

# Alkane Resources

Continuing to turn hope into reality

Inferred resource  
confirmation

Metals and mining

28 February 2023

**Price** **A\$0.67**

**Market cap** **A\$401m**

A\$1.4631/US\$

Net cash (A\$m) at 31 December 2022 86.1

Shares in issue 598.5m

Free float 65%

Code ALK

Primary exchange ASX

Secondary exchange OTC QX

Alkane has announced an initial inferred resource estimation at its Kaiser deposit based on approximately 49,000m of drilling, using a 0.3g/t gold equivalent (AuEq) cut-off required for open-cut mining at the deposit. The programme concluded with an estimate of 270Mt grading at 0.54g/t AuEq for 4.7Moz AuEq (0.48Mt Cu, 2.05Moz Au). As a result, the value of contained copper now surpasses the value of gold in the Boda-Kaiser deposits. Additional exploration is now underway at Boda and Kaiser, with updated resource estimation expected at the end of CY23.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/21	127.8	46.3	5.35	0.00	12.5	N/A
06/22	165.0	52.1	3.68	0.00	18.2	N/A
06/23e	140.1	37.8	4.45	0.00	15.1	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Following the [recent approval](#) of Alkane's Tomingley Gold Extension Project, the company has now confirmed the initial inferred mineral resource for the Kaiser deposit, situated within the Northern Molong Porphyry Project via a 49,398m exploratory drill programme achieved over 130 drill holes. Estimated at 270Mt grading at 0.54g/t AuEq for 4.7Moz AuEq (0.48Mt Cu, 2.05Moz Au), the value of the contained copper now exceeds the value of gold for the Boda-Kaiser resources with a combined total of 894Mt at 0.52g/t AuEq for 14.8Moz AuEq (7.26Moz Au, 1.38Mt Cu). Kaiser's maiden resource estimate of 2.05Moz materially exceeds our [July 2022](#) estimate of 0.7Moz (albeit our estimate was based on only a portion of the drill data) and adds to the existing resource of 5.2Moz (10.1Moz AuE) already delineated at Boda.

After a review of comparable Australian deposits, a 0.3g/t AuEq cut-off grade was agreed for the prospect, using an open-cut mining method due to the shallow nature of the ore body. The resource remains open along both depth and strike, and further drilling will be undertaken with a view to define the continuity of the mineralisation at depth and to improve the confidence in the mineral resource.

All things being equal, this resource estimation will alter our valuation. As per our valuation method for Boda, we estimate that the inferred resource at Kaiser would offer an additional value to Alkane of \$US50.2m (US\$0.08/share or A\$0.14/share). Therefore, Alkane's share price continues to be more than 100% covered by the value of tangible assets underpinned by Tomingley at A\$0.57/share to Alkane's valuation. Liquid assets in the form of Alkane's holdings in Calidus and Genesis contribute a further A\$0.06/share, with Boda estimated at US\$125.5m (US\$0.21/share or A\$0.31/share) to Alkane, either as an in-situ resource or as a development project. This represents a total value estimation for Alkane of A\$1.08/share (cf A\$0.94/share previously). Also, up to A\$0.48/share in additional upside is available in the form of further exploration success in the Northern Molong Porphyry Project. We will review our forecasts and valuation in due course.

## Share price performance



## Business description

Alkane Resources has two main assets in Central West New South Wales: the Tomingley gold mine, where recent exploration has increased the mine life by at least eight years from FY23 to FY31, and its Northern Molong Porphyry project, which is shaping up to be a tier 1 alkalic porphyry district.

## Analysts

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