

Almonty Industries Inc.

Canada / Mining

Toronto

Bloomberg: All CN

ISIN: CA0203981034

Update

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**CAD 1.35**

145.5%

High

SANGDONG TO SUPPLY CA. 25% OF NON-CHINESE WO₃ BY 2026

Completion of the loan documents for the financing of the Sangdong mine by the German state-owned development bank KfW-IPEX Bank is imminent. The loan (USD76m at 3 months LIBOR +2.5%) will be available for drawdown following the sourcing of a further USD31m in hybrid debt/equity expected over the next few weeks. Drift development as well as equipment procurement and installation have been proceeding at Sangdong since last year, and subject to near-term drawdown of the loan, are scheduled for completion by early 2022. Almonty will be using a well-established flotation technique to recover tungsten concentrate from the Sangdong deposit. Metallurgical tests carried out by KIGAM (Korea Institute of Geoscience and Mineral Resources) and by Wardell Armstrong produced recovery and tungsten concentrate grades of 85%-90% and 62%-70% 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 two years to refine its process before production starts in earnest in 2022. On this basis, we think that the likelihood of disappointments at the start of operations at Sangdong is small. China was responsible for nearly 80% of global primary tungsten output in 2018. When Sangdong reaches full capacity in 2026, it will account for ca. 25% of non-Chinese supply. The project's strategic importance is underlined by the 15 year offtake concluded with Plansee/GTP for 210k MTU annually with a floor price of USD183/MTU. Cash cost is ca. USD106/MTU. We lower our price target to CAD1.35 from CAD1.45 to reflect a later start to mining at Sangdong than previously modelled but maintain our Buy recommendation.

KfW/OeKB support for Almonty and Austrian/European industrial policy KfW-IPEX Bank issued a binding commitment letter for the USD76m Sangdong loan to Almonty on 23 January. This was followed a month later by the issuance of Export Credit Agency cover by OeKB (Österreichische Kontrollbank). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016/17	2017/18	2018/19*	2020E	2021E	2022E
Revenue (CAD m)	39.02	65.17	54.63	26.05	41.56	98.17
Y-o-y growth	4.6%	67.0%	-16.2%	-52.3%	59.6%	136.2%
EBIT (CAD m)	-10.07	-7.61	-8.35	1.78	2.99	35.68
EBIT margin	-25.8%	-11.7%	-15.3%	6.8%	7.2%	36.3%
Net income (CAD m)	-8.24	-10.69	-5.86	-0.09	0.99	30.47
EPS (diluted) (CAD)	-0.07	-0.06	-0.03	0.00	0.00	0.12
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CADm)	-13.83	4.67	-5.00	-44.27	-44.12	39.15
Net gearing	105.9%	98.8%	142.0%	68.7%	104.7%	61.3%
Liquid assets (CADm)	4.47	8.72	1.50	3.00	33.45	33.14

* from 1 October 2018 to 31 December 2019; subsequent years are calendar years

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 09 Jun 2020

Closing Price	CAD 0.55
Shares outstanding	184.46m
Market Capitalisation	CAD 101.46m
52-week Range	CAD 0.34 / 0.93
Avg. Volume (12 Months)	153,626

Multiples	2017/18	2018/19	2020E
P/E	n.a.	n.a.	n.a.
EV/Sales	2.3	2.7	5.7
EV/EBIT	n.a.	n.a.	83.8
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	CAD 1.50m
Current Assets	CAD 10.34m
Intangible Assets	CAD 59.44m
Total Assets	CAD 133.65m
Current Liabilities	CAD 50.68m
Shareholders' Equity	CAD 33.82m

SHAREHOLDERS

Lewis Black/Almonty Partners LLC	19.7%
Global Tungsten & Powders Corp.	15.2%
Deutsche Rohstoff AG	12.8%
J.P. Morgan Chase & Co.	8.5%
Free float and other	43.8%



KfW-IPEX Bank is long established in the finance of raw material projects supportive of German and European Industry. We believe OeKB's role is attributable to Plansee/GTP's (Global Tungsten and Powders) status both as Almonty's second largest shareholder and as one of Austria's two largest industrial users of tungsten. The Plansee Group (including all 20 percent interests and higher) generated sales of €3bn during the year to end February 2019. The company was debt free. In its 2018/19 results press release Plansee stated that "in view of volatile raw materials markets and difficult general conditions for tungsten mines in the West, the Plansee Group has taken further steps to safeguard the raw material supply of tungsten in the long run. On 1 March 2019, Plansee announced the acquisition of Stadler Metalle...which specializes in the trade and processing of hard metals". Plansee/GTP's 15.2% shareholding in Almonty and the Sangdong offtake agreement should be understood in this context. We also note that Plansee/GTP's Austrian competitor, WBH (Wolfram Bergbau und Hütten) was acquired in 2009 by the Swedish tool manufacturer, Sandvik. WBH controls the Mittersill mine, which is the largest tungsten deposit in Europe.

Interest rate on KfW loan compares favourably with other projects As we wrote in our most recent update of 3 February, the interest rate on the KfW loan is low in comparison with recently started tungsten projects such as Oaktree/Ormonde's Barruecopardo mine and W Resources' La Parrilla mine, both of which are financed at double digit interest rates. In our view the low interest rate on the KfW loan reflects the wide margin between the GTP offtake floor price and cash costs, the high grade of the resource (at 0.5% twice the global average level), a substantial historic production track record and potential multi-decade mine life.

Subsidies from the South Korean authorities likely to be substantial Over time it is likely that the USD76m debt financing of Sangdong will to a large extent be matched by subsidies from the South Korean authorities. The USD106/MTU cash cost figure is before subsidies. Management expects to receive a subsidy equivalent to USD5-10/MTU to fund tailings disposal. This subsidy will take final cash cost below USD100/MTU. On the basis of our production forecasts for the mine, this subsidy could amount to USD18-36m during the first ten years of the mine's life. The 2016 technical report in addition assumed a tax rate of 24.25% following an initial two year tax holiday. Management tells us that Sandong's location in an area designated by the South Korean authorities as a FIZ (foreign investment zone) will mean that the project pays no tax for the first three years in which profits are generated. Tax will be half the standard South Korean corporate rate of 25% in the two subsequent years.

Figure 1: 2018/19 results

CAD 000's	12M to 30.09.18A	3M to 31.12.18A	3M to 31.12.19A	15M to 31.12.19A	3M to end 19A vs. 3M to end 18A	15M to end 19A vs. 12M to end 18A
Revenue	65,171	16,412	6,602	54,634	-59.8%	-16.2%
Production costs	36,699	8,845	9,360	38,194		
EBITDA from mining ops	28,472	7,567	-2,758	16,440	n.a.	-42.3%
Impairment loss	15,604	0	10,112	10,112		
Impairment reversal	0	-4,150	4,150	0		
Depreciation and amortisation	11,155	1,474	77	4,487		
Earnings/(loss) from mining ops.	1,713	10,243	-17,097	1,841	n.a.	7.5%
General and administrative	8,426	1,834	2,959	10,124		
Share-based compensation	897	0	0	68		
EBIT	-7,610	8,409	-20,056	-8,351	n.a.	n.a.
Net interest expense	2,459	648	485	3,049		
(Gains) losses on debt settlements	0	-1,015	826	-401		
Loss on deconsolidation	0	0	4,150	4,150		
Foreign exchange (gain) loss	-95	1,411	-2,492	-1,785		
Income (loss) before income taxes	-9,974	7,365	-14,725	-5,064		
Income tax provision	715	108	-429	169		
Net income before minorities	-10,689	7,257	-14,296	-5,233	n.a.	n.a.

Source: Almonty



Almonty's most recent annual report, published in mid-May, showed results for the fifteen month period to end December 2019 as shown in figure 1 above. The company published numbers for the fifteen month period, because during 2019, it changed its year-end from 30 September to 31 December.

Sharply lower production during final 2019 quarter During the quarter ending 31 December 2019 (Q5 2018/19) production volumes were 60.6% below the level of Q1 2018/19 (ending 31 December 31 2018). Production was 83.7% lower at the Los Santos mine and 33.5% lower at the Panasqueira mine. Production at Los Santos fell because of a switchover from mining of fresh ore to processing of tailings inventory. The recovery rate from tailings processing was lower than expected. At Panasqueira production fell because of a decision to mine lower grade ore so as to facilitate planned underground maintenance, thereby enabling mining of higher grade ore in future quarters. The average commodity price during Q5/19 was 12% below the Q1/19 level and revenues were down 59.8%. Despite the fall in volume, production costs increased by around 6% because of the low recovery rate at Los Santos.

Los Santos now on care and maintenance. We expect restart in 2021 Lower than expected recovery rates from tailings processing at Los Santos caused management to book an impairment charge of CAD10.1m in the final quarter of 2019. Following the impairment, the book value of Los Santos assets was CAD31.1m (end September 2018: CAD45.2m). In February 2020 Almonty put the Los Santos Mine on care and maintenance so as to focus on the financing of the Sangdong Mine. The company is assessing an expenditure of ca. CAD1m on tailings processing technology which is currently widely used in Asia. The restart of operations at Los Santos is planned for calendar 2021.

Wolfram Camp Mine impairment reversal/loss on deconsolidation During the year ending 30 September 2018 Almonty booked an impairment charge of CAD15.6m. Of this CAD12.8m related to the Wolfram Camp Mine and CAD2.8m to the Los Santos Mine. The impairment of the Wolfram Camp Mine was taken because the mine had been on care and maintenance since 2016. The company also had no plans to restart operations, and had received no offers to purchase the assets. CAD4.2m of the CAD12.8m Wolfram Camp Mine impairment was reversed during Q1 2018/19 as a gain on deconsolidation. This gain was cancelled in the full year numbers. The impairment at Los Santos stemmed from an earlier transition to tailings processing than originally planned. This led to the writedown of development costs related to pits which will no longer be mined.

FINANCIAL POSITION

Figure 2: Evolution of Almonty's net debt position

CAD 000s	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Cash	9,457	9,353	5,165	2,891	1,496
Restricted cash	1,279	1,262	1,495	1,189	0
Short term debt	30,278	36,073	31,733	37,205	33,763
Long term debt	22,327	13,616	13,423	12,777	15,736
Net debt	41,869	39,074	38,496	45,902	48,003
Equity	50,180	51,963	52,778	48,229	33,816
Net gearing	83.4%	75.2%	72.9%	95.2%	142.0%

Source: Almonty

Financing of Sangdong mine strengthens management hand in negotiations with creditors As figure 2 shows, Almonty's net gearing was well over 100% at the end of December. However, we do not see any significant risk to the company's continued solvency.



The debt on Almonty's balance sheet is either owed to shareholders, guaranteed by shareholders, owed to banks in countries (Spain and Portugal) where Almonty's mines provide substantial employment, or unsecured. 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. The maturity date of the Unicredit loan (CAD20.3m) is 30 September 2020, but the loan maturity date can be extended each year over a three year period to 30 September 2023.

Figure 3 shows changes to our forecasts. The 39% reduction in our 2020 revenue forecast reflects the removal from our numbers of the Los Santos Mine, which we expect to be on care and maintenance until the end of this year. The reduction in our 2021 forecast is due to a later start to mining at Sangdong than we had previously modelled. Our 2020 EBIT forecast rises despite a decrease in revenue. This is because management does not expect to book depreciation on the project's assets until year three of the production ramp-up (previously: year two).

Figure 3: Changes to forecasts

All figures in CAD '000	2020E			2021E			2022E		
	new	old	% Δ	new	old	% Δ	new	old	% Δ
Revenue	26,050	42,501	-38.7%	41,565	95,000	-56.2%	98,174	112,178	-12.5%
Production costs	11,216	27,680	-59.5%	23,829	47,657	-50.0%	46,247	54,825	-15.6%
EBITDA from mining ops.	14,833	14,821	0.1%	17,736	47,343	-62.5%	51,927	57,354	-9.5%
Depreciation and amortisation	4,050	2,960	36.8%	6,750	21,595	-68.7%	6,750	21,998	-69.3%
Result of mining ops.	10,783	11,861	-9.1%	10,986	25,748	-57.3%	45,177	35,355	27.8%
General and administrative	9,000	6,800	32.4%	8,000	12,683	-36.9%	9,500	13,553	-29.9%
Share-based compensation	0	272	n.a.	0	0	n.a.	0	0	n.a.
Operating income (EBIT)	1,783	4,789	-62.8%	2,986	13,064	-77.1%	35,677	21,803	63.6%
Interest expense	2,128	2,308	-7.8%	2,297	5,266	-56.4%	5,503	4,553	20.9%
Pre-tax income (EBT)	-345	2,481	-113.9%	689	7,798	-91.2%	30,174	17,249	74.9%
Income taxes	-256	372	-168.8%	-296	156	-289.8%	-299	259	-215.3%
Net income / loss	-89	2,109	n.a.	985	7,642	-87.1%	30,473	16,991	79.3%
EPS (CAD)	0.00	0.01	n.a.	0.00	0.03	-87.1%	0.12	0.06	79.3%
EBITDA	5,833	7,749	-24.7%	9,736	34,660	-71.9%	42,427	43,801	-3.1%

Source: First Berlin Equity research estimates



VALUATION

Buy recommendation maintained. Price target reduced to CAD1.35 from CAD1.45

The main change to our sum of the parts model is the 10.2% reduction of our enterprise valuation of Sangdong which mainly reflects a later start to production that we previously modelled.

Figure 4: Sangdong DCF valuation*

USD	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Tungsten APT price		260	260	260	260	260	260	260	260	260	260
WO ₃ price		203	203	203	203	203	203	203	203	203	203
Metric tonne units produced	0	7,277	213,280	266,029	263,830	396,711	501,108	501,108	501,108	501,108	501,108
Revenues	0	1,475,832	43,253,239	53,950,740	53,504,786	80,452,964	101,624,796	101,624,796	101,624,796	101,624,796	101,624,796
Ore mining costs	0	636,308	11,415,178	15,221,208	15,779,804	23,204,013	28,693,936	29,009,436	29,859,602	28,639,207	28,044,004
Processing costs	0	246,674	6,796,121	8,854,840	8,854,840	13,101,740	16,549,567	16,549,567	14,191,200	14,191,200	14,191,200
G&A costs	575,000	640,000	2,174,530	2,833,250	2,833,250	4,192,115	5,295,303	5,295,303	5,880,000	5,880,000	5,880,000
Total operating costs	575,000	1,522,982	20,385,829	26,909,298	27,467,894	40,497,868	50,538,806	50,854,306	49,930,802	48,710,407	48,115,204
Operating costs per MTU		209	96	101	104	102	101	101	100	97	96
EBITDA	-575,000	-47,150	22,867,409	27,041,442	26,036,892	39,955,096	51,085,990	50,770,490	51,693,994	52,914,389	53,509,592
Depreciation	0	0	10,847,955	10,847,955	12,775,168	13,926,814	14,206,172	14,732,906	15,138,178	14,290,223	14,290,223
EBIT	-575,000	-47,150	22,867,409	16,193,487	15,188,937	27,179,928	37,159,176	36,564,318	36,961,088	37,776,211	49,219,369
Cash taxes	0	0	0	0	0	3,397,491	4,644,897	0	0	0	0
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	12.5%	20.0%	20.0%	20.0%	20.0%
Cashflow from operations	-575,000	-47,150	22,867,409	27,041,442	26,036,892	36,557,605	46,441,093	43,457,626	44,301,776	45,359,147	43,665,719
Initial CAPEX	35,908,173	37,891,693	0	0	6,500,000	6,500,000	0	0	0	0	0
Sustaining CAPEX	0	0	2,135,822	0	490,489	1,561,521	1,955,503	3,687,141	2,836,907	0	0
Net cashflow	-36,483,173	-37,938,843	20,731,587	27,041,442	19,046,403	28,496,084	44,485,590	39,770,485	41,464,869	45,359,147	43,665,719
Discounted cashflow	-34,742,988	-33,146,078	16,617,058	19,884,969	12,849,361	17,637,103	25,260,092	20,718,102	19,817,227	19,888,451	17,565,082
PV cashflows (9%)		246,807,287									

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

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

Figure 5: Los Santos, Panasqueira, Valtreixal DCF valuation

USD	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Tungsten APT price	260	260	260	260	260	260	260	260	260
WO ₃ price received	241	239	238	227	227	216	217	218	218
Metric tonne units produced	80,000	122,884	123,652	122,806	124,112	219,962	209,985	195,008	191,264
Revenues	19,296,000	29,312,893	29,468,606	27,886,712	28,151,526	47,590,040	45,566,713	42,529,384	41,770,051
Total operating costs	14,400,000	22,119,136	22,257,342	22,105,040	22,340,082	47,291,880	37,797,348	35,101,495	34,427,531
Operating costs per MTU	180	180	180	180	180	215	180	180	180
EBITDA	4,896,000	7,193,757	7,211,263	5,781,672	5,811,444	298,161	7,769,364	7,427,889	7,342,521
Depreciation	3,000,000	5,000,000	5,000,000	5,000,000	5,000,000	8,000,000	8,000,000	8,000,000	8,000,000
EBIT	1,896,000	2,193,757	2,211,263	781,672	811,444	-7,701,839	-230,636	-572,111	-657,479
Cash taxes	189,600	219,376	221,126	78,167	81,144	0	0	0	0
Tax rate	10.0%	10.0%	10.0%	10.0%	10.0%	25.0%	25.0%	25.0%	25.0%
Cashflow from operations	4,706,400	6,974,382	6,990,137	5,703,505	5,730,299	298,161	7,769,364	7,427,889	7,342,521
Sustaining CAPEX	1,499,999	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Net cashflow	3,206,401	5,474,382	5,490,137	4,203,505	4,230,299	-1,201,839	6,269,364	5,927,889	5,842,521
Discounted cashflow	2,964,661	4,643,718	4,272,553	3,001,161	2,770,910	-722,223	3,456,382	2,998,278	2,711,100
PV cashflows (9%)		26,096,540							

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

Figure 6: Sum-of-the-parts valuation

USD 000's	New	Old	% Δ
Sangdong	246,807	274,964	-10.2%
Los Santos, Panasqueira, Valtreixal	26,097	24,808	5.2%
Total enterprise value	272,904	299,772	-9.0%
Total enterprise value (CAD 000's)	368,421	395,699	-6.9%
Plus: proforma net cash (CAD 000's)	9,127	9,948	-8.2%
Fair equity value (CAD 000's)	377,548	405,647	-6.9%
Proforma no. shares (000's)	279,275	279,296	0.0%
Fair equity value per share (CAD)	1.35	1.45	-6.9%

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in CAD '000	2016/17A	2017/18A	2018/19A	2020E	2021E	2022E
Revenue	39,018	65,171	54,634	26,050	41,565	98,174
Production costs	32,349	36,699	38,194	11,216	23,829	46,247
EBITDA from mining operations	6,669	28,472	16,440	14,833	17,736	51,927
Impairment loss	0	15,604	10,112	0	0	0
Depreciation and amortisation	6,400	11,155	4,487	4,050	6,750	6,750
Income from mining operations	269	1,713	1,841	10,783	10,986	45,177
General and administrative	9,864	8,426	10,124	9,000	8,000	9,500
Share-based compensation	472	897	68	0	0	0
Operating income (EBIT)	-10,067	-7,610	-8,351	1,783	2,986	35,677
Interest expense	2,436	2,459	3,214	2,128	2,297	5,503
Gains on debt settlements	3,015	0	-401	0	0	0
Foreign exchange (gain) loss	-1,368	-95	-1,785	0	0	0
Pre-tax income (EBT)	-8,120	-9,974	-5,064	-345	689	30,174
Income taxes	122	715	798	-256	-296	-299
Minority interests	0	0	0	0	0	0
Net income / loss	-8,242	-10,689	-5,862	-89	985	30,473
Diluted EPS (in CAD)	-0.07	-0.06	-0.03	0.00	0.00	0.12
EBITDA	-3,667	3,545	-3,864	5,833	9,736	42,427
Ratios						
EBITDA margin on revenues	-9.4%	5.4%	-7.1%	22.4%	23.4%	43.2%
EBIT margin on revenues	-25.8%	-11.7%	-15.3%	6.8%	7.2%	36.3%
Net margin on revenues	-21.1%	-16.4%	-10.7%	-0.3%	2.4%	31.0%
Tax rate	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Expenses as % of revenues						
Production costs	82.9%	56.3%	69.9%	43.1%	57.3%	47.1%
Impairment loss	0.0%	23.9%	18.5%	0.0%	0.0%	0.0%
General and administrative	25.3%	12.9%	18.5%	34.5%	19.2%	9.7%
Y-Y Growth						
Revenues	4.6%	67.0%	-16.2%	-52.3%	59.6%	136.2%
Operating income	n.m.	n.m.	n.m.	n.m.	67.4%	1094.7%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	2992.5%



BALANCE SHEET

All figures in CAD '000	2016/17A	2017/18A	2018/19A	2020E	2021E	2022E
Assets						
Current assets, total	15,823	24,469	10,339	9,096	49,700	68,969
Cash and cash equivalents	4,473	8,721	1,496	3,000	33,448	33,135
Trade receivables	1,420	2,674	858	1,042	1,663	1,963
Sales tax receivable	1,372	1,960	922	1,016	1,621	3,829
Inventories	7,274	9,698	6,542	3,386	11,929	28,176
Other current assets	1,284	1,416	521	651	1,039	1,865
Non-current assets, total	144,328	122,833	123,307	169,106	215,889	226,630
Mining assets	115,721	91,255	94,699	140,668	187,873	196,349
Tailings inventory	23,492	28,084	25,847	25,847	25,847	25,847
Deferred financing costs	0	0	1,247	0	0	0
Deferred tax assets	2,864	1,226	1,007	2,084	1,663	3,927
Restricted cash	1,300	1,245	0	0	0	0
Other assets	951	1,023	507	507	507	507
Total assets	160,151	147,302	133,646	178,201	265,589	295,599
Shareholders' equity & debt						
Current liabilities, total	47,374	53,091	50,683	62,481	64,976	87,320
Bank indebtedness	9,447	0	0	0	0	0
Accounts payable and accrued liabilities	22,479	25,673	16,920	13,025	24,274	57,334
Deferred revenue	3,951	1,542	0	1,693	2,702	6,381
Current portion of long term debt	11,497	25,876	33,763	47,763	38,000	23,605
Long-term liabilities, total	67,152	53,348	49,147	42,307	110,352	117,927
Long-term debt	33,162	24,455	15,736	5,656	89,985	64,913
Restoration and other provisions	32,790	28,893	33,397	36,000	18,704	49,087
Deferred tax liabilities	1,200	0	14	651	1,663	3,927
Minority interests	0	0	0	0	0	0
Shareholders' equity	45,625	40,863	33,816	73,414	90,262	90,351
Total consolidated equity and debt	160,151	147,302	133,646	178,201	265,589	295,599
Ratios						
Current ratio (x)	0.33	0.46	0.20	0.15	0.76	0.79
Quick ratio (x)	0.18	0.28	0.07	0.09	0.58	0.47
Net debt	48.33	40.37	48.00	50.42	94.54	55.38
Net gearing	105.9%	98.8%	142.0%	68.7%	104.7%	61.3%
Book value per share (in CAD)	0.27	0.23	0.19	0.28	0.35	0.35
Return on equity (ROE)	-20.3%	-24.7%	-15.7%	-0.2%	1.2%	33.7%



CASH FLOW STATEMENT

All figures in CAD '000	2016/17A	2017/18A	2018/19A	2020E	2021E	2022E
Net profit before minorities	-8,242	-10,689	-5,233	-89	985	30,473
Share-based compensation	472	897	68	0	0	0
Depreciation and amortisation	6,400	11,155	4,487	4,050	6,750	6,750
Interest expense	2,436	2,459	3,049	0	0	0
Income tax expenses	122	715	169	0	0	0
Impairment loss	0	0	10,112	0	0	0
Inventory impairment charges	0	15,604	0	0	0	0
Gain on debt settlement	-3,015	0	-401	0	0	0
Gain on deconsolidation	0	0	-4,150	0	0	0
Unrealised foreign exchange (gain) loss	-1,320	936	-1,522	0	0	0
Other non-cash items	104	-215	-14	0	0	0
Interest and taxes paid	-920	-1,199	-1,285	0	0	0
Net change in non-cash working capital	4,620	-5,091	638	1,792	2,101	17,158
Change in tailings inventory	-3,545	-3,632	-1,708	0	0	0
Operating cash flow	-2,888	10,940	4,210	5,753	9,837	54,380
Additions to mining assets	-10,945	-6,270	-9,206	-50,019	-53,955	-15,226
Free cash flow	-13,833	4,670	-4,996	-44,266	-44,118	39,154
Other investments	266	247	1,408	0	0	0
Investment cash flow	-10,679	-6,023	-7,798	-50,019	-53,955	-15,226
Debt financing, net	7,581	-5,295	-4,225	3,920	74,566	-39,467
Equity financing	6,353	4,755	826	41,850	0	0
Other financing	0	0	-157	0	0	0
Financing cash flow	13,934	-540	-3,556	45,770	74,566	-39,467
FOREX & other effects	-109	-129	-81	0	0	0
Net cash flows	258	4,248	-7,225	1,504	30,448	-313
Cash, start of the year	4,215	4,473	8,721	1,496	3,000	33,448
Cash, end of the year	4,473	8,721	1,496	3,000	33,448	33,135
EBITDA/share (in CAD)	-0.04	0.03	-0.02	0.02	0.04	0.16
Y-Y Growth						
Operating cash flow	n.m.	n.m.	-61.5%	36.7%	71.0%	452.8%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	n.m.	n.m.	n.m.	58.6%	335.8%

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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...7	↓	↓	↓	↓
8	16 May 2019	CAD1.02	Buy	CAD1.35
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	Today	CAD0.55	Buy	CAD1.35

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