

# Almonty Industries Inc.

Canada / Mining

Toronto

Bloomberg: All CN

ISIN: CA0203981034

Q2/20 results

**RATING****PRICE TARGET**

Return Potential

Risk Rating

**BUY****CAD 1.45**

98.6%

High

## REALISING THE WORLD'S BEST TUNGSTEN PROJECT

Q2/20 revenue at CAD7.0m was 9.4% above the Q1/20 number of CAD6.4m and 38% above our forecast. EBIT was impacted by administrative costs in connection with the ongoing Sangdong financing but at CAD-0.5m was still above the Q1/20 level of CAD-2.5m. The USD76m loan agreement with KfW to finance the Sangdong mine was finalised earlier this month. Sangdong is expected to account for 25% of non-Chinese WO<sub>3</sub> supply by 2026. A further financing update is due shortly. The total sum required to construct the mine is USD103m. The owners' cost portion still to be raised is USD23m. The debt service reserve account comprises 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 is 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 very competitive. Moreover, the average tungsten grade of 0.44% at Sangdong is twice the Chinese and global average. Thanks to the high grade of the resource Sangdong's cash operating costs at USD106/MTU (MTU = metric ton unit = 10Kg) are in the lowest quartile of the cost curve. The 15 year 210k MTU p.a. offtake agreement with the Plansee subsidiary, GTP, has a floor price of USD183/MTU implying a secure annual cashflow of USD16.2m. Based on these attributes we believe Sangdong is the world's best tungsten project. WO<sub>3</sub> production at Sangdong is scheduled to reach ca. 500,000 MTU p.a. by 2026. We maintain our Buy recommendation and CAD1.45 price target.

**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<sub>3</sub>. Mine life after the planned increase in capacity to 1.2m tonnes of ore from 2026 (annual production of ca. 500k MTU WO<sub>3</sub>) 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	27.74	41.01	97.04	111.38
Y-o-y growth	67.0%	-16.2%	-49.2%	47.8%	136.6%	14.8%
EBIT (CAD m)	-7.61	-8.35	-2.32	2.22	34.49	24.07
EBIT margin	-11.7%	-15.3%	-8.4%	5.4%	35.5%	21.6%
Net income (CAD m)	-10.69	-5.86	-5.43	-4.09	26.08	16.59
EPS (diluted) (CAD)	-0.06	-0.03	-0.03	-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	-65.34	-39.43	30.25	41.31
Net gearing	98.8%	142.0%	220.1%	355.3%	161.1%	74.8%
Liquid assets (CAD m)	8.72	1.50	68.26	2.06	35.28	47.45

### 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 29 Sep 2020

Closing Price	CAD 0.73
Shares outstanding	183.46m
Market Capitalisation	CAD 133.93m
52-week Range	CAD 0.34 / 0.81
Avg. Volume (12 Months)	167,836

Multiples	2018/19	2020E	2021E
P/E	n.a.	n.a.	n.a.
EV/Sales	3.5	6.8	4.6
EV/EBIT	n.a.	n.a.	85.4
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2020

Liquid Assets	CAD 2.06m
Current Assets	CAD 12.51m
Intangible Assets	CAD 60.84m
Total Assets	CAD 141.54m
Current Liabilities	CAD 63.49m
Shareholders' Equity	CAD 32.76m

### 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%



**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<sub>3</sub> 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<sub>2</sub> (molybdenum disulfide). This equates to 39,000 tonnes of Mo in situ. At the current molybdenum price of USD18,270/tonne and assuming a recovery rate of 80%, the in situ value would be USD570m.

**Posco is world's third largest molybdenum user and could be a buyer for Sangdong molybdenum** Almonty acknowledge that further exploration work is required on the Sangdong molybdenum deposit and plan to undertake this during the early stages of mining the Sangdong tungsten deposit. We note that the South Korean steel producer, Posco, is the world's third largest user of molybdenum and so there should be at least one major buyer if production of the metal starts at Sangdong.

**Figure 1: Q2/20 results versus our forecasts**

CAD 000's	Q2/20A	Q2/20E	Δ %	Q1/20A	Δ %	Q2/19A	Δ %
<b>Revenue</b>	<b>6,991</b>	<b>5,066</b>	<b>38.0%</b>	<b>6,391</b>	<b>9.4%</b>	<b>12,250</b>	<b>-47.8%</b>
Production costs	4,899	4,257		5,728		8,987	
Care and maintenance costs	115	0		598		0	
<b>EBITDA from mining ops.</b>	<b>1,977</b>	<b>809</b>	<b>144.4%</b>	<b>65</b>	<b>2941.5%</b>	<b>3,263</b>	<b>-98.0%</b>
Depreciation and amortisation	419	663		709		711	
<b>Earnings/(loss) from mining ops.</b>	<b>1,558</b>	<b>146</b>	<b>967.1%</b>	<b>-644</b>	<b>n.a.</b>	<b>2,552</b>	<b>n.a.</b>
General and administrative	2,070	1,619		1,620		1,880	
Share-based compensation	0	0		207		68	
<b>EBIT</b>	<b>-512</b>	<b>-1,473</b>	<b>n.a.</b>	<b>-2,471</b>	<b>n.a.</b>	<b>604</b>	<b>n.a.</b>
Net interest expense	753	925		664		646	
(Gains) losses on debt settlements	0	0		-1,619		0	
Foreign exchange (gain) loss	-1,518	0		2,544		-293	
Income (loss) before income taxes	253	-2,398		-4,060		251	
Income tax provision	0	0		0		-25	
<b>Net profit</b>	<b>253</b>	<b>-2,398</b>	<b>n.a.</b>	<b>-4,060</b>	<b>n.a.</b>	<b>276</b>	<b>n.a.</b>

Source: Almonty; First Berlin Equity Research estimates

**Q2/20 operating results up on Q1/20 level due to increased volume of tin and copper by-products** Q2/20 revenue at CAD7.0m was 9.4% above the Q1/20 number of CAD6.4m and 38% above our forecast of CAD5.1m. The increase came despite no contribution from the Los Santos mine which is now on care and maintenance and contributed CAD0.2m in revenue in Q1/20. The average tungsten APT price was lower in Q2/20 than in Q1/20 (USD222 vs. USD236) and WO<sub>3</sub> volume at Panasqueira - Almonty's sole producing mine in Q2/20 - was flat on Q1/20. The increase in Q2/20 sales over the Q1/20 figure stemmed from increasing volume of tin and copper by-products. EBIT was impacted by administrative costs in connection with the ongoing Sangdong financing but at CAD-0.5m was still above the Q1/20 level of CAD-2.5m. Net profit benefitted from the partial reversal of the CAD2.5m FX loss incurred in Q1/20.

**Financing of Sangdong mine strengthens management hand in negotiations with creditors** As figure 2 below shows, Almonty's net gearing climbed to 170% at the end of June. CAD29.9m of the group's debt was denominated in US dollars, CAD9.5m in euros, and the balance in CAD.



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 (CAD21.2m at the end of June) is 30 September 2020, but the maturity date can be extended each year over a three year period to 30 September 2023. The convertible bond (USD3.7m) and loan financing (USD0.5m) completed in July should cover working capital requirements until the end of this year. By the end of 2020 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 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	31-Mar-20	30-Jun-20
Cash	9,457	9,353	5,165	2,891	1,496	3,624	2,065
Restricted cash	1,279	1,262	1,495	1,189	0	0	0
Short term debt	30,278	36,073	31,733	37,205	33,763	46,995	47,364
Long term debt	22,327	13,616	13,423	12,777	15,736	10,680	10,262
<b>Net debt</b>	<b>41,869</b>	<b>39,074</b>	<b>38,496</b>	<b>45,902</b>	<b>48,003</b>	<b>54,051</b>	<b>55,561</b>
<b>Equity</b>	<b>50,180</b>	<b>51,963</b>	<b>52,778</b>	<b>48,229</b>	<b>33,816</b>	<b>33,239</b>	<b>32,758</b>
<b>Net gearing</b>	<b>83.4%</b>	<b>75.2%</b>	<b>72.9%</b>	<b>95.2%</b>	<b>142.0%</b>	<b>162.6%</b>	<b>169.6%</b>

Source: Almonty

**Buy recommendation maintained; price target unchanged at CAD1.45** We have revised up our 2020 forecasts to reflect stronger than expected Q2 results but our forecasts for subsequent years are largely unchanged. We maintain our Buy recommendation and price target of CAD1.45.

**Figure 3: Changes to forecasts**

All figures in CAD '000	2020E			2021E			2022E			2023E		
	new	old	% Δ	new	old	% Δ	new	old	% Δ	new	old	% Δ
<b>Revenue</b>	<b>27,741</b>	<b>25,816</b>	<b>7.5%</b>	<b>41,008</b>	<b>41,021</b>	<b>0.0%</b>	<b>97,036</b>	<b>97,421</b>	<b>-0.4%</b>	<b>111,382</b>	<b>111,863</b>	<b>-0.4%</b>
Production costs	19,763	19,121	3.4%	26,798	26,806	0.0%	48,494	48,644	-0.3%	55,777	55,975	-0.4%
Care and maintenance costs	713	598	n.a.	0	0	n.a.	0	0	n.a.	0	0	n.a.
<b>EBITDA from mining ops.</b>	<b>7,265</b>	<b>6,097</b>	<b>19.2%</b>	<b>14,210</b>	<b>14,216</b>	<b>0.0%</b>	<b>48,542</b>	<b>48,777</b>	<b>-0.5%</b>	<b>55,606</b>	<b>55,887</b>	<b>-0.5%</b>
Depreciation and amortisation	2,454	2,698	-9.0%	4,652	4,652	0.0%	4,652	4,652	0.0%	21,254	21,395	-0.7%
<b>Result of mining ops.</b>	<b>4,811</b>	<b>3,399</b>	<b>41.5%</b>	<b>9,558</b>	<b>9,564</b>	<b>-0.1%</b>	<b>43,890</b>	<b>44,125</b>	<b>-0.5%</b>	<b>34,352</b>	<b>34,493</b>	<b>-0.4%</b>
General and administrative	6,928	7,253	-4.5%	7,338	7,344	-0.1%	9,396	9,416	-0.2%	10,280	10,305	-0.2%
Share-based compensation	207	207	n.a.	0	0	n.a.	0	0	n.a.	0	0	n.a.
<b>Operating income (EBIT)</b>	<b>-2,324</b>	<b>-4,061</b>	<b>n.a.</b>	<b>2,220</b>	<b>2,220</b>	<b>0.0%</b>	<b>34,493</b>	<b>34,709</b>	<b>-0.6%</b>	<b>24,072</b>	<b>24,188</b>	<b>-0.5%</b>
Interest expense	3,700	3,700	0.0%	6,591	6,591	0.0%	5,520	5,520	0.0%	5,639	5,639	0.0%
Gain on debt settlement	1,619	1,619	n.a.	0	0	n.a.	0	0	n.a.	0	0	n.a.
FX (gain) loss	1,026	2,544	n.a.	0	0	n.a.	0	0	n.a.	0	0	n.a.
<b>Pre-tax income (EBT)</b>	<b>-5,431</b>	<b>-8,686</b>	<b>n.a.</b>	<b>-4,371</b>	<b>-4,371</b>	<b>n.a.</b>	<b>28,973</b>	<b>29,189</b>	<b>-0.7%</b>	<b>18,434</b>	<b>18,549</b>	<b>-0.6%</b>
Income taxes	0	0	n.a.	-285	-287	-0.6%	2,897	2,919	n.a.	1,843	1,855	n.a.
<b>Net income / loss</b>	<b>-5,431</b>	<b>-8,686</b>	<b>n.a.</b>	<b>-4,086</b>	<b>-4,084</b>	<b>n.a.</b>	<b>26,076</b>	<b>26,270</b>	<b>-0.7%</b>	<b>16,590</b>	<b>16,694</b>	<b>-0.6%</b>
<b>EPS (CAD)</b>	<b>-0.03</b>	<b>-0.05</b>	<b>n.a.</b>	<b>-0.02</b>	<b>-0.02</b>	<b>n.a.</b>	<b>0.13</b>	<b>0.13</b>	<b>-0.7%</b>	<b>0.08</b>	<b>0.08</b>	<b>-0.6%</b>
<b>EBITDA</b>	<b>130</b>	<b>-1,363</b>	<b>n.a.</b>	<b>6,872</b>	<b>6,872</b>	<b>0.0%</b>	<b>39,145</b>	<b>39,361</b>	<b>-0.5%</b>	<b>45,326</b>	<b>45,582</b>	<b>-0.6%</b>

Source: Almonty; First Berlin Equity Research estimates



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 <sub>3</sub> 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	-35,699,249	-34,058,386	17,074,423	20,432,280	13,203,025	18,122,544	25,955,347	21,288,344	20,362,673	20,435,858	18,048,541
PV cashflows (9%)		253,600,379									

\*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 <sub>3</sub> price received	258	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	20,625,063	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	20,528,667	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	257	180	180	180	180	215	180	180	180
EBITDA	96,396	7,128,000	7,128,000	5,781,672	5,811,444	298,161	7,769,364	7,427,889	7,342,521
Depreciation	1,824,535	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	-1,728,139	2,128,000	2,128,000	781,672	811,444	-7,701,839	-230,636	-572,111	-657,479
Cash taxes	0	212,800	212,800	78,167	81,144	0	0	0	0
Tax rate	0.0%	10.0%	10.0%	10.0%	10.0%	25.0%	25.0%	25.0%	25.0%
Cashflow from operations	96,396	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	-1,403,603	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	-1,373,443	4,861,323	4,459,929	3,176,132	2,932,457	-764,329	3,657,893	3,173,080	2,869,160
PV cashflows (9%)		22,992,202							

\*the model runs until 2028

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

Figure 6: Sum-of-the-parts valuation

USD 000's	
Sangdong	253,600
Los Santos, Panasqueira, Valtreixal	22,992
<b>Total enterprise value</b>	<b>276,593</b>
<b>Total enterprise value (CAD 000's)</b>	<b>370,938</b>
Plus: proforma net cash (CAD 000's)	-22,874
<b>Fair equity value (CAD 000's)</b>	<b>348,065</b>
Proforma no. shares (000's)	239,356
<b>Fair equity value per share (CAD)</b>	<b>1.45</b>

Source: First Berlin Equity Research estimates



## INCOME STATEMENT

All figures in CAD '000	2017/18A	2018/19A	2020E	2021E	2022E	2023E
<b>Revenue</b>	<b>65,171</b>	<b>54,634</b>	<b>27,741</b>	<b>41,008</b>	<b>97,036</b>	<b>111,382</b>
Production costs	36,699	38,194	19,763	26,798	48,494	55,777
Care and maintenance costs	0	0	713	0	0	0
<b>EBITDA from mining operations</b>	<b>28,472</b>	<b>16,440</b>	<b>7,265</b>	<b>14,210</b>	<b>48,542</b>	<b>55,606</b>
Impairment loss	15,604	10,112	0	0	0	0
Depreciation and amortisation	11,155	4,487	2,454	4,652	4,652	21,254
<b>Income from mining operations</b>	<b>1,713</b>	<b>1,841</b>	<b>4,811</b>	<b>9,558</b>	<b>43,890</b>	<b>34,352</b>
General and administrative	8,426	10,124	6,928	7,338	9,396	10,280
Share-based compensation	897	68	207	0	0	0
<b>Operating income (EBIT)</b>	<b>-7,610</b>	<b>-8,351</b>	<b>-2,324</b>	<b>2,220</b>	<b>34,493</b>	<b>24,072</b>
Interest expense	2,459	3,049	3,700	6,591	5,520	5,639
Gains on debt settlement	0	-401	-1,619	0	0	0
Gain on deconsolidation	0	-4,150	0	0	0	0
Foreign exchange (gain) loss	-95	-1,785	1,026	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-9,974</b>	<b>-5,064</b>	<b>-5,431</b>	<b>-4,371</b>	<b>28,973</b>	<b>18,434</b>
Income taxes	715	798	0	-285	2,897	1,843
Minority interests	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-10,689</b>	<b>-5,862</b>	<b>-5,431</b>	<b>-4,086</b>	<b>26,076</b>	<b>16,590</b>
<b>Diluted EPS (in CAD)</b>	<b>-0.06</b>	<b>-0.03</b>	<b>-0.03</b>	<b>-0.02</b>	<b>0.13</b>	<b>0.08</b>
<b>EBITDA</b>	<b>3,545</b>	<b>-3,864</b>	<b>130</b>	<b>6,872</b>	<b>39,145</b>	<b>45,326</b>
<b>Ratios</b>						
EBITDA margin on revenues	5.4%	-7.1%	0.5%	16.8%	40.3%	40.7%
EBIT margin on revenues	-11.7%	-15.3%	-8.4%	5.4%	35.5%	21.6%
Net margin on revenues	-16.4%	-10.7%	-19.6%	-10.0%	26.9%	14.9%
Tax rate	n.m.	n.m.	n.m.	n.m.	10.0%	10.0%
<b>Expenses as % of revenues</b>						
Production costs	56.3%	69.9%	71.2%	65.3%	50.0%	50.1%
Impairment loss	23.9%	18.5%	0.0%	0.0%	0.0%	0.0%
General and administrative	12.9%	18.5%	25.0%	17.9%	9.7%	9.2%
<b>Y-Y Growth</b>						
Revenues	67.0%	-16.2%	-49.2%	47.8%	136.6%	14.8%
Operating income	n.m.	n.m.	n.m.	n.m.	1454.1%	-30.2%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	-36.4%



## BALANCE SHEET

All figures in CAD '000	2017/18A	2018/19A	2020E	2021E	2022E	2023E
<b>Assets</b>						
<b>Current assets, total</b>	<b>24,469</b>	<b>10,339</b>	<b>78,664</b>	<b>17,443</b>	<b>70,217</b>	<b>87,552</b>
Cash and cash equivalents	8,721	1,496	68,261	2,065	35,284	47,454
Trade receivables	2,674	858	1,110	1,640	3,881	4,455
Sales tax receivable	1,960	922	971	1,435	1,941	2,228
Inventories	9,698	6,542	7,767	11,482	27,170	31,187
Other current assets	1,416	521	555	820	1,941	2,228
<b>Non-current assets, total</b>	<b>122,833</b>	<b>123,307</b>	<b>183,980</b>	<b>216,246</b>	<b>213,064</b>	<b>192,833</b>
Mining assets	91,255	94,699	153,129	191,099	190,676	171,529
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	2,219	1,640	3,881	7,797
Restricted cash	1,245	0	0	0	0	0
Other assets	1,023	507	507	507	507	507
<b>Total assets</b>	<b>147,302</b>	<b>133,646</b>	<b>262,644</b>	<b>233,689</b>	<b>283,281</b>	<b>280,384</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>53,091</b>	<b>50,683</b>	<b>65,794</b>	<b>41,504</b>	<b>68,814</b>	<b>69,553</b>
Bank indebtedness	0	0	0	0	0	0
Accounts payable and accrued liabilities	25,673	16,920	18,031	20,504	38,814	44,553
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
<b>Long-term liabilities, total</b>	<b>53,348</b>	<b>49,147</b>	<b>153,014</b>	<b>153,928</b>	<b>148,858</b>	<b>124,750</b>
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	36,907	37,844	37,870
Deferred tax liabilities	0	14	14	21	49	56
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>40,863</b>	<b>33,816</b>	<b>43,835</b>	<b>38,257</b>	<b>65,609</b>	<b>86,082</b>
<b>Total consolidated equity and debt</b>	<b>147,302</b>	<b>133,646</b>	<b>262,644</b>	<b>233,689</b>	<b>283,281</b>	<b>280,384</b>
<b>Ratios</b>						
Current ratio (x)	0.46	0.20	1.20	0.42	1.02	1.26
Quick ratio (x)	0.28	0.07	1.08	0.14	0.63	0.81
Net debt	40.37	48.00	96.50	135.94	105.68	64.37
Net gearing	98.8%	142.0%	220.1%	355.3%	161.1%	74.8%
Book value per share (in CAD)	0.23	0.19	0.21	0.18	0.31	0.41
Return on equity (ROE)	-24.7%	-15.7%	-14.0%	-10.0%	50.2%	21.9%



## CASH FLOW STATEMENT

All figures in CAD '000	2017/18A	2018/19A	2020E	2021E	2022E	2023E
<b>Net profit before minorities</b>	<b>-10,689</b>	<b>-5,233</b>	<b>-5,431</b>	<b>-4,086</b>	<b>26,076</b>	<b>16,590</b>
Share-based compensation	897	68	0	0	0	0
Depreciation and amortisation	11,155	4,487	2,454	4,652	4,652	21,254
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	-1,479	2,622	3,755	5,574
Change in tailings inventory	-3,632	-1,708	0	0	0	0
<b>Operating cash flow</b>	<b>10,940</b>	<b>4,210</b>	<b>-4,457</b>	<b>3,189</b>	<b>34,484</b>	<b>43,418</b>
Additions to mining assets	-6,270	-9,206	-60,884	-42,622	-4,229	-2,107
<b>Free cash flow</b>	<b>4,670</b>	<b>-4,996</b>	<b>-65,340</b>	<b>-39,433</b>	<b>30,254</b>	<b>41,311</b>
Other investments	247	1,408	0	0	0	0
<b>Investment cash flow</b>	<b>-6,023</b>	<b>-7,798</b>	<b>-60,884</b>	<b>-42,622</b>	<b>-4,229</b>	<b>-2,107</b>
Debt financing, net	-5,295	-4,225	115,264	-26,763	2,965	-29,141
Equity financing	4,755	826	17,434	0	0	0
Other financing	0	-157	0	0	0	0
<b>Financing cash flow</b>	<b>-540</b>	<b>-3,556</b>	<b>132,698</b>	<b>-26,763</b>	<b>2,965</b>	<b>-29,141</b>
FOREX & other effects	-129	-81	0	0	0	0
<b>Net cash flows</b>	<b>4,248</b>	<b>-7,225</b>	<b>67,358</b>	<b>-66,196</b>	<b>33,219</b>	<b>12,170</b>
Cash, start of the year	4,473	8,721	1,496	68,261	2,065	35,284
<b>Cash, end of the year</b>	<b>8,721</b>	<b>1,496</b>	<b>68,261</b>	<b>2,065</b>	<b>35,284</b>	<b>47,454</b>
<b>EBITDA/share (in CAD)</b>	<b>0.03</b>	<b>-0.02</b>	<b>0.00</b>	<b>0.03</b>	<b>0.19</b>	<b>0.22</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.m.	-61.5%	n.m.	n.m.	981.4%	25.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	36.5%
EBITDA/share	n.m.	n.m.	n.m.	4771.2%	469.7%	15.8%



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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%

<sup>1</sup> 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	6 August 2020	CAD0.72	Buy	CAD1.45
16	Today	CAD0.73	Buy	CAD1.45

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