

The King of Tin is Alphamin

When I last wrote about one of the highest grade tin producers, with production of roughly 4% of global volume, their share price was C\$0.69/share. That was in July, 2021. Yesterday, this company's stock closed at, wait for it, C\$0.69/share. What have they done in the interim? Increase cash and cash equivalents by US\$124 million to US\$147 million, reduce debt to almost zero (US\$9 million at June 30, 2022), declare a dividend of roughly 4% and announce plans to increase production to 6% of global volume by 2024. Naturally, this left me a little confused, so I think we should have a closer look at what's going on here.

The company in question is Alphamin Resources Corp. (TSX: AFM), a low cost tin concentrate producer from its high grade deposit at Mpama North on its mining and exploration licenses covering a total of 1,270km² in the North Kivu Province of the Democratic Republic of the Congo (DRC). At a tin grade of roughly 4.5%, Mpama North is the world's highest-grade tin resource – about four times higher than most other operating tin mines in the world. It is also one of the largest tin mines outside of China or Indonesia.

The Company recently announced Q2 results, which were very positive, showing quarter-over-quarter growth in ore processed (+7%), tin produced (+4%) and a reduction in AISC (-7%). A slightly lower tin grade processed for the quarter (-2%) coupled with a materially lower price (-19%) led to a marked drop in EBITDA (-32%). But we're still talking about a very positive quarter which allowed the Company to add US\$6.5 million to cash and cash equivalents even after an incremental tax hit of US\$11.7 million due to a special "superprofit tax" applied by the Democratic Republic of the Congo (DRC). And on top of this Alphamin announced an interim dividend for FY 2022 of C\$0.03/share. I like their use of the term "interim" as it

implies, at least to me, that there could be more to come before the year is over.

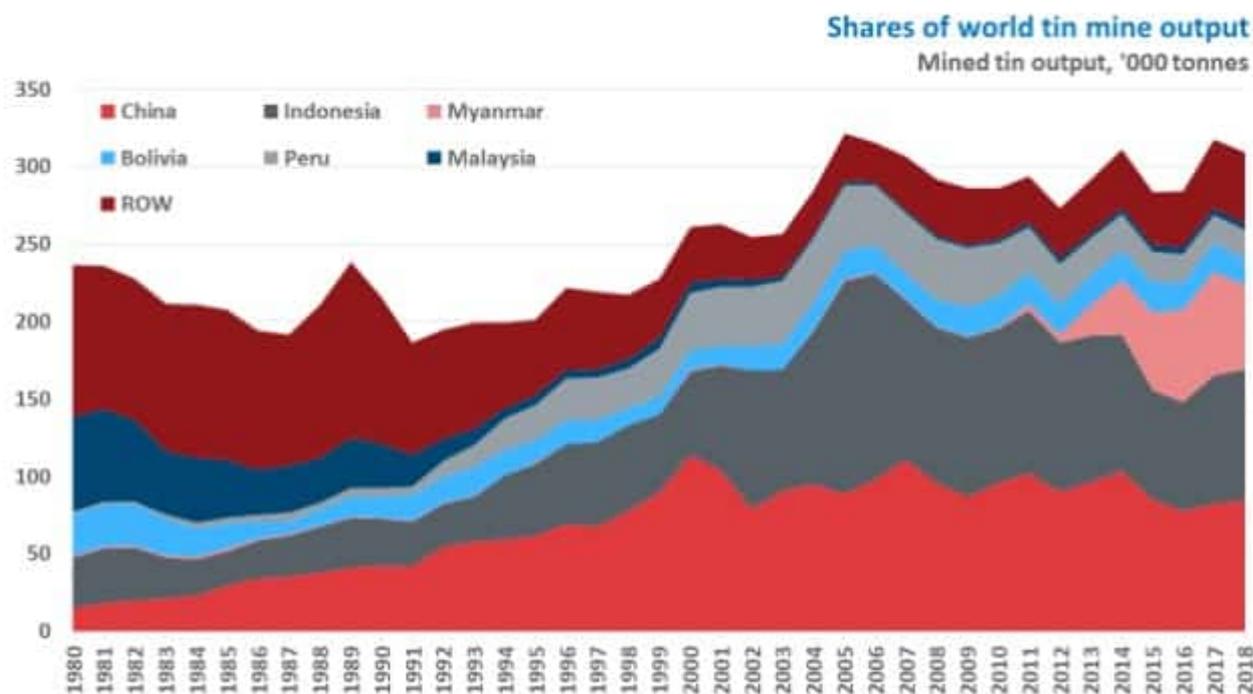
As part of corporate plans to further expand production, this week the Company announced an updated Mineral Resource and Mineral Reserve estimates along with an updated life of mine schedule (LoM) for the Mpama North Mine. Without getting into all the numbers, the press release can be summarized by saying all the work Alphamin has done has resulted in all contained tin depleted since December 31, 2019 has been replaced in the new LoM schedule. The 154.5kt contained tin in the updated LoM versus the previous 154.2kt has also been accompanied by a valuable grade increase of 19.6% to 4.78% Sn from 4.00% Sn previously scheduled. In a nutshell, before we even get into the reserve adds from the Mpama South project, Alphamin is expanding Mpama North as quickly as it is mining it. I find this reasonably impressive when you consider it accounts for 4% of global production.

As for Mpama South, the Company stated with its Q2 guidance that exploration drilling delivered an additional 124,700t contained tin in inferred Resource and 21,400t contained tin in indicated Resource at Mpama South. Mine development of the Mpama South deposit (adjacent to Mpama North) has commenced and is expected to increase annual contained tin production from the current 12,000tpa to ~20,000tpa, approximating 6.6% of the world's mined tin, effective FY2024. This is critical given Alphamin states that according to the International Tin Association there is a tin supply deficit forecast for the foreseeable future.

I couldn't find this forecast myself (perhaps it's behind a pay wall), however, the logic behind it seems sound. Four countries currently produce 75% of global tin concentrate and they all appear to be facing some sort of headwind. Chinese mines are maturing and are facing stricter environmental laws (but the cynic in me would suggest the latter is only an issue in a balanced to over supplied market).

Indonesian on-shore mining is declining and export bans are looming. Myanmar's high-grade surface material is almost depleted and they are now moving into lower grade underground mines, which completely overlooks the political turmoil where the military junta is simply executing anyone opposing them. And Peru has commissioned tailings retreatment in an attempt to restore their declining production profile to levels from 10 years ago.

Sources of Global Tin Supply



Source: International Tin Association

Returning to my opening challenge of why is it that the stock price is the same as 13 months ago, all I can suggest is that perhaps it's the fact that tin prices today are US\$24,675/t versus the July 15, 2021 close of US\$33,510. If you are simply trading Alphamin as a proxy for tin prices then I guess it sort of makes sense that all the success the Company has achieved over the last year is offset by lower commodity

prices – this formula is perhaps reasonable.