



HALLGARTEN + COMPANY

Coverage Update

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Alphamin Resources (TSX: AFM, OTC: AFMJF, JSE: APH) Strategy: NEUTRAL

Price (CAD)	\$0.58
12-Month Target Price (C	Withheld
Upside to Target	n/a
High-low (12 mth)	\$0.405 - \$1.32
Market Cap (CAD mn)	740
Shares O/S (millions)	1,276
Fully Diluted (millions)	1,295

Alphamin Resources

Barbarians at its Gate

- + The ONLY good news for Alphamin is that the rebels have not arrived at its site yet, but this is scant comfort as all else is dire
- + The main consolation is that China's indirect backing of the M23 rebels is coming back to bite them on the behind
- X Logistically the location in central Africa means long supply lines to the ports that were often subject to the vagaries of the extreme weather in the area
- X These routes to the north, west and seemingly to the south, have fallen to M23 rebels
- X Last year, we described Goma, the company's administrative HQ in-country and its transit point for FiFo staff, as "a city living on borrowed time" and now it has fallen to rebel troops
- X The mothballing of Bisie should have significant negative effects for tax revenues in the DRC, for the finances of Gecamines and Gerald Group and for the grade average of throughput at Yunnan Tin's smelters
- X The fallacy of the "one-mine" strategy is shown up
- X It is nearly a month since the company last offered an update, which is very poor
- X We find it strains credibility that the scant level of information given to the markets and investors is the same that is given to majority shareholder, Denham Capital

Info Blackout in the Heart of Darkness

The unthinkable has happened as Bisie has now been cut off from the rest of the world by a rebel resurgence. But was it unthinkable? We dealt with the rebels in our October note on our trip to Bisie, but there has always been a class of investors that were less stoic on this issue. The Nervous Nellies have been proven right.

The crisis (at least to Western eyes, blew up rather unexpectedly, though these matters may have been simmering and investors were not flagged on the whatever intelligence the company may have had.

In any case, it's a major dilemma, resulting in the total shutdown of operations. No damage has been done to the site..... yet.

Revenues will plunge to zero, the dividend is clearly collateral damage and the problem with a prolonged shutdown is retention of the team and also maintaining the mine dry and in good condition. The site is entirely dependent upon trucked diesel and the company has not revealed if it has sufficient on-site. As we noted in our mine trip report the company should have constructed a hydro facility for many and various reasons but had not.

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In passing we would note that Rome Resources, the near-neighbour explorer, is also caught in the backwash of this. Ironically, its operation at site is almost ephemeral so it can disappear, quite literally like “gorillas in the mist” with only damage being to its share price.

In this update we shall look at some of the issues without prognosticating when this might come to a conclusion.

Barbarians at Alphamin’s Gate

It is said that “the man with one eye is King in the land of the blind”. And yet, everyone is in the dark, and there is seemingly no-one with even one eye, when it comes to the crisis enveloping Alphamin’s operation in the northeastern DRC due to the rampaging forces of the Rwanda-backed M23. The rebel forces (unlike in 2015) have not invaded the mine site but have managed to seize strategic positions and routes in North Kivu province. This prompted an announcement on the 13th of March from the company that it had decided to temporarily cease mining operations at the Bisie tin mine in Walikale District of the DRC.

This decision was attributed to insurgent militant groups having recently advanced westward in the direction of the mine’s location in the DRC occupying the towns of Nyabiondo on 9 March 2025, the capital of the Osso-Banyungu sector located ~110km northwest of Goma followed by Kashebere a further 13km west of Nyabiondo on 12 March 2025. The company claimed that the safety of the employees and contractors was its top priority and could not be assured at the present time. All operational mining personnel were being evacuated from the mine site with only essential personnel to remain for the care, maintenance and security of the property.

The Rebels – Neither Gone Nor Forgotten

There are reputedly three rebel “movements” in the far north of North Kivu province. The most active rebel groups include the Allied Democratic Forces, the (ironically named) Cooperative for the Development of the Congo, the March 23 Movement, and many local Mai Mai militias.

The Rwandan genocide of 1994 has engendered many of the problems in the region including fueling the so-called First and Second Congo Wars. The aftermath of these events was still having effects on the city and its surroundings in the last decade, and indeed in recent years.

The city was captured by rebels of the March 23 Movement, during the M23 rebellion in late 2012, but it has since been retaken by government forces. Then it was taken again by the same rebel group in 2022 and then it fell again earlier this year.

As has often been said of Africa, the colonial borders did not match the ethnic groupings and traditional historical and tribal structures. Likewise, in the northeast of the Congo and in Rwanda the traditional lands of the Hutu and Tutsi tribes straddled the borders of both countries, though ironically both were under Belgian rule in colonial times (at least after WW1, when the German colonial power was passed to

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Belgium in Rwanda).

The ethnic rivalries definitely fired up the Rwanda genocide but as always in many of these conflicts the mood music is monetary. In the case of the Kivu provinces the monetary reward included the smuggling of cocoa and coffee out via Uganda to the world markets, rebranded as Ugandan produce. More lucrative though was artisanal mining, with Gold, Coltan and Tin providing lucrative means of funding arms purchases. The enablers of this trade (i.e. the end industrial processors) will go unnamed here, but it doesn't take much in the way of street smarts to work out which country has benefitted most from "conflict" minerals whether it be here or Burma.

This is where the connection to Alphamin comes in (and some of the confusion). Bisie was first discovered due to the activities of artisanal Tin miners on the site and in other zones nearby (including where Rome Resources are pursuing their goals). The product in those days was under the control of rebels and helped fund their operations, so genuinely was a conflict mineral.

The artisanally-mined Tin, despite being highly valued as a metal, could not compete with gold or coltan in portability and value per tonne, so was never as lucrative as the other metals. After a site invasion by rebels in 2015, the rebel forces relocated to over 100kms distance as there is no mileage for them in the artisanal Tin output as its now Alphamin's mine and most of the artisanal miners are now otherwise engaged (a number of them as AFM's employees).

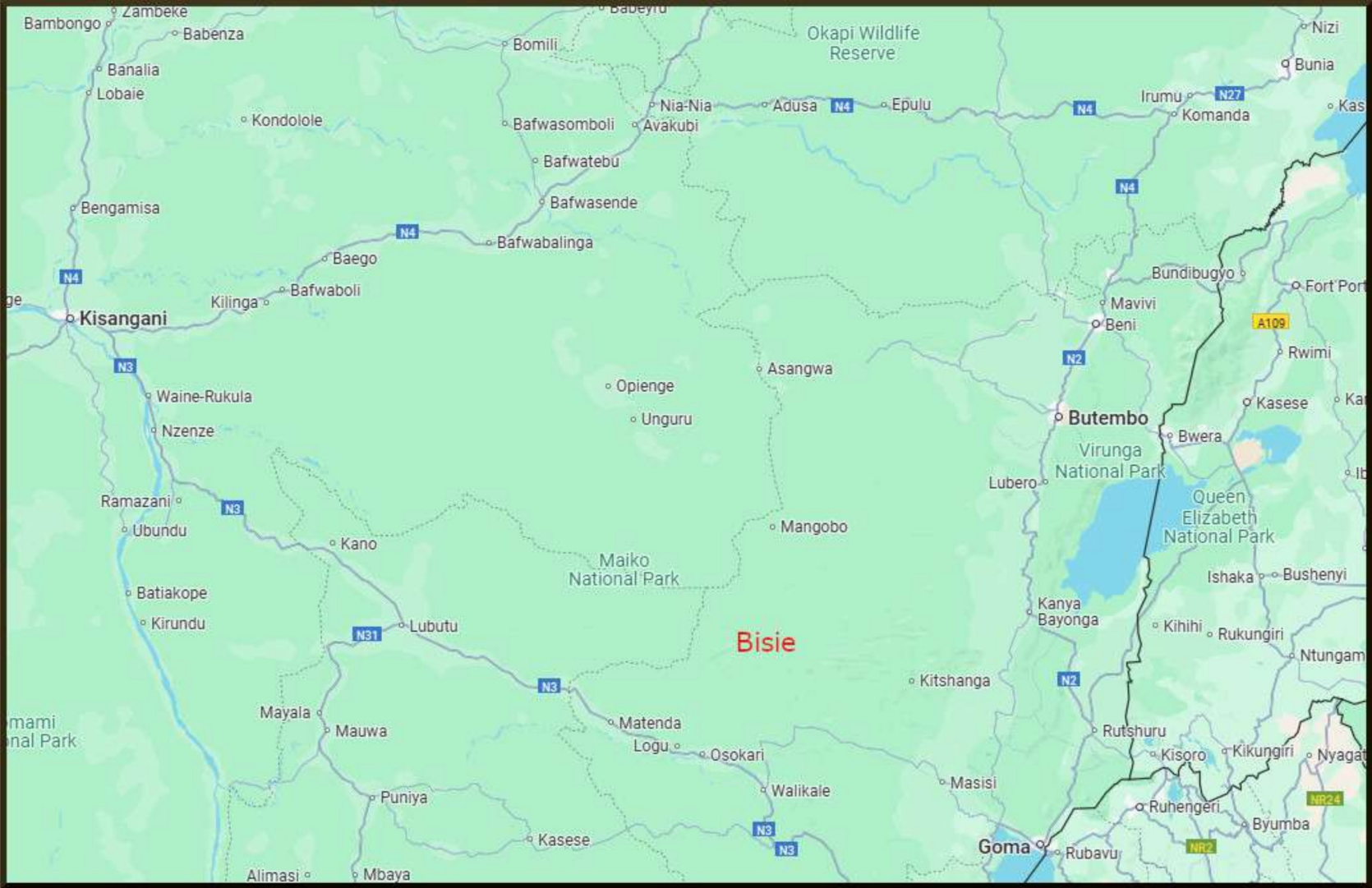
Access is Key

In [our mine trip note](#) of last October we dealt with some of the logistical issues at the mine which may have put us in bad odour with some. Now though some of those issues are coming home to roost.

Firstly, the company had its administrative base and in-country offices in Goma and that city had fallen rather swiftly to the rebels. The company flew in all its FiFo staff and others via Goma's airport with its connections via Addis Ababa to the rest of Africa. Then they were transferred by small planes to the minesite. This was now clearly cut off. We have dealt with, [in a paper farther back in the past](#), the fallacies of the FiFo policies of many companies in many regions (isolated or not), but never did we cite rebel groups as a good reason to have more established urban development at site.

Then there was the issue of road access (both ingress and egress) to Bisie and this has been a the main perennial issue for Alphamin. For long term followers of Alphamin, the access issue has been a far more critical issue than rebels. The map on the following page shows the roads which the trucks of the company's contractors must traverse to reach the Ugandan border, where the shipments are handed off to the Gerald's people. From Bisie the product must go south to Logu, then west along the N3, nearly as far as Kisangani, where the trucks then turn back eastwards along the N4.

Historically, the months of December, January and February are relatively dry from a rainfall perspective, but this was not the case in December of 2023.



While the entirety of the route out of the country is problematic (excepting for the part that Alphamin actively maintains from Bisie to Logu), the section between Kisangani and the Ugandan border is the most heavily trafficked and thus the most prone to massive truck back-ups should a section of the route become a quagmire and trucks (not necessarily those from Bisie) get bogged down. Sometimes as many as 200 trucks can be backed up by an incident.

Further problems are created by containers (and their trucks) not being able to return to be reloaded as scheduled, which thus compounds the problem. Interestingly management said that the task is made more complex because the parts where problems might arise at a given time are not necessarily where one might have identified a potential problem. The incessant rainfall of the region makes flooding a constant factor, but where the problems will arise next remains the great unknown.

The rebels gaining control of the areas and roads north and west (and potentially south) of the minesite cut off not only basic supplies but also the diesel that the company is entirely dependent upon for ALL power at site and for transport. We noted this dependence and pointed out the desirability of having constructed a small to medium hydro facility and weaned itself off this expensive and vulnerable source of power.

In its last announcement on the subject (that of mid-March, which has not had any updates), the company said that it was the recent announcement that direct peace talks on the conflict are scheduled to be held in Angola on March 18, 2025. The company “will closely monitor events as they progress with a view to moving personnel back to the mine site and resuming operations when it believes it can safely do so”.

The issue for us, and all outside investors, is whether Denham Capital as a majority shareholder is being given as skimpy information as is being offered up to the public markets.

The Tin Price

In its last update newsletter at the end of March the International Tin Association noted that “Tin prices remain elevated amid supply disruptions and strong fund support, with LME 3-month price closing above \$35,000 per tonne”. This price move was despite indications that Wa authorities were preparing to lift the mining ban in Myanmar, combined with the recent suspension of operations at Bisie, which resulted in around 16% of global mine supply is currently offline. We would note though that Wa State coming back online is somewhat like the “boy who cried wolf”. Time will tell.

The ITA went on to opine that, given these feedstock constraints, China's refined production would struggle to match last year's output in 2025, with a further tightening of the country's raw material supply anticipated in 2Q25. This was despite Indonesian exports more than doubling month-on-month in February to just under 4,000 t, although the arbitrage opportunity to China remains closed.

As the price chart on the following page shows, the rises continued after ITA published their newsletter.



Source: tradingeconomics.com

More critically, the ITA reported that LME stocks have declined by 36% in 2025 to just above 3,000 tonnes. This represented the lowest level since June 2023, while the LME cash/3-month spread had tightened from the wide contango seen at the end of last year.

Alphamin Financials

Below can be seen the last reported results for Alphamin. We have not put our FY24 estimates in the table, despite their announcement being imminent. It will be interesting to see whether what should be stellar results, are tainted by a massive writedown.

One could ask the somewhat biblical question.... What profiteth a man to have record results if one's mine is no longer functional?

Alphamin						
FY ended December						
	First 3Qs of	FY23	FY22	FY21	FY20	FY19
USD mns	FY24					
Revenue	387.72	288.50	391.05	352.88	187.45	27.22
Cost of Revenue, Total	204.81	161.04	175.28	136.62	114.53	15.66
Gross Profit	182.91	127.46	215.77	216.26	72.92	11.56
Selling/General/Admin. Expenses	21.61	22.45	25.30	19.75	17.68	15.59
Depreciation/Amortisation				28.23	30.05	
Interest Expense (Income)	10.90	7.57	4.91	8.36	15.62	5.46
Forex loss (Gain)	0.70			0.87	1.52	0.00
Warrants		-	0.48	26.92	8.78	(6.85)
Total Operating Expense	238.02	191.06	205.98	220.76	188.17	29.85
Operating Income	95.47	97.44	185.07	132.13	(0.72)	(2.63)
Income Before Tax	95.47	97.44	185.07	132.13	(0.72)	(2.63)
Income Tax	59.41	37.00	66.09	44.63	7.14	(7.76)
Deferred Tax	2.01	0.50	(3.16)	8.93		
Super Profit Tax				15.00		
Income After Tax	88.21	57.96	121.73	63.57	(7.86)	5.13
Minorities	16.49	10.74	20.81	15.36	0.97	0.15
Income pertaining to Shareholders	71.77	47.22	100.93	48.21	(8.83)	4.98
Weighted Average Shares (mns)	1276	1275	1304	1285	1065	866
EPS (USD)	0.056	0.037	0.077	0.038	-0.008	0.006

China's Massive Own Goal

We cannot help thinking that China has kicked itself a massive own goal with the indirect sponsorship of

the M23 rebels. The reality is that while Rwanda is (deservedly) being heaped with condemnation for its role, behind ALL the players is China. It is the shameless buyer of the conflict Coltan emanating from the rebel-held areas of the DRC. No such scruples as Dodd-Franks keep the Chinese consumers of this mineral, who are ultimately funding this conflict, awake at night. So now that Yunnan Tin has lost its largest source of high-grade Tin concentrate, we are finding it hard to generate any tears for the Chinese.

This duplicity has been noted in Kinshasha and has quite a bit to do with the DRC's newly-found openness to the US. We must however also take a shot at Alphamin's press release playing the "major US shareholder card" when all the offtake is heading to China and Alphamin pays no US taxes. Why should Washington give a damn about solving China's dilemma?

Frankly, if Alphamin want this resolved they should tell Yunnan Tin to hot-foot it to Peking and tell that powers that be to pull the plug on the purchases by China of illegal Coltan. Problem solved!

Risks

There are a number of potential risks that should be taken into consideration:

- X Tin price goes into reverse
- X Rebel activity resurges in the area
- X Natural disasters in the province creating access problems
- X Transfer of Denham Capital stake to less friendly hands

Tin is subject to the forces of supply and demand as are most metals. The price rise has been driven by long-term under-supply/under-investment, and on the other hand there is the fact that new production is almost non-existent. However, Tin is inextricably linked with industrial activity and the West (at least) is in an economic swoon of indefinite duration due to inflation, rising interest rates and the backwash from the war in Ukraine. It cannot be discounted that industrial demand might decline and eventually trim back some of the stunning gains of recent years in the short (or even medium-term). The ITA did report some shrinkage on the demand side over the last 12 months. However, the shrinkage of supply has been greater.

Unrest in the region has become minimal until recent times. Rebel activity had moved well to the north of Goma, but it had not entirely disappeared. In some ways, such activity is attracted by and attracts artisanal mining of highly portable, high-value minerals. That gold and coltan are not apparent in Bisie's neck of the woods was helpful. Moreover, the evolution away from artisanal mining in the zone around Bisie through development, and the mine providing alternative, more remunerative employment provides infertile ground for rebel incursions. Alphamin itself, in collaboration with the DRC's army, has an impressive security apparatus and the resources to maintain and reinforce it, should need be. The

mine now is of national importance from the economic point of view and thus protection is afforded by the army as well. However as events in the last two months have shown there is a limit to Kinshasa's reach and "no man is an island" when surrounded by AK47-toting rebels.

The bridge issue in late 2019 and the road problems (due to excessive rain) in late 2023, and now the rebel resurgence, show the vulnerability of Bisie with its limited options in accessing ports. This problem will only go away with the construction of better infrastructure in-country. The company would prefer not to take on such general benefit projects but, to guarantee future surety of egress and ingress, it will continue to help maintaining roads and bridges that it needs to traverse to markets. As noted, Alphamin has become important maintainers (even if not upgraders) of the road to Kisangani, as well as from there to the Ugandan border.

The future of the Denham stake is an imponderable, as we noted earlier in this review. It is too large to be placed, particularly while the company remains with its principal listing on the do-nothing, know-nothing Toronto Venture Exchange. It is almost as if the company does not want serious institutional interest. If the stake is sold to a strategic investor, it would trigger a change of control (over 19.9%) and thus a compulsory offer to minorities. The Chinese are blocked for the moment by the reigning attitude in Ottawa.

Thesis

All the worst expectations of Alphamin's detractors have come true in 2025. Whether they could make any money out of SHORT positions in the fact of an inexorably strong Tin price is difficult to envision.

For everybody else the crisis blew onto the stage without notice and the first they heard of it was in the newspapers or on the internet, not from the company.

As we noted in our mine trip report, if the company decided to grasp the nettle of energy supply (to permit intensive regrinding) then the tailings become an obvious next leg up in production. Not only that though, for a hydro facility at site would have liberated the company of tyranny (and high cost) of diesel powering what is one of the largest mines in Africa. The diesel-dependence makes the company also acutely vulnerable to disruptions to the road route.

Long experience has taught Tin watchers that Tin spikes & then dumps, and very rarely goes into long placid phases of relative stability. This has conditioned the watchers (resemblance to Pavlov's dogs is not amiss) to expect, inevitably, that the price will go down if the price has gone up...

The upcoming 4Q24 numbers will, maybe, come in at record levels then the revenues shall fall off a cliff in the March quarter of this year. It would not be surprising to hear that there were very few dispatches of Tin concentrate to Mombasa in 2025 as the rebels were already resurgent to the north of Goma since the start of the year. Turth may be the first casualty in war, but Alphamin's dividend will be the second.

It is interesting (and poignant) that the authorities in Toronto have not asked more detailed questions of the company than they have. They seem to have been happy to be fobbed off with a care &

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maintenance status report, which to us raises a lot of other issues but the Exchange doesn't seem to know which questions to ask.

Rationale & Rating

The impressive operation at Bisie makes clear that Alphamin had indeed established the model mine for Tin, comparing at the international level, in terms of efficiency, costs, margins, production and grade. The less than forthcoming management style was accepted as long as the company was bringing home the bacon. Caginess in a crisis though is less comforting.

We had reiterated our LONG rating only as recently as last November and have our 12-month target price to CAD\$2.00. In recent weeks we maintained the LONG rating, but removed the target price, but in light of the radio silence from management we have moved to a NEUTRAL position



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