Almonty Industries Inc.

Canada / Mining
Toronto
Bloomberg: AII CN
ISIN: CA0203981034

Update

RATING	**BUY**
PRICE TARGET	**CAD 1.45**
Return Potential	101.4%
Risk Rating	High

ON COURSE TO REALISE THE WORLD'S PREMIER TUNGSTEN PROJECT

Almonty has placed €3.3m (ca. USD3.7m) of convertible bonds and also closed a secured loan of USD0.5m. These financing measures represent further steps towards the completion of the financing of the Sangdong mine, which is expected to account for 25% of non-Chinese WO_3 supply by 2026. The total sum required to construct the mine is USD103m. Almonty received a binding commitment letter for a USD76m senior project finance loan from the German state bank KfW in January. The convertible bond and secured loan reduce the owners' cost portion still to be raised to ca. USD23m. The DSRA (debt service reserve account) accounts for USD10m of this figure. We expect this sum to be financed through a bank guarantee or line of credit and the balance of USD13m to stem from a hybrid/mezzanine/bond financing structure. Once this money has been raised, Almonty will be able to draw down the USD76m from the KfW. Sangdong has a multi-decade mine life, and the resource to CAPEX ratio at 3.9x is twice the level of the next most competitive tungsten project on the basis of this metric. Moreover, the average tungsten grade of 0.44% at Sangdong is twice the Chinese and global average. The high grade of the resource means that Sangdong's cash operating costs at USD106/MTU (MTU = metric ton unit = 10Kg) are located in the lowest quartile of the cost curve. Almonty's 15 year 210k MTU p.a. offtake agreement with the Plansee subsidiary, GTP, has a floor price of USD183/MTU. This implies a secure annual cashflow of USD16.2m (CAD21.8m). Annual WO_3 production at Sangdong is scheduled to ramp to ca. 500,000 MTU by 2026. We maintain our Buy recommendation but raise our price target to CAD1.45 (previously: CAD1.35) to reflect lower dilution than we previously modelled.

Multi-decade mine life at Sangdong even after capacity expansion We expect Sangdong to process over 600,000 tonnes of ore in 2023 producing over 250k MTU WO_3. Mine life after the planned increase in capacity to 1.2m tonnes of ore from 2026 (annual production of ca. 500k MTU WO3) will still be over 50 years. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017/18	2018/19	2020E	2021E	2022E	2023E
Revenue (CAD m)	65.17	54.63	25.82	41.02	97.42	111.86
Y-o-y growth	67.0%	-16.2%	-52.7%	58.9%	137.5%	14.8%
EBIT (CAD m)	-7.61	-8.35	-4.06	2.22	34.71	24.19
EBIT margin	-11.7%	-15.3%	-15.7%	5.4%	35.6%	21.6%
Net income (CAD m)	-10.69	-5.86	-8.69	-4.08	26.27	16.69
EPS (diluted) (CAD)	-0.06	-0.03	-0.05	-0.02	0.13	0.08
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CADm)	4.67	-5.00	-58.50	-49.59	29.77	41.44
Net gearing	98.8%	142.0%	209.3%	375.7%	168.4%	78.5%
Liquid assets (CAD m)	8.72	1.50	76.74	0.39	33.12	45.41

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.

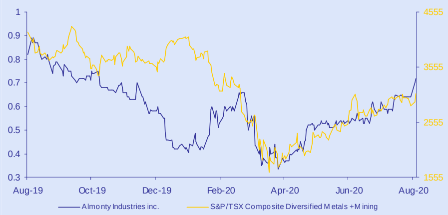
MARKET DATA

As of 05 Aug 2020

Closing Price	CAD 0.72
Shares outstanding	184.46m
Market Capitalisation	CAD 132.81m
52-week Range	CAD 0.34 / 0.89
Avg. Volume (12 Months)	159,487

Multiples	2018/19	2020E	2021E
P/E	n.a.	n.a.	n.a.
EV/Sales	3.4	7.2	4.5
EV/EBIT	n.a.	n.a.	83.8
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2020

Liquid Assets	CAD 3.62m
Current Assets	CAD 14.39m
Intangible Assets	CAD 60.39m
Total Assets	CAD 144.12m
Current Liabilities	CAD 64.57m
Shareholders' Equity	CAD 33.24m

SHAREHOLDERS

Lewis Black/Almonty Partners LLC	19.5%
Global Tungsten & Powders Corp.	15.0%
Deutsche Rohstoff AG	12.7%
Board Members	2.0%
Free float and other	50.8%

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Large molybdenum deposit located beneath the Sangdong tungsten deposit Our present valuation is based solely on Almonty's tungsten assets. However, during the period 1980-87, Korea Tungsten Mining Co. Ltd (KTMC) identified a large molybdenite-quartz vein stockwork deposit in the Sangdong area which is known as the Deep Moly Deposit. This deposit is located 150m below the Sangdong WO_3 mine and has a vertical thickness of up to 400m. Exploration work carried out by KTMC (22 vertical holes corresponding to 12,390m core drilling) produced a preliminary resource estimate (non-NI 43-101-compliant) of 16.3 million tonnes grading 0.4% MoS_2 (molybdenum disulfide). Almonty acknowledge that further exploration work is required and plan to undertake this during the early stages of mining the Sangdong tungsten deposit.

Demand for the additional production at Sangdong could come from South Korean industry/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. Demand for the additional output at capacity of 1.2m tonnes is likely to come from South Korea and users of value-added products. South Korea is the world's largest importer of tungsten oxides from China. Likely customers include semiconductor, light-emitting diode and liquid crystal display manufacturers. Almonty is also considering adding downstream processing capacity to convert WO_3 into value-added products such as ferrotungsten and sodium tungstate. Ferrotungsten is a master alloy for the production of tungsten-containing steels while sodium tungstate is an intermediate product in the conversion of tungsten ores into tungsten.

Valtreixal mine permit expected by end 2020 but mining unlikely to start until 2025 In mid-June the Spanish authorities classified Almonty's Valtreixal property in northwest Spain as suitable for mining activity. Management expect to complete the mining permitting process which will allow construction of an open pit mine at the site by the end of this year. However, production at Valtreixal is not expected to start until 2025 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.

Q1/20 results fell due to lower production and tungsten prices Almonty's Q1/20 results (see figure 3) showed a 51% decline in revenue to CAD6.4m (Q1/19: CAD13.1m) while EBITDA fell to CAD-1.8m (Q1/19: CAD6.0m). Revenue declined because of lower production and shipments at both the Los Santos and Panasqueira mines, as well as an 11.9% decline in the average commodity price. Production was 17.1% lower at Panasqueira and 80.4% lower at Los Santos. 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. Production at Los Santos fell because of a switchover from mining of fresh ore to processing of tailings inventory in Q3/19.

Los Santos on care and maintenance; we expect production to resume in 2021 Lower than expected recovery rates from tailings processing at Los Santos caused management to put the Los Santos Mine on care and maintenance in February 2020 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. We expect the restart of operations at Los Santos in calendar 2021. The CAD0.6m care and maintenance charge taken in the Q1/20 P&L reflects severance payments at Los Santos and is not expected to recur during subsequent quarters.

Figure 3: Q1/20 results

CAD 000's	Q1/20	Q1/19	Δ %
Revenue	**6,391**	**13,051**	**-51.0%**
Production costs	5,728	5,733	
Care and maintenance costs	598	0	
EBITDA from mining ops.	**65**	**7,318**	**-99.1%**
Depreciation and amortisation	709	1,630	
Earnings/(loss) from mining ops.	**-644**	**5,688**	**n.a.**
General and administrative	1,620	1,620	
Share-based compensation	207	0	
EBIT	**-2,471**	**4,068**	**n.a.**
Net interest expense	664	654	
(Gains) losses on debt settlements	-1,619	0	
Foreign exchange (gain) loss	2,544	-718	
Income (loss) before income taxes	-4,060	4,132	
Income tax provision	0	168	
Net income before minorities	**-4,060**	**3,964**	**n.a.**
EBITDA	**-1,762**	**5,698**	**n.a.**

Source: Almonty

Financing of Sangdong mine strengthens management hand in negotiations with creditors As figure 4 below shows, Almonty's net gearing climbed to 163% at the end of March. CAD30.3m of the group's debt was denominated in US dollars, CAD9.0m in euros, and the balance in CAD. We estimate that the weakness of the Canadian dollar against the US dollar and euro accounted for over half of the CAD6m increase in net debt during Q1/20. 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 substantial employment. 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 (CAD22.2m at the end of March) is 30 September 2020, but the maturity date can be extended each year over a three year period to 30 September 2023. The recent convertible bond and loan financing should cover working capital requirements until the end of this year by which time we expect Almonty to have raised the remaining USD23m of the owners cost portion of the Sandgong loan financing and drawn down the USD76m KfW project finance loan.

Figure 4: Evolution of Almonty's net debt position

CAD 000s	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20
Cash	9,457	9,353	5,165	2,891	1,496	3,624
Restricted cash	1,279	1,262	1,495	1,189	0	0
Short term debt	30,278	36,073	31,733	37,205	33,763	46,995
Long term debt	22,327	13,616	13,423	12,777	15,736	10,680
Net debt	**41,869**	**39,074**	**38,496**	**45,902**	**48,003**	**54,051**
Equity	**50,180**	**51,963**	**52,778**	**48,229**	**33,816**	**33,239**
Net gearing	**83.4%**	**75.2%**	**72.9%**	**95.2%**	**142.0%**	**162.6%**

Source: Almonty

The most significant changes to our forecasts (see figure 5 below) relate to upward revisions to our production cost forecasts following the Q1/20 results. These relate to lower tin credits at Panasqueira as a result of the collapse in the price of this metal at the start of the pandemic. A recovery in the tin price has prompted increased shipments since the end of Q2/20 and hence lower unit costs.

Figure 5: Changes to forecasts

	2020E			2021E			2022E			2023E
All figures in CAD '000	**new**	**old**	**% Δ**	**new**	**old**	**% Δ**	**new**	**old**	**% Δ**	**new**
Revenue	**25,816**	**26,050**	**-0.9%**	**41,021**	**41,565**	**-1.3%**	**97,421**	**98,174**	**-0.8%**	**111,863**
Production costs	19,121	11,216	70.5%	26,806	23,829	12.5%	48,644	46,247	5.2%	55,975
Care and maintenance costs	598	0	n.a.	0	0	n.a.	0	0	n.a.	0
EBITDA from mining ops.	6,097	14,833	-58.9%	14,216	17,736	-19.8%	48,777	51,927	-6.1%	55,887
Depreciation and amortisation	2,698	4,050	-33.4%	4,652	6,750	-31.1%	4,652	6,750	-31.1%	21,395
Result of mining ops.	**3,399**	**10,783**	**-68.5%**	**9,564**	**10,986**	**-12.9%**	**44,125**	**45,177**	**-2.3%**	**34,493**
General and administrative	7,253	9,000	-19.4%	7,344	8,000	-8.2%	9,416	9,500	-0.9%	10,305
Share-based compensation	207	0	n.a.	0	0	n.a.	0	0	n.a.	0
Operating income (EBIT)	**-4,061**	**1,783**	**n.a.**	**2,220**	**2,986**	**-25.7%**	**34,709**	**35,677**	**-2.7%**	**24,188**
Interest expense	3,700	2,128	73.9%	6,591	2,297	186.9%	5,520	5,503	0.3%	5,639
Gain on debt settlement	1,619	0	n.a.	0	0	n.a.	0	0	n.a.	0
FX (gain) loss	2,544	0	n.a.	0	0	n.a.	0	0	n.a.	0
Pre-tax income (EBT)	**-8,686**	**-345**	**n.a.**	**-4,371**	**689**	**n.a.**	**29,189**	**30,174**	**-3.3%**	**18,549**
Income taxes	0	-256	-100.0%	-287	-296	-2.9%	2,919	-299	n.a.	1,855
Net income / loss	**-8,686**	**-89**	**n.a.**	**-4,084**	**985**	**n.a.**	**26,270**	**30,473**	**-13.8%**	**16,694**
EPS (CAD)	**-0.05**	**0.00**	**n.a.**	**-0.02**	**0.00**	**n.a.**	**0.13**	**0.12**	**-13.8%**	**0.08**
EBITDA	**-1,363**	**5,833**	**n.a.**	**6,872**	**9,736**	**-29.4%**	**39,361**	**42,427**	**-7.2%**	**45,582**

Source: First Berlin Equity Research estimates

Buy recommendation maintained; price target raised from CAD1.35 to CAD1.45 Our valuation of Almonty's assets is little changed on our note of 10 June. However, our price target rises because we now model only USD13m of dilutive equity financing (previously: USD32m) and we also assume that this is based on the current higher share price. We maintain our Buy recommendation and raise the price target from CAD1.35 to CAD1.45.

Figure 6: 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	0	10,847,955	10,847,955	12,775,168	13,926,814	14,206,172	14,732,906	15,138,178	4,290,223
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**	**7,312,864**	**7,392,218**	**7,555,242**	**9,843,874**
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	**-35,238,666**	**-33,618,973**	**16,854,133**	**20,168,668**	**13,032,683**	**17,888,732**	**25,620,478**	**21,013,687**	**20,099,959**	**20,172,200**	**17,815,684**
PV cashflows (9%)	**250,328,490**										

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

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

Figure 7: 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	226	239	239	227	227	216	217	218	218
Metric tonne units produced	**80,000**	**120,000**	**120,000**	**122,806**	**124,112**	**219,962**	**209,985**	**195,008**	**191,264**
Revenues	**18,044,654**	**28,728,000**	**28,728,000**	**27,886,712**	**28,151,526**	**47,590,040**	**45,566,713**	**42,529,384**	**41,770,051**
Total operating costs	**14,400,000**	**21,600,000**	**21,600,000**	**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	**3,644,654**	**7,128,000**	**7,128,000**	**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	**644,654**	**2,128,000**	**2,128,000**	**781,672**	**811,444**	**-7,701,839**	**-230,636**	**-572,111**	**-657,479**
Cash taxes	**64,465**	**212,800**	**212,800**	**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	**3,580,189**	**6,915,200**	**6,915,200**	**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	**2,080,190**	**5,415,200**	**5,415,200**	**4,203,505**	**4,230,299**	**-1,201,839**	**6,269,364**	**5,927,889**	**5,842,521**
Discounted cashflow	**2,009,231**	**4,798,603**	**4,402,389**	**3,135,154**	**2,894,623**	**-754,468**	**3,610,700**	**3,132,142**	**2,832,143**
PV cashflows (9%)	**26,060,516**								

**the model runs until 2028*

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

Figure 8: Sum-of-the-parts valuation

USD 000's	New	Old	% ∆
Sangdong	250,328	246,807	1.4%
Los Santos, Panasqueira, Valtreixal	26,061	26,097	-0.1%
Total enterprise value	**276,389**	**272,904**	1.3%
Total enterprise value (CAD 000's)	**373,125**	**368,421**	1.3%
Plus: proforma net cash (CAD 000's)	-21,164	9,127	n.a.
Fair equity value (CAD 000's)	**351,961**	**377,548**	-6.8%
Proforma no. shares (000's)	239,910	279,275	-14.1%
Fair equity value per share (CAD)	**1.47**	**1.35**	8.5%

Source: First Berlin Equity Research estimates

INCOME STATEMENT

All figures in CAD '000	2017/18A	2018/19A	2020E	2021E	2022E	2023E
Revenue	**65,171**	**54,634**	**25,816**	**41,021**	**97,421**	**111,863**
Production costs	36,699	38,194	19,121	26,806	48,644	55,975
Care and maintenance costs	0	0	598	0	0	0
EBITDA from mining operations	**28,472**	**16,440**	**6,097**	**14,216**	**48,777**	**55,887**
Impairment loss	15,604	10,112	0	0	0	0
Depreciation and amortisation	11,155	4,487	2,698	4,652	4,652	21,395
Income from mining operations	**1,713**	**1,841**	**3,399**	**9,564**	**44,125**	**34,493**
General and administrative	8,426	10,124	7,253	7,344	9,416	10,305
Share-based compensation	897	68	207	0	0	0
Operating income (EBIT)	**-7,610**	**-8,351**	**-4,061**	**2,220**	**34,709**	**24,188**
Interest expense	2,459	3,049	3,700	6,591	5,520	5,639
Gains on debt settlements	0	-401	-1,619	0	0	0
Gain on deconsolidation	0	-4,150	0	0	0	0
Foreign exchange (gain) loss	-95	-1,785	2,544	0	0	0
Pre-tax income (EBT)	**-9,974**	**-5,064**	**-8,686**	**-4,371**	**29,189**	**18,549**
Income taxes	715	798	0	-287	2,919	1,855
Minority interests	0	0	0	0	0	0
Net income / loss	**-10,689**	**-5,862**	**-8,686**	**-4,084**	**26,270**	**16,694**
Diluted EPS (in CAD)	**-0.06**	**-0.03**	**-0.05**	**-0.02**	**0.13**	**0.08**
EBITDA	**3,545**	**-3,864**	**-1,363**	**6,872**	**39,361**	**45,582**
Ratios						
EBITDA margin on revenues	5.4%	-7.1%	-5.3%	16.8%	40.4%	40.7%
EBIT margin on revenues	-11.7%	-15.3%	-15.7%	5.4%	35.6%	21.6%
Net margin on revenues	-16.4%	-10.7%	-33.6%	-10.0%	27.0%	14.9%
Tax rate	n.m.	n.m.	n.m.	n.m.	10.0%	10.0%
Expenses as % of revenues						
Production costs	56.3%	69.9%	74.1%	65.3%	49.9%	50.0%
Impairment loss	23.9%	18.5%	0.0%	0.0%	0.0%	0.0%
General and administrative	12.9%	18.5%	28.1%	17.9%	9.7%	9.2%
Y-Y Growth						
Revenues	67.0%	-16.2%	-52.7%	58.9%	137.5%	14.8%
Operating income	n.m.	n.m.	n.m.	n.m.	1463.7%	-30.3%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	-36.5%

BALANCE SHEET

All figures in CAD '000	2017/18A	2018/19A	2020E	2021E	2022E	2023E
Assets						
Current assets, total	**24,469**	**10,339**	**86,416**	**15,769**	**68,189**	**85,683**
Cash and cash equivalents	8,721	1,496	76,735	386	33,118	45,412
Trade receivables	2,674	858	1,033	1,641	3,897	4,475
Sales tax receivable	1,960	922	904	1,436	1,948	2,237
Inventories	9,698	6,542	7,228	11,486	27,278	31,322
Other current assets	1,416	521	516	820	1,948	2,237
Non-current assets, total	**122,833**	**123,307**	**173,201**	**216,308**	**213,836**	**193,606**
Mining assets	91,255	94,699	142,503	191,160	191,432	172,268
Tailings inventory	28,084	25,847	28,125	23,000	18,000	13,000
Deferred financing costs	0	1,247	0	0	0	0
Deferred tax assets	1,226	1,007	2,065	1,641	3,897	7,830
Restricted cash	1,245	0	0	0	0	0
Other assets	1,023	507	507	507	507	507
Total assets	**147,302**	**133,646**	**259,617**	**232,077**	**282,025**	**279,289**
Shareholders' equity & debt						
Current liabilities, total	**53,091**	**50,683**	**64,543**	**41,511**	**68,968**	**69,745**
Bank indebtedness	0	0	0	0	0	0
Accounts payable and accrued liabilities	25,673	16,920	16,780	20,511	38,968	44,745
Deferred revenue	1,542	0	0	0	0	0
Current portion of long term debt	25,876	33,763	47,763	21,000	30,000	25,000
Long-term liabilities, total	**53,348**	**49,147**	**153,013**	**153,940**	**149,008**	**124,913**
Long-term debt	24,455	15,736	117,000	117,000	110,965	86,824
Restoration and other provisions	28,893	33,397	36,000	36,919	37,994	38,033
Deferred tax liabilities	0	14	13	21	49	56
Minority interests	**0**	**0**	**0**	**0**	**0**	**0**
Shareholders' equity	**40,863**	**33,816**	**42,061**	**36,626**	**64,049**	**84,630**
Total consolidated equity and debt	**147,302**	**133,646**	**259,617**	**232,077**	**282,025**	**279,289**
Ratios						
Current ratio (x)	0.46	0.20	1.34	0.38	0.99	1.23
Quick ratio (x)	0.28	0.07	1.23	0.10	0.59	0.78
Net debt	40.37	48.00	88.03	137.61	107.85	66.41
Net gearing	98.8%	142.0%	209.3%	375.7%	168.4%	78.5%
Book value per share (in CAD)	0.23	0.19	0.20	0.18	0.31	0.40
Return on equity (ROE)	-24.7%	-15.7%	-22.9%	-10.4%	52.2%	22.5%

CASH FLOW STATEMENT

All figures in CAD '000	2017/18A	2018/19A	2020E	2021E	2022E	2023E
Net profit before minorities	**-10,689**	**-5,233**	**-8,686**	**-4,084**	**26,270**	**16,694**
Share-based compensation	897	68	0	0	0	0
Depreciation and amortisation	11,155	4,487	2,698	4,652	4,652	21,395
Interest expense	2,459	3,049	0	0	0	0
Income tax expenses	715	169	0	0	0	0
Impairment loss	0	10,112	0	0	0	0
Inventory impairment charges	15,604	0	0	0	0	0
Gain on debt settlement	0	-401	0	0	0	0
Gain on deconsolidation	0	-4,150	0	0	0	0
Unrealised foreign exchange (gain) loss	936	-1,522	0	0	0	0
Other non-cash items	-215	-14	0	0	0	0
Interest and taxes paid	-1,199	-1,285	0	0	0	0
Net change in non-cash working capital	-5,091	638	-2,009	3,153	3,769	5,578
Change in tailings inventory	-3,632	-1,708	0	0	0	0
Operating cash flow	**10,940**	**4,210**	**-7,997**	**3,722**	**34,691**	**43,667**
Additions to mining assets	-6,270	-9,206	-50,502	-53,308	-4,924	-2,231
Free cash flow	**4,670**	**-4,996**	**-58,500**	**-49,587**	**29,767**	**41,436**
Other investments	247	1,408	0	0	0	0
Investment cash flow	**-6,023**	**-7,798**	**-50,502**	**-53,308**	**-4,924**	**-2,231**
Debt financing, net	-5,295	-4,225	115,264	-26,763	2,965	-29,141
Equity financing	4,755	826	17,550	0	0	0
Other financing	0	-157	0	0	0	0
Financing cash flow	**-540**	**-3,556**	**132,814**	**-26,763**	**2,965**	**-29,141**
FOREX & other effects	-129	-81	0	0	0	0
Net cash flows	**4,248**	**-7,225**	**74,314**	**-76,350**	**32,732**	**12,295**
Cash, start of the year	4,473	8,721	1,496	76,735	386	33,118
Cash, end of the year	**8,721**	**1,496**	**76,735**	**386**	**33,118**	**45,412**
EBITDA/share (in CAD)	**0.03**	**-0.02**	**-0.01**	**0.03**	**0.19**	**0.22**
Y-Y Growth						
Operating cash flow	n.m.	-61.5%	n.m.	n.m.	832.1%	25.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	39.2%
EBITDA/share	n.m.	n.m.	n.m.	n.m.	472.8%	15.8%

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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	10 June 2020	CAD0.55	Buy	CAD1.35
13	Today	CAD0.72	Buy	CAD1.45

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