

Premier African Minerals Ltd

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is Premier African worth buying for its stake in Circum Minerals alone?

Broker Shore Capital reckons Premier African Minerals' (LON:PREM) stake in Circum Minerals exceeds the value the market is placing on the Aim company's shares.

Premier has a 2% interest in Circum Minerals, which yesterday issued a statement about its wholly-owned Danakil potash project in Ethiopia and revealed it had enlisted Morgan Stanley to help find a strategic partner for Circum or "find a liquidity alternative".

"Whilst current events in Ethiopia may have slowed the process, Circum continues to engage with interested parties and also contemplates a possible flotation on an appropriate exchange," the potash project developer's statement said.

The current events Circum referred to relate to the six-month state of emergency declared in Ethiopia following a wave of violent protests in the Oromia and Amhara Region.

Using figures provided by Premier, Shore has been doing a bit of back-of-the-envelope calculating. Premier recently disclosed that Yara International's much smaller Dallol project to the south of Danakil was recently funded on a valuation of US\$200m.

According to Premier African, which owns 2mln Circum shares, applying this valuation to Danakil is equivalent US\$2 per Circum share, and it believes that Circum would likely achieve "a significantly higher value on its much bigger project".

"Based on Danakil's post-tax NPV [net present value], we simplistically calculate that PREM's interest could be worth c.US\$42m or £34.3m; based on current shares in issue, this is roughly 1.82p per [Premier] share. There is potential for multiple phases to be constructed, and we are expecting a scoping study on roughly doubling production to 5Mtpa [million tonnes per annum] expected to be completed later in 2016. If just two phases were built, simple multiplication would suggest a value of £68.5m or 3.63p/share. In any case, we note that just the Phase 1 value alone already exceeds PREM's current share price," Premier's house broker said.

Premier's shares currently trade at 0.0366p.

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Price: 0.1

Market Cap: £11 m

1 Year Share Price Graph



Share Information

Code: PREM

Listing: AIM

52 week	High	Low
	0.197	0.0221

Sector: General mining & base metals

Website: www.premierafricanminerals.com

Company Synopsis:

Premier African Minerals is currently developing a portfolio of strategic metals and agri mineral projects located across Africa. Premier is an emerging tungsten producer from the RHA Tungsten Mine and is advancing the sizeable Zulu Lithium and Tantalum Project in Zimbabwe. In addition, the Company has an interest in TCT IF, an operating forestry business with a significant limestone deposit in Mozambique.

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up	to	Twenty	Five	Thousand	dollars	(\$25,000).
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