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# AUSTRAL RESOURCES AUSTRALIA LTD (ASX: AR1)

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Equity Analysis (03 January 2023)



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## Introduction

### Austral Resources Australia Ltd:

Austral Resources Australia Ltd (ASX: AR1) is an Australia-based copper producer, developer and explorer located in the Mt Isa District, northwest Queensland. The company's projects include the Anthill Project, the Lady Annie Project, the Cameron River Project and the Miranda Project.

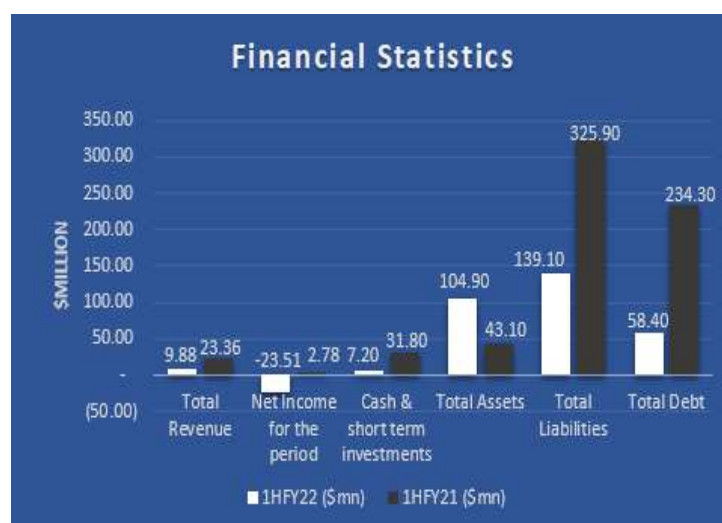
Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (\$)	0.255	
52-Week Low-High (\$)	0.135-0.650	
Market Capitalization (\$Mn)	110.70	
Outstanding Shares (Mn)	527.17	
PE (TTM)	-	
EPS (\$) (TTM)	-0.147	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	5.04	-
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	-3.40	-

### Shareholder Pattern (Mn)

Top 3	Current	31 Dec'22	30 Sep'22
Jauncey (Daniel)	256.91	256.91	254.21
Sparta AG	15.90	15.90	15.90
Kamjoh Pty. Ltd.	13.33	13.33	13.33

## Operating Performance

In 1HFY22 (period ended 30 June 2022), total revenue was \$9.88 million against \$23.36 million in the 1HFY21. In 1HFY22, the company's net loss was \$23.51 million against the net income of \$2.78 million in the 1HFY21. At the end of 1HFY22, the company had cash & short term investments of \$7.20 million compared with \$31.80 million at the end of 1HFY21. The company had \$58.40 million in debt at the end of 1HFY22 compared to \$234.30 million at the end of 1HFY21.



Source: Refinitiv, Chart Prepared by Kapitales Research

Ratio Analysis	Industry Median	2022		2021		2020
		Jun-22	Dec-21	Jun-21	Dec-20	Jun-20
Gross Margin	52.6%	-69.5%	-11.9%	31.5%	30.9%	-62.8%
EBITDA Margin	46.2%	-181.1%	-54.8%	19.6%	-48.5%	-98.5%
Operating Margin	-	-205.2%	-57.2%	19.6%	-48.8%	-98.7%
Pretax Margin	25.1%	-238.0%	-87.1%	11.9%	-66.1%	-120.5%
Net Margin	20.5%	-238.0%	-87.1%	11.9%	-66.1%	-120.5%
Asset Turnover	0.30	0.11	0.29	-	-	-
ROE	9.8%	-	-	-	-	-
Quick Ratio	1.38	0.15	0.73	0.12	-	-
Current Ratio	1.84	0.31	0.88	0.14	-	-
Cash Cycle (Days)	25.2	104.80	72.80	-	-	-
Assets/Equity	1.64	-	-	-	-	-
Debt/Equity	0.20	-	-	-	-	-
ROIC	-	-52.0%	-	-	-	-

Source: Refinitiv, Analysis by Kapitales Research

## Recent Update

On 23 December 2022, Austral Resources Australia Ltd has secured funding as it hits steady state production at the Mt Kelly plant and continues to fast track the company's Lady Colleen Scoping study. The company will undertake initiatives that include paying mining services provider Thiess AU\$10 million of outstanding amounts owed in December. Under a second initiative, private company Secover will provide Austral Resources with an AU\$12.8 million debt facility.

## Outlook

During September quarter, Austral Resources Australia Ltd continued to make strong improvements in production rates due to the solid operational performance of its team and contractors onsite at both the Anthill mine and Mt Kelly processing area. The company has achieved a 186% increase in revenue from last Quarter to AU\$14.76 million. Production rates improved month on month throughout the quarter:

- 38% increase in August from July's production
- 22% increase in September from August's production
- 48% increase in October from September's production

The company's exploration activity continued to gain momentum during the quarter with a total of 4,609m of reverse circulation drilling was completed from 39 drill holes over Amy's Pocket and Lady Colleen prospects. The company has also continued discussions with multiple other mining and exploration companies to progress potential joint venture agreements for portions of its extensive tenure holdings in the Mt Isa district. The company is also evaluating the potential to joint venture into other companies' tenure holdings, where the opportunity aligns with the company's exploration strategy.

## Risks

The company has exposure to the following risks-

- Operational risks
- Interest rate risk
- Regulatory risk
- Financial risks

## Technical Analysis



Source: Refinitiv, Analysis by Kapiteles Research

Company Name	Ticker	Sector	CMP (\$)	Advisory date	Rating	Target 1 (\$)	Target 2 (\$)	Stop Loss (\$)
Austral Resources Australia Ltd	AR1	Materials	0.255	03 January 2023	Speculative Buy	0.305	0.330	0.205

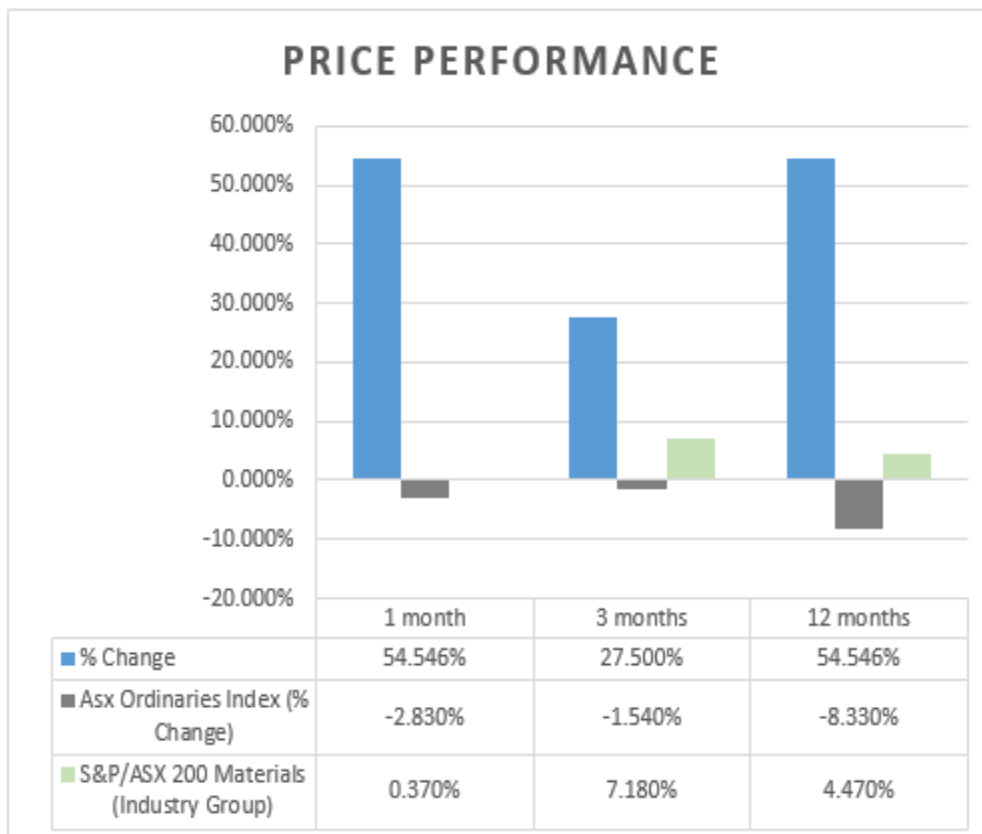
The stock of materials company AR1 settled at AU\$0.255 on 03 January 2023 after a gain of nearly 18.6% from the previous day's closing. It is currently trading between its 52-week price levels. The stock price is trading above the significant exponential moving averages of 20, 50, and 200 days on a daily time frame, indicating short-term bullishness. The stock is trading above the pivot resistance R2 (AU\$0.248), holding a bullish momentum on a daily time frame chart. RSI (14 days) is at 77, holding a bullish momentum above the breakout zone in the index.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.305 (Pivot resistance R4) and AU\$0.330 (Pivot resistance R5) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).**

**Investors are advised to keep a strict stop loss at or below AU\$0.205 (Pivot resistance R1) to protect their investments, in case of an unfavorable movement in the stock due to any uncertain event.**

**Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favorable direction.**

## Price Performance



## Investment Summary

Compared to the previous corresponding period (PCP), the company has increased its total assets and reduced its total liabilities and total debt in 1HFY22. The company's current ratio for 1HFY22 stood at 0.31x, better than the previous corresponding period of 0.14x, implying that the company has improved its capabilities to meet its short term obligations.

Looking at the shareholder pattern, AR1's two of the three largest shareholders have maintained their stake in the company over the previous two quarters, and another one has increased its stake in the previous quarter. Thus it shows their confidence in the company. The company's stock has outperformed the ASX ordinary and sector indices in one month, one quarter and one year timeframe.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.255 as of 03 January 2023 (after-market hours).

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