

Asiamet Resources Limited*

26 April 2024

Company Details

Share Price (Mid):	0.84p**
12month High / Low	0.58p-1.63p
Project NPV (FS Estimate)	\$162.8m
12m Target Price	3.47p (+313%)
Ticker:	ARS.LSE
Reporting Currency	USD
LSE Sector:	Industrial Metals and Mining
Key Market Data	
Market:	London Stock Exchange (LSE)
No. Shares in Issue (m)	2,594.1m
No. Shares Fully Diluted (m)	2,616.1m
Market Capitalisation	GBP 17.5m
Net Debt (Cash)	GBP (3.2m)
Other EV Adjustments	None
Enterprise Value (EV)	GBP 14.4m
Next Results (Annual Report)	June 2024
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 26/04/24

Eye on Asiamet's Progress: Financing Lag Presents Buyout Opportunity Amidst Surging Copper Price

Asiamet Resources Limited, ("Asiamet" or "the Company"), the AIM listed base metals exploration and development company with a portfolio of highly prospective copper, copper-gold and polymetallic licenses in Indonesia, is on the cusp of transitioning from an exploration-development company into a low-cost copper producer. The current share price (trading at 0.84p/share) has been weighed on by project delays and fluctuating investor sentiment. Optiva's view is that Asiamet is significantly oversold in this regard, as both macro conditions and project developments are in a stronger place than ever for the Company. **On a sum of parts basis, we have calculated a risked NAV of £188.8m for Asiamet's total portfolio, equivalent to 7.22p/share on a fully diluted basis. We reiterate a near term target price of 3.47p/share to the Company, based solely on our internal NPV calculation for BKM.**

- **Attractive Buyout Opportunity:** At the current valuation, Asiamet represents an attractive M&A target, both at the Project level for BKM, and at the Company level. With strong forecast NPV figures from the BKM feasibility study, and further potential upside at both BKZ and Beutong, Asiamet would in Optiva's view be an ideal copper target both for existing miners looking to bolster resources, and non-miners seeking to secure copper supply for energy transition exposure. Greenfield opportunities in copper across ASEAN jurisdictions remain limited, and with required capital outlays typically in excess of \$1bn. On this basis, Asiamet's value proposition is a best-in-class alternative.

The announcement of a buyout offer for Anglo American (AAL.LN) by BHP Group (BHP.LN) puts M&A activity in the market spotlight, and conditions remain ripe for more such transactions to occur across the base metals sector.

For investors, Asiamet's relatively concentrated shareholding, and substantial strategic backing from Delta Dunia Makmur Tbk ("DOID") leave the Company somewhat more insulated from any threat of hostile takeover, as any attempt to acquire a large equity stake in the Company could be expected to significantly drive up the share price. On this basis, Asiamet Management would therefore be in a relatively strong negotiating position in any potential negotiations with prospective acquirers or strategic partners. Management have stated that they would assess any offers on the basis of value to shareholders and fiduciary responsibility to stakeholders.

- **Progress Towards Debt:** Over the past few months, the Company has made meaningful headway in laying out the necessary preparations to move forward with bank financing for the BKM copper project. Most recently, Engineering, Procurement & Construction ("EPC") partners have been engaged, and advanced discussions with contractors capable of delivering the project site earthworks, mine pre-production development, mine operations infrastructure and mining services are underway. Early EPC appointments and engagements were items put forward in the debt finance due diligence process.

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While slow newsflow has undoubtedly weighed on Asiamet's perceived valuation, it should be remembered that management (as well as DOID's board representatives) have significant experience in project construction and delivery, and remain confident of securing debt financing for BKM.

Asiamet has announced positive feedback from recent due-diligence site visits from potential funding partners. Grab samples collected during these visits to BKM assayed 24% & 23.3% copper respectively, both impressive surface copper grades, and aligning with the previous sampling campaigns at BKM & BKZ. Potential high grade copper at surface may indeed allow for increased copper delivery at the commencement of production.

- **Project Optimisations and Enablers:** Asiamet management are actively pursuing further efficiencies in the BKM project, aimed at reducing capital and operating costs. Firstly, experts have been engaged to optimise the proposed Heap Leach facility designs. We would expect a relocation to minimise transport costs, and potentially a staging/modularisation of the facility, depending on viability. Newsflow detailing any further potential efficiencies would likely be well received.

Secondly, management is working to finalise engagement of a strategic partner to develop the Biomass Power station, likely remote from the BKM operation itself. Power is the largest single component of processing costs per the Feasibility Study (and second only to Load/Haul for LOM operating costs). Central Kalimantan has an excess of available biomass, which is produced in abundance by local palm-oil plantations. Reducing externally sourced power requirement not only increases the project's projected returns, but also acts to boost the Company's ESG profile through use of internally generated renewable energy.

- **Macro Conditions Favourable:** Copper prices currently sit at \$4.43/lb, a near 2-year high for the metal, and well above the \$3.98/lb long term copper price used by Asiamet in their Feasibility Study calculations. The commodity price has remained buoyant since the Covid period, with structural deficiencies looming on the supply side, and demand outlook brightened by a resilient US economy. Indications are that copper production may fall below guidance level in 2024, with production curtailments such as the shutdown of First Quantum's Cobre Panama mine in late 2023. Bloomberg consensus projects global copper demand to exceed core supply by 2030, with this timeline accelerated to as 2026 without new greenfield project development.

Major copper discoveries have become increasingly rare, and many brown and greenfield developments have been deferred due to rising Capex/Opex costs. In time, this deficiency should be expected to correct, but production ready projects such as BKM should be the beneficiary of a sector-wide hunt for new copper in the meantime. In particular, there is a dearth of development projects of BKM's scale in Asia, which will become highly sought upon an economic reversal from China.

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- **Strong Balance Sheet Position:** Asiamet is expected to have maintained a robust balance sheet position, ensuring that it is well-positioned to pursue its current goals. The Q3 2023 \$4m capital raise has bolstered the balance sheet going into the financing phase, the Company remains entirely ungeared, and Asiamet's strong prior Interim Results demonstrate both strategic focus and emphasis on cost management.
- **Multiple JORC Resources:** Asiamet's portfolio contains three distinct JORC resources, providing multiple value drivers within overall portfolio. Beyond the 451.9kt of contained copper at BKM, Asiamet has in place JORC compliant resources of lead, zinc and copper at the adjacent BKZ project (in particular 101kt of Zinc), giving tangible upside to the overall KSK license. The real gamechanger however is Beutong, where the project has JORC compliant contained metal of 2.43Mt copper, 2.11Moz gold and 20.9Moz silver, in which Asiamet holds an 80% stake. Unlike many industry peers, Asiamet's portfolio is well beyond the speculative exploration stage, and has clear in-ground value to target.
- **Valuation Summary:** By our valuation methodology, Asiamet remains materially undervalued, with the Company's projects more than exceeding the current Market Cap by significant multiples in the case of BKM & Beutong. With copper prices trending consistently upward, and with supply-side trends suggesting that a near term reversal is unlikely, Asiamet holds significant upside value for investors, which is currently not adequately priced in by markets. The Company presents a unique opportunity for those seeking exposure to an energy transition metal. Credible progress towards financing would be expected to lead to a rerate of the stock, and it should be remembered that a fair value buyout of any of Asiamet's projects would need to occur at a multiple of the current market cap.

We highlight that on an NPV10 basis, Optiva ascribes a risked sum-of-parts valuation to Asiamet's project portfolio of \$236m, or approximately £188.8m. Per share, this equates to 7.22p on a fully diluted basis (a near tenfold upside to the current share price). Near term, we ascribe a 12-month target of 3.47p, reflecting solely the value attributable to BKM, which will be the nearest term catalyst for investors.

Valuation					
Net Asset Value (NAV)		\$m	£m	GBp/Share	GBp/share (diluted)
Unrisked		Discount Rate			
BKM	10%	113.4	90.72	3.50	3.47
Risked		Risk Multiple			
BKM	0.95	107.7	86.2	3.32	3.29
BKZ	0.1	34.5	27.6	1.06	1.05
Beutong	0.5	88.7	70.96	2.74	2.71
Other	-	-	-	-	-
Subtotal		230.9	184.7	7.12	7.06
Cash		4.5	3.6	0.14	0.14
Warrant/Option Exercise		0.56	0.448	-	0.02
Debt		-	-	-	-
Valuation (NAV)		236.0	188.8	7.26	7.22

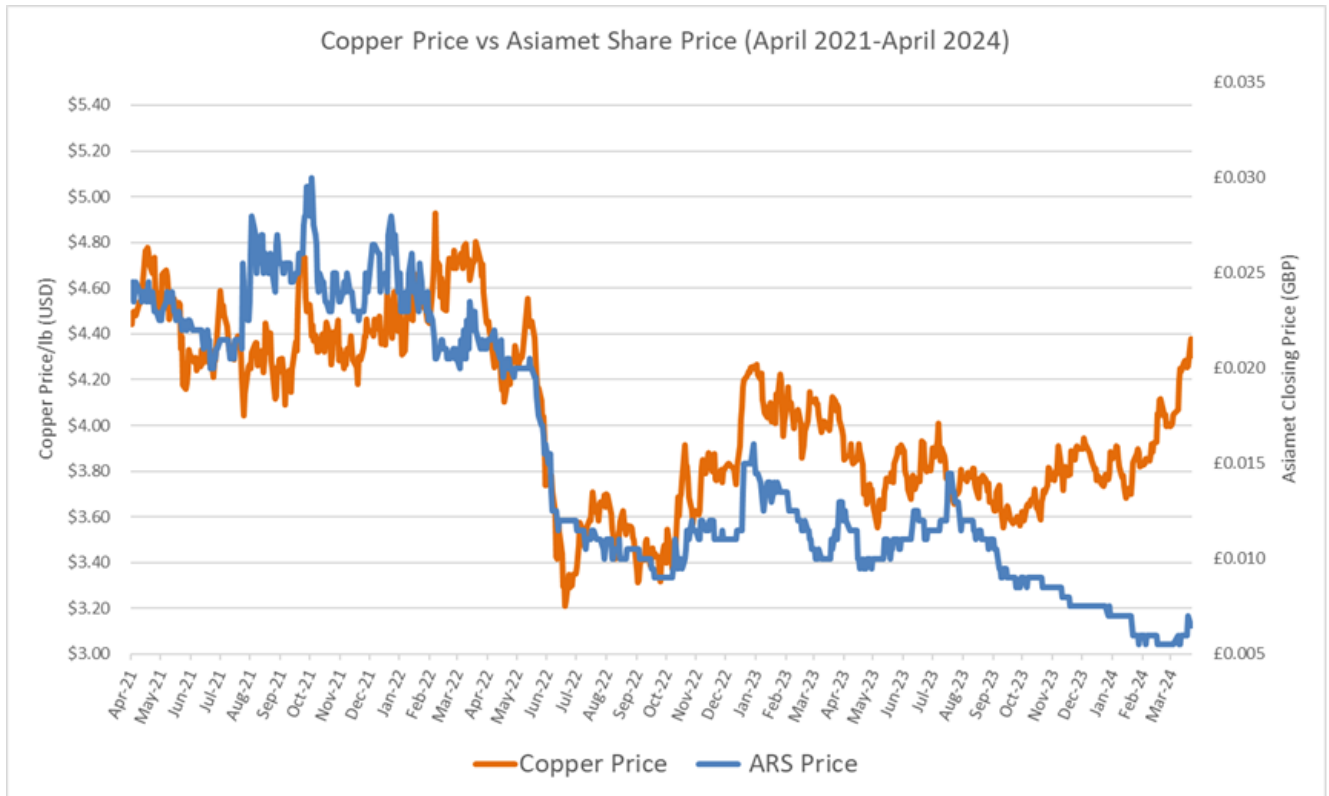
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Graphs & Charts

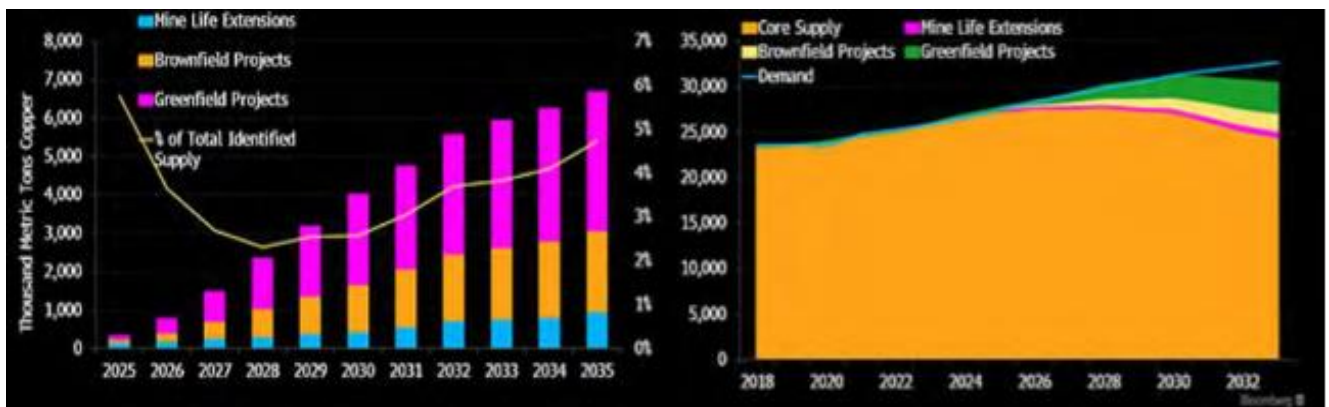
Above: Asiamet Project Valuation Matrix, Risked & Unrisked

Source: Optiva Estimates



Asiamet Share Price vs Copper Spot Price (April 2021 – Present)

Source: Bloomberg Data



Forecast Copper Supply vs Market Demand to 2035

Source: Bloomberg Data

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