

Alkane Resources

Updated guidance

Guidance increased again

Metals and mining

21 April 2023

Alkane continues to increase its production guidance, indicating confidence in a strong close to FY23, from 62,000–70,000oz to 65,000–73,000oz. It also lowered its expected unit costs to an AISC of A\$1,550–1,700/oz, from previous guidance of A\$1,550–1,800/oz. These updates follow confirmation of Q323 gold production of 16,641oz and a total for the year to date of 54,431oz, at an AISC of A\$1,446/oz.

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	16.0	N/A
06/22	165.0	52.1	3.68	0.00	23.2	N/A
06/23e	182.8	49.1	5.82	0.00	14.8	N/A
06/24e	166.5	58.5	6.84	0.00	12.6	N/A

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

Alkane's Tomingley gold mine produced 16,641oz in Q323, following a strong H123, prompting the company to update its FY23 guidance to 65,000–73,000oz Au at an AISC of A\$1,550–1,700/oz (previously 62,000–70,000oz Au at an AISC of A\$1,550–1,800/oz). Furthermore, Alkane announced its gold sales for the quarter of 19,163oz, generating revenue of A\$53.4m at an average price of A\$2,787/oz with group unaudited cash, bullion and listed investments, as of 31 March 2023, totalling A\$117.2m, or A\$0.196/share.

Alkane's Q323 operational results follow substantial newsflow detailed in our last note, [A self-sufficient outlook](#). In summary, the Tomingley Gold Extension Project was approved by the New South Wales (NSW) minister for planning in February, allowing open-cut and underground mining at the Roswell and San Antonio deposits, extending the mine life to at least 2031. An initial mineral resource for the Kaiser deposit was estimated at: 4.7Moz AuE (0.48Mt Cu, 2.05Moz Au). Financing has been secured via A\$50m in debt funding from Macquarie Bank, in conjunction with 100koz of gold hedging at a weighted average price of A\$2,825/oz. Finally, Alkane has acquired two packages of exploration tenements in the Macquarie Arc, NSW from Sandfire Resources for 2,781,438 Alkane shares (value of A\$1.9m at the time of transaction, 9 March 2023). The revised guidance for higher production and lower unit costs in FY23 continues a trend of positive news.

At the time of our aforementioned note on Alkane, our valuation continued to be underpinned by Tomingley, which we estimated contributed A\$0.61/share to Alkane's valuation. Liquid assets in the form of Alkane's holdings in Calidus and Genesis contributed a further A\$0.03/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. The inferred resource at Kaiser represents additional value to Alkane of US\$49.4m (US\$0.08/share or A\$0.12/share). This represents a total valuation estimate for Alkane of A\$1.07/share (cf A\$0.94/share previously). Including all other contingent assets, this takes our estimate of Alkane's potential valuation to A\$2.22/share (cf A\$1.53/share previously). In the meantime, our forecasts for FY23 and FY24 are under review in the wake of both Alkane's guidance upgrade and the continuing strength of the gold price.

Price **A\$0.86**

Market cap **A\$512m**

A\$ 1.4952/US\$

Net cash (A\$m) at end December 2022 70.6

Shares in issue 598.8m

Free float 65%

Code ALK

Primary exchange ASX

Secondary exchange OTCQX

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 alkaline porphyry district.

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