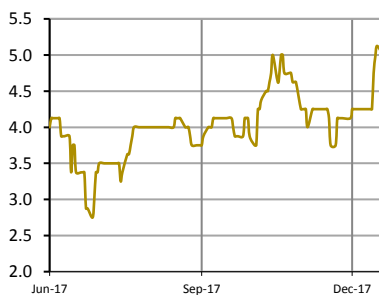


# Phoenix Global Mining (PGM AIM)

15 January 2018

**Stock Data**

|                 |        |
|-----------------|--------|
| Share Price:    | 5.025p |
| Market Cap (M): | £11.5  |
| EV (M):         | £10.3  |

**Price Chart**

**52 Week Range**

|        |        |
|--------|--------|
| 5.125p | 5.025p |
| 2.75p  |        |

**Company Summary**

Phoenix Global Mining is aiming to restart the Empire Copper Mine as a heap leach SX/EW mine in Idaho, USA. Following a successful restart, funds will be directed to exploration to extend mine life and develop a sulphide mine

| MAIN SHAREHOLDERS | HOLDING |
|-------------------|---------|
| Management        | 14.74%  |
| Banque Heritage   | 4.99%   |
| ExGen Resources   | 4.92%   |
| Cheviot Capital   | 4.29%   |

Source: Phoenix Global Mining

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## Proposed New US Tax Regime and Revised Copper Price Forecasts Boost Valuation of the Empire Mine

### Event

BHC has increased the NPV of Phoenix Global's proposed Empire SX/EW copper mine in Idaho to US\$56.3M from US\$36.3M.

Following the release of the details for the new company tax regime in the USA, BHC has re-run its model for Phoenix Global using a 28% tax rate. Historically we had used a 42% tax rate, comprising a 35% Federal Tax and a 7% Idaho State Tax. The revised 28% tax rate comprises the proposed 21% Federal Tax and the 7% Idaho State Tax.

Also, we have revised our longer term copper prices to \$3.08/lb from \$2.96/lb at the time of initiation on 8<sup>th</sup> August 2017.

All NPV calculations are based on Phoenix Global owning 80% of the Empire Copper Project.

### Comment

#### Copper Price

Since our original Initiation Report the model had been revised twice reflecting the increase in copper prices on both occasions. These revisions correspond to our quarterly revision of the copper price forecasts, which are based on Bloomberg consensus figures.

The first revision raised the NPV (8%) from US\$36.3M to US\$39.3M and was made in early October 2017. Now that the new quarter has commenced (January 2018), the forecasts have again been revised and this has pushed the NPV up to US\$43.2M based on the updated copper price forecast over the duration of mining which is US\$3.08/lb compared with US\$2.96/lb in the initiation report.

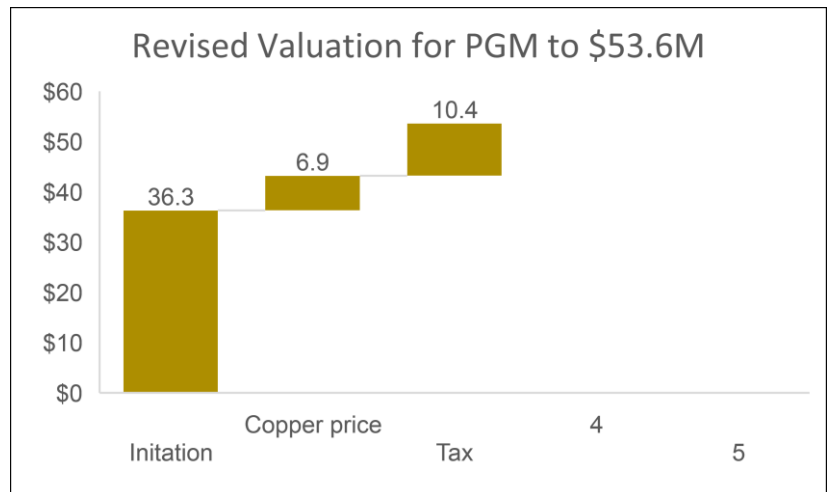
These changes impact the early stages of mining and therefore impact the NPV calculation significantly and reflect the current spot copper price of US\$3.23/lb.

#### Taxation

We have now applied the new proposed US Tax Rates to the model. As discussed in the original initiation report, the valuation is extremely sensitive to the tax rate. Using a combined Federal and State Tax rate of 28%, the NPV increases to US\$53.6M.

#### Valuation

At the time of the Initiation Report, we stated that "the valuation represented a Phoenix Global Mining share price of US\$0.16 or 12p based on the 80% ownership of the copper SX/EW project alone. Under the revised assumptions these values are now US\$0.23 and 17.3p.



When the Internal rate of return (“IRR”) was calculated for 100% of the mine in the Initiation Report it was 29%. The marginally higher copper prices and significantly lower tax rates have raised this figure to 45%.

## Research Disclosures

### **Peter Rose**

Peter has 31 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 10 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 15 January 2018

| <u>Company Name</u>             | <u>Disclosure</u> |
|---------------------------------|-------------------|
| Phoenix Global Mining (PGM AIM) | 1, 2, 7, 8, 9     |

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