

Alphamin Resources

Presenting the bull case

Edison's last note on Alphamin ([Underlying results exceed prior forecasts](#), published on 6 December) was released using Edison's erstwhile long-term tin price of US\$23,425/t applied to financial forecasts beyond Q421. At the time of writing, the three-month price of tin was US\$39,020/t, a 66.6% premium to our prior long-term price. It is Edison's normal practice to use spot prices for near-term (ie quarterly) forecasts within the same financial year and then to use long-term prices thereafter. In recognition of the wide divergence of tin prices from our prior long-term prices this year, however, this note updates our forecasts on the assumption that the tin price remains at current levels throughout FY22. Note that this is the assumption on which our contingent valuation (below) is already based.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (US\$)	DPS (US\$)	P/E (x)	Yield (%)
12/19	27	(3)	0.01	0.00	76.0	N/A
12/20	187	(1)	(0.01)	0.00	N/A	N/A
12/21e	341	135	0.06	0.00	12.7	N/A
12/22e	442	251	0.13	0.00	5.8	N/A

Note: *PBT and EPS are as reported.

Increasing tin price forecasts

From its pandemic low of US\$13,335/t on 23 March 2020, the (cash) tin price has advanced in an almost unbroken fashion to reach US\$39,214/t at the time of writing (ie a 0.5% premium to the three-month price, above), with accelerated price appreciation since it reached US\$18,642/t on 30 November 2020. It surpassed Edison's erstwhile long-term price of US\$23,425/t on 29 January 2021 and, according to a recent poll of 16 base metals analysts by Reuters, is now expected to average US\$30,580/t in CY22. The lowest price forecast in the poll was US\$25,250/t, which was nevertheless 14.8% higher than the most bullish forecast of US\$22,000/t in the equivalent poll in January 2021, which at the time recorded a mean expectation for CY22 of US\$19,800/t. Recently, Fitch Solutions increased its CY22 forecast by 25%, from US\$26,000/t to US\$32,500/t, and expects it to remain on a 'firm uptrend' in the coming decade, with an average of US\$35,500/t by 2030.

Valuation: US\$0.858 or C\$1.083/share

Our valuation of Alphamin remains under review pending a reconsideration of our long-term tin price. In the meantime, assuming that the current three-month price of tin (US\$39,020/t cf US\$33,863/t in Q321) prevails for the remainder of Bisie's 11-year life (ie adopting the current tin price as our long-term price) and with some slight refinements to operating and capital costs in FY22, we calculate an ostensibly unchanged valuation for Alphamin (excluding any blue-sky exploration potential) of 85.8 US cents, or 108.3 Canadian cents, per share. However, this rises to potentially as high as US\$1.91/share (C\$2.39/share) in the event that management is successful in its exploration strategy to the extent that it replenishes reserves and resources and keeps its plant at full capacity beyond FY27 (at the prevailing tin price). Note that, within this context, recent exploration activity has both narrowed the gap between Mpama North and Mpama South and substantially increased the zone of high-grade mineralisation at Mpama South leading to the possibility of an expedited development strategy.

Updating FY22 estimates

Metals & mining

8 December 2021

Price **C\$0.96**

Market cap **C\$1,146m**

C\$1.2631/US\$

Net cash (US\$m) at end-September 2021, including US\$3.5m in lease liabilities and US\$1.7m in unamortised fees. 1.0

Shares in issue 1,193.9m

Free float 42%

Code AFM

Primary exchange TSX-V

Secondary exchange JSE AltX

Share price performance



% 1m 3m 12m

Abs 5.5 21.5 236.8

Rel (local) 7.0 19.5 179.9

52-week high/low C\$1.06 C\$0.29

Business description

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

Next events

Mpama South resource Q122

Q421/FY21 results March 2022

Q121 results May 2022

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[Edison profile page](#)

Alphamin Resources is a research client of Edison Investment Research Limited

Updated FY22 estimates

Exhibit 1: Financial summary

Accounts: IFRS, year-end: December, US\$000s	2018	2019	2020	2021e	2022e
INCOME STATEMENT					
Total revenues	0	27,221	187,445	340,645	442,032
Cost of sales	0	(7,915)	(119,554)	(133,072)	(141,807)
Gross profit	0	19,306	67,892	207,573	300,225
SG&A (expenses)	(9,440)	(14,526)	(17,238)	(19,841)	(21,123)
Exceptionals and adjustments	0	(3,673)	(7,649)	0	0
Depreciation and amortisation	(20)	(7,927)	(25,471)	(26,492)	(28,023)
Reported EBIT	(9,460)	(3,147)	25,182	161,240	251,079
Finance income/(expense)	3	(6,330)	(15,614)	(6,365)	209
Other income/(expense)	7	(4)	(1,518)	(152)	0
Exceptionals and adjustments	6,272	6,850	(8,776)	(20,050)	0
Reported PBT	(3,178)	(2,632)	(725)	134,672	251,288
Income tax expense (includes exceptionals)	0	7,755	(7,141)	(48,215)	(62,822)
Reported net income	(3,178)	5,123	(7,866)	86,457	188,466
Basic average number of shares, m	733	845	1,066	1,188	1,194
Basic EPS (US\$/sh)	(0.00)	0.01	(0.01)	0.06	0.13
Adjusted EBITDA	(9,440)	8,453	58,302	187,732	279,102
Adjusted EBIT	(9,460)	526	32,831	161,240	251,079
Adjusted PBT	(9,450)	(5,809)	15,699	154,723	251,288
Adjusted EPS (C\$/sh)	(0.00)	0.01	(0.01)	0.08	0.17
Adjusted diluted EPS (US\$/sh)	(0.00)	0.00	(0.01)	0.06	0.12
BALANCE SHEET					
Property, plant and equipment	230,626	255,125	239,103	223,271	199,586
Other non-current assets	2,467	10,632	15,882	23,871	36,581
Total non-current assets	233,093	265,757	254,985	247,142	236,167
Cash and equivalents	17,105	5,941	6,559	41,894	226,838
Inventories	3,235	27,755	21,866	18,666	24,221
Trade and other receivables	0	1,486	7,601	34,065	44,203
Other current assets	3,738	17,633	6,710	6,710	6,710
Total current assets	24,078	52,815	42,736	101,334	301,972
Non-current loans and borrowings	80,896	78,229	34,821	0	0
Other non-current liabilities	6,699	9,641	8,872	8,872	8,872
Total non-current liabilities	87,595	87,870	43,693	8,872	8,872
Trade and other payables	7,030	23,487	17,037	18,278	19,474
Current loans and borrowings	0	16,339	25,810	0	0
Other current liabilities	5,711	16,290	13,250	33,301	33,301
Total current liabilities	12,742	56,116	56,098	51,579	52,775
Equity attributable to company	131,914	145,215	171,735	246,877	405,453
Non-controlling interest	24,921	29,371	26,196	41,148	71,039
CASH FLOW STATEMENT					
Profit before tax	(3,178)	(2,632)	(725)	134,672	251,288
Net finance expenses	0	5,456	15,616	0	0
Depreciation and amortisation	20	7,927	26,504	26,492	28,023
Share based payments	300	403	471	0	0
Other adjustments	(6,272)	(6,851)	8,842	20,050	0
Movements in working capital	3,942	(6,710)	(20,281)	(22,022)	(14,498)
Interest paid / received	0	(3,092)	(11,378)	0	0
Income taxes paid	0	0	(843)	(48,215)	(62,822)
Cash from operations (CFO)	(5,188)	(5,498)	18,205	110,978	201,992
Capex	(116,094)	(22,720)	(7,448)	(18,649)	(17,048)
Acquisitions & disposals net	0	0	0	0	0
Other investing activities	151	(46)	(96)	0	0
Cash used in investing activities (CFIA)	(115,943)	(22,766)	(7,544)	(18,649)	(17,048)
Net proceeds from issue of shares	55,235	11,936	10,010	3,638	0
Movements in debt	69,448	0	(18,735)	(60,631)	0
Dividends paid	0	0	0	0	0
Other financing activities	6,317	5,165	(1,319)	0	0
Cash from financing activities (CFF)	131,000	17,100	(10,044)	(56,994)	0
Increase/(decrease) in cash and equivalents	9,869	(11,164)	617	35,335	184,944
Cash and equivalents at end of period	17,105	5,941	6,559	41,894	226,838
Net (debt)/cash	(63,791)	(88,627)	(54,073)	41,894	226,838
Movement in net (debt)/cash over period	(63,791)	(24,836)	34,554	95,967	184,944

Source: company sources, Edison Investment Research. Note: Income statement forecasts exclude 'warrant charges'.

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