Almonty Industries Inc.

Canada / Mining
Toronto
Bloomberg: AII CN
ISIN: CA0203981034

Update

RATING	**BUY**
PRICE TARGET	**CAD 1.70**
Return Potential	153.7%
Risk Rating	High

IN THE LONG RUN…SANGDONG WILL STILL BE PRODUCING

Almonty remains on track to complete and commission its flagship Sangdong tungsten mining project in South Korea during H2/2023. Since the end of July the company has drawn down USD26.7m of the KfW IPEX-Bank USD75.1m project financing loan facility with the balance to follow in line with construction progress. Orders for large, long lead time items such as the milling and flotation equipment were placed last year, and so project cost inflation is likely to be limited to 5%, which will be absorbed by the 15% contingency built into the project costs. When Sangdong reaches full capacity from the middle of this decade, it will account for ca. 30% of non-Chinese and ca. 7% of global supply. We also note the project's multi-decade mine life (until 2073 assuming full 1.2m tonne processing capacity from 2027) and the CAPEX/contained metal figure of USD248/t which is under half the number for the closest competing project with a comparable grade. In March KfW-IPEX bank signed a letter of intent to provide a further USD50m for a tungsten oxide/nano tungsten oxide downstream processing plant to be built by Almonty in South Korea. South Korea is the largest per capita consumer of tungsten worldwide. It also consumes ~40% of global tungsten hexafluoride gas, which is used in the production of semiconductors, the raw material of which is nano tungsten oxide. Last week Almonty stated that it will "continue to progress this opportunity in tandem with the construction of the Sangdong tungsten mine." Furthermore, in July Almonty published a maiden JORC-compliant resource estimate for the molybdenum deposit at Sangdong. This shows inferred 21.48m tonnes grading 0.26% MoS_2 based on a 0.19% cut-off. The molybdenum price has risen over 20% since our last update in July and the in situ value of the resource is over USD2bn. Similarly to the tungsten oxide project Almonty plans to discuss a consumption programme for output of the future molybdenum mine with South Korean government and industry representatives. We maintain our Buy recommendation and price target of CAD1.70. **(p.t.o.)**

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022E	2023E	2024E	2025E
Revenue (CAD m)	25.10	20.85	24.37	32.00	62.37	104.32
Y-o-y growth	-54.1%	-16.9%	16.9%	31.3%	94.9%	67.3%
EBITDA (CAD m)	-6.87	-3.32	-5.27	0.94	17.52	38.89
EBITDA margin	-27.4%	-15.9%	-21.6%	2.9%	28.1%	37.3%
Net income (CAD m)	-9.06	-7.75	-15.22	-8.75	-10.01	8.56
EPS (diluted) (CAD)	-0.05	-0.04	-0.07	-0.04	-0.04	0.04
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CADm)	-11.13	-18.44	-61.01	-51.54	21.91	7.77
Net gearing	202.8%	177.8%	238.5%	431.2%	449.6%	291.9%
Liquid assets (CAD m)	2.37	1.05	12.13	7.49	6.44	6.07

RISKS

Risks are a protracted downturn in tungsten commodity prices and failure to achieve expected production levels at the Sangdong tungsten mining project.

COMPANY PROFILE

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

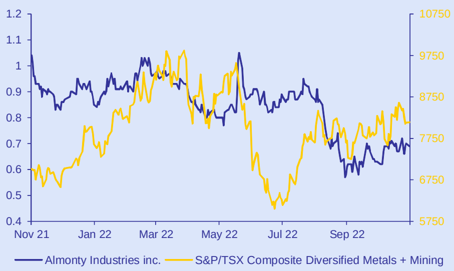
MARKET DATA

As of 23 Nov 2022

Closing Price	CAD 0.67
Shares outstanding	215.98m
Market Capitalisation	CAD 144.71m
52-week Range	CAD 0.57 / 1.05
Avg. Volume (12 Months)	78,721

Multiples	2021	2022E	2023E
P/E	n.a.	n.a.	n.a.
EV/Sales	11.4	9.7	7.4
EV/EBITDA	n.a.	n.a.	253.0
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2022

Liquid Assets	CAD 4.13m
Current Assets	CAD 15.65m
Intangible Assets	CAD 94.27m
Total Assets	CAD 165.46m
Current Liabilities	CAD 53.78m
Shareholders' Equity	CAD 32.79m

SHAREHOLDERS

Global Tungsten & Powders Corp.	17.7%
Deutsche Rohstoff AG	14.2%
Lewis Black/Almonty Partners	11.5%
Daniel d'Amato	1.0%
Free float and other	56.6%

Analyst: Simon Scholes, Tel. +49 (0)30 - 80 96 93 94

Figure 1: Q3/22 results

	2022E			2023E			2024e			2025e		
All figures in CAD '000	new	old	% Δ	new	old	% Δ	new	old	% Δ	new	old	% Δ
Revenue	**24,367**	**24,116**	**1.0%**	**32,005**	**29,118**	**9.9%**	**62,372**	**60,885**	**2.4%**	**104,321**	**101,207**	**3.1%**
Production costs	19,506	19,054	2.4%	23,982	21,914	9.4%	36,443	34,956	4.3%	55,200	52,097	6.0%
Care and maintenance costs	926	837	10.6%	800	800	0.0%	800	800	0.0%	800	800	0.0%
EBITDA from mining ops.	3,935	4,225	-6.9%	7,223	6,405	12.8%	25,129	25,129	0.0%	48,321	48,310	0.0%
Depreciation and amortisation	1,284	1,663	-22.8%	1,278	1,655	-22.8%	15,809	15,392	2.7%	16,547	16,108	2.7%
Result of mining ops.	**2,651**	**2,562**	**3.5%**	**5,945**	**4,760**	**24.9%**	**9,320**	**9,737**	**-4.3%**	**31,774**	**32,201**	**-1.3%**
General and administrative	5,346	5,442	-1.8%	5,685	5,809	-2.1%	7,004	6,853	2.2%	8,831	8,521	3.6%
Share-based compensation	3,857	589	554.8%	600	589	1.9%	600	600	0.0%	600	600	0.0%
Operating income (EBIT)	**-6,552**	**-3,469**	**n.a.**	**-340**	**-1,648**	**n.a.**	**1,716**	**2,284**	**-24.9%**	**22,344**	**23,080**	**-3.2%**
Interest expense	4,062	4,062	0.0%	8,243	7,040	17.1%	11,526	9,770	18.0%	9,919	8,147	21.7%
(Gain)/loss on debt settlement	0	0	n.a.	0	0	n.a.	0	0	n.a.	0	0	n.a.
(Gain)/loss on derivatives	-707	147	n.a.	0	0	n.a.	0	0	n.a.	0	0	n.a.
FX (gain) loss	5,215	94	5447.9%	0	0	n.a.	0	0	n.a.	0	0	n.a.
Pre-tax income (EBT)	**-15,122**	**-7,773**	**n.a.**	**-8,583**	**-8,688**	**n.a.**	**-9,810**	**-7,486**	**n.a.**	**12,425**	**14,934**	**-16.8%**
Income taxes	100	151	-33.8%	172	174	-1.3%	196	150	30.8%	3,868	3,998	-3.2%
Net income / loss	**-15,222**	**-7,923**	**n.a.**	**-8,754**	**-8,861**	**n.a.**	**-10,006**	**-7,636**	**n.a.**	**8,557**	**10,936**	**-21.8%**
EPS (CAD)	**-0.07**	**-0.04**	**n.a.**	**-0.04**	**-0.04**	**n.a.**	**-0.04**	**-0.03**	**n.a.**	**0.04**	**0.05**	**-21.8%**
EBITDA	**-5,268**	**-1,806**	**n.a.**	**938**	**7**	**n.a.**	**17,524**	**17,676**	**-0.9%**	**38,891**	**39,189**	**-0.8%**

Source: Almonty

We expect revenue to rebound to over CAD6m in Q4/22 after CAD4.8m in Q3/22
Panasqueira has been Almonty's sole producing mine since Los Santos was put on care and maintenance in Q2/20. Q3/22 volume was down 12% y-o-y and the sales figure of CAD4.8m was 32.2% below the Q2/22 level of CAD7.0m due to the annual maintenance shutdown in August. A higher average APT (ammonium paratungstate) price meant that EBIT before share-based compensation of CAD-1.1m was CAD0.7m above the Q3/21 figure of CAD-1.7m. The y-o-y jump in share-based compensation in Q3/22 to CAD3.4m (Q3/21:CAD1.0m) stemmed from the granting of stock options following the closing of the KfW IPEX-Bank financing. Management tells us that production in both September and October was higher than in July. We expect that this positive trend will continue in November and that December (which customarily sees a 10-day holiday shutdown) will also be a good month. On the back of solid volume development and positively trending APT, tin and copper prices, we expect Q4 revenues to exceed CAD6m.

Figure 2: Peer group comparison: CAPEX per tonne metal contained

Company	**Almonty**	**Group 6 Metals**	**Tungsten West**	**Tungsten Mining**	
Project	**Sangdong**	**Dolphin**	**Hemerdon**	**Mt. Mulgine**	**Watershed**
Location	South Korea	King Island, Tasmania	Devon, UK	Western Australia	Queensland
Status	Construction	Financing, development	Undeveloped	PFS	DFS
Reserves	7.9mt / 0.45%	4.4mt / 0.92%	63.6mt / 0.19%	n.a.	n.a.
Mkt. Cap. (USDm)	112.1	82.2	37.4	40.5	
Measured & indicated resource	8.3mt / 0.49%	11.2mt / 0.90%	166.1mt / 0.15%	183mt / 0.11%	37.9mt / 0.15%
Inferred resource	52.8mt / 0.45%	0.15mt / 0.85%	158.7mt / 0.11%	76.0mt / 0.11%	11.5mt / 0.15%
Avg. grade total resource	0.45%	0.90%	0.13%	0.11%	0.15%
Total metal contained (WO_3 in tons)	**264,000**	**102,000**	**424,000**	**285,000**	**72,000**
CAPEX (USDm)	**65.6**	**52.6**	**60.7**	**n.a.**	**123.8**
CAPEX per tonne contained metal (USD)	**248**	**514**	**143**	**n.a.**	**1,715**

Source: Almonty

More high grade tungsten per buck at Sangdong Figure 2 compares Sangdong with other tungsten projects currently under development. Only two of the five projects shown above - Sangdong and Dolphin - show a grade above the worldwide average for producing tungsten mines of ca. 0.20%-0.25% WO_3. CAPEX per tonne contained metal at Sangdong is under half the figure for Dolphin.

Figure 3: Evolution of Almonty's net debt position

CAD 000s	**30-Sep-21**	**31-Dec-21**	**31-Mar-22**	**30-Jun-22**	**30-Sep-22**
Cash	1,834	1,048	838	1,801	4,126
Short term debt	12,679	18,700	9,939	5,789	33,590
Long term debt	51,808	49,006	59,124	61,936	42,837
Net debt	**62,653**	**66,658**	**68,225**	**65,924**	**72,301***
Equity	**35,442**	**37,492**	**36,921**	**38,972**	**32,788**
Net gearing	**176.8%**	**177.8%**	**184.8%**	**169.2%**	**220.5%**

* 9M/22 net debt after adding back deferred financing costs was CAD88.2m.

Source: Almonty

Financing of Sangdong mine strengthens management hand in negotiations with creditors As figure 3 above shows, Almonty's reported net gearing climbed to 221% at the end of March. However, gross debt of CAD76.4m was reported net of deferred financing costs of CAD15.9m. The latter figure corresponds to financing fees incurred ahead of the first two drawdowns in August 2022 (totalling CAD23.2m) on the Sangdong project financing facility. Under IFRS, financing fees are reported as deferred financing costs under long term assets before a loan is drawn down. Upon drawdown this item is netted against the loan as a contra-liability. The contra-liability is then amortised over the life of the loan. In each period the amortisation is booked as an expense on the P&L, with debt on the balance sheet increasing by the equivalent amount. We believe that the more relevant figure for investors is the debt figure before deduction of net financing costs i.e. CAD92m. Figure 4 overleaf shows Almonty's debt repayment schedule. Despite Almonty's elevated gearing level, we continue to believe that the risk to the company's continued solvency is limited. Most of the debt on Almonty's balance sheet is either owed to shareholders, guaranteed by shareholders or owed to banks in countries (Spain and Portugal) where Almonty's mines provide employment.

Figure 4: Debt repayment schedule

CAD (000s)	
2023	33,674
2024	20,679
2025	37,698
2026	268
	92,319
Less: unamortised discount	-377
Less: imputed interest on capital lease obligations	-26
	91,916

Source: Almonty

About one third of the company's total debt at end September was convertible and a quarter of total debt convertible at under CAD1.00. Almonty has historically been very adept at rescheduling its debt and we believe that the financing of the Sangdong mine will strengthen management's hand in this regard. Nevertheless, we continue to assume a CAD15m capital raise by the end of this year to cover working capital requirements.

Figure 5: Changes to forecasts

	2022E			2023E			2024e			2025e		
All figures in CAD '000	**new**	**old**	**% Δ**	**new**	**old**	**% Δ**	**new**	**old**	**% Δ**	**new**	**old**	**% Δ**
Revenue	**24,367**	**24,116**	**1.0%**	**32,005**	**29,118**	**9.9%**	**62,372**	**60,885**	**2.4%**	**104,321**	**101,207**	**3.1%**
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Result of mining ops.	**2,651**	**2,562**	**3.5%**	**5,945**	**4,760**	**24.9%**	**9,320**	**9,737**	**-4.3%**	**31,774**	**32,201**	**-1.3%**
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Share-based compensation	3,857	589	554.8%	600	589	1.9%	600	600	0.0%	600	600	0.0%
Operating income (EBIT)	**-6,552**	**-3,469**	**n.a.**	**-340**	**-1,648**	**n.a.**	**1,716**	**2,284**	**-24.9%**	**22,344**	**23,080**	**-3.2%**
Interest expense	4,062	4,062	0.0%	8,243	7,040	17.1%	11,526	9,770	18.0%	9,919	8,147	21.7%
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Pre-tax income (EBT)	**-15,122**	**-7,773**	**n.a.**	**-8,583**	**-8,688**	**n.a.**	**-9,810**	**-7,486**	**n.a.**	**12,425**	**14,934**	**-16.8%**
Income taxes	100	151	-33.8%	172	174	-1.3%	196	150	30.8%	3,868	3,998	-3.2%
Net income / loss	**-15,222**	**-7,923**	**n.a.**	**-8,754**	**-8,861**	**n.a.**	**-10,006**	**-7,636**	**n.a.**	**8,557**	**10,936**	**-21.8%**
EPS (CAD)	**-0.07**	**-0.04**	**n.a.**	**-0.04**	**-0.04**	**n.a.**	**-0.04**	**-0.03**	**n.a.**	**0.04**	**0.05**	**-21.8%**
EBITDA	**-5,268**	**-1,806**	**n.a.**	**938**	**7**	**n.a.**	**17,524**	**17,676**	**-0.9%**	**38,891**	**39,189**	**-0.8%**

Source: First Berlin Equity research estimates

Our EBITDA forecasts from 2023 are little changed on our last study of 25 July. Higher interest costs due to rising interest rates are balanced by the positive impact of USDCAD appreciation (by 4.6% from 1.28 to 1.34) on revenue. Higher share-based compensation than we previously modelled is the main reason for the reduction in our 2022 EBITDA forecast. The delta between our old and new forecast for this number relates mainly to the issue of 6.45m share options to consultants in connection with the first drawdown on the Sangdong project financing loan.

Buy recommendation maintained at unchanged price target of CAD1.70 We have made only minor alterations to the medium-term parameters underlying our model of Almonty's future operating business. However, we have raised our WACC estimate from 8.5% to 9.5% to reflect rising interest rates. Since our last study of 25 July, the SOFR 3 month rate, which forms the basis for the Sangdong project financing loan (SOFR 3 month +2.3%), has risen from 2.5% to 4.4%. Whereas we previously modelled Sangdong's minelife out to only 2045, we now model the full mine life to 2073. This and USDCAD appreciation outweighs the impact on our valuation of the higher WACC estimate (see our sum-of-the-parts valuation in figure 8). The proforma net debt figure is higher than in our July study because of the transfer of the CAD15.9m project financing drawdown from CAPEX in the Sangdong DCF model to net debt. The proforma number of shares rises because of the above-mentioned July option issue and also because the CAD15m equity issue which we assume by year-end will be more dilutive at the current share price that at the share price at the time of our most recent 25 July study (CAD0.88). Despite a 19% rise in the molybdenum price to USD62,320 per tonne since our last study, we have left our valuation of the Sangdong molybdenum project unchanged at USD91m. Our new sum-of-the-parts valuation yields a fair value for the Almonty share of CAD1.66. We maintain our Buy recommendation at an unchanged price target of CAD1.70.

Figure 6: Sangdong DCF valuation*

USD	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Tungsten APT price	**345**	**300**	**300**	**300**	**300**	**300**	**300**	**300**	**300**
WO_3 price	**269**	**234**	**234**	**234**	**234**	**234**	**234**	**234**	**234**
Tonnage processed	**0**	**65,359**	**326,797**	**669,281**	**980,392**	**1,200,000**	**1,200,000**	**1,200,000**	**1,200,000**
MTUs WO_3 produced	**0**	**25,000**	**125,000**	**256,000**	**375,000**	**459,000**	**459,000**	**459,000**	**459,000**
Revenues	**0**	**5,849,957**	**29,249,965**	**59,903,996**	**87,749,986**	**107,406,000**	**107,406,000**	**107,406,000**	**107,406,000**
Ore mining costs	0	1,649,988	8,249,990	16,895,999	24,749,996	30,294,000	30,294,000	30,294,000	30,294,000
Processing costs	0	918,098	4,590,517	9,401,390	13,771,566	16,856,400	16,856,400	16,856,400	16,856,400
G&A costs	0	317,057	1,585,292	3,246,682	4,755,882	5,821,200	5,821,200	5,821,200	5,821,200
Total operating costs	**0**	**2,885,142**	**14,425,800**	**29,544,071**	**43,277,444**	**52,971,600**	**52,971,600**	**52,971,600**	**52,971,600**
Operating costs per MTU	**0**	**115**	**115**	**115**	**115**	**115**	**115**	**115**	**115**
EBITDA	**0**	**2,964,815**	**14,824,166**	**30,359,925**	**44,472,542**	**54,434,400**	**54,434,400**	**54,434,400**	**54,434,400**
Depreciation	0	0	10,564,607	11,115,714	12,223,571	12,987,857	13,365,714	15,890,429	5,520,179
EBIT	0	2,964,815	4,259,558	19,244,210	32,248,970	41,446,543	41,068,686	38,543,971	48,914,221
Cash taxes	**0**	**0**	**0**	**2,886,632**	**4,837,346**	**9,118,239**	**9,035,111**	**8,479,674**	**10,761,129**
Tax rate	0.0%	0.0%	0.0%	15.0%	15.0%	22.0%	22.0%	22.0%	22.0%
Cashflow from operations	**0**	**2,964,815**	**14,824,166**	**27,473,293**	**39,635,196**	**45,316,161**	**45,399,289**	**45,954,726**	**43,673,271**
Initial CAPEX	**19,800,000**	**35,000,000**	**0**	**6,500,000**	**6,500,000**	**0**	**0**	**0**	**0**
Sustaining CAPEX	**0**	**83,500**	**299,500**	**916,000**	**1,594,000**	**2,606,000**	**2,684,000**	**1,500,000**	**1,500,000**
Net cashflow	**-19,800,000**	**-32,118,685**	**14,524,666**	**20,057,293**	**31,541,196**	**42,710,161**	**42,715,289**	**44,454,726**	**42,173,271**
Discounted cashflow	**-19,608,926**	**-29,049,072**	**11,996,831**	**15,129,292**	**21,727,528**	**26,868,860**	**24,540,718**	**23,324,253**	**20,207,518**
PV cashflows (9.5%)	**303,595,141**								

**for layout purposes the model shows numbers only until 2030 but runs until 2073*

Source: First Berlin Equity Research estimates; Almonty Industries Inc.

Figure 7: Los Santos, Panasqueira, Valtreixal DCF valuation*

USD	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Tungsten APT price	345	300	300	300	300	300	300	300	300
WO_3 price received	269	234	234	234	234	234	234	234	234
Metric tonne units produced	62,108	62,000	62,000	62,000	67,161	95,261	131,275	133,340	120,170
Tungsten revenues	16,702,312	14,508,000	14,508,000	14,508,000	16,182,875	33,839,679	31,244,354	28,843,186	27,930,169
Tin and copper revenue	3,260,806	3,526,173	2,788,333	3,439,495	4,062,116	12,932,980	15,677,512	15,404,036	15,289,804
Total revenue	19,963,117	18,034,173	17,296,333	17,947,495	20,244,991	46,772,659	46,921,866	44,247,222	43,219,973
Total operating costs	17,439,843	17,563,376	16,803,718	17,344,182	24,010,813	33,434,513	30,257,713	30,102,613	28,979,513
EBITDA	2,523,274	470,798	492,615	603,313	-3,765,821	13,338,147	16,664,153	14,144,609	14,240,461
Depreciation	985,066	953,731	1,232,836	1,232,836	1,641,648	3,867,247	6,719,757	6,883,317	5,840,189
EBIT	1,538,208	-482,934	-740,220	-629,523	-5,407,469	9,470,900	9,944,397	7,261,292	8,400,272
Cash taxes	77,079	128,102	146,412	0	0	2,367,725	2,486,099	1,815,323	2,100,068
Tax rate	5.0%	-26.5%	-19.8%	0.0%	0.0%	25.0%	25.0%	25.0%	25.0%
Cashflow from operations	2,446,196	342,696	346,203	603,313	-3,765,821	10,970,422	14,178,054	12,329,286	12,140,393
Initial CAPEX (Valtreixal)	0	0	0	23,000,000	0	0	0	0	0
Sustaining CAPEX	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Net cashflow	1,246,196	-857,304	-853,797	-23,596,687	-4,965,821	9,770,422	12,978,054	11,129,286	10,940,393
Discounted cashflow	1,234,783	-775,757	-705,555	-17,807,923	-3,422,466	6,149,606	7,459,839	5,842,155	5,244,747
PV cashflows (9.5%)	9,124,795								

**the model runs until 2032*

Source: First Berlin Equity Research estimates; Almonty Industries Inc.

Figure 8: Sum-of-the-parts valuation

USD 000's	New	Old	% Δ
Sangdong tungsten project	303,595	292,241	3.9%
Los Santos, Panasqueira, Valtreixal	9,138	9,589	-4.7%
Sangdong molybdenum project	91,413	91,413	0.0%
Corporate costs	16,936	17,886	
Total enterprise value	**387,210**	**375,357**	3.2%
Total enterprise value (CAD 000's)	**518,862**	**487,964**	6.3%
Plus: proforma net debt (CAD 000's)	24,301	11,695	107.8%
Fair equity value (CAD 000's)	**494,560**	**476,270**	3.8%
Proforma no. shares (000's)	297,655	280,207	6.2%
Fair equity value per share (CAD)	**1.66**	**1.70**	-2.3%

Source: First Berlin Equity Research estimates

INCOME STATEMENT

All figures in CAD '000	2020	2021	2022E	2023E	2024E	2025E
Revenue	**25,095**	**20,847**	**24,367**	**32,005**	**62,372**	**104,321**
Production costs	23,394	19,565	19,506	23,982	36,443	55,200
Care and maintenance costs	997	848	926	800	800	800
EBITDA from mining operations	**704**	**434**	**3,935**	**7,223**	**25,129**	**48,321**
Impairment loss	0	-4,136	0	0	0	0
Depreciation and amortisation	2,075	1,783	1,284	1,278	15,809	16,547
Income from mining operations	**-1,371**	**2,787**	**2,651**	**5,945**	**9,320**	**31,774**
General and administrative	6,964	6,380	5,346	5,685	7,004	8,831
Share-based compensation	612	1,513	3,857	600	600	600
Operating income (EBIT)	**-8,947**	**-5,106**	**-6,552**	**-340**	**1,716**	**22,344**
Interest expense	3,139	3,487	4,062	8,243	11,526	9,919
Financing fees	697	0	0	0	0	0
(Gain)/loss on debt settlement	-1,777	0	0	0	0	0
Gain on deconsolidation	0	0	0	0	0	0
(Gain)/loss on valuation of derivative liabilities	0	-133	147	0	0	0
Foreign exchange (gain) loss	-863	-215	94	0	0	0
Pre-tax income (EBT)	**-10,143**	**-8,245**	**-15,122**	**-8,583**	**-9,810**	**12,425**
Income taxes	-1,086	-492	100	172	196	3,868
Minority interests	0	0	0	0	0	0
Net income / loss	**-9,057**	**-7,753**	**-15,222**	**-8,754**	**-10,006**	**8,557**
Diluted EPS (in CAD)	**-0.05**	**-0.04**	**-0.07**	**-0.04**	**-0.04**	**0.04**
EBITDA	**-6,872**	**-3,323**	**-5,268**	**938**	**17,524**	**38,891**
Ratios						
EBITDA margin on revenues	-27.4%	-15.9%	-21.6%	2.9%	28.1%	37.3%
EBIT margin on revenues	-35.7%	-24.5%	-26.9%	-1.1%	2.8%	21.4%
Net margin on revenues	-36.1%	-37.2%	-62.5%	-27.4%	-16.0%	8.2%
Tax rate	n.m.	n.m.	n.m.	n.m.	n.m.	31.1%
Expenses as % of revenues						
Production costs	93.2%	93.9%	80.0%	74.9%	58.4%	52.9%
Impairment loss	0.0%	-19.8%	0.0%	0.0%	0.0%	0.0%
General and administrative	27.8%	30.6%	21.9%	17.8%	11.2%	8.5%
Y-Y Growth						
Revenues	-54.1%	-16.9%	16.9%	31.3%	94.9%	67.3%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	1202.1%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

BALANCE SHEET

All figures in CAD '000	2020	2021	2022E	2023E	2024E	2025E
Assets						
Current assets, total	**9,839**	**10,885**	**23,626**	**22,590**	**35,876**	**55,300**
Cash and cash equivalents	2,372	1,048	12,128	7,488	6,444	6,074
Trade receivables	399	1,588	1,856	2,438	4,751	7,947
Sales tax receivable	534	403	471	619	1,206	2,017
Inventories	6,141	6,777	7,921	10,404	20,276	33,913
Other current assets	393	1,069	1,250	1,641	3,198	5,349
Non-current assets, total	**141,224**	**154,970**	**202,827**	**251,085**	**240,930**	**271,782**
Mining assets	107,465	109,512	157,399	204,740	190,941	216,760
Tailings inventory	27,454	29,051	28,751	28,751	28,751	28,751
Deferred financing costs	3,498	13,296	13,296	13,296	13,296	13,296
Deferred tax assets	2,250	2,654	2,924	3,841	7,485	12,519
Restricted cash	0	0	0	0	0	0
Other assets	557	457	457	457	457	457
Total assets	**151,063**	**165,855**	**226,453**	**273,675**	**276,805**	**327,082**
Shareholders' equity & debt						
Current liabilities, total	**66,759**	**40,975**	**76,639**	**66,808**	**103,008**	**147,830**
Bank indebtedness	0	0	0	0	0	0
Accounts payable and accrued liabilities	17,613	20,997	24,543	32,235	62,821	105,072
Deferred revenue	0	1,278	1,494	1,962	3,824	6,395
Current portion of long term debt	49,146	18,700	50,603	32,611	36,363	36,363
Long-term liabilities, total	**55,135**	**87,388**	**105,530**	**170,421**	**143,714**	**135,577**
Long-term debt	12,378	49,006	67,148	132,039	105,332	97,195
Restoration and other provisions	42,743	38,368	38,368	38,368	38,368	38,368
Deferred tax liabilities	14	14	14	14	14	14
Minority interests	**0**	**0**	**0**	**0**	**0**	**0**
Shareholders' equity	**29,169**	**37,492**	**44,284**	**36,446**	**30,084**	**43,675**
Total consolidated equity and debt	**151,063**	**165,855**	**226,453**	**273,675**	**276,805**	**327,082**

Ratios						
Current ratio (x)	0.15	0.27	0.31	0.34	0.35	0.37
Quick ratio (x)	0.06	0.10	0.20	0.18	0.15	0.14
Net debt	59.15	66.66	105.62	157.16	135.25	127.48
Net gearing	202.8%	177.8%	238.5%	431.2%	449.6%	291.9%
Book value per share (in CAD)	0.16	0.20	0.19	0.15	0.13	0.18
Return on equity (ROE)	-28.8%	-23.3%	-37.2%	-21.7%	-30.1%	23.2%

CASH FLOW STATEMENT

All figures in CAD '000	2020	2021	2022E	2023E	2024E	2025E
Net profit before minorities	**-9,057**	**-7,753**	**-15,222**	**-8,754**	**-10,006**	**8,557**
Share-based compensation	612	1,513	0	0	0	0
Depreciation and amortisation	2,075	1,783	1,284	1,278	15,809	16,547
Interest expense	3,137	3,487	0	0	0	0
Financing fees	697	0	0	0	0	0
Income tax expenses	81	88	0	0	0	0
Deferred tax recovery	-1,167	-580	0	0	0	0
Impairment loss	0	-133	0	0	0	0
Inventory impairment charges	0	61	0	0	0	0
Gain on debt settlement	-1,777	0	0	0	0	0
Gain on deconsolidation	0	-4,136	0	0	0	0
Unrealised foreign exchange (gain) loss	1,756	110	0	0	0	0
Other non-cash items	-120	0	0	0	0	0
Interest and taxes paid	-725	-1,172	0	0	0	0
Net change in non-cash w orking capital	-549	-1,732	2,100	4,557	18,118	25,028
Change in tailings inventory	206	24	0	0	0	0
Operating cash flow	**-4,831**	**-8,440**	**-11,837**	**-2,920**	**23,921**	**50,132**
Additions to mining assets	-6,294	-10,001	-49,171	-48,620	-2,009	-42,365
Free cash flow	**-11,125**	**-18,441**	**-61,008**	**-51,540**	**21,912**	**7,767**
Other investments	0	0	0	0	0	0
Investment cash flow	**-6,294**	**-10,001**	**-49,171**	**-48,620**	**-2,009**	**-42,365**
Debt financing, net	10,675	8,494	50,045	46,900	-22,956	-8,137
Equity financing	2,003	17,914	22,043	0	0	0
Other financing	-772	-9,221	0	0	0	0
Financing cash flow	**11,906**	**17,187**	**72,088**	**46,900**	**-22,956**	**-8,137**
FOREX & other effects	95	-70	0	0	0	0
Net cash flows	**876**	**-1,324**	**11,080**	**-4,640**	**-1,044**	**-370**
Cash, start of the year	1,496	2,372	1,048	12,128	7,488	6,444
Cash, end of the year	**2,372**	**1,048**	**12,128**	**7,488**	**6,444**	**6,074**
EBITDA/share (in CAD)	**-0.04**	**-0.02**	**-0.02**	**0.00**	**0.07**	**0.16**

Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	109.6%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	-64.6%
EBITDA/share	n.m.	n.m.	n.m.	n.m.	n.m.	121.9%

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	6 June 2017	CAD0.25	Buy	CAD0.60
2...9	↓	↓	↓	↓
10	25 November 2019	CAD0.62	Buy	CAD1.35
11	3 February 2020	CAD0.62	Buy	CAD1.45
12	10 June 2020	CAD0.55	Buy	CAD1.35
13	6 August 2020	CAD0.72	Buy	CAD1.45
14	30 September 2020	CAD0.73	Buy	CAD1.45
15	10 December 2020	CAD0.73	Buy	CAD1.45
16	18 June 2021	CAD1.20	Buy	CAD1.55
17	25 July 2022	CAD0.86	Buy	CAD1.70
18	Today	CAD0.67	Buy	CAD1.70

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- **valuation methods and principles**
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