

Alkane Resources

Boda continuing to add value

Boda resource update

Metals and mining

Following an extensive drilling campaign, on 14 December, Alkane announced an update to its Boda mineral resource estimate to include Boda Two and Three, as expected in Q423. The result of the update was a 30% increase in the gold grade and a 22% (or 1.17Moz) increase in contained gold at Boda, which we value at US\$28.2m (4.7 US cents or 7.0 Australian cents per share). The Boda deposit remains open at depth and along strike and a subsequent resource update at Kaiser is anticipated in late Q1 CY24 as well as a conceptual mine plan at the combined Kaiser-Boda deposit in due course.

| Year end | Revenue (A\$m) | PBT* (A\$m) | EPS* (c) | DPS (c) | P/E (x) | Yield (%) |
|----------|----------------|-------------|----------|---------|---------|-----------|
| 06/22 | 165.0 | 52.1 | 3.68 | 0.00 | 17.9 | N/A |
| 06/23 | 190.5 | 60.6 | 7.10 | 0.00 | 9.3 | N/A |
| 06/24e | 182.1 | 52.6 | 6.13 | 0.00 | 10.8 | N/A |
| 06/25e | 236.9 | 65.6 | 7.64 | 0.00 | 8.6 | N/A |

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

Appreciable uptick in in-situ grade

The combined Boda and Kaiser resource now stands at 853Mt ore, containing 8.43Moz of gold at a grade of 0.31g/t (up from 0.25g/t) and a gold equivalent grade of 0.57g/t AuE (up from 0.51g/t), which is more in keeping with the deposit's peers in Ecuador, British Columbia and elsewhere in Australia. Nevertheless, exploration potential at Boda Two and Three remains high, with Alkane continuing to target high grade mineralisation, albeit within blocks dislocated by c 500m by faulting.

Tomingley has had a solid start to the year

Alkane has had a solid start to FY24 with production of 15,855oz from Tomingley in Q124 at an all-in sustaining cost (AISC) of A\$2,156/oz (cf FY24 guidance of 60–65koz Au production at an AISC of A\$1,750–2,100/oz). We have reduced our EPS expectations for FY24, although this reflects effectively only a reconsideration of Alkane's depreciation charge for the year (see Exhibit 5).

Valuation: A\$1.11/share, potentially A\$2.36/share

Following the Boda resource update, our valuation of Tomingley remains ostensibly unchanged at A\$0.60/share. Liquid assets in the form of Alkane's holdings in Calidus and Genesis contribute a further A\$0.01/share, with Boda and Kaiser estimated at a combined A\$0.50/share (cf A\$0.44/share previously). Together, these assets represent a total value to Alkane of A\$1.11/share (cf A\$1.06/share previously). In addition to this, we also estimate a potential A\$0.48/share additional upside in the event of further exploration success in the Northern Molong Porphyry Project. Including all other contingent assets (and using current metals spot prices cf our more conservative long-term prices), this potentially takes our valuation of Alkane to as high as A\$2.36/share (cf A\$2.27/share previously). In the meantime, in Alkane investors can buy a profitable, cash-generating company on a multiple of just US\$21.39 per resource ounce (approximately the same as an explorer).

2 January 2024

Price **A\$0.66**

Market cap **A\$397m**

A\$1.4920/US\$

Net cash (A\$m) at 30 June 2023 66.7

Shares in issue 601.6m

Free float 65%

Code ALK

Primary exchange ASX

Secondary exchange OTC QX

Share price performance



% 1m 3m 12m

Abs 12.6 0.0 9.8

Rel (local) 7.5 3.0 12.6

52-week high/low A\$0.94 A\$0.53

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 alcalic porphyry district.

Next events

Q2 activities report January 2024

H124 results February 2024

Updated Kaiser resource Q1 CY24

100koz annual production FY26

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[Edison profile page](#)

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Updated Boda resource

On 14 December, Alkane announced an update to its Boda mineral resource estimate, following an extensive drilling programme, as expected in Q423.

The revised estimate was based on a 1,750m strike length x 500m width and used nominal drill hole spacing of 50m x 50m around the Boda deposit, broadening to c 100m x 100m at Boda Two and Three. Drilling depths averaged c 1,000m. In total, it used assay results from 186 drill holes for a total of 145,458m (average 782m/hole) comprising 102,282m (70%) diamond core and 43,176m (30%) reverse circulation (RC) drilling. The resource was calculated from a very approximate 500m above mean sea level to an approximate 500m below mean sea level.

A number of features of the updated resource estimate are important:

- For the first time, it included resources drilled in the Boda Two and Boda Three prospect areas.
- The resource increased, not only in metal endowment, but also in grade. Moreover, the classification of the majority of resources increased from inferred to indicated.

A summary of the resource update – relative to the maiden resource (released in May 2022) – is as follows:

Exhibit 1: Boda updated mineral resource estimate (December 2023 cf May 2022)

| | Mt | Grade AuE (g/t) | Grade Au (g/t) | Grade Cu (%) | Contained AuE (Moz) | Contained Au (Moz) | Contained Cu (Mt) | In-situ value (US\$/oz)* | In-situ value (US\$m) | In-situ value (US\$/sh) | In-situ value (A\$/sh) |
|-----------------------|------------|-----------------|----------------|--------------|---------------------|--------------------|-------------------|--------------------------|-----------------------|-------------------------|------------------------|
| Open pittable | | | | | | | | | | | |
| Measured | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 24.08 | 0.0 | 0.000 | 0.000 |
| Indicated | 191 | 0.59 | 0.36 | 0.17 | 3.65 | 2.22 | 0.32 | 24.08 | 53.5 | 0.089 | 0.133 |
| Inferred | 42 | 0.51 | 0.29 | 0.16 | 0.68 | 0.38 | 0.07 | 24.08 | 9.2 | 0.015 | 0.023 |
| Total | 233 | 0.58 | 0.35 | 0.17 | 4.33 | 2.60 | 0.39 | 24.08 | 62.7 | 0.105 | 0.156 |
| Underground | | | | | | | | | | | |
| Measured | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 24.08 | 0.0 | 0.000 | 0.000 |
| Indicated | 151 | 0.61 | 0.34 | 0.20 | 2.97 | 1.64 | 0.30 | 24.08 | 39.5 | 0.066 | 0.099 |
| Inferred | 198 | 0.58 | 0.34 | 0.18 | 3.67 | 2.14 | 0.35 | 24.08 | 51.6 | 0.086 | 0.129 |
| Total | 350 | 0.59 | 0.34 | 0.18 | 6.63 | 3.78 | 0.65 | 24.08 | 90.9 | 0.152 | 0.227 |
| Total | | | | | | | | | | | |
| Measured | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 24.08 | 0.0 | 0.000 | 0.000 |
| Indicated | 342 | 0.60 | 0.35 | 0.18 | 6.63 | 3.86 | 0.63 | 24.08 | 93.0 | 0.155 | 0.232 |
| Inferred | 240 | 0.56 | 0.33 | 0.17 | 4.35 | 2.53 | 0.41 | 24.08 | 60.8 | 0.102 | 0.152 |
| Total | 583 | 0.58 | 0.34 | 0.18 | 10.92 | 6.38 | 1.03 | 24.08 | 153.6 | 0.257 | 0.383 |
| Previous | | | | | | | | | | | |
| Measured | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 24.08 | 0.0 | 0.000 | 0.000 |
| Indicated | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 24.08 | 0.0 | 0.000 | 0.000 |
| Inferred | 624 | 0.50 | 0.26 | 0.14 | 10.10 | 5.21 | 0.90 | 24.08 | 125.4 | 0.210 | 0.313 |
| Total | 624 | 0.50 | 0.26 | 0.14 | 10.10 | 5.21 | 0.90 | 24.08 | 125.4 | 0.210 | 0.313 |
| Change (units) | | | | | | | | | | | |
| Measured | 0 | N/A | N/A | N/A | 0.00 | 0.00 | 0.00 | | | | |
| Indicated | 342 | 0.60 | 0.35 | 0.18 | 6.63 | 3.86 | 0.63 | | | | |
| Inferred | -384 | 0.06 | 0.07 | 0.03 | -5.75 | -2.68 | -0.49 | | | | |
| Total | -41 | 0.08 | 0.08 | 0.03 | 0.82 | 1.17 | 0.13 | | | | |

Source: Edison Investment Research, Alkane Resources. Note: Tables use rounded numbers; hence, small differences may result if the calculations are repeated using the tabulated figures. *Based on the US\$24.08/oz average valuation of Australian-listed in-situ ounces calculated in our report [Gold stars and black holes](#), published in January 2019.

Cut-off grades of 0.3g/t AuE and 0.4g/t AuE for open pit and underground resources, respectively, were the same as in May 2022. However, in the most recent case, the resource was further refined

via the application of a notional pit shell to determine which resources were open pit mineable and which were instead amenable to underground mining. In addition, there was a slight adjustment by Alkane to metals prices – from US\$1,770/oz Au and US\$9,750/t Cu to US\$1,950/oz Au and US\$8,600/t Cu – for the purposes of calculating gold equivalent (AuE) grades and metal contents.

Of particular note, nevertheless, are the 30% increase in the deposit's gold grade and the 22% (or 1.17Moz) increase in its contained gold mass, despite a 7% decrease in the orebody's tonnage, which has resulted in a US\$28.2m (4.7 US cents or 7.0 Australian cents per share) increase in our valuation of the deposit (see Exhibit 1).

The Boda deposit remains open at depth and along strike to the south and drilling continues to define the overall system, with extensions being tested south and at depth at Boda Two and Three, and north-west towards Kaiser, in addition to in-fill drilling at Kaiser. At the same time, Alkane is continuing exploration at the Boda Four prospect. Composed of two linear magnetic highs approximately 800m long and up to 200m wide, this prospect is located 1km south and along strike to the Boda Intrusive Complex and is named the Boda South Intrusive Complex (BSIC). Recently a total of 912m across three RC drill holes were completed at the northern and central section of the BSIC at the Boda Four prospect, which intersected low-grade copper-gold mineralisation. As a result, more RC drilling is planned next year, focusing on the west and north-west flanks of the BSIC in a similar prospective position as observed at the other Boda deposits.

Boda mineral resource estimate cf prior expectations

The updated mineral resource estimate at Boda (including Boda Two and Three) compares with the previous (maiden) resource at Boda and our estimate of the mineral endowment at Boda Two and Three, derived from drilling results, as follows:

Exhibit 2: Edison estimates of the potential size of Boda Two and Three mineralisation

| Characteristic (units) | Previous Boda | Prior Edison Boda 2-3 estimate | Previous Boda (incl Boda 2-3) estimate | Updated total Boda (incl Boda 2-3) | Variance (%) | Maximum Boda 2-3** | Boda & Kaiser |
|--|---------------|--------------------------------|--|------------------------------------|--------------|--------------------|---------------|
| Strike (m) | | 1,006 | | | | 1,100 | |
| Average estimated true width (m) | | 122 | | | | 500 | |
| Est surface area (m ²) | | 0.12 | | | | 0.55 | |
| Average estimated true depth (m) | | 587 | | | | 623 | |
| Estimated volume (m ³) | | 71.9 | | | | 342.9 | |
| Estimated density (t/m ³) | | 3.0 | | | | 3 | |
| Estimated tonnage (Mt) | 624 | 216 | 840 | 583 | -30.6 | 1,029 | 853 |
| Estimated average gold grade (g/t) | 0.26 | 0.28 | 0.26 | 0.34 | +28.5 | 0.28 | 0.31 |
| Estimated average copper grade (%) | 0.14 | 0.15 | 0.14 | 0.18 | +24.5 | 0.15 | 0.18 |
| Estimated average AuE grade (g/t) | 0.51 | 0.48 | 0.50 | 0.58 | +16.7 | 0.47 | 0.57 |
| Estimated contained gold (koz) | 5,210 | *1,935 | 7,145 | 6,380 | -10.7 | 9,154 | 8,430 |
| Estimated contained copper (kt) | 900 | *314 | 1,214 | 1,030 | -15.1 | 1,530 | 1,516 |
| Estimated contained AuE (koz) | 10,100 | 3,312 | 13,412 | 10,872 | -18.9 | 15,628 | 15,651 |

Source: Edison Investment Research, Alkane Resources. Note: *Previous Edison estimate of gold equivalent resource inventory and grades calculated at US\$2,000/oz Au and US\$8,464/t Cu. **Based on Alkane Resources' estimate of the potential dimensions of Boda Two and Three.

While we had estimated that the inclusion of Boda Two and Three could increase the mineral resource over the whole of Boda by 1.935Moz gold (37%), it in fact increased it by 1.170Moz (22%). Nevertheless, this is well within the ±80% that we allow for our own estimates, based on drilling results.

Drilling at Boda Two and Three demonstrates many similarities with Boda, including an extensive zone of low-grade gold-copper porphyry mineralisation with breccias that zone to higher grades. However, it is dislocated by a series of imbricated thrust faults, resulting in deep distal propylitic altered volcanics with minor gold-copper mineralisation in the west being thrust over a central block of broadly calc-potassic altered volcanics with extensive gold-copper mineralisation. These blocks are further thrust over the preserved upper level of the Boda Two and Three porphyry system in

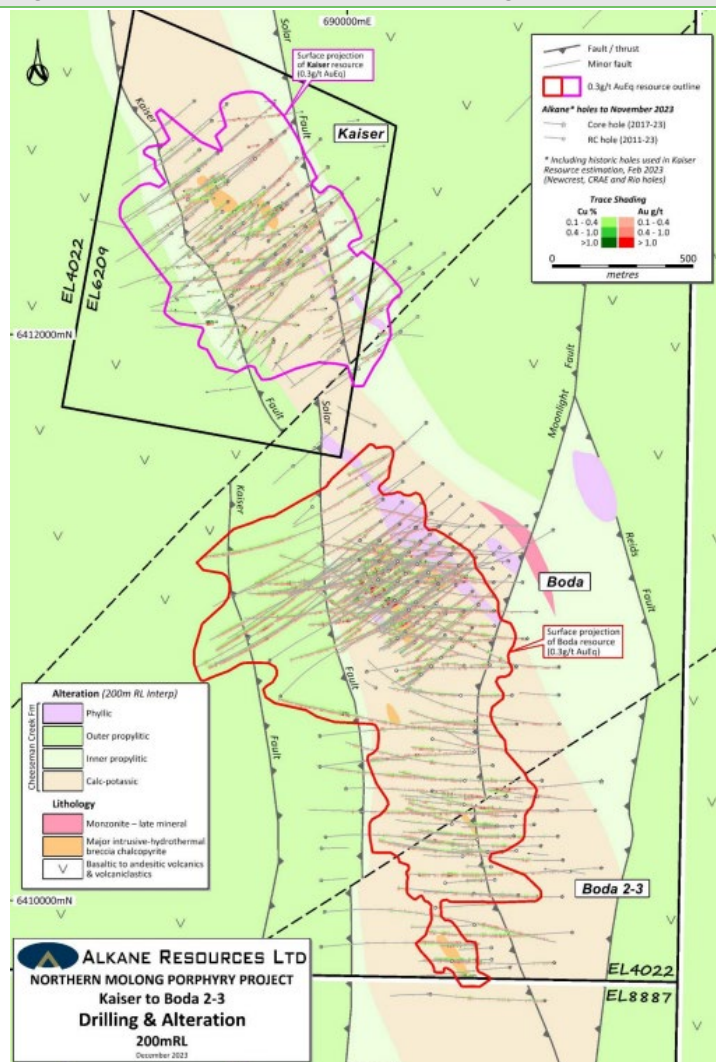
the east. Exploration potential remains to target high grade mineralisation within these blocks that can be dislocated by up to 500m. The most recent rounds of drill hole results confirm that the mineralisation continues for many metres to the south of Boda and possibly much further with the potential for additional high-grade zones. If the ultimate resource delineated at Boda 2-4 expands to 9,154koz (our estimate of the maximum reasonably possible, based on Alkane’s estimate of the potential dimensions of Boda Two and Three; see Exhibits 2 and 3), we would value it at A\$0.550/share; this is a A\$0.480 (or near eightfold) increase relative to its current size.

Boda background

In general, the Boda porphyry system is a series of near vertical, north-west striking, intrusive related breccias hosted within a thick sequence of shallowly east dipping andesite lavas. These magmatic breccias are hydrothermal and zone towards higher gold-copper grades when associated with a chalcopyrite ± pyrite dominant cement. The deposit is truncated to the north-west by the north striking Solar Fault (Exhibit 3), a 65° west dipping reverse structure, over which significant post-mineral displacement has occurred.

Exploration via deep core diamond drilling continues to define significant mineralisation down plunge to the north-west of the Boda prospect towards Kaiser.

Exhibit 3: Drilling and deposit locations of Boda (including Boda Two and Three) and Kaiser



Source: Alkane Resources

At the same time, more regional exploration will occur in the coming months targeting the Driell Creek, Konigin and Finns Crossing prospects, which are all positioned within the 15km north-west trending intrusive corridor (see Alkane's [full announcement](#)).

Quarterly and FY24e operational results and forecasts

After achieving its updated production guidance figures in FY23, Alkane began FY24 with production of 15,855oz in Q124 at a site operating cash cost of A\$1,322/oz and AISC of A\$2,156/oz (cf FY24 guidance of 60–65koz production Au at an AISC of A\$1,750–2,100/oz). Gold sales for the quarter amounted to 16,090oz, generating revenue of A\$46.6m at an average price of A\$2,897/oz.

A summary of Alkane's recent quarterly results plus our estimates for Q2–Q424e and FY24e in the light of Q124 results is provided in the table below:

Exhibit 4: Tomingley quarterly operating results, Q123–Q424

| | Q123 | Q223 | Q323 | Q423 | Q124 | Q224e | Q324e | Q424e | FY24e |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Ore milled (t) | 270,618 | 239,078 | 277,225 | 282,410 | 276,645 | 275,000 | 275,000 | 275,000 | 1,101,645 |
| Head grade (g/t) | 2.75 | 2.56 | 2.26 | 2.14 | 2.09 | 2.07 | 2.07 | 2.07 | 2.07 |
| Contained gold (g/t) | 23,927 | 19,678 | 20,144 | 19,431 | 18,589 | 18,275 | 18,275 | 18,275 | 73,414 |
| Recovery (%) | 87.0 | 84.6 | 84.6 | 80.5 | 82.1 | 85.5 | 85.5 | 85.5 | 85.4 |
| Gold poured (oz) | 19,489 | 18,301 | 16,641 | 15,822 | 15,855 | 15,625 | 15,625 | 15,625 | 62,730 |
| Gold sold (oz) | 18,344 | 17,855 | 19,163 | 15,136 | 16,090 | 15,625 | 15,625 | 15,625 | 62,965 |
| Gold price (US\$/oz) | 1,727 | 1,689 | 1,891 | 1,976 | 1,926 | 1,968 | 2,000 | 1,822 | 1,929 |
| Forex (A\$/US\$) | 1.4646 | 1.5223 | 1.4636 | 1.4968 | 1.5287 | 1.5350 | 1.4920 | 1.4920 | 1.5119 |
| Average realised price (A\$/oz) | 2,547 | 2,618 | 2,787 | 2,884 | 2,897 | 3,020 | 2,984 | 2,719 | 2,905 |
| C1 site cash costs (A\$/oz) | 1,095 | 1,103 | 990 | 1,356 | 1,322 | 1,360 | 1,360 | 1,360 | 1,350 |
| AISC (A\$/oz) | 1,191 | 1,323 | 1,805 | 2,174 | 2,156 | 1,917 | 1,919 | 1,911 | 1,977 |

Source: Alkane Resources, Edison Investment Research

As a result, we have adjusted our FY24 financial forecasts to those shown below in Exhibit 5:

Exhibit 5: Alkane underlying income statement, H121–H223 and FY24e (A\$m, unless otherwise indicated)

| | H21 | H122 | H222 | H123 | H223 | FY23 | FY24e | FY24e (prior) |
|--|----------|----------|----------|----------|----------|----------|----------|---------------|
| Revenue | 62.581 | 76.911 | 88.099 | 93.465 | 97.062 | 190.527 | 182.139 | 172.421 |
| Cash cost of sales | (21.226) | (35.423) | (32.104) | (34.789) | (48.707) | (83.496) | (93.945) | (87.880) |
| Gross profit before depreciation | 41.355 | 41.488 | 55.995 | 58.676 | 48.355 | 107.031 | 88.194 | 84.541 |
| Other net income | 3.015 | 0.808 | 0.628 | 0.216 | 0.214 | 0.430 | 0.430 | 0.430 |
| Administration expenses | (4.778) | (5.504) | (4.481) | (6.589) | (5.518) | (12.107) | (12.107) | (12.107) |
| Exploration and evaluation expenditure expensed | 0.000 | | | 0.000 | 0.000 | 0.000 | 0.000 | - |
| Exceptional item | 0.000 | 48.334 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | - |
| Gain/(loss) on disposal | (0.955) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | - |
| Share of profit/(loss) of associates | (0.397) | (0.020) | | 0.000 | 0.000 | 0.000 | 0.000 | - |
| Depreciation | (12.028) | (14.171) | (20.942) | (17.715) | (18.393) | (36.108) | (24.876) | (10.875) |
| EBIT | 26.212 | 70.935 | 31.200 | 34.588 | 24.658 | 59.246 | 51.642 | 61.989 |
| Interest income/(cost) | (2.246) | (1.318) | (0.344) | 0.236 | 1.105 | 1.341 | 1.001 | 1.001 |
| Loss after tax from discontinued operations | 0.000 | | 0.000 | | 0.000 | 0.000 | 0.000 | - |
| PBT | 23.966 | 69.617 | 30.856 | 34.824 | 25.763 | 60.587 | 52.643 | 62.991 |
| Income tax | 7.018 | 21.122 | 9.100 | 10.131 | 8.006 | 18.137 | 15.793 | 18.897 |
| Effective tax rate (%) | 29.3 | 30.3 | 29.5 | 29.1 | 31.1 | 29.9 | 30.0 | 30.0 |
| Profit/(loss) for the year | 16.948 | 48.495 | 21.756 | 24.693 | 17.757 | 42.450 | 36.850 | 44.093 |
| Non-controlling interest | (0.189) | | | | | | | |
| Minority interest (%) | (1.1) | | | | | | | |
| Adj. profit/(loss) for the year attributable to shareholders | 17.137 | 48.495 | 21.756 | 24.693 | 17.757 | 42.450 | 36.850 | 44.093 |
| Basic adjusted EPS (A\$/share) | 0.0288 | 0.0814 | 0.0365 | 0.0412 | 0.0297 | 0.0710 | 0.0613 | 0.0734 |

Source: Alkane Resources, Edison Investment Research

Although we have reduced our earnings forecasts for Alkane for FY24, the sole reason for the reduction is an adjustment to the depreciation charge, which we believe must decline as

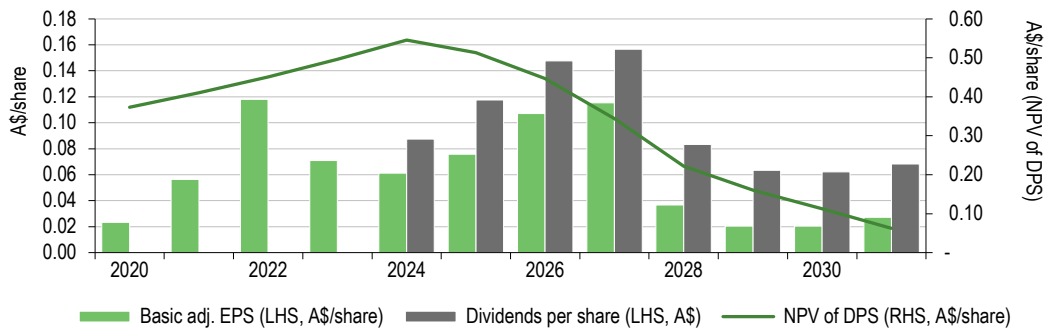
Tomingley’s legacy assets become fully depreciated, albeit not as quickly as we had previously anticipated. While this reduces our estimate of basic adjusted EPS in FY24, it actually acts to increase our valuation of the Tomingley component of our group valuation as it provides a larger tax shield against which to offset profits.

Tomingley valuation

As previously, our valuation of Tomingley is based on the present value of our forecast life of operations dividend stream to investors in Alkane as a result of the execution of the Tomingley mine plan (including Roswell and San Antonio) discounted back to present value at a (real) rate of 10% per year, excluding exploration expenditure. In the wake of Q124 operational results and after updating our A\$/US\$ forex assumptions to reflect current exchange rates, our valuation of the dividend stream potentially available to Alkane shareholders from its immediate Tomingley operations is now A\$0.546/share (cf A\$0.550/share previously). This increases to A\$0.603/share once the value of residual resources, which we now estimate at 945koz (cf 832koz previously) with a current value of US\$22.7m (A\$34.0m), or A\$0.057/share, is also included.

A graph of our updated expectations for Alkane’s EPS and (maximum potential) DPS stream and valuation from the present to the end of its life of operations is shown in Exhibit 6, below.

Exhibit 6: Alkane life of operations’ forecast EPS and (maximum potential) DPS (A\$/share)



Source: Edison Investment Research

Note that the DPS columns in Exhibit 6 represent theoretical, maximum potential dividends that we believe could be paid by the company, rather than actual dividend forecasts and are used solely for the purposes of valuation. In reality, we would expect a portion of any dividends that could be paid instead to be re-invested into the business, either in the form of exploration expenditure (eg at the Northern Molong Porphyry Project) or capital expenditure.

Alkane group valuation

A summary of our updated group valuation of Alkane in the light of recent developments is as follows:

| Exhibit 7: Alkane Resources valuation summary (Australian cents per share) | | | | | | |
|--|----------------------------|------------------------------|-----------------|----------------------------|------------------------------|-----------------|
| Asset | Previous | | | Current/updated | | |
| | Existing assets' valuation | Contingent assets' valuation | Potential total | Existing assets' valuation | Contingent assets' valuation | Potential total |
| Tomingley plus cash | 60 | | 60 | 60 | | 60 |
| Roswell underground | | 8 | 8 | | 10 | 10 |
| El Paso and ongoing Tomingley extension exploration | | 2 | 2 | | 2 | 2 |
| Investments in Calidus and Sky Metals* | 3 | | 3 | 1 | | 1 |
| Boda exploration | 31 | | 31 | 38 | | 38 |
| Additional Boda Two and Three exploration | | 12-52 | 11-52 | | 48 | 48 |
| Kaiser & Duke exploration | 12 | | 12 | 12 | | 12 |
| Spot metals prices cf long-term forecast | | 59 | 59 | | 65 | 65 |
| Total | 106 | 81-121 | 227 | 111 | 125 | 236 |

Source: Edison Investment Research. Note: *At prevailing share prices of A\$0.200/share for Calidus and A\$0.036/share for Sky Metals. Totals may not add up owing to rounding.

Financials

Alkane had A\$66.7m in net cash on its balance sheet at end-FY23. As per its 25 October [quarterly activities report](#), as at end-September 2023, it had A\$77.9m cash (cf A\$80.3m as at end-June) as well as A\$7.6m (previously A\$8.3m) of bullion on hand and A\$8.9m (previously A\$18.7m) in listed investments, after selling its Genesis shares in Q124. During the quarter, it invested A\$24.5m in capex and exploration after generating c A\$15.5m from operational cash flows and raising A\$11.9m from the sale of its Genesis Minerals shareholding. Hereafter, we estimate that free cash flow from operations will continue to contribute meaningfully to capex as the Tomingley mine extension is constructed and further exploration is conducted at the Kaiser and Boda deposits. To de-risk the completion of these targets, Alkane has a A\$50m debt funding facility from Macquarie Bank, together with 106koz of gold hedging at a weighted average price of A\$2,822/oz, described in our [last outlook note](#) in April. Note that, for the purposes of our financial forecasts, we model hedges on a realised gains basis, such that any gains (or losses) will be intrinsically linked to both our short-term and long-term gold price assumptions. However, the time value associated with the contracts is excluded from our calculations. These profits or losses are included in the revenue line of the financial summary below.

Exhibit 8: Financial summary

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e |
|--|------------|------------|------------|------------|------------|------------|------------|-------------|
| Year end 30 June, A\$'000s | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| INCOME STATEMENT | | | | | | | | |
| Revenue | 129,973.6 | 93,994.9 | 72,549.0 | 127,833.0 | 165,010.0 | 190,527.0 | 182,139.2 | 236,879.0 |
| Cost of Sales | (51,080.9) | (53,656.4) | (32,868.0) | (45,313.0) | (67,527.0) | (83,496.0) | (93,945.1) | (135,236.2) |
| Gross Profit | 78,892.7 | 40,338.5 | 39,681.0 | 82,520.0 | 97,483.0 | 107,031.0 | 88,194.2 | 101,642.9 |
| EBITDA | 70,378.7 | 32,971.7 | 29,412.0 | 70,527.0 | 87,498.0 | 94,924.0 | 76,087.2 | 89,535.9 |
| Normalised operating profit | 31,658.3 | 25,808.8 | 20,171.0 | 49,940.0 | 53,821.0 | 59,246.0 | 51,641.7 | 65,090.4 |
| Exceptionals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported operating profit | 31,658.3 | 25,808.8 | 20,171.0 | 49,940.0 | 53,821.0 | 59,246.0 | 51,641.7 | 65,090.4 |
| Net Interest | (579.0) | (418.8) | 389.0 | (2,741.0) | (1,662.0) | 1,341.0 | 1,001.2 | 514.2 |
| Joint ventures & associates (post tax) | 0.0 | 0.0 | 0.0 | (870.0) | (20.0) | 0.0 | 0.0 | 0.0 |
| Exceptionals | 0.0 | 0.0 | (646.0) | 1,741.0 | 48,334.0 | 0.0 | 0.0 | 0.0 |
| Profit before tax (norm) | 31,079.3 | 25,390.0 | 20,560.0 | 46,329.0 | 52,139.0 | 60,587.0 | 52,642.8 | 65,604.6 |
| Profit before tax (reported) | 31,079.3 | 25,390.0 | 19,914.0 | 48,070.0 | 100,473.0 | 60,587.0 | 52,642.8 | 65,604.6 |
| Reported tax | (6,919.9) | (2,266.1) | (6,569.0) | (14,503.0) | (30,222.0) | (18,137.0) | (15,792.9) | (19,681.4) |
| Profit after tax (norm) | 24,159.4 | 23,123.9 | 13,991.0 | 31,826.0 | 21,917.0 | 42,450.0 | 36,850.0 | 45,923.2 |
| Profit after tax (reported) | 24,159.4 | 23,123.9 | 13,345.0 | 33,567.0 | 70,251.0 | 42,450.0 | 36,850.0 | 45,923.2 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Discontinued operations | 0.0 | 0.0 | (583.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income (normalised) | 24,159.4 | 23,123.9 | 13,991.0 | 31,826.0 | 21,917.0 | 42,450.0 | 36,850.0 | 45,923.2 |
| Net income (reported) | 24,159.4 | 23,123.9 | 12,762.0 | 33,567.0 | 70,251.0 | 42,450.0 | 36,850.0 | 45,923.2 |
| Basic average number of shares outstanding (m) | 506 | 506 | 547 | 595 | 596 | 598 | 601 | 601 |
| EPS - basic normalised (A\$) | 0.05 | 0.05 | 0.03 | 0.05 | 0.04 | 0.07 | 0.06 | 0.08 |
| EPS - diluted normalised (A\$) | 0.05 | 0.04 | 0.02 | 0.05 | 0.04 | 0.07 | 0.06 | 0.08 |
| EPS - basic reported (A\$) | 0.05 | 0.05 | 0.02 | 0.06 | 0.12 | 0.07 | 0.06 | 0.08 |
| Dividend (A\$) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Revenue growth (%) | 10.3 | (27.7) | (22.8) | 76.2 | 29.1 | 15.5 | (4.4) | 30.1 |
| Gross margin (%) | 60.7 | 42.9 | 54.7 | 64.6 | 59.1 | 56.2 | 48.4 | 42.9 |
| EBITDA margin (%) | 54.1 | 35.1 | 40.5 | 55.2 | 53.0 | 49.8 | 41.8 | 37.8 |
| Normalised operating margin (%) | 24.4 | 27.5 | 27.8 | 39.1 | 32.6 | 31.1 | 28.4 | 27.5 |
| BALANCE SHEET | | | | | | | | |
| Fixed assets | 138,275.0 | 172,196.0 | 129,077.0 | 203,161.0 | 257,497.0 | 304,826.0 | 373,950.5 | 359,075.0 |
| Intangible assets | 93,136.0 | 103,894.0 | 32,745.0 | 57,794.0 | 98,498.0 | 161,310.0 | 179,310.0 | 189,310.0 |
| Tangible assets | 36,266.0 | 51,038.0 | 62,322.0 | 99,411.0 | 107,386.0 | 111,104.0 | 174,128.5 | 149,253.0 |
| Investments & other | 8,873.0 | 17,264.0 | 34,010.0 | 45,956.0 | 51,613.0 | 32,412.0 | 20,512.0 | 20,512.0 |
| Current assets | 93,306.0 | 76,501.0 | 59,096.0 | 33,054.0 | 98,190.0 | 107,364.0 | 59,303.0 | 123,495.5 |
| Stocks | 19,153.0 | 4,816.0 | 7,647.0 | 11,648.0 | 17,952.0 | 21,906.0 | 6,986.2 | 9,085.8 |
| Debtors | 2,030.0 | 1,998.0 | 2,940.0 | 1,894.0 | 2,344.0 | 5,167.0 | 4,491.1 | 5,840.9 |
| Cash & cash equivalents | 72,003.0 | 69,582.0 | 48,337.0 | 18,991.0 | 77,894.0 | 80,291.0 | 47,825.7 | 108,568.9 |
| Other | 120.0 | 105.0 | 172.0 | 521.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current liabilities | (27,430.0) | (21,762.0) | (14,238.0) | (18,179.0) | (25,297.0) | (43,701.0) | (27,914.5) | (31,308.3) |
| Creditors | (9,299.0) | (8,007.0) | (9,425.0) | (11,082.0) | (13,708.0) | (23,508.0) | (7,721.5) | (11,115.3) |
| Tax and social security | (6,929.0) | (9,317.0) | 0.0 | 0.0 | (1,001.0) | (7,283.0) | (7,283.0) | (7,283.0) |
| Short-term borrowings | 0.0 | 0.0 | (2,090.0) | (3,294.0) | (5,930.0) | (7,371.0) | (7,371.0) | (7,371.0) |
| Other | (11,202.0) | (4,438.0) | (2,723.0) | (3,803.0) | (4,658.0) | (5,539.0) | (5,539.0) | (5,539.0) |
| Long-term liabilities | (13,647.0) | (13,059.0) | (19,522.0) | (26,471.0) | (61,516.0) | (68,492.0) | (68,492.0) | (68,492.0) |
| Long-term borrowings | 0.0 | 0.0 | (4,515.0) | (5,922.0) | (9,116.0) | (6,175.0) | (6,175.0) | (6,175.0) |
| Other long-term liabilities | (13,647.0) | (13,059.0) | (15,007.0) | (20,549.0) | (52,400.0) | (62,317.0) | (62,317.0) | (62,317.0) |
| Net assets | 190,504.0 | 213,876.0 | 154,413.0 | 191,565.0 | 268,874.0 | 299,997.0 | 336,847.0 | 382,770.2 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' equity | 190,504.0 | 213,876.0 | 154,413.0 | 191,565.0 | 268,874.0 | 299,997.0 | 336,847.0 | 382,770.2 |
| CASH FLOW | | | | | | | | |
| Operating cash flow before WC and tax | 69,941.3 | 33,135.8 | 28,173.0 | 72,065.0 | 137,248.0 | 95,354.0 | 76,517.2 | 89,965.9 |
| Working capital | (9,498.0) | (5,172.0) | (3,481.0) | (2,840.0) | (776.0) | (3,948.0) | (190.8) | (55.6) |
| Exceptional & other | 1,277.0 | 1,454.0 | 3,704.0 | 4,632.0 | (48,334.0) | 3,500.0 | 0.0 | 0.0 |
| Tax | (6,919.9) | 7,047.9 | (249.0) | 0.0 | 0.0 | (701.0) | (15,792.9) | (19,681.4) |
| Net operating cash flow | 54,800.5 | 36,465.7 | 28,147.0 | 73,857.0 | 88,138.0 | 94,205.0 | 60,533.6 | 70,228.9 |
| Capex | (9,224.0) | (19,621.0) | (46,122.0) | (59,477.0) | (42,581.0) | (33,695.0) | (87,900.0) | 0.0 |
| Acquisitions/disposals | 0.0 | 4.0 | (20,068.0) | 1,522.0 | 619.0 | 4.0 | 0.0 | 0.0 |
| Net interest | (579.0) | (418.8) | 389.0 | (2,741.0) | (1,662.0) | 1,341.0 | 1,001.2 | 514.2 |
| Equity financing | (5.0) | 0.0 | 39,442.0 | (31.0) | (4.0) | (20.0) | 0.0 | 0.0 |
| Exploration and Evaluation | (10,969.0) | (11,578.0) | (20,132.0) | (26,642.0) | (40,935.0) | (58,105.0) | (18,000.0) | (10,000.0) |
| Other | (4,317.0) | (7,442.0) | (9,522.0) | (18,129.0) | 49,659.0 | 368.0 | 11,900.0 | 0.0 |
| Net cash flow | 29,706.4 | (2,590.1) | (27,866.0) | (31,641.0) | 53,234.0 | 4,098.0 | (32,465.3) | 60,743.1 |
| Opening net debt/(cash) | (41,969.0) | (72,003.0) | (69,582.0) | (41,732.0) | (9,775.0) | (62,848.0) | (66,745.0) | (34,279.7) |
| FX | 311.6 | 169.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other non-cash movements | 16.0 | 0.0 | 16.0 | (316.0) | (161.0) | (201.0) | 0.0 | 0.0 |
| Closing net debt/(cash) | (72,003.0) | (69,582.0) | (41,732.0) | (9,775.0) | (62,848.0) | (66,745.0) | (34,279.7) | (95,022.9) |

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