

# Alphamin Resources

**Metals & mining**
**24 November 2020**

## New tin producer generating cash flow

Alphamin's team developed the high-grade Mpama North tin project from resource to production in under five years. Now a mid-tier producer mining c 4% of the world's tin in the lowest cost quartile of the global cost curve, Q3 results showed a 24% increase in EBITDA to US\$16.1m cf Q220.

## High-grade, simple mining with simple processing

Alphamin mines the world's highest-grade tin resource, in the form of cassiterite, one of the densest minerals on earth, making it amenable to (non-energy intensive) gravity separation to produce a 60% concentrate, which Alphamin then sells at the mine gate to a dedicated off-taker. The mine is underground, fully mechanised, trackless, simple, shallow and ostensibly self-reliant with a small mining fleet and its own power and road infrastructure. As such, it is firmly established in the lowest-cost quartile of the global cost curve and enjoys relatively wide margins (eg Mpama North's AISC was US\$10,777/t in Q320, cf a prevailing tin price of US\$18,640/t). Currently on a growth drive, each incremental ton of tin may be produced at an even lower AISC, to which end Alphamin is de-bottlenecking its plant (which should increase throughput by c 10%) at the same time as it is installing a fine tin recovery plant (which should increase production by a further 10%) by mid-2021.

Concurrently, the same Alphamin team is allocating capital to drill and extend the size of the current orebody as well as drilling the known Mpama South orebody just 800m away from the existing processing plant. It is also aiming to allocate capital in search of a third orebody on its highly prospective licence area.

## North Kivu operating environment

Such security problems as attract the attention of western headline writers in North Kivu are typically isolated, targeted and tribal in nature and affect Alphamin to a relatively small degree. Moreover, Mpama North's isolated location offers it additional protection away from flashpoints, while its primary product (tin) renders it of little interest to either local artisanal miners or conflict mineral smugglers.

## The tin market

In the medium to long term, tin is one of the metals expected to benefit most from the electric vehicle revolution. In the short term, Alphamin is well placed to substitute declining concentrate supplies from Myanmar to China (which produces c 50% of the world's tin), which is reported to have fallen by c 30% in recent months as immediately accessible ore from unregulated mines has been exhausted. In the meantime, AFM is trading at a price 7.4x Q3 pre-financing (annualised) cash flows (excluding net interest).

**Price** **C\$0.25**  
**Market cap** **C\$295m**  
 C\$1.3078/US\$

### Share price graph



### Share details

Code AFM  
 Listing TSX  
 Shares in issue 1,180.4m

### Business description

Alphamin Resources owns (84.14%) and operates the world's highest-grade tin mine (the Mpama North mine with a grade of c 4.5% Sn) in the North Kivu province of the Democratic Republic of the Congo. Accounting for c 4% of the world's mined supply, it is the second largest tin mine in the world outside China and Indonesia.

### Bull

- Tin is a pro-technology metal used extensively in 5G, internet, solar and battery circuit boards.
- East African export corridor to Mombasa relatively unscathed by coronavirus crisis.
- Conflict-free minerals legislation provides preferment to official metal/mineral producers.
- Growth prospects and highly prospective licences.

### Bear

- Remote location with three-month re-supply time loop (although critical parts can be seven days by air).
- US\$55m net debt equates to gearing of 31.6% and leverage of 24.0%.
- Only 42% free float.

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### Historical financials

Year end	Revenue (US\$m)	PBT (US\$m)	EPS (US\$)	DPS (US\$)	P/E (x)	Yield (%)
12/16	0.0	(5.0)	(0.01)	0.00	N/A	N/A
12/17	0.0	(3.7)	(0.01)	0.00	N/A	N/A
12/18	0.0	(3.2)	0.00	0.00	N/A	N/A
12/19	27.2	(2.6)	0.01	0.00	25.0	N/A

Source: Company sources

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