

# Almonty Industries Inc.

Canada / Mining  
 Toronto  
 Bloomberg: All CN  
 ISIN: CA0203981034

Update

**RATING** BUY  
**PRICE TARGET** CAD 0.80  
 Return Potential 56.9%  
 Risk Rating High

## TUNGSTEN RALLY/IMPROVING BALANCE SHEET BODE WELL FOR SANGDONG DEAL

The price of the benchmark tungsten commodity, tungsten APT, reached USD300 per MTU (Metric Tonne Unit = 10kg) last week - 38% above its average level during calendar Q2. The numbers in our June initiating coverage study anticipated much of the recent rally in the commodity price and so we have not made any major changes to our sales, profit and discounted cash flow valuation estimates for the already producing/financed Los Santos, Panasqueira, Wolfram Camp and Valtreixal mines. Almonty has recently made very good progress in strengthening and restructuring its balance sheet - including a CAD6.4m investment from the CEO. We expect net gearing to be below 100% by the end of this month compared with 250% at the end of March. Given that the commodity price is rising and that 78% of short term debt is either with local Iberian banks or guaranteed by its largest customer, GTP, we view Almonty's debt position as readily manageable. The rally in the tungsten price and the strengthening of the balance sheet in our view increase the likelihood that a) Almonty will be able to finance its potentially most valuable asset - the Sangdong tungsten project (70% of our current enterprise valuation) and b) that a deal will be concluded at more favourable terms i.e. at a lower cost of capital and with lower shareholder dilution than would otherwise have been the case. We have raised our peer group-based valuation of Sangdong and now see fair value for the Almonty share at CAD0.80 (previously: CAD0.60) We maintain our Buy recommendation.

**Revenue up 32.5% in Q3/17** Almonty's Q3/17 results (financial year-end 30 September) showed a 32.5% increase in revenue to CAD11.0m (Q3/16: CAD 8.3m). The operating result improved to CAD-1.1m (Q3/16: CAD-2.2m). Operating cashflow before changes in working capital including short term debt was CAD0.7m (Q3/16: CAD-2.4m). The improvement in profitability and cashflow was mainly attributable to the higher average price received by Almonty per MTU WO<sub>3</sub>. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2014/15	2015/16	2016/17E	2017/18E	2018/19E	2019/20E
Revenue (CAD m)	36.14	37.31	38.08	42.46	36.85	62.55
Y-o-y growth	23.7%	3.2%	2.1%	11.5%	-13.2%	69.7%
EBIT (CAD m)	-18.19	-18.17	-6.91	0.49	10.08	21.32
EBIT margin	-50.3%	-48.7%	-18.2%	1.2%	27.4%	34.1%
Net income (CAD m)	-19.55	-21.18	-8.88	-1.48	6.69	16.73
EPS (diluted) (CAD)	-0.38	-0.22	-0.07	-0.01	0.05	0.13
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CAD m)	-11.98	-12.82	-7.04	-12.48	0.13	28.82
Net gearing	90.1%	155.8%	93.3%	115.9%	98.8%	33.8%
Liquid assets (CAD m)	0.87	4.22	7.72	9.97	9.94	6.83

### RISKS

Risks are a renewed turn-down in tungsten commodity prices and failure to secure financing for the strategically important Sangdong tungsten project.

### COMPANY PROFILE

Almonty is a turnaround investor-operator specialising in acquiring distressed and underperforming operations and assets in tungsten markets.

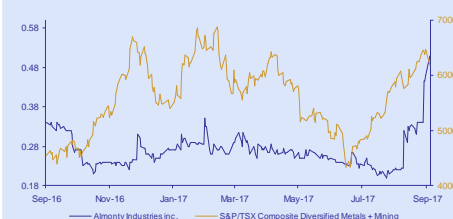
### MARKET DATA

As of 05 Sep 2017

Closing Price	CAD 0.53
Shares outstanding	161.12m
Market Capitalisation	CAD 82.17m
52-week Range	CAD 0.20 / 0.51
Avg. Volume (12 Months)	35,369

Multiples	2015/16	2016/17E	2017/18E
P/E	n.a.	n.a.	n.a.
EV/Sales	3.8	3.7	3.3
EV/EBIT	n.a.	n.a.	286.3
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2017

Liquid Assets	CAD 1.32m
Current Assets	CAD 14.01m
Intangible Assets	CAD 0.00m
Total Assets	CAD 172.43m
Current Liabilities	CAD 52.81m
Shareholders' Equity	CAD 36.43m

### SHAREHOLDERS

Lewis Black/Almonty Partners LLC	22.0%
Global Tungsten & Powders Corp.	17.1%
Deutsche Rohstoff AG	9.3%
JPMorgan Chase & Co.	6.6%
Free float and other	45.0%



**Average WO<sub>3</sub> price received by Almonty up 24% in Q3/17** We calculate that the average Q3/17 price at USD201 was 24.0% above the Q3/16 level of USD162. With effect from 1 January 2017, the price for 100% of the production at Panasqueira was fixed at USD210 per MTU WO<sub>3</sub> for calendar 2017. In addition, from 1 February 2017 Almonty entered into a one year contract for Los Santos under which 80% of production is fixed at USD192.5 per MTU WO<sub>3</sub>.

**Figure 1: Recent quarterly profit development**

CAD 000's	Q3 15/16	Q4 15/16	FY 15/16	Q1 16/17	Q2 16/17	Q3 16/17	Δ% vs. Q3 15/16	Δ% vs. Q2 16/17
Revenue	8,280	10,472	37,310	7,060	10,175	10,974	32.5%	7.9%
Production costs	6,733	6,646	32,969	7,494	9,224	7,641	13.5%	-17.2%
Impairment of mine assets	0	5,345	5,345	0	0	0	n.m.	n.m.
Depreciation and amortisation	1,140	1,960	8,200	941	1,553	2,031	78.2%	30.8%
Earnings/(loss) from mining operations	407	-3,479	-9,204	-1,375	-602	1,302	219.9%	n.m.
General and administrative	2,561	2,645	8,962	1,699	2,529	2,363	-7.7%	-6.6%
EBIT	-2,154	-6,124	-18,166	-3,074	-3,131	-1,061	n.m.	n.m.
Net interest expense	574	1,045	2,709	656	621	662	15.3%	6.6%
Foreign exchange gain (loss)	28	-545	360	-823	-253	-814	n.m.	n.m.
Income (loss) before income taxes	-2,756	-7,658	-20,515	-4,553	-3,499	-909	n.m.	n.m.
Income tax provision	-376	1,428	660	0	0	0	n.m.	n.m.
Net income before minorities	-3,132	-8,334	-21,175	-4,553	-3,499	-909	n.m.	n.m.
Minorities	0	0	0	0	0	0	n.m.	n.m.
Foreign currency adjustments/other	2,201	-5,377	364	-1,857	144	1,151	-47.7%	699.3%
Comprehensive net income	-931	-13,711	-20,811	-6,410	-3,355	242	n.m.	n.m.
EPS (CAD)	-0.03	-0.08	-0.22	-0.04	-0.03	-0.01	n.m.	n.m.

Source: Almonty

**Q3/17 production stemmed solely from Los Santos and Panasqueira** Tungsten price weakness caused Almonty to cease material processing at the Wolfram Camp mine in calendar Q1 2016. WO<sub>3</sub> production during Q3/17 and Q3/16 stemmed solely from the Los Santos and Panasqueira mines. Combined production at these two mines during Q3/17 fell 3.2% to 39,891 MTU WO<sub>3</sub> (Q3/16: 41,219 MTU WO<sub>3</sub>). A 22.7% increase in production at Panasqueira to 21,563 MTU WO<sub>3</sub> (Q3/16: 17,568 MTU WO<sub>3</sub>) did not offset a 22.5% decline in production at Los Santos to 18,328 MTU WO<sub>3</sub> (Q3/16: 23,651 MTU WO<sub>3</sub>).

**Figure 2: Recent quarterly profit development at Los Santos**

	Q3 15/16	Q4 15/16	FY 15/16	Q1 16/17	Q2 16/17	Q3 16/17	Δ% vs. Q3 15/16	Δ% vs. Q2 16/17
Ore treated (tonnes)	133,916	128,990	519,803	123,511	121,564	141,957	6.0%	16.8%
WO <sub>3</sub> produced (MTU)	23,651	21,946	93,102	15,040	17,368	18,328	-22.5%	5.5%
WO <sub>3</sub> sold (MTU)	22,466	25,109	94,201	14,530	17,032	16,916	-24.7%	-0.7%
Sales (USDm)	3.4	4.1	15.0	2.1	3.3	3.4	0.0%	3.0%
Cash operating costs (USD/MTU)	86	92	91	116	108	105	22.1%	-2.8%
Waste rock mining costs, including deferred stripping costs (USD/MTU)	80	67	68	120	126	106	32.5%	-15.9%
All in cash operating costs (USD/MTU)	166	159	159	236	234	211	27.1%	-9.8%
Ore mined (tonnes)	133,916	110,190	522,782	78,504	115,302	159,315	19.0%	38.2%
Average grade WO <sub>3</sub> mined	0.35%	0.39%	0.35%	0.18%	0.30%	0.22%	-37.1%	-26.7%
Average grade WO <sub>3</sub> recovery rate	59.70%	58.90%	60.20%	56.30%	55.30%	63.40%	6.2%	14.6%
WO <sub>3</sub> net price (MTU)	151.34	163.29	159.23	144.53	193.75	200.99	32.8%	3.7%

Source: Almonty

**Lower grade of ore processed reduced Q3/17 profitability at Los Santos** Lower production at Los Santos was attributable to the lower grade of ore processed in Q3/17 compared with Q3/16. The average grades of ore mined at Los Santos in Q2/16 and Q3/16 were 0.28% and 0.35% respectively. For Q2/17 and Q3/17 these figures were 0.30% and 0.22% respectively. The lower grade of ore processed in Q3/17 led to an increase in production costs compared with Q3/16.



Earnings from mining operations at Los Santos came in at CAD0.6m (Q3/16: CAD1.7m) despite a 5.2% increase in revenue to CAD4.5m (Q3/16: CAD4.3m) stemming from the stronger tungsten price. **Rising production and higher ore grade helped Q3/17 result at Panasqueira** Production at Panasqueira climbed 22.7% in Q3/17 to 21,563 MTU WO<sub>3</sub> (Q3/16: 17,568 MTU WO<sub>3</sub>) as the quantity of ore treated climbed 9.1% and the average grade mined improved. The average grades of ore mined at Panasqueira in Q2/16 and Q3/16 were 0.07% and 0.08% respectively. For Q2/17 and Q3/17 these figures were 0.10% and 0.116% respectively. A 13.8% increase in the net price per MTU WO<sub>3</sub> received to USD200 (Q3/16: USD176) and help from the strengthening US Dollar meant that revenues jumped 61.8% to CAD6.4m (Q3/16: CAD4.0m). Earnings from mining operations came in at CAD0.7m (Q3/16: CAD-0.1m).

**Figure 3: Recent quarterly profit development at Panasqueira**

	Q3 15/16	Q4 15/16	FY 15/16	Q1 16/17	Q2 16/17	Q3 16/17	Δ% vs. Q3 15/16	Δ% vs. Q2 16/17
Ore treated (tonnes)	172,808	168,931	488,086	154,487	193,412	188,588	9.1%	-2.5%
WO <sub>3</sub> produced (MTU)	17,568	19,165	52,434	16,790	21,015	21,563	22.7%	2.6%
WO <sub>3</sub> sold (MTU)	16,474	20,870	55,326	17,926	20,103	20,958	27.2%	4.3%
Sales (USDm)	2.9	3.6	9	2.8	4.3	4.2	44.8%	-2.3%
Cash operating costs (USD/MTU)	69	63	65	73	68	66	-4.3%	-2.9%
Waste rock mining costs, including deferred stripping costs (USD/MTU)	134	125	132	143	110	114	-14.9%	3.6%
All in cash operating costs (USD/MTU)	203	188	197	216	178	180	-11.3%	1.1%
Ore mined (tonnes)	168,363	176,049	508,592	153,072	193,696	192,060	14.1%	-0.8%
Average grade WO <sub>3</sub> mined	0.084%	0.100%	0.091%	0.100%	0.100%	0.116%	38.1%	16.0%
Average grade WO <sub>3</sub> recovery rate	80.40%	80.60%	80.33%	80.30%	80.00%	79.90%	-0.6%	-0.1%
WO <sub>3</sub> net price (MTU)	176.03	172.50	162.67	156.20	213.90	200.40	13.8%	-6.3%

Source: Almonty

Combined earnings from mining operations at Los Santos and Panasqueira were CAD1.4m in Q3/17 (Q3/16: CAD1.6m). However, at the group level the comparison was CAD1.3m vs. CAD0.4m because of CAD1.2m in production costs expensed at Wolfram Camp in Q3/16. Almonty has not incurred any significant production costs at Wolfram Camp since Q1/17.

General and administrative expenses costs declined to CAD2.4m in Q3/17 (Q3/16: CAD2.6m) due mainly to lower costs at Panasqueira and at the holding company level. Group EBIT was CAD-1.1m (CAD-2.2m).

Almonty targets a gearing ratio of between 5% and 50%. By the end of March 2017 net debt reached CAD64.6m and equity CAD25.8m. Net gearing was 250%. Gross debt at the end of March was CAD67.2m, of which CAD40.4m was long term and CAD26.9m short term.

**Restructuring and strengthening of the balance sheet** During Q3/17 and Q4/17 Almonty has taken further steps to strengthen and restructure its balance sheet.

**Equity-for-debt swap with GTP** On 21 April Almonty announced it had agreed to terminate debt and accrued interest of USD7.0m (CAD9.4m) with its customer, Global Tungsten and Powders Corp. (GTP) against the issue to GTP of 27,562,500 common shares. The shares were issued to GTP at CAD0.3325 i.e. at a premium of 25.5% to the then market price. Following the issue of these shares, GTP had a 19.9% stake in Almonty. Almonty also issued a convertible debenture of USD172,772 to GTP. The convertible debenture converts into Almonty shares at CAD0.265.

**Two year maturity extension on CAD6m promissory note** On 24 April Almonty announced it had reached agreement with Deutsche Rohstoff AG (DRAG), the lender of a convertible promissory note of CAD6m, to extend the maturity of the note from March 2017 to March 2019.



At the end of June Almonty had net debt of CAD54.7m and equity of CAD36.4m. Net gearing was 150%. Gross debt at the end of June was CAD57.4m of which CAD35.9m was long term and CAD21.5m short term.

**CAD6.4m investment by the CEO** In mid-August Almonty's CEO, Lewis Black, subscribed for 21,175,000 new shares in the company at CAD0.30 per share generating proceeds of CAD6.4m. The issue raised the combined stake of Mr Black and his investment vehicle Almonty Partners to 22.0%.

**Conversion of CAD4m convertible debenture into equity** At the end of August the company announced that it had agreed with DRAG, to convert a CAD4m convertible debenture held by DRAG and due on 15 September into common shares. The conversion will take place at CAD0.60, a significant premium to the current share price.

**We expect net gearing of 93% by end September** Even on the overly pessimistic assumption of neutral operating cashflow before changes in working capital in Q4/17, we estimate that the measures described above will reduce net debt and net gearing at Almonty to CAD42.9m and 93% respectively by the end of September (see figure 4 below).

**Figure 4: Net debt/gearing Q1/17-Q4/17E**

CAD 000's	Q1 17	Q2 17	Q3 17	Q4 17E
<b>Net debt</b>	<b>61,048</b>	<b>64,614</b>	<b>54,746</b>	<b>42,928</b>
<i>of which:</i>				
Cash	2,463	1,266	1,323	7,723
Restricted cash	1,290	1,351	1,325	1,325
Total cash	3,753	2,617	2,648	9,048
ST debt	25,777	26,868	21,519	17,974
LT debt	39,024	40,363	35,875	34,002
Gross debt	64,801	67,231	57,394	51,976
<b>Gearing</b>	<b>209.36%</b>	<b>250.40%</b>	<b>150.26%</b>	<b>93.30%</b>

Source: Almonty/First Berlin Equity Research Forecasts

As we pointed out in our initiating coverage study, Almonty's creditors showed forbearance even when the company's net gearing was well over 200% and the commodity price was 30% below the current level. Following the debt rescheduling and debt/equity conversion agreements with DRAG and GTP we estimate that ca. 78% of Almonty's short term debt is either with local and presumably friendly Iberian banks or guaranteed by its largest customer, GTP. With regard to long term debt, we estimate that 96% of the current total is either with Iberian banks, DRAG (a 9.3% shareholder in Almonty) or guaranteed by GTP. Given that Almonty is now also generating positive operating cashflow, and that this cashflow should strengthen over the next few quarters following recent rises in the tungsten price, we view the company's debt position as very manageable.

The price of the benchmark tungsten commodity - ammonium paratungstate (tungsten APT) - reached USD300 per MTU (metric tonne unit = 10kg) last week. In Q2/17 and Q3/17 the tungsten APT price averaged USD204 per MTU and USD217 per MTU respectively. The consultant Argus attributes the recent increase in the tungsten price to reduced supply from China in the wake of government antipollution measures, while Almonty's management believe that depletion of inventory at the (now shut down) Fanya Metal Exchange is significant. Almonty produces WO<sub>3</sub> concentrate. The standard industry discount for WO<sub>3</sub> tungsten concentrate relative to tungsten APT is 22%. Our June initiating coverage note assumed a rally in the tungsten APT price to an average USD292 (equivalent to a WO<sub>3</sub> concentrate price of USD228) for Almonty's 2018 financial year and so we have made only minor changes to our 2018 forecasts. Historically, tungsten consumption has grown in line with GDP. The IMF's April 2017 World Economic Outlook forecast average growth of ca. 6% over the next five years in China, which is by far the largest consumer of the commodity. Against this background we maintain our WO<sub>3</sub> concentrate price forecasts for Almonty's 2019 and 2020 financial years of USD260 per MTU and USD280 per MTU respectively.



## VALUATION

Almonty owns five different mines/mining projects. Panasqueira (Portugal) and Los Santos (Spain) are currently producing. Valtreixal (Spain), whose acquisition was completed in December 2016, is a past-producing mine which we expect Almonty to bring into production in 2020. Almonty put the Wolfram Camp mine (Australia) on care and maintenance in early 2016 due to low tungsten prices. We expect the recovery in the tungsten price and plant upgrading/cost reduction measures to allow this mine to return to profitable production in 2020. Our sum-of-the-parts valuation (see figure 5) references separate DCF valuations for each of Panasqueira, Los Santos, Valtreixal and Wolfram Camp as the first two are currently producing and we do not expect financing at either Valtreixal or Wolfram Camp to be an issue. Capital required to start production at Valtreixal and Wolfram Camp amounts to USD10m and USD4.2m respectively. The DCF valuations use the industry-standard discount rate of 10%. The numbers in our June initiating coverage study anticipated much of the recent rally in the commodity price and so we have not made any major changes to our sales, profit and discounted cash flow valuation estimates for these mines.

**Figure 5: Sum-of-the-parts valuation**

USD 000's	Old	New	% delta
Panasqueira	34,104	34,334	0.7%
Los Santos	3,267	2,877	-11.9%
Valtreixal	17,349	17,771	2.4%
Wolfram Camp	648	663	2.4%
Sangdong	57,962	104,580	80.4%
Less: parent company costs	9,701	10,503	8.3%
<b>Total enterprise value</b>	<b>103,629</b>	<b>149,723</b>	<b>44.5%</b>
<b>Total enterprise value (CAD 000's)</b>	<b>138,862</b>	<b>185,327</b>	<b>33.5%</b>
Less: proforma net debt (CAD 000's)	51,591	40,535	-21.4%
<b>Fair equity value (CAD 000's)</b>	<b>87,271</b>	<b>144,792</b>	<b>65.9%</b>
Proforma no. shares (000's)	145,541	178,647	22.7%
<b>Fair equity value per share (CAD)</b>	<b>0.60</b>	<b>0.81</b>	<b>35.1%</b>

Source: First Berlin Equity Research estimates

The capital required to bring Almonty's most important project at Sangdong (South Korea) into production, which accounts for 75% of the company's current reserve base, is likely to amount to USD90-100m. Almonty has been negotiating with banks and potential offtake partners for some time but a definite deal has still to be concluded. Against this background, we continue to value Sangdong on the basis of the valuation accorded by the market to in situ resources at peers' yet to be financed projects. The Sangdong peer group comparison is shown in figure 6.

Blackheath Resources is currently focused on exploration work rather than project financing.

Thor Mining published a feasibility study for its wholly-owned Molyhill tungsten project in Australia in early 2015. Project development cost is estimated at AUD64m. However, the company is currently not negotiating financing.

Tungsten Mining plans to produce tungsten concentrate at its Australian Mount Mulgine project within two years but is currently not engaged in project financing.

Among the peers shown in figure 6, Ormonde Mining has the highest enterprise value/MTU/WO<sub>3</sub> at CAD8.12. Ormonde is the only one of the companies in the peer group to have achieved financing for a project. The funding for the Barruecopardo tungsten project in Spain was agreed with Oaktree Capital in 2015. Ormonde retains 30% in the project while Oaktree holds 70%. Production is scheduled to start in calendar Q3 2018.



Given the recent rally in the tungsten price and Sangdong's prospective positioning on the lower quartile of the tungsten mining cost curve, we believe that the likelihood that the project will be financed has increased markedly since our initiating coverage study in June. We now value each MTU of resource at Sangdong at CAD5.00 – i.e. at a 38% discount to Ormonde and CAD2.00 per MTU above the valuation we used in our June study. This implies an overall valuation for Almonty of CAD0.81 per share. We maintain our Buy recommendation but raise the price target from CAD0.60 to CAD0.80.

**Figure 6: Sangdong peer group comparison**

	EVm CAD	Total MTU W03 in situ (000s)	EV/MTU W03 in situ (CAD)
Blackheath Resources	2.9	1,217	2.35
Ormonde Mining*	17.3	2,136	8.12
Thor Mining	6.0	3,271	1.82
Tungsten Mining	41.4	15,570	2.66
Sangdong	129.4	25,890	5.00

\*in situ resource shown is 30% of total in line with Ormonde's 30% stake in the Barruecopardo project

Source: Company figures; First Berlin Equity Research estimates



## INCOME STATEMENT

All figures in CAD '000	2014/15A	2015/16A	2016/17E	2017/18E	2018/19E	2019/20E
<b>Revenue</b>	<b>36,142</b>	<b>37,310</b>	<b>38,076</b>	<b>42,463</b>	<b>36,849</b>	<b>62,551</b>
Production costs	37,743	32,969	31,853	32,467	18,099	30,210
Impairment loss	1,708	5,345	0	0	0	0
Depreciation and amortisation	8,545	8,200	5,645	4,406	3,550	4,750
<b>Result from mining operations</b>	<b>-11,854</b>	<b>-9,204</b>	<b>578</b>	<b>5,589</b>	<b>15,200</b>	<b>27,591</b>
General and administrative	6,339	8,962	7,491	5,100	5,120	6,270
<b>Operating income (EBIT)</b>	<b>-18,193</b>	<b>-18,166</b>	<b>-6,913</b>	<b>489</b>	<b>10,080</b>	<b>21,321</b>
Interest expense	1,404	2,709	1,967	1,967	2,214	1,635
Foreign exchange (gain) loss	1,313	-360	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-20,910</b>	<b>-20,515</b>	<b>-8,880</b>	<b>-1,477</b>	<b>7,866</b>	<b>19,686</b>
Income taxes	-618	660	0	0	1,180	2,953
Minority interests	-747	0	0	0	0	0
<b>Net income / loss</b>	<b>-19,545</b>	<b>-21,175</b>	<b>-8,880</b>	<b>-1,477</b>	<b>6,686</b>	<b>16,733</b>
<b>Diluted EPS (in €)</b>	<b>-0.38</b>	<b>-0.22</b>	<b>-0.07</b>	<b>-0.01</b>	<b>0.05</b>	<b>0.13</b>
<b>EBITDA</b>	<b>-9,648</b>	<b>-9,966</b>	<b>-1,268</b>	<b>4,895</b>	<b>13,630</b>	<b>26,071</b>
<b>Ratios</b>						
EBITDA margin on revenues	-26.7%	-26.7%	-3.3%	11.5%	37.0%	41.7%
EBIT margin on revenues	-50.3%	-48.7%	-18.2%	1.2%	27.4%	34.1%
Net margin on revenues	-54.1%	-56.8%	-23.3%	-3.5%	18.1%	26.8%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>						
Production costs	104.4%	88.4%	83.7%	76.5%	49.1%	48.3%
Impairment loss	4.7%	14.3%	0.0%	0.0%	0.0%	0.0%
General and administrative	17.5%	24.0%	19.7%	12.0%	13.9%	10.0%
<b>Y-Y Growth</b>						
Revenues	23.7%	3.2%	2.1%	11.5%	-13.2%	69.7%
Operating income	n.a.	n.m.	n.m.	n.m.	1959.6%	111.5%
Net income/ loss	n.a.	n.m.	n.m.	n.m.	n.m.	150.3%





## BALANCE SHEET

All figures in CAD '000	2014/15A	2015/16A	2016/17E	2017/18E	2018/19E	2019/20E
<b>Assets</b>						
<b>Current assets, total</b>	<b>8,543</b>	<b>17,800</b>	<b>18,705</b>	<b>25,467</b>	<b>23,394</b>	<b>29,660</b>
Cash and cash equivalents	866	4,215	7,723	9,968	9,944	6,828
Trade receivables	840	707	762	849	737	1,251
Sales tax receivable	2,149	1,439	1,485	1,656	1,437	2,439
Inventories	4,076	10,720	8,012	12,187	10,576	17,952
Other current assets	612	719	723	807	700	1,188
<b>Non-current assets, total</b>	<b>108,984</b>	<b>149,966</b>	<b>157,720</b>	<b>160,915</b>	<b>168,333</b>	<b>169,094</b>
Mining assets	88,136	125,928	131,362	134,182	141,501	142,617
Tailings inventory	15,410	18,665	21,000	21,000	21,000	21,000
Deferred tax assets	4,036	2,859	2,856	2,845	2,948	3,128
Restricted cash	1,223	1,336	1,325	1,710	1,706	1,172
Other assets	179	1,178	1,178	1,178	1,178	1,178
<b>Total assets</b>	<b>117,527</b>	<b>167,766</b>	<b>176,425</b>	<b>186,382</b>	<b>191,727</b>	<b>198,753</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>32,578</b>	<b>55,849</b>	<b>49,196</b>	<b>50,757</b>	<b>47,058</b>	<b>52,509</b>
Bank indebtedness	1,794	4,456	9,007	11,625	11,597	5,970
Accounts payable and accrued liabilities	15,453	21,799	26,272	24,798	21,520	36,530
Deferred revenue	1,697	2,422	4,950	2,760	2,395	4,066
Current portion of long term debt	13,634	27,172	8,967	11,574	11,546	5,944
<b>Long-term liabilities, total</b>	<b>35,947</b>	<b>76,348</b>	<b>81,216</b>	<b>87,835</b>	<b>88,737</b>	<b>67,887</b>
Long-term debt	30,801	29,325	34,002	43,886	43,781	22,538
Restoration and other provisions	3,228	45,548	45,691	42,463	43,482	43,786
Deferred tax liabilities	1,918	1,475	1,523	1,486	1,474	1,564
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>49,002</b>	<b>35,569</b>	<b>46,013</b>	<b>47,790</b>	<b>55,932</b>	<b>78,357</b>
Share capital	0	0	0	0	0	0
Capital reserve	0	0	0	0	0	0
Other reserves	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0
Loss carryforward / retained earnings	0	0	0	0	0	0
<b>Total consolidated equity and debt</b>	<b>117,527</b>	<b>167,766</b>	<b>176,425</b>	<b>186,382</b>	<b>191,727</b>	<b>198,753</b>
<b>Ratios</b>						
Current ratio (x)	0.26	0.32	0.38	0.50	0.50	0.56
Quick ratio (x)	0.14	0.13	0.22	0.26	0.27	0.22
Net debt	44.14	55.40	42.93	55.41	55.27	26.45
Net gearing	90.1%	155.8%	93.3%	115.9%	98.8%	33.8%
Book value per share (in €)	0.57	0.32	0.27	0.28	0.33	0.47
Return on equity (ROE)	0.0%	-50.1%	-21.8%	-3.1%	12.9%	24.9%





## CASH FLOW STATEMENT

All figures in CAD '000	2014/15A	2015/16A	2016/17E	2017/18E	2018/19E	2019/20E
<b>Net profit before minorities</b>	<b>-20,292</b>	<b>-21,175</b>	<b>-8,880</b>	<b>-1,477</b>	<b>6,686</b>	<b>16,733</b>
Depreciation and amortisation	8,545	8,200	5,645	4,406	3,550	4,750
Impairment of mine asset	1,708	5,345	0	0	0	0
Inventory impairment charges	7,408	6,765	0	0	0	0
Unrealised foreign exchange (gain) loss	2,138	-390	0	0	0	0
Accretion and other non-cash interest	607	1,584	0	0	0	0
Net change in non-cash working capital	4,877	761	0	0	0	0
Change in tailings inventory	-4,065	-3,602	0	0	0	0
Change in working capital	812	-2,841	9,604	-8,181	-1,594	7,299
Other non-cash charges	-128	946	0	0	2,360	5,906
<b>Operating cash flow</b>	<b>798</b>	<b>-1,566</b>	<b>6,369</b>	<b>-5,252</b>	<b>11,002</b>	<b>34,688</b>
Additions to mining assets	-12,783	-11,259	-13,414	-7,227	-10,869	-5,865
<b>Free cash flow</b>	<b>-11,985</b>	<b>-12,825</b>	<b>-7,044</b>	<b>-12,479</b>	<b>133</b>	<b>28,823</b>
Acquisition of Panasqueira, net of cash acquired	0	-833				
Acquisition of Woulfe, net of cash acquired	-2,275	0	0	0	0	0
Other investments	-1,058	-938	11	-385	4	535
<b>Investment cash flow</b>	<b>-16,116</b>	<b>-13,030</b>	<b>-13,403</b>	<b>-7,612</b>	<b>-10,865</b>	<b>-5,331</b>
Debt financing, net	924	10,890	-8,977	15,109	-161	-32,473
Equity financing, net	-197	7,036	19,518	0	0	0
Dividends paid	0	0	0	0	0	0
Other financing	0	0	0	0	0	0
<b>Financing cash flow</b>	<b>727</b>	<b>17,926</b>	<b>10,541</b>	<b>15,109</b>	<b>-161</b>	<b>-32,473</b>
FOREX & other effects	610	19	0	0	0	0
<b>Net cash flows</b>	<b>-13,981</b>	<b>3,349</b>	<b>3,508</b>	<b>2,245</b>	<b>-24</b>	<b>-3,116</b>
Cash, start of the year	14,847	866	4,215	7,723	9,968	9,944
<b>Cash, end of the year</b>	<b>866</b>	<b>4,215</b>	<b>7,723</b>	<b>9,968</b>	<b>9,944</b>	<b>6,828</b>
<b>EBITDA/share (in €)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	215.3%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	21604.6%
EBITDA/share	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.

## FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	6 June 2017	CAD0.25	Buy	CAD0.60
2	Today	CAD0.51	Buy	CAD0.80

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