

Almonty Industries Inc.

Canada / Mining
 Toronto
 Bloomberg: AII CN
 ISIN: CA0203981034

KFW-IPEX Bank
 greenlights first
 Sangdong drawdown

RATING
BUY

PRICE TARGET
CAD 1.70

Return Potential 93.2%
 Risk Rating High

SANGDONG TUNGSTEN MINE ONLY 1 OF 3 OPPORTUNITIES IN S. KOREA

Almonty announced on 5 July that it had received the fully executed utilisation request for the first USD12.8m drawdown from the USD75.1m Sangdong tungsten project financing facility. The first drawdown funds will be sent to Almonty following completion of the mortgage registration in South Korea, which we expect by the end of this month. 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. Completion and commissioning is now expected during H2 2023. China produced over 80% of global primary tungsten output in 2021 with Russia and Vietnam together accounting for a further 10%. When Sangdong reaches full capacity from the middle of this decade, it will account for ca. 30% of non-Chinese and 7-10% of global supply. The closing of the tungsten project financing will allow Almonty to pursue other opportunities at Sangdong. On 18 July Almonty published a maiden JORC-compliant resource estimate for the molybdenum deposit at Sangdong. This shows inferred 21.48m tonnes grading 0.26% MoS₂ based on a 0.19% cut-off. At the current molybdenum price of over USD50,000/tonne, the in situ value of the resource is over USD1.7bn. This compares with an in situ value of USD2bn for the Sangdong tungsten resource. The future molybdenum and tungsten mines will share common infrastructure. 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 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. However, the country currently imports 95% of its tungsten oxide requirement from China. Feedstock for the tungsten oxide plant could come from Sangdong, local scrap and also Almonty's Panasqueira and Valtreixal mines in Europe. We maintain our Buy recommendation and raise the price target from CAD1.55 to CAD1.70. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022E	2023E	2024E	2025E
Revenue (CAD m)	25.10	20.85	24.12	29.12	60.88	101.21
Y-o-y growth	-54.1%	-16.9%	15.7%	20.7%	109.1%	66.2%
EBITDA (CAD m)	-6.87	-3.32	-1.81	0.01	17.68	39.19
EBITDA margin	-27.4%	-15.9%	-7.5%	0.0%	29.0%	38.7%
Net income (CAD m)	-9.06	-7.75	-7.92	-8.86	-7.64	10.94
EPS (diluted) (CAD)	-0.05	-0.04	-0.04	-0.04	-0.03	0.05
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CADm)	-11.13	-18.44	-53.04	-51.39	24.76	10.00
Net gearing	202.8%	177.8%	189.4%	344.3%	314.9%	206.9%
Liquid assets (CAD m)	2.37	1.05	19.67	13.78	11.49	10.57

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 22 Jul 2022

Closing Price	CAD 0.88
Shares outstanding	216.00m
Market Capitalisation	CAD 190.08m
52-week Range	CAD 0.77 / 1.06
Avg. Volume (12 Months)	82,675

Multiples	2021	2022E	2023E
P/E	n.a.	n.a.	n.a.
EV/Sales	12.4	10.7	8.9
EV/EBITDA	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2022

Liquid Assets	CAD 0.84m
Current Assets	CAD 11.27m
Intangible Assets	CAD 69.51m
Total Assets	CAD 166.94m
Current Liabilities	CAD 33.94m
Shareholders' Equity	CAD 36.92m

SHAREHOLDERS

Global Tungsten & Powders Corp.	17.7%
Deutsche Rohstoff AG	14.2%
Lewis Black/Almonty Partners	11.6%
Daniel d'Amato	1.0%
Free float and other	55.6%



Greenlight on first drawdown worth waiting for The Sangdong tungsten project's strategic importance is underlined by the 15 year offtake concluded with Plansee/GTP for 210k MTU WO₃ annually with a floor price of USD183/metric tonne unit (MTU). Cash cost is ca. USD110/MTU. The interest rate on the KfW loan of 2.5% plus SOFR is far below the double digit rates charged for recent financing at competing tungsten projects. The terms reflect the mine's lowest quartile cost curve position, the over USD70/MTU gap between the offtake agreement floor price and cash cost per MTU, as well as the average mineralisation grade, which at 0.45% is twice the global average. Potential mine-life stretches beyond the middle of this century and the resource to CAPEX ratio at 3.7x is very competitive.

We think that the likelihood of disappointments at the start of operations at Sangdong is small Almonty will be using a well-established flotation technique at Sangdong. Metallurgical tests carried out by Korea Institute of Geoscience and Mineral Resources and by Wardell Armstrong produced recovery and tungsten concentrate grades of 85%-90% and 62%-70% WO₃ respectively. Recovery of over 80% is considered high, while grades above 62% are acceptable for concentrate. In addition, Almonty commissioned its own pilot plant on the Sangdong site in the summer of 2019 and will thus have had over three years to refine its process before production starts in earnest in 2024. We therefore think that the likelihood of disappointments at the start of operations at Sangdong is small.

In situ value of molybdenum resource exceeds USD1.7bn On 18 July, Almonty published a maiden JORC-compliant resource estimate for the molybdenum deposit at Sangdong. The resource estimate shows inferred 21.48m tonnes grading 0.26% MoS₂ (molybdenum disulphide). At the current molybdenum price of over USD50,000/tonne the in situ value of the resource is over USD1.7bn. This compares with an in situ value of USD2bn for the Sangdong tungsten resource. The molybdenum resource estimate is based on a cut-off of 0.19% MoS₂ derived from a molybdenum price of USD14.25/lb. At the current price of USD23.8/lb the economic resource would presumably be larger. The molybdenum deposit is located 150m below the Sangdong WO₃ mine and has a vertical thickness of up to 400m. The resource estimate is based on a drillhole database stemming from underground drilling, and some surface drilling completed prior to 1992 by the Korea Tungsten Mining Company Ltd. (KTMC), as well by Oriental Minerals (OTL) during 2006-2008. The KTMC drilling covers 14,300m over 27 holes. The OTL drilling, which intersected the area of molybdenum mineralisation, covers 4,000m over 6 holes.

Tungsten and molybdenum mines will share common infrastructure Almonty has stated that the molybdenum deposit is open in multiple directions. We expect the company to initiate its own drilling programme at the deposit to delineate further resource and locate higher-grade zones in the existing resource. Drilling will also facilitate the formulation of a mine plan. The future tungsten and molybdenum mines will to a large extent be able to share common infrastructure, thereby reducing unit costs.

Ready local market for Sangdong molybdenum production Ca. 85% of molybdenum produced is used in metallurgy, where the main application is to make alloys. It is used in steel alloys to increase strength, hardness, electrical conductivity and resistance to corrosion and wear. Molybdenum-steel alloys are used in engines. Other alloys are used in heating elements, drills and saw blades. South Korea was the world's sixth largest steel producer in 2021 with output of 70.4m tonnes and the fourth largest importer of molybdenum. There should therefore be a ready local market for molybdenum from Sangdong.



Demand for additional tungsten production at Sangdong likely to come from South Korean end-users of value-added products

The offtake agreement with GTP will account for ca. 80% of Sangdong's WO_3 output with annual processing capacity at 600,000 tonnes of ore in 2025 and ca. 45% when processing capacity reaches 1.2m tonnes later in the decade. Demand for the additional non-GTP material is likely to come from South Korean end-users of value-added products. 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. However, the country currently imports 95% of its tungsten oxide requirement from China. Feedstock for the tungsten oxide plant could come from Sangdong, local scrap and also Almonty's Panasqueira and Valtreixal mines in Europe. Almonty currently envisages a downstream processing plant with annual output of 3,000-4,000 tonnes split 60/40 between tungsten oxide and nano tungsten oxide. Nano tungsten oxide currently trades at USD90/kg while tungsten oxide is priced at a ca. 10% premium to tungsten APT (ammonium paratungstate) i.e. at ca. USD38,500 per tonne.

Valtreixal mine permit expected in the near-term but mining unlikely to start until 2026

In mid-2020 the Spanish authorities classified Almonty's Valtreixal property in northwest Spain as suitable for mining activity. In the near-term management expect to complete the mining permitting process which will allow construction of an open pit mine at the site. However, production at Valtreixal is not expected to start until 2026 because Almonty's first priority is the initiation of production at Sangdong. The October 2015 NI 43-101 technical report on the Valtreixal project showed a reserve of 2.55m tonnes grading 0.25% WO_3 and 0.12% Sn (tin). The technical report assumes recovery rates for the WO_3 and Sn reserves of 56% and 67% respectively. Life-of-mine output on the basis of this reserve figure would be 357k MTU WO_3 and 204k MTU Sn.

Figure 1: Valtreixal reserve estimate

Category	Tonnes Kt	WO_3 %	Sn %	WO_3 Equiv. %
Probable reserves	2,549	0.25	0.12	0.34

Source: Almonty

Figure 2: Valtreixal resource estimate

Category	Tonnes Kt	WO_3 %	Sn %	WO_3 equivalent %
Indicated	2,828	0.25	0.13	0.34
Inferred	15,419	0.08	0.12	0.17
Total	18,247	0.11	0.12	0.20

Source: Almonty

The 2015 technical report suggests that Valtreixal's mine life could be over 20 years

As figure 2 shows, Valtreixal has an indicated resource of 2.83m tonnes grading 0.25% WO_3 and 0.13% Sn and an inferred resource of 15.42m tonnes grading 0.08% WO_3 and 0.12% Sn. A pit optimisation model included in the 2015 NI 43-101 technical report suggests potential for profitable production (based on tungsten APT and Sn prices of USD260/MTU and USD20,000/tonne respectively) of over 20 years at annual WO_3 equivalent production in excess of 80,000 MTU. However our valuation of Valtreixal only incorporates production which can be generated on the basis of the reserve.

**Figure 3: Q1/22 results**

CAD 000's	Q1 2022A	Q1 2021A	Δ %
Revenue	6,258	3,858	62.2%
Production costs	4,734	3,947	19.9%
Care and maintenance costs	237	200	18.5%
Depreciation and amortisation	421	571	-26.3%
Earnings/(loss) from mining ops.	866	-860	n.a.
General and administrative	1,361	1,543	-11.8%
Share-based compensation	139	522	-73.4%
EBIT	-634	-2,925	n.a.
Net interest expense	724	786	-7.9%
Financing fees	0	0	n.a.
(Gains) losses on debt settlements	0	0	n.a.
Valuation loss on derivative liabilities	147	191	n.a.
Foreign exchange (gain) loss	94	-826	n.a.
Income (loss) before income taxes	-1,599	-10,143	n.a.
Income tax expense	34	9	n.a.
Net profit	-1,633	-3,085	n.a.
EBITDA	-213	-2,354	n.a.

Source: Almonty

The Los Santos mine has been on care and maintenance since Q2/20, since which time Panasqueira has been Almonty's sole producing mine. Shipment volume from Panasqueira rose 19.8% y-o-y in Q1/22, partly as a result of increased demand. Group revenue jumped by 62.2% to CAD6.3m (Q1/21:CAD3.9m), mainly because of a 36% increase in the APT price. EBIT at Panasqueira came in at CAD0.7m (Q1/21:CAD0.0m). All cost items fell as a percentage of sales but group EBIT was still in the red at CAD-0.6m (Q1/21:CAD-2.9m). Q1/22 operating cashflow was CAD-2.1m (Q1/21:CAD-2.8m).

Financing of Sangdong mine strengthens management hand in negotiations with creditors As figure 4 below shows, Almonty's net gearing climbed to 185% at the end of March. 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. CAD4.2m of Almonty's debt is due later this year and a further CAD43.8m in 2023. About 40% of the company's total debt is convertible and a third is 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.

Figure 4: Evolution of Almonty's net debt position

CAD 000s	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21	31-Mar-22
Cash	2,372	2,296	1,235	1,834	1,048	838
Short term debt	49,146	5,640	5,657	12,679	18,700	9,939
Long term debt	12,378	56,319	58,162	51,808	49,006	59,124
Net debt	59,152	59,663	62,584	62,653	66,658	68,225
Equity	29,169	28,960	27,065	35,442	37,492	36,921
Net gearing	202.8%	206.0%	231.2%	176.8%	177.8%	184.8%

Source: Almonty

Buy recommendation maintained; price target raised from CAD1.55 to CAD1.70 By the time Sangdong reaches full capacity in the latter half of this decade, we expect the mine to be processing 1.2m tonnes of feed tonnage and producing over 479,000 MTU WO₃. The average annual delivery to offtake partner, Global Tungsten & Powders, will be 210,000 MTUs. As indicated above, we expect most of the mine's remaining output to be used as feedstock for the production of tungsten oxide and nano tungsten oxide. We have raised the discount rate used in our model from 7.5% to 8.5% to reflect rises in interest rates. However, we now also assume a long-term tungsten APT price of USD300/MTU. The current spot price is USD350/MTU.



Our most recent June 2021 note was based on a long-term tungsten APT price of USD260. The reduction in our valuation of Los Santos, Panasqueira and Valtreixal (see figure 7) reflects more conservative output assumptions for these mines. Our valuation of the Sangdong molybdenum project is equivalent to 5% of the in situ value of the resource. In our June 2021 note we used a multiplier of 2%. The increase is prompted by the recent publication of a maiden JORC-compliant resource estimate for the project. We also assume a CAD15m capital raise later this year to cover working capital requirements and further exploration at the Sangdong molybdenum project. We now see fair value for the Almonty share at CAD1.70 (previously: CAD1.55). We maintain our Buy recommendation.

Figure 5: Sangdong DCF valuation*

USD	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Tungsten APT price	328	280	300	300	300	300	300	300	300
WO ₃ price	256	218	234	234	234	234	234	234	234
Tonnage processed	0	62,578	312,891	640,801	938,673	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	479,400	479,400	479,400	479,400
Revenues	0	5,460,000	29,250,000	59,904,000	87,750,000	112,179,600	112,179,600	112,179,600	112,179,600
Ore mining costs	0	1,579,787	7,898,936	16,177,021	23,696,809	30,294,000	30,294,000	30,294,000	30,294,000
Processing costs	0	879,036	4,395,181	9,001,332	13,185,544	16,856,400	16,856,400	16,856,400	16,856,400
G&A costs	0	303,567	1,517,835	3,108,526	4,553,504	5,821,200	5,821,200	5,821,200	5,821,200
Total operating costs	0	2,762,390	13,811,952	28,286,879	41,435,857	52,971,600	52,971,600	52,971,600	52,971,600
Operating costs per MTU	0	110	110	110	110	110	110	110	110
EBITDA	0	2,697,610	15,438,048	31,617,121	46,314,143	59,208,000	59,208,000	59,208,000	59,208,000
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	2,697,610	4,873,440	20,501,407	34,090,571	46,220,143	45,842,286	43,317,571	53,687,821
Cash taxes	0	0	0	3,075,211	5,113,586	10,168,431	10,085,303	9,529,866	11,811,321
Tax rate	0.0%	0.0%	0.0%	15.0%	15.0%	22.0%	22.0%	22.0%	22.0%
Cashflow from operations	0	2,697,610	15,438,048	28,541,910	41,200,557	49,039,569	49,122,697	49,678,134	47,396,679
Initial CAPEX	36,700,000	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	0	0
Net cashflow	-36,700,000	-32,385,890	15,138,548	21,125,910	33,106,557	46,433,569	46,438,697	49,678,134	47,396,679
Discounted cashflow	-35,418,673	-28,806,622	12,410,548	15,962,189	23,054,796	29,802,287	27,470,580	27,084,657	23,816,406
PV cashflows (8.5%)	292,241,154								

*for layout purposes the model shows numbers only until 2030 but runs until 2045

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

Figure 6: Los Santos, Panasqueira, Valtreixal DCF valuation*

USD	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Tungsten APT price	328	280	300	300	300	300	300
WO ₃ price received	256	218	234	234	234	234	234
Metric tonne units produced	61,308	62,000	62,000	62,000	67,161	95,261	131,275
Tungsten revenues	15,729,652	13,540,800	14,508,000	14,508,000	16,182,875	33,839,679	31,244,354
Tin and copper revenue	3,260,222	3,398,002	3,076,481	3,439,495	4,062,116	12,932,980	15,677,512
Total revenue	18,989,873	16,938,802	17,584,481	17,947,495	20,244,991	46,772,659	46,921,866
Total operating costs	17,398,653	16,921,058	17,118,196	17,419,498	24,086,128	33,509,828	30,333,028
EBITDA	1,591,220	17,743	466,285	527,997	-3,841,137	13,262,831	16,588,838
Depreciation	1,287,136	1,273,077	1,275,385	1,275,385	1,684,196	3,909,795	6,762,306
EBIT	304,083	-1,255,334	-809,100	-747,387	-5,525,333	9,353,036	9,826,532
Cash taxes	117,152	133,655	115,168	0	0	2,338,259	2,456,633
Tax rate	38.5%	-10.6%	-14.2%	0.0%	0.0%	25.0%	25.0%
Cashflow from operations	1,474,067	-115,912	351,117	527,997	-3,841,137	10,924,572	14,132,205
Initial CAPEX (Valtreixal)	0	0	0	23,000,000	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
Net cashflow	274,067	-1,315,912	-848,883	-23,672,003	-5,041,137	9,724,572	12,932,205
Discounted cashflow	264,499	-1,170,478	-695,912	-17,885,950	-3,510,555	6,241,486	7,649,981
PV cashflows (8.5%)	9,589,187						

*the model runs until 2032

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

**Figure 7: Sum-of-the-parts valuation**

USD 000's	New	Old	% Δ
Sangdong tungsten project	292,241	266,851	9.5%
Los Santos, Panasqueira, Valtreixal	9,589	23,000	-58.3%
Sangdong molybdenum project	91,413	38,000	140.6%
Corporate costs	17,886	15,000	
Total enterprise value	375,357	312,851	20.0%
Total enterprise value (CAD 000's)	487,964	406,758	20.0%
Plus: proforma net debt (CAD 000's)	11,695	11,845	-1.3%
Fair equity value (CAD 000's)	476,270	394,913	20.6%
Proforma no. shares (000's)	280,207	255,147	9.8%
Fair equity value per share (CAD)	1.70	1.55	9.7%

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in CAD '000	2020	2021	2022E	2023E	2024E	2025E
Revenue	25,095	20,847	24,116	29,118	60,885	101,207
Production costs	23,394	19,565	19,054	21,914	34,956	52,097
Care and maintenance costs	997	848	837	800	800	800
EBITDA from mining operations	704	434	4,225	6,405	25,129	48,310
Impairment loss	0	-4,136	0	0	0	0
Depreciation and amortisation	2,075	1,783	1,663	1,655	15,392	16,108
Income from mining operations	-1,371	2,787	2,562	4,750	9,737	32,201
General and administrative	6,964	6,380	5,442	5,809	6,853	8,521
Share-based compensation	612	1,513	589	589	600	600
Operating income (EBIT)	-8,947	-5,106	-3,469	-1,648	2,284	23,080
Interest expense	3,139	3,487	4,062	7,040	9,770	8,147
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	-7,773	-8,688	-7,486	14,934
Income taxes	-1,086	-492	151	174	150	3,998
Minority interests	0	0	0	0	0	0
Net income / loss	-9,057	-7,753	-7,923	-8,861	-7,636	10,936
Diluted EPS (in CAD)	-0.05	-0.04	-0.04	-0.04	-0.03	0.05
EBITDA	-6,872	-3,323	-1,806	7	17,676	39,189
Ratios						
EBITDA margin on revenues	-27.4%	-15.9%	-7.5%	0.0%	29.0%	38.7%
EBIT margin on revenues	-35.7%	-24.5%	-14.4%	-5.7%	3.8%	22.8%
Net margin on revenues	-36.1%	-37.2%	-32.9%	-30.4%	-12.5%	10.8%
Tax rate	n.m.	n.m.	n.m.	n.m.	n.m.	26.8%
Expenses as % of revenues						
Production costs	93.2%	93.9%	79.0%	75.3%	57.4%	51.5%
Impairment loss	0.0%	-19.8%	0.0%	0.0%	0.0%	0.0%
General and administrative	27.8%	30.6%	22.6%	19.9%	11.3%	8.4%
Y-Y Growth						
Revenues	-54.1%	-16.9%	15.7%	20.7%	109.1%	66.2%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	910.7%
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	31,049	27,519	40,220	58,322
Cash and cash equivalents	2,372	1,048	19,669	13,779	11,490	10,566
Trade receivables	399	1,588	1,837	2,218	4,638	7,709
Sales tax receivable	534	403	466	563	1,177	1,956
Inventories	6,141	6,777	7,840	9,466	19,793	32,901
Other current assets	393	1,069	1,237	1,493	3,122	5,190
Non-current assets, total	141,224	154,970	201,979	248,093	238,462	268,293
Mining assets	107,465	109,512	156,581	202,094	188,652	213,644
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	2,894	3,494	7,306	12,145
Restricted cash	0	0	0	0	0	0
Other assets	557	457	457	457	457	457
Total assets	151,063	165,855	233,028	275,612	278,682	326,615
Shareholders' equity & debt						
Current liabilities, total	66,759	40,975	76,319	63,544	101,127	144,211
Bank indebtedness	0	0	0	0	0	0
Accounts payable and accrued liabilities	17,613	20,997	24,289	29,328	61,323	101,935
Deferred revenue	0	1,278	1,478	1,785	3,732	6,204
Current portion of long term debt	49,146	18,700	50,552	32,431	36,071	36,071
Long-term liabilities, total	55,135	87,388	105,156	168,777	138,088	127,162
Long-term debt	12,378	49,006	66,774	130,395	99,706	88,780
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	51,552	43,291	39,467	55,242
Total consolidated equity and debt	151,063	165,855	233,028	275,612	278,682	326,615
Ratios						
Current ratio (x)	0.15	0.27	0.41	0.43	0.40	0.40
Quick ratio (x)	0.06	0.10	0.30	0.28	0.20	0.18
Net debt	59.15	66.66	97.66	149.05	124.29	114.29
Net gearing	202.8%	177.8%	189.4%	344.3%	314.9%	206.9%
Book value per share (in CAD)	0.16	0.20	0.22	0.18	0.17	0.24
Return on equity (ROE)	-28.8%	-23.3%	-17.8%	-18.7%	-18.5%	23.1%



CASH FLOW STATEMENT

All figures in CAD '000	2020	2021	2022E	2023E	2024E	2025E
Net profit before minorities	-9,057	-7,753	-7,923	-8,861	-7,636	10,936
Share-based compensation	612	1,513	0	0	0	0
Depreciation and amortisation	2,075	1,783	1,663	1,655	15,392	16,108
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 working capital	-549	-1,732	1,950	2,985	18,953	24,057
Change in tailings inventory	206	24	0	0	0	0
Operating cash flow	-4,831	-8,440	-4,310	-4,222	26,709	51,102
Additions to mining assets	-6,294	-10,001	-48,732	-47,169	-1,949	-41,101
Free cash flow	-11,125	-18,441	-53,042	-51,390	24,760	10,001
Other investments	0	0	0	0	0	0
Investment cash flow	-6,294	-10,001	-48,732	-47,169	-1,949	-41,101
Debt financing, net	10,675	8,494	49,620	45,500	-27,049	-10,926
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	71,663	45,500	-27,049	-10,926
FOREX & other effects	95	-70	0	0	0	0
Net cash flows	876	-1,324	18,621	-5,890	-2,289	-925
Cash, start of the year	1,496	2,372	1,048	19,669	13,779	11,490
Cash, end of the year	2,372	1,048	19,669	13,779	11,490	10,566
EBITDA/share (in CAD)	-0.04	-0.02	-0.01	0.00	0.08	0.17
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	91.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	-59.6%
EBITDA/share	n.m.	n.m.	n.m.	n.m.	n.m.	121.7%

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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...8	↓	↓	↓	↓
9	19 August 2019	CAD0.80	Buy	CAD1.35
10	25 November 2019	CAD0.62	Buy	CAD1.35
11	3 February 2020	CAD0.53	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	Today	CAD0.88	Buy	CAD1.70

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