

Alkane Resources Limited

On the cusp of potential expansion

Alkane Resources Limited (ASX:ALK) is an ASX-listed gold producer and explorer with a focus on central west New South Wales. The Perth-headquartered company owns and operates the Tomingley gold mine and processing facilities, south-west of Dubbo and the Northern Molong porphyry project in central west NSW which includes the highly prospective Boda and Kaiser deposits. ALK recently announced high-grade results from the Kaiser resource upgrade drilling programme and upgraded the Boda resource to 6.6mn ounces of gold equivalent (AuEq), with 4.4Moz AuEq inferred. Alkane noted in its recently released H1 FY24 results, that it was on track to meet its FY24 production guidance at Tomingley for 60-65,000 ounces at an all-in sustaining cost (AISC) of A\$1,750 to A\$2,100/ounce.

Portfolio description

Alkane has two main assets in central west NSW: the Tomingley gold project, where recent exploration has confirmed extension of the mine life by at least eight years to FY32 and which has a mineral resource of 1mn+ ounces of gold; and the Northern Molong porphyry project, which includes the Boda and Kaiser deposits in central NSW. Tomingley has both open-pit and underground gold mining operations and is located 50km south-west of Dubbo. The original project was approved to the end of 2025 based on four gold deposits: Caloma One, Caloma Two, Wyoming One and Wyoming Three. Open cut mining commenced in October 2013 with the first gold poured in February 2014. Underground mining commenced in 2019. In late 2022, the company commenced the Tomingley gold extension project which involves the development of an underground mine at Roswell, south of the existing mine and one large open cut pit covering the Roswell and San Antonio deposits. ALK announced on 27 February that the gold extension project's reserves have been revised to 1.17Moz (previously 750koz) with internal ore reserves of 664koz, positioning the company to execute its plan to lift annual production to 100koz in 2025. The company has a second emerging prospect in Boda-Kaiser, a potential tier-one gold-copper porphyry project, located to the east of Dubbo, with Indicated and Inferred resources of 853Mt at 0.57g/t AuEq for 15.7Moz AuEq at a cut-off grade of 0.3g/t (ASX release 14 December 2023).

Recent drilling likely to add to Boda-Kaiser mineral resource estimate

Recent infill drilling at Kaiser has revealed promising higher grades at surface (ASX release 12 February 2024) with 41m at 3.05g/t AuEq from 1m including 14m @ 8.05g/t from 18m, 62m @ 1.31g/t AuEq from surface with 16m at 2.94g/t AuEq from 42m and 70m @ 0.85g/t AuEq from 78m including 2m @ 4.63g/t AuEq from 90m. We expect the latest drill results to add to Boda-Kaiser's MRE of 15.7Mt, potentially include some indicated resources and be used to scope potential development.

Several ASX-listed peers in the metals space

Peer producers Aurelia Metals (ASX:AMI), AIC Mines (ASX:A1M) and Pantoro (ASX:PNR) are similar-sized miners focused on Australian projects. Alkane is currently priced at a ~40% premium to the average FY23a EV/EBITDA peer multiple. We believe this reflects market expectations for Boda-Kaiser and the Tomingley gold extension project.

Historical earnings and consensus estimates (in A\$m unless otherwise stated)

Y/E	Revenue	EBITDA	EBIT	NPAT	EPS (c)	EV/Revenue (x)	EV/EBITDA (x)	PER (x)	Gold sold (ounces)
06/23a	190.5	95.4	59.2	42.5	7.0	1.9	3.7	10.1	70,498
06/24f	181.4	72.0	40.3	28.8	4.8	1.7	4.2	11.3	63,000
06/25f	246.9	110.9	69.5	48.5	8.0	1.1	2.4	6.7	n/a

Source: Company data, Consensus estimates for FY24f and FY25f from LSEG

Share Details

ASX code	ALK
Share price (28-Feb)	\$0.485
Market capitalisation	\$292.7M
Number of shares	603.4M
Net cash at 31-Dec-2023*	\$49.2M
*excludes \$50m undrawn debt facility	

Share Price Performance (12 months)



Upside Case

- Mineral exploration extends project beyond 2032
- Gold price above-consensus estimates, perhaps testing new highs in 2024/25
- Significant exploration upside identified

Downside Case

- Fails to meet guidance or expand annual production
- Gold price retraces to 2022 lows
- Weaker results or slower progress on exploration campaigns

Catalysts

- Meets or exceeds FY24 guidance for production
- Annual production increases to 100,000oz in FY25
- Incremental and ongoing positive exploration results
- Increased MRE for Boda-Kaiser

Comparative Companies (Australia & NZ)

AMI, A1M, PNR

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FINANCIAL SERVICES GUIDE

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