resources has double the market capitalisation of Eurobattery Minerals, despite many similarities

Adriatic Metals is another company that is in a similar phase to Eurobattery Minerals. Adriatic Metals has its main resources in Bosnia and Herzegovina, but it has its base in Great Britain. Much like Eurobattery Minerals, Adriatic Metals does not yet have a project in the production phase, but based on good test results, they have managed to reach a market cap of almost SEK two billion.

Adriatic Metals is valued at SEK two billion but is still in the development phase

## Eurobattery Minerals - Peer valuation

Company	Dev. Phase	Cur.	Market	P/E	P/E	EV/EBITDA	EV/EBITDA
			Cap.	2020P	2021P	2020P	2021P
			(SEK M.)				
Boliden	Production	SEK	67 815	10.5	10.9	5.5	5.3
Lundin Mining	Production	SEK	40 911	13.8	9.8	4.7	4.0
Atalaya Mining	Production	CAD	3 388	5.8	4.6	3.4	2.3
Adriatic Metals	Development	AUD	1 859	neg	neg	Neg	neg
Red River Resources	Production	AUD	503	7.6	3.0	3.0	1.6
Savannah Resources	Development	GBP	411	neg	Neg	neg	neg
<b>Average</b>			<b>19 148</b>	<b>9.4</b>	<b>7.1</b>	<b>4.1</b>	<b>3.3</b>
<b>Eurobattery Minerals</b>	<b>Development</b>	<b>SEK</b>	<b>194</b>	<b>neg</b>	<b>0.4</b>	<b>na</b>	<b>0.3</b>
Discount Eurobattery Minerals						-96%	-91%

Source: Company data, Mangold Insight

In order to gain an understanding of how mining companies in the production phase are valued, Atalaya Mining can provide valuable insight. Similar to Eurobattery Minerals, Atalaya Mining has its largest project in Spain. Unlike Eurobattery Minerals, the company's mine is in the production phase. With a market capitalisation of over SEK three billion, Atalaya Mining can be seen as a good indicator for the upside that exists when a mining company moves into production.

Atalaya Mining is a competitor in Spain

Eurobattery Minerals' shares are currently trading at an EV/EBITDA of 0.3x for our forecasts for the first full year of production, 2021. If we apply our price target of SEK 106 per share, the EV/EBITDA margin rises in 2021 to approximately 2.4x which is in line with companies such as Atalaya Mining at 2.3x, whilst being significantly lower than larger mining companies like Boliden and Lundin Mining with EV/EBITDA margins of between 4x and 5x.

Given success in Corcel, Eurobattery Minerals is valued on par with peers at SEK 106

# Appendix - SWOT Eurobattery Minerals

## Strengths

- Experienced management
- Positive test results in the Corcel project
- Good, available infrastructure around Corcel project

## Weaknesses

- No project in production phase
- Positive test results are no guarantee of actual outcomes
- The organisation is currently limited in size and capacity

## Opportunities

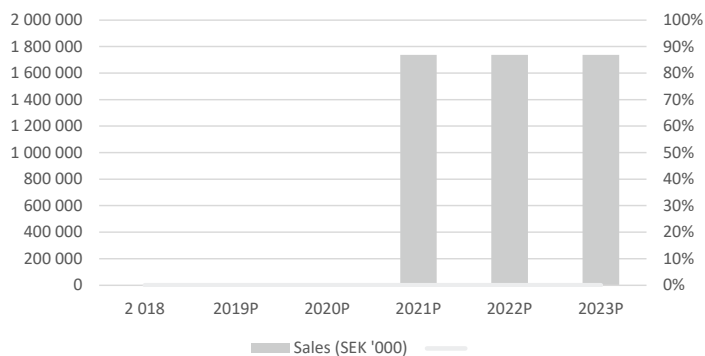
- Growing Market
- Low competition, only two percent of Europe's battery demand is produced in the region
- The EU Commission has declared that Europe must become a global leader in sustainable battery production in order to achieve climate targets

## Threats

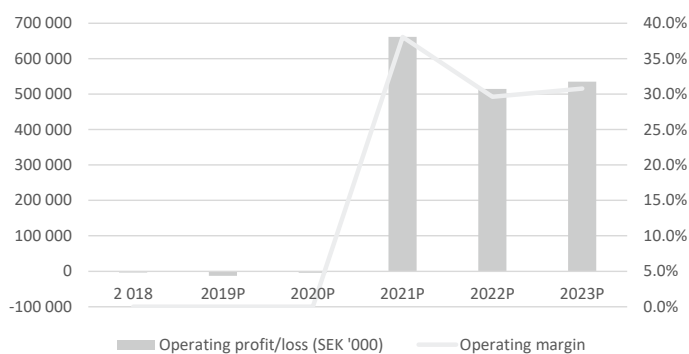
- Dependent on metal prices
- Additional financing needed to reach the production phase in the Corcel project
- Exploration permits in Sweden are temporary and extensions can be denied

# Appendix - Chart Eurobattery Minerals

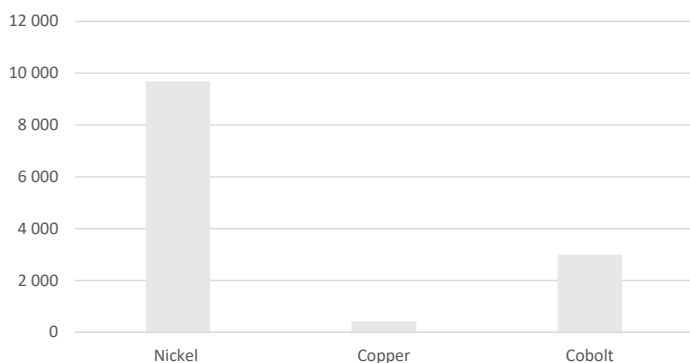
Eurobattery Minerals - Sales (SEK '000)



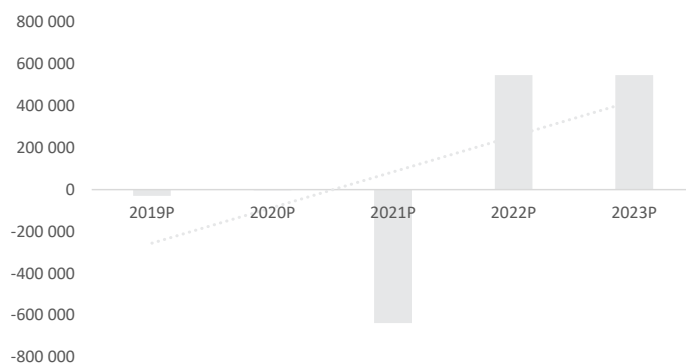
Eurobattery Minerals - EBIT (SEK '000) & margin



Corcel/Spain - Planned Production (ton)



Eurobattery Minerals - Free Cash Flow (SEK '000)



# Appendix - Income Statement & Balance Sheet

Income Statement (SEK thous.)	2 017	2 018	2019P	2020P	2021P	2022P	2023P
Sales	0	0	79	1 738	1 738 105	1 738 105	1 738 105
Cost of goods sold	0	0	0	-573	-572 646	-572 646	-572 646
<b>Gross profit</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>1 165</b>	<b>1 165 459</b>	<b>1 165 459</b>	<b>1 165 459</b>
Gross margin	em	em	100.0%	67.1%	67.1%	67.1%	67.1%
Personnel costs	0	-565	-564	-110	-110 460	-110 460	-110 460
Other operating expenses	-886	-2 836	-12 318	-388	-388 469	-388 469	-388 469
Depreciation	0	0	0	-4 809	-4 838	-151 739	-131 234
<b>Operating profit/loss</b>	<b>-886</b>	<b>-3 401</b>	<b>-12 803</b>	<b>-4 143</b>	<b>661 693</b>	<b>514 792</b>	<b>535 297</b>
Operating margin	em	em	em	-238.3%	38.1%	29.6%	30.8%
Net interest income/expense	0	-82	-2	-2	-2	-29 528	-29 528
<b>Profit after net financial items</b>	<b>-886</b>	<b>-3 483</b>	<b>-12 805</b>	<b>-4 145</b>	<b>661 691</b>	<b>485 264</b>	<b>505 769</b>
Taxes	0	0	0	912	-145 572	-106 758	-111 269
<b>Nettovinst</b>	<b>-886</b>	<b>-3 483</b>	<b>-12 805</b>	<b>-3 233</b>	<b>516 119</b>	<b>378 506</b>	<b>394 500</b>

Balance Sheet (SEK thous.)	2 017	2 018	2019P	2020P	2021P	2022P	2023P
<b>Assets</b>							
Cash & Bank	224	4 628	8 042	4 450	371 468	910 483	1 444 987
Accounts receivable	154	263	10	190	166 668	142 858	119 048
Stock	0	0	0	31	31 378	31 378	31 378
Fixed assets	3 002	2 840	32 061	32 252	1 011 594	874 895	758 701
<b>Total assets</b>	<b>3 380</b>	<b>7 731</b>	<b>40 113</b>	<b>36 924</b>	<b>1 581 108</b>	<b>1 959 614</b>	<b>2 354 113</b>
<b>Liabilities</b>							
Accounts payable	192	514	0	44	43 929	43 929	43 929
Liabilities	1 532	80	80	80	984 260	984 260	984 260
<b>Total liabilities</b>	<b>1 724</b>	<b>594</b>	<b>80</b>	<b>124</b>	<b>1 028 189</b>	<b>1 028 189</b>	<b>1 028 189</b>
<b>Shareholders' equity</b>							
Restricted equity	1 192	6 515	6 515	6 515	6 515	6 515	6 515
Non-restricted equity	464	622	33 518	30 285	546 404	924 910	1 319 409
Totalt <b>shareholders' equity</b>	<b>1 656</b>	<b>7 137</b>	<b>40 033</b>	<b>36 800</b>	<b>552 919</b>	<b>931 425</b>	<b>1 325 924</b>
<b>Ttl liabilities &amp; equity</b>	<b>3 380</b>	<b>7 731</b>	<b>40 113</b>	<b>36 924</b>	<b>1 581 108</b>	<b>1 959 614</b>	<b>2 354 113</b>

Source: Mangold Insight

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Increase – An upside in the stock of 10-20 percent

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