Alphamin Resources is producing the glue of technology

written by InvestorNews | July 15, 2021

When last we looked at Alphamin Resources Corp. (TSXV: AFM) in early May the stock was up 177% in 5 months. It was a cash flow machine with exploration upside of a critical material – Tin. Since then not a lot has changed, the company is still generating massive amounts of cash flow and is using much of that free cash to expand its resource base with the goal of extending mine life out by decades. Interestingly though, tin prices are up another 12% since then while Alphamin's stock price is actually down a little bit, closing yesterday at $0.69/share versus it's May 11th close of $0.72.

Before we have a look at what's currently going on at Alphamin let's talk a little more about tin first. Why are tin prices continuing to rock 'n' roll even when we've seen many other commodities (like copper and lumber) retreat from their recent highs? As noted, tin is a critical material, making the U.S. Department of the Interior's 2018 list of 35 mineral commodities considered critical to the economic and national security of the United States. The reason it's so important is because tin is the glue of technology (a great quote I borrowed from Alphamin's CEO Maritz Smith in an interview with InvestorIntel's Tracy Weslosky earlier this week). Half of the world's tin demand is from solder, which is used in all circuit boards and will be a critical component of future technological developments. It's also a relatively scarce element with an abundance in the earth's crust of about 2 parts per million (ppm), compared with 94 ppm for zinc, 63 ppm for copper, and 12 ppm for lead. And lastly, any near term supply additions from the likes of Indonesia, China and Myanmar require an estimated price of roughly US$30,000/tonne to make economic sense to bring incremental production online.

Perhaps that's why tin closed at US$33,510/tonne yesterday. Things look pretty good from both a supply and demand perspective. So who better to talk about in this environment than the company that owns the world's highest grade tin resource, about four times higher than most other operating tin mines in the world, responsible for approximately 4% of global tin production. It should come as no surprise that the latest guidance from Alphamin is for EBITDA of $34 million for the quarter ending June 2021 which has led to a debt reduction of 50% from the start of the financial year to $29.9 million. Granted the EBITDA number is slightly lower than Q1 but that's due to the previous quarter benefitting from significant catch-up sales following logistical bottlenecks during Q4.

Naysayers may also focus on slightly lower tin grades and plant recovery rates versus Q1 but the variable nature of tin mineralisation in the orebody can cause material fluctuations in delivered grade. Ultimately, the overall resource estimate at Mpama North is a tin grade of 4.5% versus the latest quarter achieving a grade of only 3.2%. My simplistic view is that over time this number should revert to the mean but I'm not sure if that's how geology and resource estimates work. The positive is that the plant processed 12% more ore quarter over quarter and the fine tin recovery plant is fully commissioned and producing effective June 26th, which has the potential to increase contained tin production by 5%-10%. Also, the average Q2 tin price was US$28,326/tonne, well below current prices. My takeaway is far more positives than negatives but the market will ultimately decide, regardless of my opinion.

Those are all the tangible numbers you can sink your teeth into but the exciting part (to me at least) is the anticipation of a massive exploration program. In early June, Alphamin announced results from the first 29 of their 70-hole drill programme. Drill results at Mpama South (which account for 46 holes of the overall plan) showed continued presence and orientation of high-grade samples pointing to the potential for another high-grade deposit 750m south of current operations. They say a picture is worth a thousand words, so rather than ramble on about various drill highlights I'll let you look at a picture.

Source: Alphamin Resources June 8, 2021 Press Release

Results are still pending on the last 17 holes drilled at Mpama South. Drilling at the Mpama North orebody commenced on July 2nd with an initial 15,000 metre (22 holes) drilling campaign over the next 4 months. Drilling is planned to test the strike and dip extension of the current producing orebody with the aim to extend the life-of-mine. In addition, the Company is planning to drill on the highly prospective Bisie ridge (13km strike length), which falls within the Company's mining licence. This is expected to commence in August, with access roads having been established and initial drill targets being developed.

There's nothing better than a story that has lots of cash flow, potentially debt free in the foreseeable future and lots of exploration upside in a commodity with a pretty good supply/demand outlook. The one caveat is that it's a single mine asset in a potentially challenging geographic and geopolitical location (Democratic Republic of Congo). To me that's what makes investing so interesting.

Disclosure: The author is long Alphamin Resources Corp. (TSXV: AFM).

CBLT's Clausi on selling assets for a profit.

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"As we all know it is a difficult mining market out there. There are many companies whose values are not reflected in their share price. You can either sit around and whine about it or you can do something about it. My board told me to do something about it. We bought non-core assets, packaged them, went to Australia, met with anybody who would meet with us and was able to sell these assets to create a profit for CBLT back in Canada. In essence we did a hard $1 million dollar financing without any fees on top." States Peter Clausi, President, CEO and Director of CBLT Inc. (TSXV: CBLT), in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

Tracy Weslosky: How does it feel to be a junior that is actually making money? Can you tell your shareholders and investors out there a little bit about what you are doing right now?

Peter Clausi: Sure. As we all know it is a difficult mining market out there. There are many companies whose values are not reflected in their share price. You can either sit around and whine about it or you can do something about it. My board told me to do something about it. We bought non-core assets, packaged them, went to Australia, met with anybody who would meet with us and was able to sell these assets to create a profit for CBLT back in Canada. In essence we did a hard $1 million dollar financing without any fees on top.

Tracy Weslosky: While you were in Australia we had a couple of investors in town last week they are telling me that Australia is experiencing a gold rush and they are redirecting their attention towards the resource sector. Is this correct? Is this consistent with your own conclusions having just gotten back from Australia?

Peter Clausi: Australia does not have the same kind of risk capital market that Canada or the United States has. They do not have a cannabis market. They do not have a crypto market. The risk capital has stayed in junior high-tech, junior mining, junior oil and gas. It has not fragmented so there is more capital available. Yes, there have been a couple of recent discoveries in the gold sector that have juiced the market generally. Plus the rebirth of rare earths and lithium, we will call it 2.5 because we are not quite at lithium 3.0 yet, has also helped to excite the market. George and his buddies at Northern have done a real good job of bringing that project to market. They were a big hit when they were traveling in New York and it has helped to re-excite the rare earths market.

Tracy Weslosky: Peter I have to tell you, I do not know if you have seen how Neo’s stock has moved. There is a lot of interest in electric cars as you know. We do not have the cobalt that we need. I do not understand why people are not lined up around the block to have your conflict-free mineral source of cobalt here in Canada. What is going on there? What is the disconnect between the cobalt demand, as we know there is a real shortage, and the interest in CBLT for instance?

Peter Clausi: There are a lot of reasons for it. It is a market that still lacks credibility. There is a group in Australia that reports in “cobalt equivalent” by taking a little bit of copper and a little bit of gold and a little bit of silver and doing some magic and increasing their cobalt number. Things like that hurt all of us. I wish they would stop doing it. The other problem we have is, cobalt is a bizarre metal. It is only found in a few places around the globe in mineable quantities. 60% of it comes from the Congo so anything that happens in the Congo affects cobalt globally…to access the complete interview, click here

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