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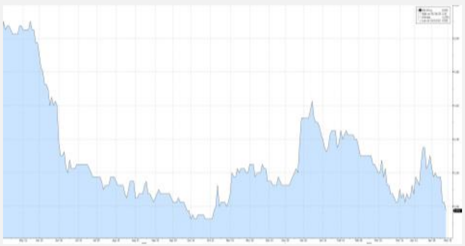
Asiamet Resources Limited* 25 May 2023

Company Details

Share Price (Mid): 12month High / Low **Project NPV (FS Estimate)** Ticker: Reporting Currency	1.05p** 0.93p-2.10p **$162.8m** ARS.LSE USD
LSE Sector:	Industrial Metals and Mining
Key Market Data	
Market:	London Stock Exchange (LSE)
No. Shares in Issue (m) No. Shares Fully Diluted (m)	2,187.1m 2,209.1m
Market Capitalisation Net Debt (Cash) Other EV Adjustments **Enterprise Value (EV)**	GBP 22.9m GBP (3.9m) None **GBP 19.1m**
Next Results (Interim Results)	Q3 2023
Year end	31 December

1-Year Share Price Chart



Source: Bloomberg

Company Objective: **Growth**

Asiamet Resources Limited is an emerging copper producer focused on the development of a portfolio of large copper, copper-gold and polymetallic deposits in Kalimantan and Sumatra, Indonesia, adjacent to the key growth markets in Asia.

***Optiva Securities acts as Broker to Asiamet Resources Limited.**

**Share price correct at 7am on 25/05/23

Asiamet's Feasibility Study: Value ready to be unlocked…

Asiamet Resources Limited, ("Asiamet" or "the Company"), the AIM listed industrial metals exploration and development company with a portfolio of highly prospective copper, copper-gold and polymetallic assets in Indonesia, recently published an updated Feasibility Study ("FS") for their flagship BKM copper project in Central Kalimantan, Indonesia. The FS, a culmination of over 12 months work by the Company, is a key milestone in the development of the BKM project, bringing it now within striking distance of commissioning production on site. Completion of the FS gives Asiamet everything it needs to pursue project financing to develop BKM into a producing copper mine. **Based solely on the FS NPV8 figure of $162.8m, the Company's shares have an implied present value of 5.95p/share, 508% above the current trading price. Optiva intends to publish a full sum of parts valuation for Asiamet in due course**.

- **Feasibility Study Highlights:** Asiamet's updated Feasibility Study details scope for a 9.2-year project life, producing up to 20,000 tpa of copper cathode material. Over this time, the project would have forecast revenues of approximately $1.4bn, on an EBITDA of $655.3M (a 46.8% margin). The project has an attractive IRR of 21% (well above standard investment thresholds), a payback period of 3.4 years, and a post-tax NPV (excluding closure costs) of $162.8m, almost 6x the Company's current Market Cap. C1 cash costs are expected at $1.91/lb, giving the Company favourable OPEX requirements at a time when global mining operation costs are rising.

- **Updated Ore Reserves.** As part of the Feasibility Study, Asiamet has updated its Ore Reserve figures for BKM, in line with 2012 JORC Code standards. Total Measured, Indicated and Inferred Resources remain unchanged at 69.6Mt @ 0.6% Cu for 451.9kt of contained copper, while Ore Reserves have been updated to 40.8M tonnes @ 0.7% total Cu (for a combined Proven & Probable contained Copper of 272kt). Given the comparatively low Strip Ratio of 1.2, the Company has expressed a high degree of confidence that the BKM project can be operated extremely economically over its projected life.

- **BKZ Upside.** Adjacent to BKM is the highly prospective BKZ project, which remains a exciting value source for Asiamet. The JORC compliant resource for this polymetallic project shows viable assets of Gold, Silver, Zinc, Lead, and Copper among other materials. Derisking efforts at BKM add knock-on value at BKZ, as the projects are part of the same geological structure, and are therefore likely to have similar project economics. No value is ascribed to BKZ in the FS NPV calculation, making this yet further potential upside.

- **Pricing Environment**: The FS uses a US$3.98/lb long term copper price as its resource valuation basis point, informing the revenue and NPV calculations. This price is below the year-to-date average LME copper price of $4.06, and well below many long-term forecasts for the commodity. While currently copper prices are relatively suppressed due to global economic slowdown, inventories remain at an 18 year low worldwide, and the rising demand from sectors such as EVs and Green Infrastructure is expected to drive prices back up in the longer term.

- **Valuation Summary:** On an NPV8 basis, the FS calculates the present value of the BKM project alone at $162.8m, equating to approximately 5.90p/share fully diluted. Even using a relatively conservative estimate for copper price, and fully excluding the resources at BKZ, the other prospects within the KSK licence and the potentially globally significant Beutong project, this is still almost 500% upside from the current share price. Optiva intends to prepare a full Initiation of Coverage valuation model of the Asiamet projects in due course, and fully anticipate the already evident upside potential of Asiamet to increase further.

BKM Project Summary

BKM Background

The Beruang Kanan Main Project ("BKM"), which sits within the eastern part of the Kalimantan Surya Kencana ('KSK') Contract of Work ("CoW") area is Asiamet's 'flagship' project. The KSK CoW is wholly owned by Asiamet and is located in the Kalimantan Volcanic Arc, a highly endowed and prospective region of Kalimantan, Indonesia. Asiamet holds currently a 30-year permit for KSK, with scope for up to two 10-year extensions.

The KSK licence covers an area of approximately 390 km² and includes a large number copper, gold, and polymetallic targets. BKM represents the first thoroughly explored prospect within a large, approximately 15km² area, of anomalous copper mineralisation in rocks and soils. Geological, geochemical, and geophysical surveys have identified several areas of possible/probable mineralisation within the KSK, including BKZ to the north, BKW to the west, and BKS to the south.

Project Timeline

With the release of the updated 2023 Feasibility Study, the Company has been able to further derisk the BKM Project from an execution standpoint, and is now able to lay out a more concrete timeline for bringing the project into production. The full FS document, which will be compiled and released in due course, represents a bible of information with which to approach banks and project financiers, in order to secure the necessary CAPEX funding for the project. A published FS in necessary to have in hand when arranging debt financing, and as such these recent developments unlock Asiamet's ability to project financing through a more cost-effective debt & equity mix. The Company hopes to have made significant progress in financing activities by the end of the calendar year.

It is expected that optimization works will commence immediately and, subject to financing it is anticipated that the engineering design works will commence in alongside if not shortly after project financing activities. Project financing activities will include bank debt, various forms of prepayment finance (such as offtake finance and equipment finance as well as export credit finance). The Company will, as part of this process seek to engage with suppliers and order long lead items. Early works at site including preparation are expected to commence in H1 2024.

Feasibility Study Highlights

The initial Life of Mine (LoM) of 9.2-years will see production of up to 20,000 tonnes of copper cathode per annum. The Company, through future exploration efforts, seeks to considerably increase this LoM period. Initial capital expenditure $208.7 million (excluding growth and contingencies of $26.7 million) will yield (initial) LOM revenues of $1.4 billion, EBITDA of $655.3 million, post-tax NPV of $162.8 million, an IRR of 21.0% (post tax, excluding closure costs), a payback period of 3.4 years. Basic NPV sensitivity has also been calculated, with a pre-closure NPV6 of $210.7m and an NPV10 of $123.3m.

Against a backdrop of industry wide capital and operating cost inflation, the updated FS has further optimised the BKM project from the OPEX and CAPEX perspective. Post-Covid, the mining industry has faced major inflationary pressures, and as such being able to demonstrate cost effective project operation is more crucial for junior miners than ever. LoM site operating costs (C1 cash cost) of $1.91/lb has been forecast, breaking down to $0.89/lb for Mining, $0.68/lb for Processing, and $0.34/lb for Transport, Logistics and Support Services. All in cost, including other Indirect Costs, Sustain CAPEX and Closure costs (AISC) are estimated as $2.25/lb.

Feasibility Study Highlight Figures				BKM Ore Reserve Highlight Figures	
Revenue *($M)*	1,396.6	IRR *(%)*	21	Proved Contained Copper *(kt)*	137
EBITDA *($M)*	655.3	Payback Period *(Years)*	3.4	Probable Contained Copper *(kt)*	135
PAT *($M)*	378.6	Copper Price Assumption *($/lb)*	3.98	Total Ore *(Mt)*	40.8
NPV8 *($M)*	162.8			Strip Ratio	1.2

Feasibility Study Highlight Figures
Source: Company

Copper Price Assumptions

The BKM Feasibility Study relies on a base case consensus long term copper price of $3.98/lb in calculating its Revenue and NPV figures. This figure has been considered to be relatively conservative, below the YTD average copper spot price of $4.06, and well below the recent Goldman Sachs long term copper price forecast of $10,000/t ($4.54/lb). While this price is above the 5-year average copper spot price of $3.41/lb, the fact that this period is predominantly pre-Covid needs to be considered in any forward-looking assessment of commodity pricing.

Copper Market Outlook

Globally, there is widely forecast to be a material supply/demand imbalance in copper markets over the coming years. With rising operating costs for mining projects across all commodities leading to a dearth of large-scale new copper projects coming into production (due to prospective projects with weaker economics being put on hold), there is likely to be supply shortfall even before demand growth comes into play.

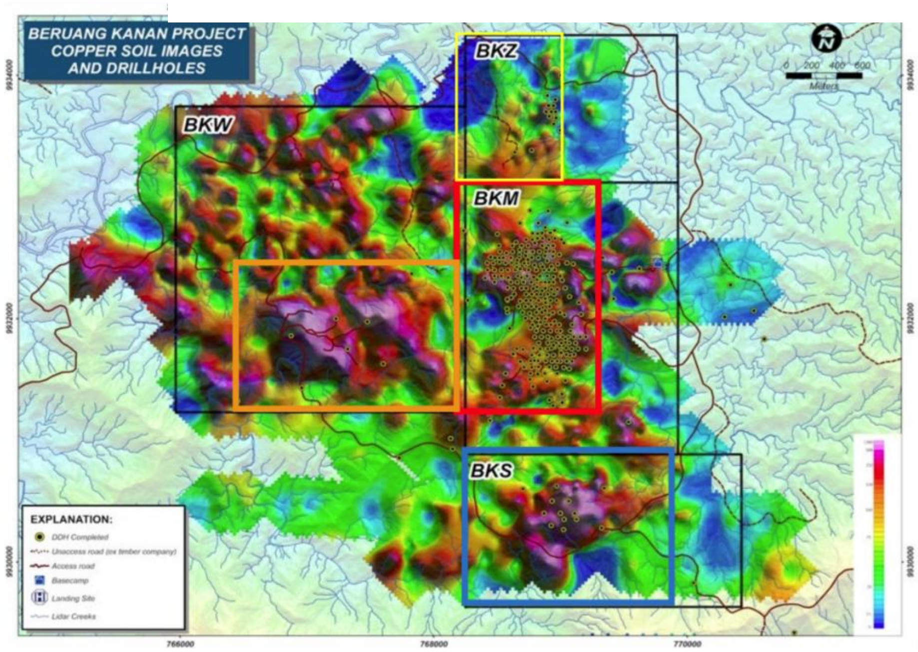
On the demand side, as the developed world moves towards a greater reliance on electric vehicles and its associated distribution network as well as more “green” power infrastructure, consistent copper supply will become increasingly crucial. Most pertinently for Asiamet, large Indonesian coal players are looking to diversify away from fossil fuels, forcing them to seek out the raw materials for a potential green energy transition.

High inflation and a weaker short term global economic outlook may stymie near term copper price growth, as copper is traditionally strongly pro-cyclical. Longer term however (and fortuitously in line with BKM’s likely development timeline), reversion to growth trends, combined with global inventories being at a near 20-year low, are expected to push up copper prices, alongside other base and industrial metals. Recovery in Chinese industrial consumption, which plummeted in 2022 but has shown signs of returning to former levels, will also help to drive up prices.

5-Year Global Copper Price (USD/Lb)
Source: Bloomberg

Further Expansion Scope

There is considerable potential to expand the current mineral inventory which will substantially impact the value of the BKM project by extending mine life beyond the current 9.2 years. This projection is based upon on-going exploration of numerous targets less than 2km away which have the potential to add very significant value by extending the mine's LOM beyond 2035. Asiamet has identified four high-priority targets that warrant further investigation: (i) the BKM 'link zone target' which lies between the BKM and the BKZ deposits; (ii) the testing by induced polarization (IP) of geophysical targets approximately 800m to the north-west of BKM; (iii) following the IP survey, depth drilling of the BKM's original area of operation to confirm viable ore extensions (at depth); and (iv) the BK South near-surface oxide targets.



KSK Project Map
Source: Company

Project Efficiencies

From an operational point-of-view, the BKM project holds two characteristics which make this a superb prospect:
(a) being able to high-grade ore during its first three years of production, this enables higher cash flows to be generated earlier in the mine life; and
(b) having ample potential to increase its ore reserves from three points of the compass (and all within a short distance haul), as well as at depth (thus allowing Asiamet to take advantage of already installed infrastructure as well as its existing ore processing facilities), thereby creating further opportunities for revenue enhancement.

The 2023 feasibility study identified a number of improvements that will be delivered prior to the operation being built. These include: relocation of the heap leach facility, this will result in a reduction in volume of earthwork's by ~25%; open pit design and scheduling taking into consideration pit wall design parameters in the context of recent geotechnical work completed. This is likely to a positive material impact on the capital costs of the project (further lifting the NPV); review of engineering service options in Indonesia and China through partnership deals; full review of contracting strategy for execution of the project and the transition from construction to operational mode; and review of acid mine drainage (AMD) water treatment, with a focus on the opportunity to recover additional copper to final cathode.

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