Alphamin Resources is producing the glue of technology

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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).