

Alphamin plays the Trump card (TSX:AFM) (JSE:APH)

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Core Consultants



The expected uptick in demand for tin (Sn) in 2020 bodes well for Bisie, Alphamin Resources' (TSX:AFM) (JSE:APH) high-grade tin mine in the Democratic Republic of the Congo (DRC).

As international markets settle after a jittery start to 2020, confidence has returned to a fragile market following a rocky 2018 and an even more disappointing 2019. The long-awaited USA-China deal seems to have settled at least some nerves. In the process of ramping up tin-concentrate production, the Trump-Jinping “phase-one” settlement couldn’t have come at a better time for Bisie. All indications are that tin supply will dry up in 2020 while demand will increase, albeit gradually. The tin price is not expected to

ignite any sudden fireworks in 2020 though. It will hold firm at best, and nobody predicts that it will knock the lights of the market, even if global tensions ease and consumption patterns change for the better. However, if the deficit gap continues to deepen, 2021 might just be the year for tin.

A premier league play

In such a bullish environment, Bisie's stockpiles will deplete rapidly. A tin-in-concentrate production of 9000 to 10 000 tonnes per annum (tpa) is well within its grasp and the mine is on track to ramp-up and produce in excess of the average of 23,853 tonnes (t) Run of Mine (ROM) achieved between October and December last year. This good news follows a positive Q4 in 2019 when production at Bisie touched the upper reaches of its guidance for that quarter at around 2200t contained tin. At the same time, tin recoveries improved to more than 70% towards the end of November – a remarkable feat after the company reported a slight drop in recovery rates and high arsenic levels in its ROM feed at the beginning of October. After tweaking the jig circuit, which resulted in fewer tin fines, and putting 100% of the material into flotation, the arsenic levels dropped drastically, and recoveries increased significantly. Alphamin is targeting an exceptional recovery rate of 72% in 2020. Moreover, the mine unearths ore at grades of 4% Sn, which puts it firmly in the premier league of global tin operations.

In addition to increased production and improved tin recoveries, costs at Bisie are expected to drop to about USD10 000 per tonne of contained tin (AISC) from current levels of USD12 000 to USD13 000/t AISC. This would keep Bisie in the lowest quartile of global tin producers' costs on a full cost basis (full costs include the cost of mining, processing, smelting, marketing, transport and any royalties, taxes, cost of administration, exploration and development, mine closure allowance and amortisation of capital expenditure). Currently, Bisie has a life of more than 12 years based on current drilling, but geologists have identified several additional ore bodies that will not only prolong the life of mine, but will significantly increase feed to the plant, which has a capacity to process way more than 10,000 tonnes of contained tin per annum.

Business as usual

Meanwhile, repair work on a damaged bridge linking the city of Kisangan to the mine, is complete. The bridge had to be closed for safety reasons, which disrupted concentrate shipments in November and December 2019, it is back to business as usual from the end of January 2020. The introduction of alternative means of transport, including the use of heavy lift helicopters and smaller ferries, ensured that the company made up for shipping delays as a result of the temporary closure of the usual access route.

What the Alphamin team has achieved until now, is nothing short of astounding. They hacked and built a solid road through the impenetrable rainforest of the Congo Basin, dealt with the artisanal and security concerns, and constructed a mine that produces, and exports, the highest-grade tin in the world. When Alphamin started construction at

Bisie, there was no access to site and the company had to build a road from scratch with very basic equipment, using local labour. Before the road was completed, equipment and workers were flown in with helicopters from Goma, which made it a costly exercise.

Bisie brings peace and stability

Punters predict that Africa will be the next growth region for tin, with Bisie paving the way for new investment into the DRC and on the continent. Africa used to be a major source of tin concentrate in the past with production peaking in the 1970s, but conflict in countries like the DRC prevented the products from being exported. Bisie has brought stability and peace in a fragile region of the DRC and the operation has huge significance for the country and the province of North Kivu. Bisie is proof that the DRC government can support the mining sector in a volatile part of the country characterised by weak governance and a lot of conflict since the 1994 genocide in neighbouring Rwanda, and even before that. The project has the potential to stabilise and reinforce peace and to promote development.

Not too long ago the hill at Bisie was regarded as a symbol of conflict minerals – a perfect example of what could go wrong in a country extremely rich in mineral resources, but without the means to regulate its extraction and export. Over the years, the regions tin resources have sponsored many dubious characters, dangerous rebels and the occasional insurgency and revolt. Only a few years ago, thousands of artisanal miners toiled in the hand-dug, man-sized tunnels, to make a living by selling the raw product and paying taxes to agents of various illegal entities. At one stage, there were 18 different illegal taxes collected by government and at times five different armed groups. Moreover, when [Alphamin](#) arrived on site, there were as many as 15 000 artisanal miners working the hill. Today, there are none, with many of these artisanal miners now working for [Alphamin](#). Way before construction started at Bisie, [Alphamin](#) embarked on a relentless programme of negotiation and compromise to ensure peace returns to the area before mining commenced.

Tin deficit to benefit Bisie

As supply chains around the world reconfigure after the many disruptions in 2019, and while confidence returns, Bisie is well placed to take advantage should the market enter a substantial deficit, which, some say, will continue deepening until 2022. If this should be the case, tin prices of between USD22 000 and USD23 000 per tonne would not be too far fetched.

Fears about long-term tin supply supported prices at the beginning of 2019, but those worries eased off as the market continued to be well supplied. Tin prices hit a high in February 2019 at USD21 675 per metric ton, and they performed on an upward trend for most of the first quarter of 2019. However, the metal could not consolidate its position and continued recording a steady decline before reaching its lowest point in August 2019 at USD15 705 per metric tonne.

Demand slowed down in the second and early third quarters of 2019, mostly as a result of lacklustre demand for solder, which represents about 50% of total demand.

For James Willoughby, market analyst at the International Tin Association (ITA), the real price driver for tin this past year has been demand. Trade wars have knocked macroeconomics, which in turn has led to a downturn in tin purchasing.

“Consumption has also fallen — not by as much — but enough for major tin smelters to cut production in response. This has helped to stabilise the price in recent months, but it remains near three-year lows.”

Most market analysts expect limited growth on the demand side for tin in 2020, while, for supply, the focus will be on production cuts and whether these will be adhered to by producers. However, even if world producers give credence to calls for a drastic cut in production, idle capacity can turn back on quickly, and bring the material to market in short order.

Willoughby says the ITA forecasts a return to growth for tin demand, with supply rebounding to achieve the narrowest market balance seen in seven years.

Why not bet on Bisie?

Dr Jeremy Pearce from the ITA believes tin will see an explosion of new uses as the world transitions into the Fourth Industrial Revolution and embraces climate change solutions. He highlights the three main reasons to be optimistic for future tin use: the end of miniaturisation, electronics growth as a result of the Fourth Industrial Revolution, and climate change. He predicts that the combination of all three would see tin demand increase rapidly in the 2030-2050 timescale.

Bisie will be in business at least until the mid-2030s, which makes a long-term bet on Alphamin, Bisie and the DRC not as ludicrous as some would have thought only a few years ago. Alphamin hacked their way through the forest, built a road, developed a top class mine, and at the same time brought peace and stability to the Walikale region of the North Kivu province. Today, the mine is producing more than 3% of the world’s tin supply. That figure is set to increase as the mine continues ramping up to full capacity.

If you would like more information about Alphamin Resources or investing in the share, please leave your details below and we will contact you.

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