

Alkane Resources

FY23 financials

The Bodas continue to grow

Alkane Resource's FY23 financial results were broadly in line with our forecasts, with profit after tax totalling A\$42.5m (compared to our forecast of A\$44.0m) and EPS of 7.10c (cf 7.38c). Cash flows from operations exceeded our forecasts (A\$95.5m cf A\$75.6m) as a result of an increase in deferred tax liabilities, albeit this was balanced by higher exploration capex of A\$58.1m to result in a net cash flow of A\$4.1m (cf A\$2.4m). Following FY23 production of 70,253oz at an all-in sustaining cost (AISC) of A\$1,602/oz, FY24 guidance for Tomingley is 60,000–65,000oz at an AISC of A\$1,750–2,100/oz. Our forecasts remain largely unchanged in the aftermath of Alkane's FY23 results. We maintain our valuation.

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	18.1	N/A
06/23	190.0	60.6	7.10	0.00	9.4	N/A
06/24e	172.4	63.0	7.34	0.00	9.1	N/A
06/25e	229.3	80.6	9.39	0.00	7.1	N/A

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

Potential to be a tier one asset

Drilling at the Boda, Boda Two and Boda Three deposits is complete, with final assay results expected in September, and further drilling is now solely focused on the Kaiser deposit. Current feedback from the Boda Two and Three deposits suggests a greater upside than previously estimated following positive results in favourable geology. Mineralisation at depth remains open down dip and along strike, sitting outside of the western boundary of the current Boda mineral resource estimation. Further drilling is required to build on the new assay data. As per our last [note](#), we expect Alkane to produce an updated mineral resource estimate for Boda, including Boda Two and Three, in Q4 CY23 and for Kaiser in Q1 CY24. Following completion of the Boda exploration programme, Alkane believes the system could represent a possible tier one gold-copper project.

Valuation: A potential valuation of A\$2.27/share

Following its results, our valuation of Tomingley remains unchanged at A\$0.60/share. Liquid assets in the form of Alkane's holdings in Calidus and Genesis contribute a further A\$0.03/share, with Boda and Kaiser estimated at a combined US\$174.8m (US\$0.29/share or A\$0.44/share) to Alkane, either as an in-situ resource or as a development project. This represents a total value estimate for Alkane of A\$1.06/share. We also estimate a potential A\$0.52/share additional upside in the event of further exploration success in the Northern Molong Porphyry Project at the Boda Two and Three deposits. Including all other contingent assets (and using current metals spot prices cf Edison's more conservative long-term prices), this takes Alkane's valuation to potentially as high as A\$2.27/share. Otherwise, in Alkane, investors can buy a profitable, cash generating company at a rating of US\$23.05 per resource ounce – ie little more than that of a cash consuming explorer.

Metals and mining

25 August 2023

Price **A\$0.67**
Market cap **A\$401m**

A\$1.5545/US\$

Net cash (A\$m) at 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 (13.6) (14.7) (7.6)

Rel (local) (12.3) (14.8) (9.6)

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 alkalic porphyry district.

Next events

Boda and Kaiser updated resource estimate Q4 CY23

Underground production at Roswell begins Q4 CY23

100koz annual production FY26

Analysts

Tom Batho +44 (0)20 3077 5700

Lord Ashbourne +44 (0)20 3077 5724

mining@edisongroup.com
[Edison profile page](#)

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Exhibit 1: Financial summary

A\$'000s	2018	2019	2020	2021	2022	2023	2024e	2025e
Year end 30 June	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	172,421.5	229,304.3
Cost of Sales	(51,080.9)	(53,656.4)	(32,868.0)	(45,313.0)	(67,527.0)	(83,496.0)	(87,880.1)	(127,631.8)
Gross Profit	78,892.7	40,338.5	39,681.0	82,520.0	97,483.0	107,031.0	84,541.4	101,672.5
EBITDA	70,378.7	32,971.7	29,412.0	70,527.0	87,498.0	94,924.0	72,434.4	89,565.5
Normalised operating profit	31,658.3	25,808.8	20,171.0	49,940.0	53,821.0	59,246.0	61,989.4	79,120.5
Reported operating profit	31,658.3	25,808.8	20,171.0	49,940.0	53,821.0	59,246.0	61,989.4	79,120.5
Net Interest	(579.0)	(418.8)	389.0	(2,741.0)	(1,662.0)	1,341.0	1,001.2	1,457.0
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	62,990.5	80,577.5
Profit before tax (reported)	31,079.3	25,390.0	19,914.0	48,070.0	100,473.0	60,587.0	62,990.5	80,577.5
Reported tax	(6,919.9)	(2,266.1)	(6,569.0)	(14,503.0)	(30,222.0)	(18,137.0)	(18,897.2)	(24,173.3)
Profit after tax (norm)	24,159.4	23,123.9	13,991.0	31,826.0	21,917.0	42,450.0	44,093.4	56,404.3
Profit after tax (reported)	24,159.4	23,123.9	13,345.0	33,567.0	70,251.0	42,450.0	44,093.4	56,404.3
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	44,093.4	56,404.3
Net income (reported)	24,159.4	23,123.9	12,762.0	33,567.0	70,251.0	42,450.0	44,093.4	56,404.3
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	0.07	0.09
EPS – diluted normalised (A\$)	0.05	0.04	0.02	0.05	0.04	0.07	0.07	0.09
EPS – basic reported (A\$)	0.05	0.05	0.02	0.06	0.12	0.07	0.07	0.09
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	(-9.5)	33.0
Gross margin (%)	60.7	42.9	54.7	64.6	59.1	56.2	49.0	44.3
EBITDA margin (%)	54.1	35.1	40.5	55.2	53.0	49.8	42.0	39.1
Normalised operating margin (%)	24.4	27.5	27.8	39.1	32.6	31.1	36.0	34.5
BALANCE SHEET								
Fixed assets	138,275.0	172,196.0	129,077.0	203,161.0	257,497.0	304,826.0	318,451.0	317,576.0
Intangible assets	93,136.0	103,894.0	32,745.0	57,794.0	98,498.0	161,310.0	171,310.0	181,310.0
Tangible assets	36,266.0	51,038.0	62,322.0	99,411.0	107,386.0	111,104.0	114,729.0	103,854.0
Investments & other	8,873.0	17,264.0	34,010.0	45,956.0	51,613.0	32,412.0	32,412.0	32,412.0
Current assets	93,306.0	76,501.0	59,096.0	33,054.0	98,190.0	107,364.0	121,547.4	182,093.9
Stocks	19,153.0	4,816.0	7,647.0	11,648.0	17,952.0	21,906.0	6,613.4	8,795.2
Debtors	2,030.0	1,998.0	2,940.0	1,894.0	2,344.0	5,167.0	4,251.5	5,654.1
Cash & cash equivalents	72,003.0	69,582.0	48,337.0	18,991.0	77,894.0	80,291.0	110,682.5	167,644.6
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)	(27,416.0)	(30,683.3)
Creditors	(9,299.0)	(8,007.0)	(9,425.0)	(11,082.0)	(13,708.0)	(23,508.0)	(7,223.0)	(10,490.3)
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	344,090.4	400,494.6
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	344,090.4	400,494.6
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	72,864.4	89,995.5
Working capital	(9,498.0)	(5,172.0)	(3,481.0)	(2,840.0)	(776.0)	(3,948.0)	(76.9)	(317.1)
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)	(18,897.2)	(24,173.3)
Net operating cash flow*	54,800.5	36,465.7	28,147.0	73,857.0	88,138.0	94,205.0	53,890.3	65,505.1
Capex	(9,224.0)	(19,621.0)	(46,122.0)	(59,477.0)	(42,581.0)	(33,695.0)	(14,500.0)	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	1,457.0
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)	(10,000.0)	(10,000.0)
Other	(4,317.0)	(7,442.0)	(9,522.0)	(18,129.0)	49,659.0	368.0	0.0	0.0
Net cash flow	29,706.4	(2,590.1)	(27,866.0)	(31,641.0)	53,234.0	4,098.0	30,391.5	56,962.1
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)	(97,136.5)
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)	(97,136.5)	(154,098.6)

Source: Company sources, Edison Investment Research. Note: *Net operating cash flow excludes net interest, which can be found in isolation three lines lower.

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