VALUATION REPORT

CASE STUDY: EURO TRASH

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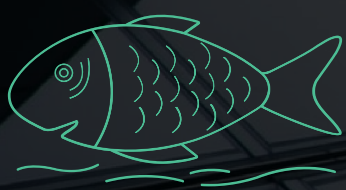
Contents

Key Issues & Concepts

- The company is highly resource driven and seeks to pursue further activities in related mining activities. The primary issue here is that it is not being managed efficiently internally or externally nor is our management team ready to take responsibility. Since it is a merged corporation our members are often resorting to a trifling blame game towards each other, which is only worsening our Goodwill everyday. The repercussions are clearly detrimental to our survival in the industry.

- The company has potentially breached major social responsibilities code of conduct with the highlight being the overflowing of a cyanide leaching dam in Eastern Europe & a potential involvement with a local African army to contain a coup situation through the use of company resources. These are two major examples of a plausible 'Physical Risk' that the company maybe responsible for igniting.



- The core values of the company & its vision is lacking a clear direction or meaning. The environment, social and governance responsibility is highly neglected as the world has begun to call us 'Social Terrorists'. Our policies pertaining to the environment is lacking transparency which is a cause of concern for many of our investors. Moreover, it has become imperative for the Corporations to look for a solution as a team before it is too late for us.

Sustainability Strategy

Our corporation needs to work to accentuate our 'Going Concern' motive. Corporate Governance with a special focus on 'Environment' needs to be incorporated such that it becomes a pivotal goal that must be achieved in every project that is undertaken.

Coherent & Sustainable Strategies - Capabilities, Changes, Implementation

Strategy I

Innovation through technology is a strategy with immense potential.

The changes that Innovative technology can provide will immediately improve our ESG ratings as well as steer the course of our business towards an Environment- Friendly company.

The implementation and the costs would be very high initially but that will be mitigated in the long run.

Strategy II

Employee Development is a key to ensure that our vision is in sync with our action.

The changes that Employee Development can provide is that it will act as the bridge between the gap. They must be trained such that they are aligned with the goals of the company and they must abide by it

The implementation can begin with a training program that is incentivised to encourage ideas around our goal.

Strategy III

Systematic Resolution of each problem will be a useful place to start.

The changes that Systematic Resolution would bring is that it will help us eliminate our existing issues minutely as well as rapidly whilst working on a more efficient environmental friendly futuristic program on an everyday basis.

The implementation can begin with a formation of a team that can look into all the problem areas & produce resolution.

BUSINESS CASE FOR ACTION

Clean Tech

Valuation - $5.24m

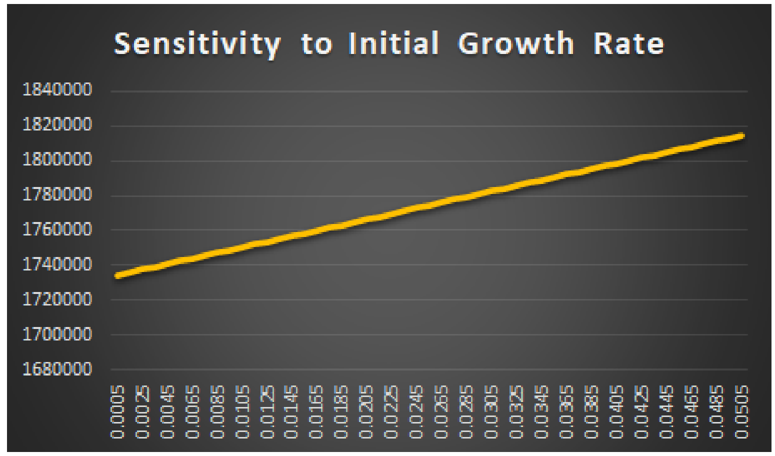
> Our Business Valuation Analysis concluded that it will be profitable for our corporation to set up a Clean Mining Pilot Project.

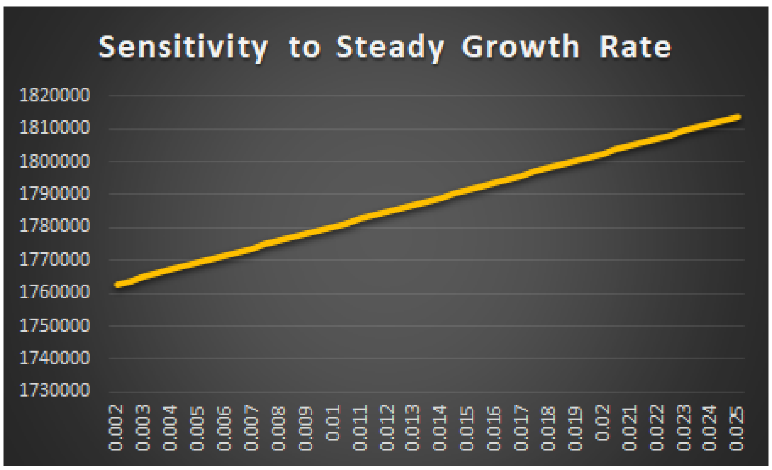
Our company evaluated two options namely, Green Washing, an Indigenous Developing Business Skills Project where in our corporation would make investments in the local companies to improve its status on Corporate Governance. The second option was to install a set up for 'Clean Mining'. This was inclusive of Grid Power, Recycling of freshwater use to minimise the impact of ground water extraction and the minimisation of harmful chemicals through special treatment plants.

We evaluated both options by carrying out a Valuation which included some robust financial parametrises such as Time Value of Money, Arbitrage inclusive of Real Option or otherwise known as Decision Tree.

The first analysis on Developing a business skills project involved carrying out a Net Present Value calculation of the project which was further subjected to Sensitivity Analysis that helped us understand the relative changes that each element would have in the event of changes to the input variables.

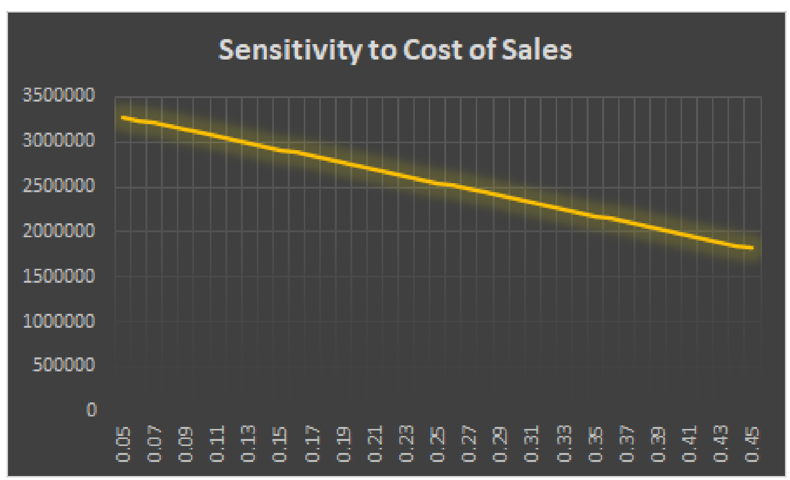
The Net Present Value thus obtained stood at $2.38m. The variables that were subjected to a Sensitivity test were Cost of Sales, Initial Growth Rate, Steady state growth rate, Initial Growth Period. We understood the effect of all these factors on the Net Present Value thus obtained. The outputs showed that initial growth period remained unaffected whilst the others subsequently increased or decreased.





The sensitivity to Initial Growth rate and Steady Growth rate were both positive indicating that the positive change in these variables would lead to an increase in the over all Net Present Value. However, since it is difficult to manipulate both these parameters for a company since it depends on the over all performance as well as its relative performance with respect to the industry it would be challenging to manipulate these numbers in our favour.

The Cost of Sales is an indirect cost to the company which is easy to watch and control in case if it increases beyond proportion. Thus it is a good sign that it has a quantifiable effect on the NPV which opens opportunities for us to further carry out calculations that can give us a deeper insight into whether much can be done to take up the project if the cost of sales can be minimised further. At present it stands at 45% of Revenue which has decreased the NPV by a magnanimous amount.

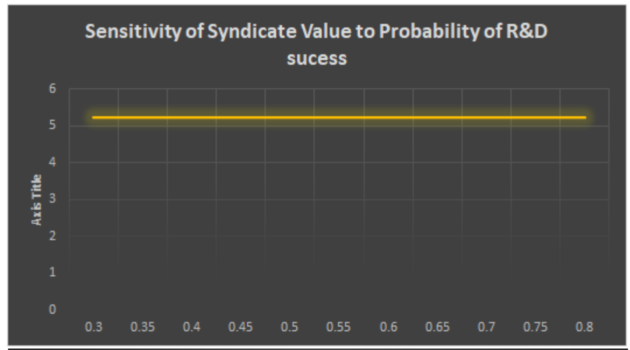


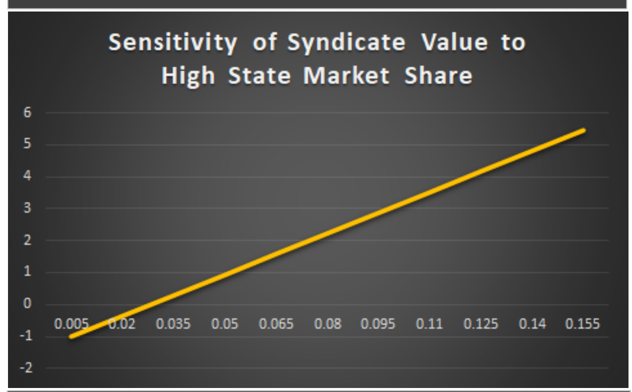
Clean Mining Pilot Project Valuation Summary

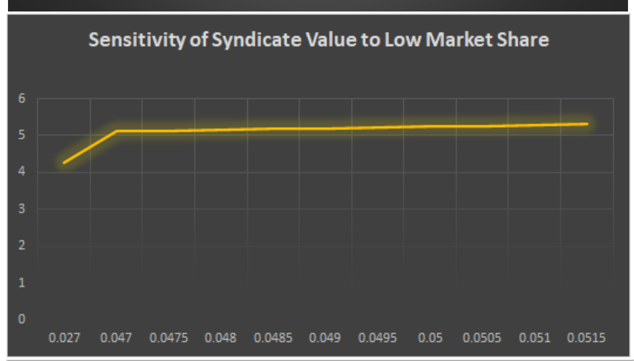
The Clean Mining Pilot Project valuation was carried out under the broad principle of Arbitrage. The project consisted of developmental and commercialisation stages that needed to be evaluated under separate timeline. The Research and Development will take around 3 years followed by a commercialisation stage of further 7 years. The project does not require any approval stage. The estimated World Revenue stands at $1billion.

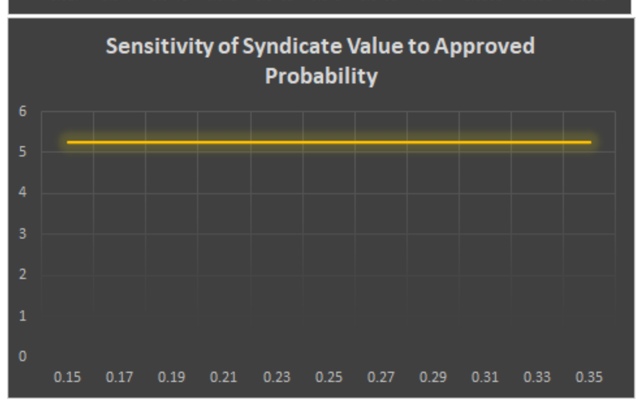
A basic assumption summary was calculated to understand the overview of the project. This was further supplemented with a decision tree and analysis of Cash flow with subjection to Time Value of Money. The decision tree, separated according to the timeline of events that is Developmental years of 0 to 3 followed by a Commercialisation stage of 4 to 10 years (inclusive), helped us arrive at a Syndicate Value of $8.59m which was discounted to present time and then subjected to a tax rate of 33% giving us a promising value of **$5.24m**.

Once we arrived at the Syndicate Value we subjected the amount to a Sensitivity test to the variables namely, Probability of R&D success, High State Market Share, Low State Market Share and Approved Probability. The graphs thus obtained as as follows.









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Conclusively,

The corporation must act in accordance with the growing concern over the impact of every business activity. Thus, by incorporating Clean Mining pilot project we are not only upgrading our technology & prospects of our Revenue but also helping the world in reducing the carbon emissions.

We would continue to endeavour to improve our system of work by staying aligned to our primary goal which is to be ***Environmentally Efficient.***