

Recommendation

Strong BUY, High Risk

Price

4.4c

Risked, NPV based valuation

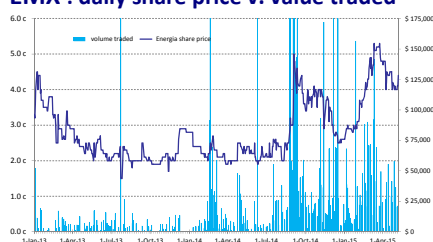
15.5c

- On 29 April, a company backed by the private equity fund, Denham Capital, announced it would bid 13.5c/share, or \$A 32.5m, to acquire all of MUX's shares on issue.
- This values MUX at \$51/t of zinc equivalent in Resources.
- EMX is yet to compile a Resource estimate. If we use its Exploration Target, then EMX is currently trading at \$4/t, or just 8% of what a PE backed firm is prepared to pay.
- Beer & Co's analysis showed only 5 ASX listed companies that are likely to produce zinc within 4 years, and EMX is the cheapest of these.

Snapshot

Last Price	4.4c
Market Cap	\$27m
Cash on hand (31 Dec 2014)	\$5.7m
Shares on Issue	609m
52 Week High	6.6c
52 Week Low	1.9c
1 month / 6 month VWAP	4.2c / 3.5c

EMX : daily share price v. value traded



EMX first listed in December 2009. Its focus project was the Carley Bore uranium project.

On 18 June 2014, EMX announced that it had purchased Mining Leases at Gorno, to facilitate its development.

Gorno has an Exploration Target of 6Mt – 10Mt at 7% - 10% zinc plus lead. It has been mined previously, and the mine is fully developed for a quick re-start, subject to the processing plant being constructed.

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Only 5 ASX Listed zinc exposures.....

Beer & Co's analysis has found 17 ASX listed companies that can claim to have zinc exposure, but for only 12 of these is zinc the largest revenue source, and of these, only 5 are likely to be producing zinc before 2019.

Could soon become only 4 !

Of the 5 timely, zinc dominated exposures, on 29 April MUX received a cash bid from a Private Equity backed firm, valuing MUX at 13.5c/share, or \$32.5m. MUX has 539kt of contained zinc, 25kt lead, 5.2Moz silver and 50kt of copper in 1.97Mt of Indicated plus 5.81Mt Inferred resources, at 6.9% Zn.

Private Equity bids \$51/t of zinc equivalent in Resources, or 12x EMX value

Beer & Co estimate that this values MUX at \$51/t of zinc equivalent in resources.

EMX has not published a resources estimate at this stage, and we do not expect one until about December. EMX has an Exploration target based on historical mining and drill records of 6Mt – 10Mt at 7% - 10% Zn + Pb.

Beer & Co estimate that EMX is currently trading at \$4/t of zinc equivalent, based on the mean of the Exploration Target.

This is the cheapest of the ASX listed zinc exposures

Conclusions

By our estimation, MUX was the most expensive of the ASX listed zinc exposures, with EMX being the cheapest, trading at 8% of the value of the bid for MUX (though MUX has a partly completed processing plant).

Beer & Co affirms our Strong BUY, High Risk, rating on EMX, as a preferred exposure to the coming zinc price spike.

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Few ASX listed zinc exposures

Only 17 stocks have any zinc

Figure 1 shows all the ASX listed stocks with some zinc exposure. It is ordered from the lowest value for tonne of zinc in Resources (except for EMX, which uses the announced Exploration Target).

Figure 1 : ASX listed zinc stocks

ASX Code	Company Name	Market Cap	Contained Metal		% zinc	Enterprise Value /t		C1	First Year	Annual Prod'n rate	
			Zinc	Zinc eq		Zinc	Zinc eq			Zinc	Zinc eq
AUQ	Alara Resources	\$ 2.2m	566 kt	996 kt	57%	(\$1/t)	(\$1/t)	50c/lb	2018	80 kt/yr	99 kt/yr
OVR	Overland Resources	\$ 2.1m	667 kt	762 kt	87%	\$ 2/t	\$ 2/t	92c/lb	?????	52 kt/yr	64 kt/yr
PLD	PLD Corporation	\$ 7.7m	2,232 kt	4,451 kt	50%	\$ 3/t	\$ 2/t	?????	2019	108 kt/yr	274 kt/yr
VXR	Venturex Resources	\$ 7.7m	1,070 kt	2,142 kt	50%	\$ 6/t	\$ 3/t	Copper	?????	30 kt/yr	87 kt/yr
SBR	Sabre Resources	\$ 3.6m	245 kt	349 kt	70%	\$ 7/t	\$ 5/t	?????	?????	?????	?????
EMX	Energia Minerals	\$ 27m	488 kt	940 kt	52%	\$ 8/t	\$ 4/t	60c/lb	2017	30 kt/yr	36 kt/yr
HRR	Heron Resources	\$ 43m	1,452 kt	3,369 kt	43%	\$ 10/t	\$ 4/t	(1c/lb)	2018	32 kt/yr	68 kt/yr
RMG	RMG Limited	\$ 6.1m	281 kt	302 kt	93%	\$ 14/t	\$ 13/t	Copper	?????	?????	?????
IBG	IronBark Resources	\$ 53m	3,653 kt	4,054 kt	90%	\$ 14/t	\$ 12/t	71c/lb	2018	186 kt/yr	194 kt/yr
RXL	Rox Resources	\$ 25m	874 kt	1,108 kt	79%	\$ 24/t	\$ 19/t	?????	2020	?????	?????
RVR	Red River Resources	\$ 29m	307 kt	524 kt	59%	\$ 60/t	\$ 35/t	?????	2016	48 kt/yr	60 kt/yr
MUX	Mungana Gold	\$ 33m	539 kt	741 kt	73%	\$ 70/t	\$ 51/t	?????	2017	64 kt/yr	84 kt/yr
TZN	Terramin	\$ 189m	2,325 kt	2,981 kt	78%	\$ 89/t	\$ 70/t	?????	?????	?????	?????
KBL	KBL Mining	\$ 13m	101 kt	2,924 kt	3%	\$ 99/t	\$ 3/t	Copper	Sorby Hills	?????	?????
CSD	Consolidated Tin Mines	\$ 57m	372 kt	2,082 kt	18%	\$ 153/t	\$ 27/t	58c/lb	2015	?????	?????
MRP	MacPhersons Resources	\$ 28m	86 kt	202 kt	43%	\$ 273/t	\$ 117/t	Silver	2017	15 kt/yr	24 kt/yr
AMI	Aurelia Mining	\$ 84m	145 kt	706 kt	21%	\$ 1,235/t	\$ 254/t	Gold	2015	11 kt/yr	40 kt/yr

Source : IRESS, Beer & Co

In Beer & Co's view, only those stocks in the blue highlight colouring are primarily zinc stocks. For some, this can be easily seen from the "% zinc" column, which shows the proportion of the likely payable in-ground metal value that is accounted for by zinc (based on reported JORC Resources, except for EMX, which uses the announced Exploration target).

There are some that have a high proportion of the resource as zinc, but are not designated primarily zinc stocks. Further detail is covered in the Appendix to this report, but the reasons can be :

- The zinc project is presently not able to proceed further, or
- While the company has zinc JORC resources, its focus is on a different project, either because the zinc resources are of a sub-economic scale, or the company is farming down its zinc.

Only five timely, zinc focussed stocks

Figure 2 includes all relevant ASX listed zinc stocks.

Figure 2 : Five zinc focussed stocks

ASX Code	Company Name	Market Cap	Contained Metal		% zinc	Enterprise Value /t		C1	First Year	Annual Prod'n rate	
			Zinc	Zinc eq		Zinc	Zinc eq			Zinc	Zinc eq
EMX	Energia Minerals	\$ 27m	488 kt	940 kt	52%	\$ 8/t	\$ 4/t	60c/lb	2017	30 kt/yr	36 kt/yr
HRR	Heron Resources	\$ 43m	1,452 kt	3,369 kt	43%	\$ 10/t	\$ 4/t	(1c/lb)	2018	32 kt/yr	68 kt/yr
IBG	IronBark Resources	\$ 53m	3,653 kt	4,054 kt	90%	\$ 14/t	\$ 12/t	71c/lb	2018	186 kt/yr	194 kt/yr
RVR	Red River Resources	\$ 29m	307 kt	524 kt	59%	\$ 62/t	\$ 37/t	?????	2016	48 kt/yr	60 kt/yr
MUX	Mungana Gold	\$ 33m	539 kt	741 kt	73%	\$ 70/t	\$ 51/t	?????	2017	64 kt/yr	84 kt/yr

Source : IRESS, Beer & Co

The other factor to consider is when these stocks are expected to produce zinc.

As shown in Figure 2, Beer & Co finds there are only 5 ASX listed stocks that are dominated by zinc revenue, and which are expected to be producing zinc by 2018, or within 3 years from now.

Of the 5 stocks shown in Figure 2, 4 are previous mining operations, while the remaining stock, IBG, announced the results of its PFS in January 2009 and feasibility study in April 2013, has lodged its mining lease application and the approvals process is still on-going.

Private Equity bids for MUX

On 29 April, MUX announced that Auctus, a company backed by the Private Equity group Denham Capital, bid 13.5c for each of the 240.9m MUX shares on issue, or \$32.5m.

If this bid is successful, then there will be only 4 key zinc stocks listed on the ASX.

Figure 2 shows that MUX is the most expensive of the zinc exposures. In Beer & Co's view, this may be as MUX has an already partly constructed plant.

Corporately active sector

While MUX is the current focus of a bid, ASX listed zinc stocks, while few in number, has been a sector of corporate activity.

RVR

On 30 April 2015, RVR announced that it had received a s249D notice to call a general meeting and replace its 3 founding Directors with 3 others.

HRR

In March 2014, HRR announced an agreed scrip bid for TriAusMin Limited (TRO), acquiring the Woodlawn zinc dominated base metals project. Final court approval was given in 4 August 2014 and the merger became effective on 5 August 2014.

Last 5 years

In 2010, there were 2 ASX listed zinc producers, CBH Resources (CBH.ASX) and Perilya Mining (PEM.ASX).

CBH was acquired by Toho Zinc in May 2010 in a cash bid that valued CBH's equity at \$265m, of which Toho held 25.92% before it bid, plus net debt of \$63m for a total EV of \$328m.

PEM was acquired in September 2013 by Zhongjin Langan in a cash bid that valued PEM's equity at \$269m, of which Zhongjin held 53.7% prior to the bid, plus net debt of \$123m for a total Enterprise Value of \$392m.

Conclusion : Get your zinc while you can

The zinc price has been moving and our 24 April note showed we expect zinc prices to boom, as they have done each 10 years or so.

There are few zinc exposures listed on the ASX. EMX is the cheapest of the few.

We affirm our Strong Buy, High Risk recommendation.

Appendix : Relevant Zinc Exposures

Figure 1 shows that Beer & Co has identified 17 ASX listed companies with some zinc exposure. Figure A1 shows the same information but ordered by proportion of net payable in-ground value represented by zinc.

Figure A1 : ASX listed companies with some zinc

ASX Code	Company Name	Market Cap	Contained Metal		% zinc	Enterprise Value /t		C1 / main metal	First Year	Annual Prod'n rate	
			Zinc	Zinc eq		Zinc	Zinc eq			Zinc	Zinc eq
RMG	RMG Limited	\$ 6.1m	281 kt	302 kt	93%	\$ 14/t	\$ 13/t	Copper	?????	?????	?????
IBG	IronBark Resources	\$ 53m	3,653 kt	4,054 kt	90%	\$ 14/t	\$ 12/t	71c/lb	2018	186 kt/yr	194 kt/yr
OVR	Overland Resources	\$ 2.1m	667 kt	762 kt	87%	\$ 2/t	\$ 2/t	92c/lb	?????	52 kt/yr	64 kt/yr
RXL	Rox Resources	\$ 25m	874 kt	1,108 kt	79%	\$ 24/t	\$ 19/t	?????	2020	?????	?????
TZN	Terramin	\$ 189m	2,325 kt	2,981 kt	78%	\$ 89/t	\$ 70/t	?????	?????	?????	?????
MUX	Mungana Gold	\$ 33m	539 kt	741 kt	73%	\$ 70/t	\$ 51/t	?????	2017	64 kt/yr	84 kt/yr
SBR	Sabre Resources	\$ 3.6m	245 kt	349 kt	70%	\$ 7/t	\$ 5/t	?????	?????	?????	?????
RVR	Red River Resources	\$ 29m	307 kt	524 kt	59%	\$ 60/t	\$ 35/t	?????	2016	48 kt/yr	60 kt/yr
AUQ	Alara Resources	\$ 2.2m	566 kt	996 kt	57%	(\$1/t)	(\$1/t)	50c/lb	2018	80 kt/yr	99 kt/yr
EMX	Energia Minerals	\$ 27m	488 kt	940 kt	52%	\$ 8/t	\$ 4/t	60c/lb	2017	30 kt/yr	36 kt/yr
PLD	PLD Corporation	\$ 7.7m	2,232 kt	4,451 kt	50%	\$ 3/t	\$ 2/t	?????	2019	108 kt/yr	274 kt/yr
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CSD	Consolidated Tin Mines	\$ 57m	372 kt	2,082 kt	18%	\$ 153/t	\$ 27/t	58c/lb	2015	?????	?????
KBL	KBL Mining	\$ 13m	101 kt	2,924 kt	3%	\$ 99/t	\$ 3/t	Copper	Sorby Hills	?????	?????

Source : IRESS, Beer & Co

Figure A2 shows how Beer & Co has analysed these stocks and concludes there are only 5 ASX listed companies that are timely and true zinc exposures.

Figure A2 : Analysis of zinc exposures

Less than 50% zinc	Progress Uncertain	Major Project		First zinc after 2018	Zinc Developers
		Not Zinc	Zinc		
AMI	TZN	RMG	OVR	EMX	
MRP	AUQ	SBR	PLD	HRR	
CSD		RXL	VXR	IBG	
KBL				RVR	
				MUX	

Source : IRESS, Beer & Co

The analysis in Figure A2 is not exclusive and there are some companies we have excluded on the basis of 2 or more reasons together (eg. VXR).

Our key concern is the extent to which the share price might be expected to move in response to changes in the zinc price.

At least 50% zinc

Of the above list, there are 5 stocks that have less than 50% of the net payable in-ground value of metal accounted for by zinc. These are KBL, CSD, AMI, MRP and HRR.

However, we include HRR in our zinc list, as while zinc accounts for 43% of the value of metals in resources, the next highest is copper at 24%, then lead at 17%, silver at 13% and the balance gold.

Zinc project progress uncertain

In Beer & Co's view, for zinc prices to impact on a company's share price, the zinc project needs to be "live".

We exclude AUQ and TZN as title to their zinc projects. And development progress, are too uncertain at this stage.

- AUQ is in a legal dispute with its joint venture partner over title to its zinc deposit in Saudi Arabia, Khnaiguyah, on which it completed a DFS in April 2013;
- TZN continues to negotiate with the Algerian Government on the Tala Hamza project, based on a feasibility study technically completed but not able to be announced as the Algerian Government and its entities have not yet endorsed the project development concept.

In addition, AUQ has the Washihi copper-gold project in Oman on which it has completed a very positive advanced scoping study in April.

Major project is not zinc

RMG

RMG is shown in Figure A1 as having the highest proportion of its value accounted for by zinc. RMG has 2 projects :

- Kamarga in northern Queensland
- Tuina, in Chile.

RMG's reported Resources, of 1.4Mt of Inferred resources at 2.7% zinc, 0.2% lead and 1g/t silver are from Kamarga.

Tuina has returned drill intercepts of 33m at 1.9% Cu and 15g/t Ag, 108m at 1.1% Cu and 21g/t Ag, 49m at 1.0% Cu and 17g/t Ag, 22m at 2.3% Cu and 7g/t Ag and 23m at 2.2% Cu and 18g/t Ag.

In Beer & Co's view, RMG's copper-gold porphyry target at Tuina is much more attractive and RMG is focussing its efforts on Tuina and plan to have a PFS on this by mid 2016.

SBR

SBR has over 70% of its value in zinc. However, we do not include it as one of our zinc stocks as SBR has both copper and zinc in Namibia. The reported zinc Resource is an Inferred Resource of 16Mt grading 1.53% zinc, 0.59% lead and 4.76g/t silver.

Even though this can be upgraded to 12.5% zinc and 6.3% lead by Heavy Media Separation, the result is only about 1.7Mt of material, which is insufficient for a project.

SBR has reported significant copper intercepts, with many over 20m at grades over 1% copper plus silver.

In Beer & Co's view

- SBR will not be producing zinc within 4 years; and
- The copper prospects appears to be more attractive.

RXL

RXL has 3 projects :

- 100% of Fisher East nickel project and the Mt Fisher gold project in WA;
- 49% of Reward zinc-lead project, in NT, and being diluted; and

51% of Bonya copper project in NT, and farming in. RXL’s resource estimate is dominated by the Reward project, which has 5.8Mt of Indicated resources at 3.56% zinc and 0.90% lead plus 37.8Mt of Inferred resources grading 4.17% zinc and 0.95% lead.

The project is being managed by Teck Resources (TEK.TSX), the world’s largest zinc miner, which currently hold 51% and has agreed to spend \$15m by August 2018 to earn in to 70%.

This timeframe suggests that is highly unlikely that RXL will have a share of any zinc production by 2019.

RXL appears to be focussed on its Mt Fisher East nickel project, where is has an Indicated resource of 1.98Mt grading 2.01% nickel plus Inferred Resources of 2.82Mt at 1.47% nickel. RXL published the results of a successful scoping study in February 2015.

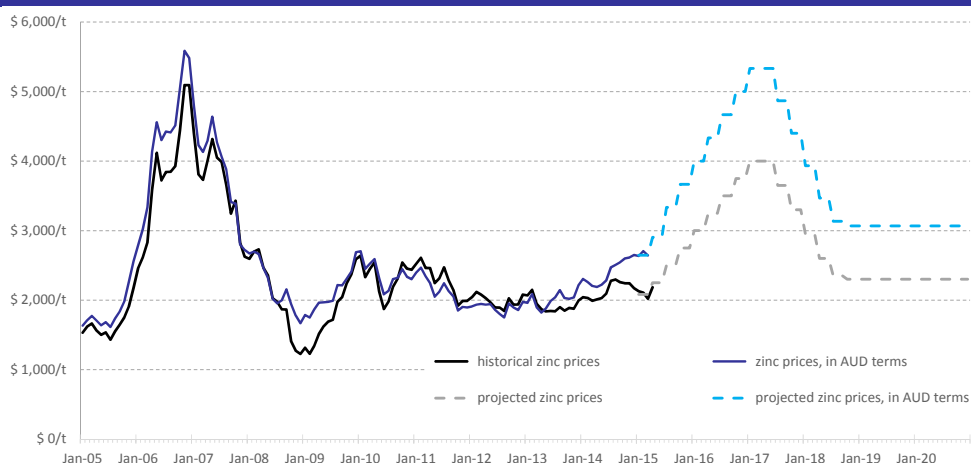
RXL is also farming in to the Bonya copper project, near Jervois in the NT, in which RXL has earned a 51% interest and has agreed to spend a further \$1.0m by December 2016 to increase to a 70% stake.

The RXL share price responds most to its nickel project.

First zinc after 2018

Figure A3 shows historical zinc prices, adjusted for inflation, in both AUS and USD terms, together with Beer & Co’s projections.

Figure A3 : Historical and projected zinc prices,



Source : IRESS, Beer & Co

Figure A3 shows that Beer & Co projects that the zinc price will spike over the next 3 or so years and by 2019 will have settled back to about current levels.

For this reason, we have limited our search to those companies that are likely to be producing zinc at times when zinc prices are high, instead of being part of the effort to raise equity to get into production.

VXR

VXR published the results of its feasibility study in December 2012. Current activities are to enhance the results and we do not have a time for first product.

This author's analysis at that time indicated that the project was marginal and needed to reduce its capital cost in order to proceed.

Also, Beer & Co estimates net revenue being 47% zinc and 43% copper.

Beer & Co judges that, given it is still at the assessment phase and is doing more drilling to extend its Resources, VXR will not produce its first zinc by 2018.

PLD

PLD has 100% of the Admiral Bay. Figure A1 shows that about 50% of the revenue is zinc with the balance being lead and silver.

Admiral Bay is a large project, with an Inferred resource of 72Mt grading 3.1% zinc, 2.9% lead and 18g/t silver, and an Exploration Target of 150Mt to 250Mt at 10% Zn + Pb.

It is about 1,300m below surface and so Beer & Co believes that an optimistic scenario is for first product in 2019, and more likely later.

OVR

OVR has the Andrew-Darcy project in Yukon, in Canada. It has total resources of 12.56Mt, of which 1.73Mt in Indicated, grading 5.3% zinc and 1.7% lead, 6.4Mt Indicated grading 5.8% zinc and 1.1% lead and 4.43Mt Inferred grading 4.6% zinc and 0.1% lead.

In June 2012, OVR announced the results of a scoping study, which showed an estimated capital cost of US\$ 227m to mine a total of 8.0Mt grading 5.0% zinc and 1.5% lead at a rate of 1.0Mt/yr to produce about 52kt/yr of zinc 12kt/yr of lead in concentrate.

Estimated cash cost was 71c/lb, excluding shipping freight and treatment charges which Beer & Co estimate to be 22c/lb.

No time frame for further development has since been given, so Beer & Co believes it will not meet our requirement for production by 2018.

Potential Zinc Exposures

The remaining 5 companies are Beer & Co's potential zinc exposures. Four of these are previous mining projects, which facilitates the achievement of our time frame, while IBG, announced the results of its PFS in January 2009 and feasibility study in April 2013, has lodged its mining lease application and the approvals process is still on-going.

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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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