

# Almonty Industries Inc.

Canada / Mining

Toronto

Bloomberg: AII CN

ISIN: CA0203981034

Update

**RATING****PRICE TARGET**

Return Potential

Risk Rating

**BUY****CAD 1.55**

29.2%

High

## SANGDONG PROJECT FINANCING DRAWDOWN IS AT HAND

In December Almonty announced the execution of the Facility Agreement (loan agreement) and the Completion Agreement with KfW-IPEX Bank GmbH for the USD75.1 million project financing for the Sangdong tungsten mine. However, numerous conditions precedent remained to be fulfilled, the most important of which was an equity/hybrid capital raise. In late January Almonty quantified the required net proceeds of the capital raise at USD10.1m. An IPO of AUD15-25m (USD11.5-USD19.2m) opening on 17 June and closing on 8 July will accompany a listing of Almonty's shares on the Australian stock exchange. The lead manager of the offer has guaranteed Almonty gross proceeds of AUD15m (hard underwriting) and so the equity item of the conditions precedent is in place. The other conditions precedent are procedural in nature and so should not be challenging to fulfil. We expect the Australian IPO to be the last significant hurdle ahead of drawdown of the USD75.1m project financing. Given the very high quality of the Sangdong project (high grade, long life, 15 year offtake agreement with Plansee, KfW loan interest rate of 2.3% plus LIBOR) as well as strong current interest on the Australian market in industrial metals, we have assumed full take-up of the IPO. We have raised our price target to CAD1.55 (previously: CAD1.45), mainly to reflect the first-time inclusion in our model of the Sangdong molybdenum project. 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 Korea Tungsten Mining Co. Ltd (22 vertical holes corresponding to 15,200m core drilling) in the 1980's produced a preliminary estimate (non-NI 43-101-compliant) of a high grade "prospective ore reserve" of 17.0 million tonnes grading 0.4% MoS<sub>2</sub> (molybdenum disulfide). Confirmation drilling of the deposit is scheduled to start over the next few weeks. We maintain our Buy recommendation.

**Sangdong is a very high quality project** China was responsible for nearly 80% of global primary tungsten output in 2018. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2017/18	2018/19	2020	2021E	2022E	2023E
Revenue (CAD m)	65.17	54.63	25.10	21.33	46.04	85.81
Y-o-y growth	67.0%	-16.2%	-54.1%	-15.0%	115.8%	86.4%
EBIT (CAD m)	-7.61	-8.35	-8.95	-6.57	-2.51	15.26
EBIT margin	-11.7%	-15.3%	-35.7%	-30.8%	-5.5%	17.8%
Net income (CAD m)	-10.69	-5.23	-9.06	-9.74	-8.39	9.39
EPS (diluted) (CAD)	-0.06	-0.03	-0.05	-0.05	-0.04	0.04
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CADm)	4.67	-5.00	-11.13	-56.14	-35.87	14.91
Net gearing	98.8%	142.0%	202.8%	125.1%	193.8%	164.3%
Liquid assets (CAD m)	8.72	1.50	2.37	59.83	23.74	4.12

### 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 15 Jun 2021

Closing Price	CAD 1.20
Shares outstanding	191.65m
Market Capitalisation	CAD 229.98m
52-week Range	CAD 0.53 / 1.27
Avg. Volume (12 Months)	140,117

Multiples	2020	2021E	2022E
P/E	n.a.	n.a.	n.a.
EV/Sales	9.1	10.7	5.0
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Mar 2021

Liquid Assets	CAD 2.30m
Current Assets	CAD 10.93m
Intangible Assets	CAD 64.78m
Total Assets	CAD 149.99m
Current Liabilities	CAD 24.28m
Shareholders' Equity	CAD 28.96m

### SHAREHOLDERS

Lewis Black/Almonty Partners	18.7%
Global Tungsten & Powders Corp.	14.4%
Deutsche Rohstoff AG	13.2%
Thomas Gutschlag	0.5%
Free float and other	53.2%



When Sangdong reaches full capacity in 2026, it will account for ca. 30% of non-Chinese and 7-10% of global 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. USD100/MTU. The interest rate on the KfW loan of 2.3% plus LIBOR is far below the double-digit rates charged for recent financing at competing tungsten projects. The combination of the involvement of the KfW and the low interest rate makes this the best financing of a junior miner we have ever seen. The terms reflect the mine's lowest quartile cost curve position, the over USD80/MTU gap between the offtake agreement floor price and cash cost per MTU, as well as the average mineralisation grade, which at 0.5% is twice the global average. Potential mine-life stretches beyond the middle of this century and the resource to CAPEX ratio at 3.9x is very competitive.

**Ground-breaking ceremony at Sangdong** Almonty held a ground-breaking ceremony at the Sangdong mine site on 28 May.

Completed work on the Sangdong project includes:

- construction of the Monty B portal and 131.1m of mine development;
- construction of the office/laboratory;
- ordering of the primary crusher and SAG (semi-autogenous grinding) mill from Metso/Outotec. Delivery is expected in early 2022;
- construction of the concrete batch plant. This plant will provide service to all underground mine development and to the surface construction;
- renovation of the administration office in the town of Sangdong. The office will provide access to the company for the local community;
- design of the 12,500m-drilling programme for the Sangdong molybdenum project;
- completion of the lock-cycle test on the flotation equipment

Work currently underway on the Sangdong project includes:

- Metso's engineering study of the flotation plant;
- site levelling, road and drainage diversion.

**Q1/21 results impacted by COVID-19/shift in customer mix** Q1/21 results were well below the level of the prior year quarter. As figure 1 shows, Q1/20 included a contribution from the Los Santos mine which is now on care and maintenance. Output at Panasqueira fell 7.9% largely due to COVID-19-related constraints. The ventilation system at Panasqueira makes the mine a perfect environment for the spread of the virus. It takes mining teams at Panasqueira 45 minutes to reach the face. Since the start of the pandemic, the teams have not been permitted to pass each other, and so working time at the face has been reduced. Almonty does not give absolute figures for production or shipment volumes but states that WO<sub>3</sub> concentrate shipments were down 17.7% partly because a shipment at the end of March 2021 was not recognised as income due to timing issues. Revenue at Panasqueira fell by CAD2.3m or 37.7% to CAD3.9m (Q1/20: CAD6.2m) of which CAD680k was recorded as deferred income. Revenue fell further than shipments because of a shift in the customer mix.



Figure 1: Q1/21 results

CAD 000's	Q1 2021A	Q1 2020A	Δ %
<b>Revenue</b>	<b>3,858</b>	<b>6,391</b>	<b>-39.6%</b>
of which:			
Panasqueira	3,858	6,184	-37.6%
Los Santos	0	207	n.a.
Production costs	3,947	5,728	-31.1%
Care and maintenance costs	200	598	-66.6%
<b>EBITDA from mining ops.</b>	<b>-289</b>	<b>65</b>	<b>n.a.</b>
Impairment	0	0	n.a.
Depreciation and amortisation	571	709	-19.5%
<b>Earnings/(loss) from mining ops.</b>	<b>-860</b>	<b>-644</b>	<b>n.a.</b>
General and administrative	1,543	1,620	-4.8%
Share-based compensation	522	207	152.2%
<b>EBIT</b>	<b>-2,925</b>	<b>-2,471</b>	<b>n.a.</b>
Net interest expense	786	664	18.4%
Financing fees	0	0	n.a.
(Gains) losses on debt settlements	0	-1,619	n.a.
Valuation loss on derivative liabilities	191	0	n.a.
Foreign exchange (gain) loss	-826	2,544	n.a.
Income (loss) before income taxes	-10,143	-4,060	149.8%
Income tax provision	9	0	n.a.
<b>Net profit</b>	<b>-3,085</b>	<b>-4,060</b>	<b>n.a.</b>

Source: Almonty

### Confirmation drilling at Sangdong molybdenum project to start over next few weeks

During the period 1980-87, Korea Tungsten Mining Co. Ltd (KTMC) identified a large molybdenite-quartz vein stockwork deposit in the Sangdong area. 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 15,200m core drilling) produced a preliminary estimate (non-NI 43-101-compliant) of a high grade “prospective ore reserve” of 17.0 million tonnes grading 0.4% MoS<sub>2</sub> (molybdenum disulfide) and a lower grade global resource of 120m tonnes grading 0.13% MoS<sub>2</sub>. On a molybdenum metal basis the grades of the prospective ore reserve and of the global resource are 0.24% and 0.078% respectively.

Figure 2: Sangdong molybdenum project and leading molybdenum mines

Company	Mine	Reserve description	Reserves (m tonnes)	Average ore grade (Mo)	In situ value (USDm)
Almonty	Sangdong molybdenum project, South Korea	Prospective ore reserve	17.0	0.24%	1,647
China Molybdenum	Aggregate of CM's Chinese mines	Recoverable reserve	382.0	0.13%	19,476
Freeport McMoRan	Henderson, Colorado	Proven and probable reserves	60.0	0.17%	4,125

Source: companies

The figure for the “prospective ore reserve” is well above the average for China Molybdenum which is the largest producer of molybdenum in the world’s most important molybdenum producing country. It is also higher grade than Freeport McMoRan’s Henderson Mine which is the world no.1 molybdenum mining company’s most productive mine. The core from KTMC’s 1980’s drilling programme has been lost. In April Almonty announced that it had completed the design of a 12,500m confirmation drilling programme. The programme is expected to cost ca. USD1m and is scheduled to start over the next few weeks following completion of site levelling, road and drainage diversion.



**Debt rescheduling** As figure 3 shows, Almonty rescheduled nearly 90% of its short term debt in March. Of the end-March 2021 long term debt figure of €56.3m, 23% is due in H2/22, 73% in 2023 and 4% in 2024. We gather that a large part of the short term debt is unsecured and is owed by Almonty's Spanish subsidiary, Daytal (owner of the Los Santos mine). In our view the successful rescheduling of such a large proportion of Almonty's debt reflects increased confidence in the company following the execution of the Facility Agreement (loan agreement) and the Completion Agreement with KfW-IPEX Bank GmbH for the USD75.1 million project financing for the Sangdong Mine.

**Figure 3: Evolution of Almonty's net debt position**

CAD 000s	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Cash	1,496	3,624	2,065	1,407	2,372	2,296
Short term debt	33,763	46,995	47,364	48,864	49,146	5,640
Long term debt	15,736	10,680	10,262	12,488	12,378	56,319
<b>Net debt</b>	<b>48,003</b>	<b>54,051</b>	<b>55,561</b>	<b>59,945</b>	<b>59,152</b>	<b>59,663</b>
<b>Equity</b>	<b>33,816</b>	<b>33,239</b>	<b>32,758</b>	<b>31,914</b>	<b>29,169</b>	<b>28,960</b>
<b>Net gearing</b>	<b>142.0%</b>	<b>162.6%</b>	<b>169.6%</b>	<b>187.8%</b>	<b>202.8%</b>	<b>206.0%</b>

Source: Almonty

**Receipt of additional USD8.0m conditional on close of KfW-IPEX loan** In late January Almonty stated that it required a further USD10.1m in fresh equity capital as one of the conditions precedent for the drawdown of the USD75.1m KfW-IPEX Sangdong Mine project financing. In April Almonty raised USD1.6m via a private placement. Almonty also announced in April that it had received USD8.0m of executed binding commitments from existing shareholders and insiders linked to an unsecured 5% p.a convertible debenture with a USD1.05 strike price. The binding funding trigger for this convertible is five business days prior to the financial close of the KfW-IPEX USD75.1m loan.

**Australian listing** An IPO of AUD15-25m (USD11.5-USD19.2m) opening on 17 June and closing on 8 July will accompany a listing of Almonty's shares on the Australian stock exchange. We expect Almonty to use the proceeds to repay remaining short term debt, finance the drilling of the Sangdong molybdenum deposit and also possibly for acquisitions. In late 2002 management stated that acquisitions would be back on the corporate agenda following the closure of the KfW financing. As mentioned above, we also expect the Australian IPO to be the last significant hurdle ahead of drawdown of the USD75.1m project financing.

**Changes to our forecasts** Figure 4 overleaf shows changes to our forecasts. The reduction in our 2021 estimates reflects a shift in the customer mix and a greater impact of the ongoing pandemic on output and costs at Panasqueira than we had previously modelled. We had also previously assumed the resumption of production at Los Santos from early 2021. We now model the restart of operations at Los Santos in 2024 – after the initial production ramp-up at Sangdong has been completed. In our December note, we assumed the drawdown of the KfW project financing loan of USD75.1m in Q1/21. Given that the drawdown will now not happen until the end of Q2/21 at the earliest, we have also pushed back the timing of the ramp-up at Sangdong. This further impacts our numbers for 2022 and 2023.



Figure 4: Changes to forecasts

All figures in CAD '000	2021E			2022E			2023E		
	new	old	% Δ	new	old	% Δ	new	old	% Δ
<b>Revenue</b>	<b>21,332</b>	<b>39,956</b>	<b>-46.6%</b>	<b>46,038</b>	<b>65,486</b>	<b>-29.7%</b>	<b>85,809</b>	<b>97,649</b>	<b>-12.1%</b>
Production costs	18,658	26,748	-30.2%	29,609	47,447	-37.6%	47,144	54,392	-13.3%
Care and maintenance costs	800	0	n.a.	800	0	n.a.	800	0	n.a.
<b>EBITDA from mining ops.</b>	<b>1,873</b>	<b>13,208</b>	<b>-85.8%</b>	<b>15,629</b>	<b>18,039</b>	<b>-13.4%</b>	<b>37,866</b>	<b>43,257</b>	<b>-12.5%</b>
Depreciation and amortisation	2,284	11,052	-79.3%	12,352	17,352	-28.8%	14,649	20,270	-27.7%
<b>Result of mining ops.</b>	<b>-411</b>	<b>2,156</b>	<b>-119.1%</b>	<b>3,277</b>	<b>687</b>	<b>377.1%</b>	<b>23,217</b>	<b>22,987</b>	<b>1.0%</b>
General and administrative	5,642	7,299	-22.7%	5,787	9,261	-37.5%	7,952	10,104	-21.3%
Share-based compensation	522	0	n.a.	0	0	n.a.	0	0	n.a.
<b>Operating income (EBIT)</b>	<b>-6,575</b>	<b>-5,143</b>	<b>n.a.</b>	<b>-2,511</b>	<b>-8,574</b>	<b>n.a.</b>	<b>15,264</b>	<b>12,883</b>	<b>18.5%</b>
Interest expense	3,800	2,600	46.2%	5,881	5,440	8.1%	5,872	5,559	5.6%
Gain on debt settlement	0	0	n.a.	0	0	n.a.	0	0	n.a.
Loss on valuation of derivative liabilities	191	0	n.a.	0	0	n.a.	0	0	n.a.
FX (gain) loss	-826	0	n.a.	0	0	n.a.	0	0	n.a.
<b>Pre-tax income (EBT)</b>	<b>-9,740</b>	<b>-7,743</b>	<b>n.a.</b>	<b>-8,391</b>	<b>-14,014</b>	<b>n.a.</b>	<b>9,392</b>	<b>7,325</b>	<b>28.2%</b>
Income taxes	0	-152	-100.0%	0	-1,401	n.a.	0	732	n.a.
<b>Net income / loss</b>	<b>-9,740</b>	<b>-7,590</b>	<b>n.a.</b>	<b>-8,391</b>	<b>-12,613</b>	<b>n.a.</b>	<b>9,392</b>	<b>6,592</b>	<b>42.5%</b>
<b>EPS (CAD)</b>	<b>-0.05</b>	<b>-0.04</b>	<b>n.a.</b>	<b>-0.04</b>	<b>-0.06</b>	<b>n.a.</b>	<b>0.04</b>	<b>0.03</b>	<b>42.5%</b>
<b>EBITDA</b>	<b>-4,291</b>	<b>5,909</b>	<b>-172.6%</b>	<b>9,841</b>	<b>8,778</b>	<b>12.1%</b>	<b>29,913</b>	<b>33,153</b>	<b>-9.8%</b>

Source: Almonty; First Berlin Equity Research estimates

Figure 5: Sangdong DCF valuation\*

USD	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Tungsten APT price		260	260	260	260	260	260	260	260	260
WO <sub>3</sub> price		203	203	203	203	203	203	203	203	203
Metric tonne units produced		49,217	211,777	256,504	287,259	404,493	479,400	479,400	479,400	479,400
Revenues		9,981,208	42,948,376	52,019,011	58,256,125	82,031,180	97,222,320	97,222,320	97,222,320	97,222,320
Ore mining costs		2,827,360	12,165,913	14,735,336	16,502,113	23,236,832	27,540,000	27,540,000	27,540,000	27,540,000
Processing costs		1,573,219	6,769,443	8,199,139	9,182,221	12,929,601	15,324,000	15,324,000	15,324,000	15,324,000
G&A costs		543,297	2,337,764	2,831,496	3,170,994	4,465,117	5,292,000	5,292,000	5,292,000	5,292,000
<b>Total operating costs</b>		<b>4,943,875</b>	<b>21,273,119</b>	<b>25,765,971</b>	<b>28,855,328</b>	<b>40,631,550</b>	<b>48,156,000</b>	<b>48,156,000</b>	<b>48,156,000</b>	<b>48,156,000</b>
<b>Operating costs per MTU</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>EBITDA</b>		<b>5,037,332</b>	<b>21,675,257</b>	<b>26,253,040</b>	<b>29,400,797</b>	<b>41,399,631</b>	<b>49,066,320</b>	<b>49,066,320</b>	<b>49,066,320</b>	<b>49,066,320</b>
Depreciation		8,375,045	10,279,059	10,364,795	11,146,958	12,371,488	13,174,814	11,417,750	5,141,921	3,237,456
EBIT		-3,337,713	11,396,198	15,888,245	18,253,839	29,028,143	35,891,506	37,648,570	43,924,399	45,828,864
<b>Cash taxes</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>2,281,730</b>	<b>3,628,518</b>	<b>7,537,216</b>	<b>7,906,200</b>	<b>9,224,124</b>	<b>9,624,061</b>
Tax rate		0.0%	0.0%	0.0%	12.5%	12.5%	21.0%	21.0%	21.0%	21.0%
<b>Cashflow from operations</b>		<b>5,037,332</b>	<b>21,675,257</b>	<b>26,253,040</b>	<b>27,119,067</b>	<b>37,771,113</b>	<b>41,529,104</b>	<b>41,160,120</b>	<b>39,842,196</b>	<b>39,442,259</b>
Initial CAPEX	35,700,000	35,000,000	0	6,500,000	6,500,000	0	0	0	0	0
Sustaining CAPEX	0	125,250	365,750	1,158,263	1,691,598	3,017,890	2,869,982	671,025	0	0
<b>Net cashflow</b>	<b>-35,700,000</b>	<b>-30,087,918</b>	<b>21,309,507</b>	<b>18,594,777</b>	<b>18,927,469</b>	<b>34,753,223</b>	<b>38,659,122</b>	<b>40,489,095</b>	<b>39,842,196</b>	<b>39,442,259</b>
<b>Discounted cashflow</b>	<b>-34,326,553</b>	<b>-26,911,980</b>	<b>17,730,397</b>	<b>14,392,213</b>	<b>13,627,641</b>	<b>23,276,343</b>	<b>24,085,917</b>	<b>23,466,094</b>	<b>21,480,161</b>	<b>19,780,970</b>
<b>PV cashflows (7.5%)</b>	<b>268,851,122</b>									

\*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	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Tungsten APT price	278	278	278	278	278	278	278	278
WO <sub>3</sub> price received	241	256	256	256	237	226	225	227
Metric tonne units produced	59,710	90,000	90,000	90,000	141,160	203,475	216,026	196,364
Tungsten revenues	14,364,460	23,029,704	23,029,704	23,029,704	33,404,880	46,042,509	48,587,867	44,600,356
Tin and copper revenue	3,122,507	4,928,508	4,928,508	4,928,508	5,692,729	11,786,260	16,898,072	15,302,535
Resale of plant equipment	0	0	0	0	0	0	0	0
Total revenue	17,486,966	27,958,212	27,958,212	27,958,212	39,097,609	57,828,769	65,485,939	59,902,891
Total operating costs	20,575,564	24,396,552	24,396,552	24,390,000	36,761,000	44,501,000	43,575,000	42,563,000
Operating costs per MTU	345	271	271	271	271	271	271	271
EBITDA	-3,088,598	3,561,660	3,561,660	3,568,212	2,336,609	13,327,769	21,910,939	17,339,891
Depreciation	1,863,670	1,863,670	1,863,670	1,863,670	2,442,953	4,459,926	7,045,044	7,193,273
EBIT	-4,952,268	1,697,990	1,697,990	1,704,542	-106,343	8,867,843	14,865,895	10,146,619
Cash taxes	0	0	0	170,454	502,055	1,397,468	3,716,474	2,536,655
Tax rate	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	25.0%	25.0%
Cashflow from operations	-3,088,598	3,561,660	3,561,660	3,397,758	1,834,554	11,930,301	18,194,466	14,803,237
Initial CAPEX	0	0	0	21,994,000	0	0	0	0
Sustaining CAPEX	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Net cashflow	-5,088,598	1,561,660	1,561,660	-20,596,242	-165,446	9,930,301	16,194,466	12,803,237
Discounted cashflow	-4,892,830	1,396,819	1,299,366	-15,122,048	-50,209	6,227,201	9,274,855	6,748,178
PV cashflows**	30,315,831							

\*the model runs until 2032

\*\*discount rates used: 7.5% for Panasqueira, 9% for Los Santos and Valtreixal

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

### Buy recommendation maintained; price target raised from CAD1.45 to CAD1.55

Figures 5 and 6 show changes to our valuations of Sangdong and Los Santos/Panasqueira/Valtreixal while figure 7 shows changes to our overall sum-of-the-parts valuation. The slight reduction in our valuation of Sangdong reflects a later start to the project than previously modelled. Almonty published updated economic models of the Los Santos and Valtreixal projects in the prospectus accompanying the Australian IPO. Although we now do not expect the resumption of production at Los Santos until 2024 (previously: 2021), the output and cost projections contained in the prospectus cause us to raise our valuation for Los Santos/Panasqueira/Valtreixal from USD22m to USD30m. Our sum-of-the-parts valuation incorporates the Sangdong molybdenum project for the first time. As mentioned above, Almonty is due to start drilling the Sangdong molybdenum deposit in a few weeks with a view to confirming the “prospective ore reserve” of 17m tonnes grading 0.24% Mo delineated by KTMC. At the current molybdenum price of over USD18, the in situ value of the resource would be over USD1.6bn. In comparison with this figure, our current valuation of USD38m is a token amount. We maintain our Buy recommendation and raise the price target from CAD1.45 to CAD1.55.

Figure 7: Sum-of-the-parts valuation

USD 000's	New	Old	% Δ
Sangdong WO <sub>3</sub> Project	268,851	272,701	-1.4%
Los Santos, Panasqueira, Valtreixal	30,316	21,818	38.9%
Sangdong Molybdenum Project	38,000	0	
<b>Total enterprise value</b>	<b>337,167</b>	<b>294,519</b>	14.5%
<b>Total enterprise value (CAD 000's)</b>	<b>406,758</b>	<b>376,689</b>	8.0%
Minus: proforma net debt (CAD 000's)	11,845	26,658	n.a.
<b>Fair equity value (CAD 000's)</b>	<b>394,913</b>	<b>350,031</b>	12.8%
Proforma no. shares (000's)	255,147	241,189	5.8%
<b>Fair equity value per share (CAD)</b>	<b>1.55</b>	<b>1.45</b>	6.7%

Source: First Berlin Equity Research estimates



## INCOME STATEMENT

All figures in CAD '000	2017/18A	2018/19A	2020	2021E	2022E	2023E
<b>Revenue</b>	<b>65,171</b>	<b>54,634</b>	<b>25,095</b>	<b>21,332</b>	<b>46,038</b>	<b>85,809</b>
Production costs	36,699	38,194	23,394	18,658	29,609	47,144
Care and maintenance costs	0	0	997	800	800	800
<b>EBITDA from mining operations</b>	<b>28,472</b>	<b>16,440</b>	<b>704</b>	<b>1,873</b>	<b>15,629</b>	<b>37,866</b>
Impairment loss	15,604	10,112	0	0	0	0
Depreciation and amortisation	11,155	4,487	2,075	2,284	12,352	14,649
<b>Income from mining operations</b>	<b>1,713</b>	<b>1,841</b>	<b>-1,371</b>	<b>-411</b>	<b>3,277</b>	<b>23,217</b>
General and administrative	8,426	10,124	6,964	5,642	5,787	7,952
Share-based compensation	897	68	612	522	0	0
<b>Operating income (EBIT)</b>	<b>-7,610</b>	<b>-8,351</b>	<b>-8,947</b>	<b>-6,575</b>	<b>-2,511</b>	<b>15,264</b>
Interest expense	2,459	3,049	3,139	3,800	5,881	5,872
Financing fees	0	0	697	0	0	0
Gains on debt settlement	0	-401	-1,777	0	0	0
Gain on deconsolidation	0	-4,150	0	0	0	0
Loss on valuation of derivative liabilities	0	0	0	191	0	0
Foreign exchange (gain) loss	-95	-1,785	-863	-826	0	0
<b>Pre-tax income (EBT)</b>	<b>-9,974</b>	<b>-5,064</b>	<b>-10,143</b>	<b>-9,740</b>	<b>-8,391</b>	<b>9,392</b>
Income taxes	715	169	-1,086	0	0	0
Minority interests	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-10,689</b>	<b>-5,233</b>	<b>-9,057</b>	<b>-9,740</b>	<b>-8,391</b>	<b>9,392</b>
<b>Diluted EPS (in CAD)</b>	<b>-0.06</b>	<b>-0.03</b>	<b>-0.05</b>	<b>-0.05</b>	<b>-0.04</b>	<b>0.04</b>
<b>EBITDA</b>	<b>3,545</b>	<b>-3,864</b>	<b>-6,872</b>	<b>-4,291</b>	<b>9,841</b>	<b>29,913</b>
<b>Ratios</b>						
EBITDA margin on revenues	5.4%	-7.1%	-27.4%	-20.1%	21.4%	34.9%
EBIT margin on revenues	-11.7%	-15.3%	-35.7%	-30.8%	-5.5%	17.8%
Net margin on revenues	-16.4%	-9.6%	-36.1%	-45.7%	-18.2%	10.9%
Tax rate	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
<b>Expenses as % of revenues</b>						
Production costs	56.3%	69.9%	93.2%	87.5%	64.3%	54.9%
Impairment loss	23.9%	18.5%	0.0%	0.0%	0.0%	0.0%
General and administrative	12.9%	18.5%	27.8%	26.4%	12.6%	9.3%
<b>Y-Y Growth</b>						
Revenues	67.0%	-16.2%	-54.1%	-15.0%	115.8%	86.4%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.





## BALANCE SHEET

All figures in CAD '000	2017/18A	2018/19A	2020	2021E	2022E	2023E
<b>Assets</b>						
<b>Current assets, total</b>	<b>24,469</b>	<b>10,339</b>	<b>9,839</b>	<b>68,577</b>	<b>36,630</b>	<b>28,151</b>
Cash and cash equivalents	8,721	1,496	2,372	59,831	23,740	4,124
Trade receivables	2,674	858	399	640	1,381	3,432
Sales tax receivable	1,960	922	534	640	1,381	1,716
Inventories	9,698	6,542	6,141	7,039	9,208	17,162
Other current assets	1,416	521	393	427	921	1,716
<b>Non-current assets, total</b>	<b>122,833</b>	<b>123,307</b>	<b>141,224</b>	<b>177,998</b>	<b>210,074</b>	<b>200,621</b>
Mining assets	91,255	94,699	107,465	153,587	189,675	181,058
Tailings inventory	28,084	25,847	27,454	23,000	18,000	13,000
Deferred financing costs	0	1,247	3,498	0	0	0
Deferred tax assets	1,226	1,007	2,250	853	1,842	6,007
Restricted cash	1,245	0	0	0	0	0
Other assets	1,023	507	557	557	557	557
<b>Total assets</b>	<b>147,302</b>	<b>133,646</b>	<b>151,063</b>	<b>246,575</b>	<b>246,704</b>	<b>228,772</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>53,091</b>	<b>50,683</b>	<b>66,759</b>	<b>22,682</b>	<b>53,214</b>	<b>35,724</b>
Accounts payable and accrued liabilities	25,673	16,920	17,613	10,666	18,415	21,452
Deferred revenue	1,542	0	0	0	0	0
Current portion of long term debt	25,876	33,763	49,146	12,016	34,799	14,272
<b>Long-term liabilities, total</b>	<b>53,348</b>	<b>49,147</b>	<b>55,135</b>	<b>154,209</b>	<b>129,978</b>	<b>127,218</b>
Long-term debt	24,455	15,736	12,378	135,000	112,000	98,000
Restoration and other provisions	28,893	33,397	42,743	19,198	17,955	29,175
Deferred tax liabilities	0	14	14	11	23	43
<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>29,169</b>	<b>69,684</b>	<b>63,512</b>	<b>65,830</b>
<b>Total consolidated equity and debt</b>	<b>147,302</b>	<b>133,646</b>	<b>151,063</b>	<b>246,575</b>	<b>246,704</b>	<b>228,772</b>
<b>Ratios</b>						
Current ratio (x)	0.46	0.20	0.15	3.02	0.69	0.79
Quick ratio (x)	0.28	0.07	0.06	2.71	0.52	0.31
Net debt	40.37	48.00	59.15	87.18	123.06	108.15
Net gearing	98.8%	142.0%	202.8%	125.1%	193.8%	164.3%
Book value per share (in CAD)	0.23	0.19	0.16	0.32	0.29	0.30
Return on equity (ROE)	-24.7%	-14.0%	-28.8%	-19.7%	-12.6%	14.5%





## CASH FLOW STATEMENT

All figures in CAD '000	2017/18A	2018/19A	2020	2021E	2022E	2023E
<b>Net profit before minorities</b>	<b>-10,689</b>	<b>-5,233</b>	<b>-9,057</b>	<b>-9,740</b>	<b>-8,391</b>	<b>9,392</b>
Share-based compensation	897	68	612	0	0	0
Depreciation and amortisation	11,155	4,487	2,075	2,284	12,352	14,649
Interest expense	2,459	3,049	3,137	0	0	0
Financing fees	0	0	697	0	0	0
Income tax expenses	715	169	81	0	0	0
Deferred tax recovery	0	0	-1,167	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	-1,777	0	0	0
Gain on deconsolidation	0	-4,150	0	0	0	0
Unrealised foreign exchange (gain) loss	936	-1,522	1,756	0	0	0
Other non-cash items	-215	-14	-120	0	0	0
Interest and taxes paid	-1,199	-1,285	-725	0	0	0
Net change in non-cash working capital	-5,091	638	-549	-274	8,605	-3,099
Change in tailings inventory	-3,632	-1,708	206	0	0	0
<b>Operating cash flow</b>	<b>10,940</b>	<b>4,210</b>	<b>-4,831</b>	<b>-7,730</b>	<b>12,565</b>	<b>20,943</b>
Additions to mining assets	-6,270	-9,206	-6,294	-48,406	-48,440	-6,031
<b>Free cash flow</b>	<b>4,670</b>	<b>-4,996</b>	<b>-11,125</b>	<b>-56,136</b>	<b>-35,874</b>	<b>14,911</b>
Other investments	247	1,408	0	0	0	0
<b>Investment cash flow</b>	<b>-6,023</b>	<b>-7,798</b>	<b>-6,294</b>	<b>-48,406</b>	<b>-48,440</b>	<b>-6,031</b>
Debt financing, net	-5,295	-4,225	12,225	85,492	-217	-34,527
Equity financing	4,755	826	2,003	28,104	0	0
Other financing	0	-157	-2,322	0	0	0
<b>Financing cash flow</b>	<b>-540</b>	<b>-3,556</b>	<b>11,906</b>	<b>113,596</b>	<b>-217</b>	<b>-34,527</b>
FOREX & other effects	-129	-81	95	0	0	0
<b>Net cash flows</b>	<b>4,248</b>	<b>-7,225</b>	<b>876</b>	<b>57,459</b>	<b>-36,091</b>	<b>-19,616</b>
Cash, start of the year	4,473	8,721	1,496	2,372	59,831	23,740
<b>Cash, end of the year</b>	<b>8,721</b>	<b>1,496</b>	<b>2,372</b>	<b>59,831</b>	<b>23,740</b>	<b>4,124</b>
<b>EBITDA/share (in CAD)</b>	<b>0.03</b>	<b>-0.02</b>	<b>-0.04</b>	<b>-0.02</b>	<b>0.05</b>	<b>0.14</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.m.	-61.5%	n.m.	n.m.	n.m.	66.7%
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.	n.m.	204.0%

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First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

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The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	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%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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**RECOMMENDATION & PRICE TARGET HISTORY**

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
14	30 September 2020	CAD0.73	Buy	CAD1.45
15	10 December 2020	CAD0.73	Buy	CAD1.45
16	Today	CAD1.20	Buy	CAD1.55

### INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

### UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

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