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# LINDIAN RESOURCES LIMITED (ASX: LIN)

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Equity Analysis (27 May 2022)



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## Introduction

*Lindian Resources Limited:*

Headquartered in Western Australia, Lindian Resources Limited (ASX: LIN) is a mining and exploration company with a portfolio of high-grade bauxite assets on both the West and East coasts of Africa.

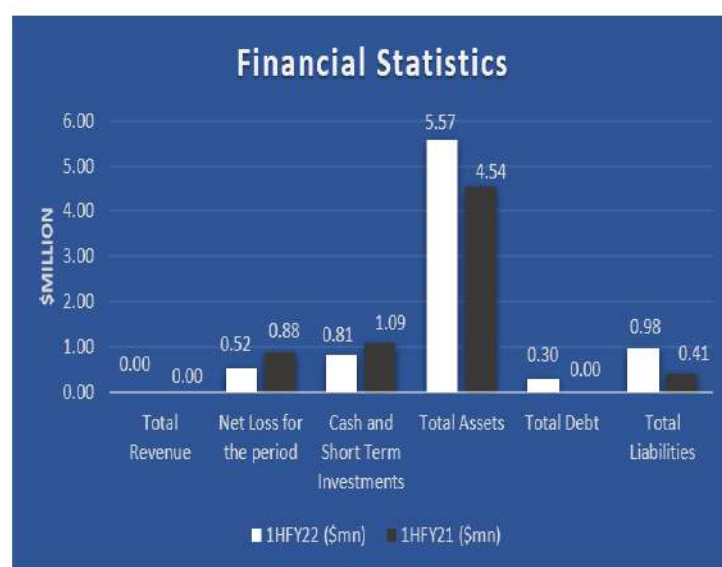
Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (\$)	0.055	
52 Week High-Low (\$)	0.019-0.056	
Market Capitalization (\$Mn)	30.93	
Outstanding Shares (Mn)	778.94	
PE (TTM)	-	
EPS (\$) (TTM)	-0.001	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	2,175,888.00	15,012.36
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	9.34	2.45

### Shareholder Pattern (Mn)

Top 3	Current	31/03/22	31/12/21
Kabunga (Asimwe)	90.28	90.28	80.28
Ven Capital Pty Ltd	84.62	84.62	84.62
Patnaik (Rohan)	31.00	31.00	31.00

## Operating Performance

In 1HFY22 (period ended 31 December 2021), net loss stood at \$0.52 million compared to \$0.88 million in 1HFY21. At the end of 1HFY22, the company had cash and short-term investments of \$0.81 million against \$1.09 million at the end of 1HFY21. Total assets at the end of 1HFY22 stood at \$5.57 million compared to \$4.54 million at the end of 1HFY21. Total debt at the end of 1HFY22 stood at \$0.30 million compared to ~nil at the end of 1HFY21.



Source: Company Reports, Analysis by Kapitales Research

Ratio Analysis	Industry Median	2022		2021		2020	
		Dec-21	Jun-21	Dec-20	Jun-20	Dec-19	
Gross Margin	46.7%	-	-	-	-	-	
EBITDA Margin	42.0%	-	(2464150.0%)	(2353175.0%)	(206140.0%)	(546477.8%)	
Operating Margin	-	-	(2712900.0%)	(2375700.0%)	(208015.0%)	(834716.7%)	
Pretax Margin	25.4%	-	(2712900.0%)	(2290300.0%)	(179695.0%)	(834872.2%)	
Net Margin	20.4%	-	(2712900.0%)	(2290300.0%)	(179695.0%)	(834872.2%)	
Asset Turnover	0.27	0.00	0.00	0.00	0.00	0.00	
ROE	8.8%	(11.8%)	(12.4%)	(26.0%)	(12.1%)	(99.8%)	
Quick Ratio	1.64	-	-	-	-	-	
Current Ratio	2.10	1.60	1.74	2.20	5.29	7.71	
Cash Cycle (Days)	32.50	-	90,630.80	1,12,590.80	40,406.40	27,673.70	
Assets/Equity	1.63	1.21	1.17	1.10	1.01	1.06	
Debt/Equity	0.17	0.07	0.00	0.00	0.00	0.00	
ROIC	-	(11.5%)	(12.9%)	(27.2%)	(14.8%)	(99.8%)	

Source: (Refinitiv and ASX), Analysis By Kapitales Research

## Recent Updates

On 25 May 2022, the company announced that it had reached an out-of-court settlement regarding a dispute relating to its proposed acquisition of up to a 75% interest in the Kangankunde Rare Earths Project located in Malawi under the terms of an Exclusive Option Agreement entered into in 2018.

## Outlook

The company continued to focus on advancing its world-class bauxite portfolio in Guinea, working to define the optimal export solution and progress due diligence with interested parties, and seeking a resolution concerning the Kangankunde Rare Earths Project in Malawi. Despite the political situation in the country, Bauxite mining, project development, and export operations are ongoing in Guinea.

## Risks

The Company has exposure to the following risks-

- Operational risks (including failure to locate or identify mineral deposits and industrial disputes)
- Economic and geopolitical risk
- Financial risks (including credit risk, liquidity risk, foreign exchange risk, and interest rate risk)

## Technical Analysis



Source: Refinitiv, Chart Prepared by Kapitaes Research

Company Name	Ticker	Sector	CMP (\$)	Advisory date	Rating	Target 1 (\$)	Target 2 (\$)	Stop Loss (\$)
Lindian Resources Limited	LIN	Materials	\$0.055	27 May 2022	Speculative Buy	\$0.069	\$0.080	\$0.046

The stock of a material company LIN settled at AU\$0.055 on 27 May 2022, after a surge of nearly 41% from the previous day's closing. It is currently trading near its 52-week high 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 near the pivot resistance R3 (AU\$0.058) and holding a strong bullish momentum on a daily time frame chart.

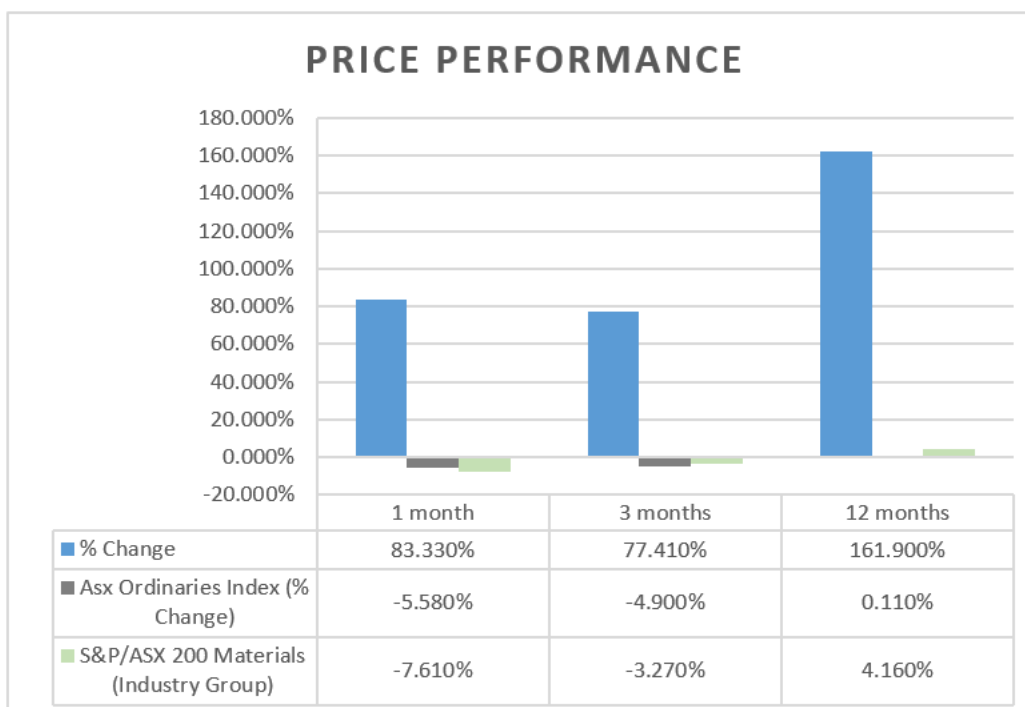
RSI (14-days) is 86, holding a strong bullish momentum zone in the index.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.069 (pivot resistance R4) and AU\$0.080 (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\$0.046 (pivot resistance R2) 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

The company's net loss reduced in 1HFY22 compared to the previous corresponding year. During 1HFY22, LIN maintained a lower debt to equity ratio than its industry peers, showcasing a decent leverage position.

Looking at the shareholder pattern, two of the company's top three shareholders have maintained their stake in the company for the last two quarters. In contrast, one has increased its stake in the company in the previous quarter. It shows shareholder's confidence in the stock. The stock has outperformed the ASX ordinary index and sector index in one month, three months, 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\$0.055 as of 27 May 2022 (after-market hours).

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**Disclosure:** *The information mentioned above has been sourced from the company reports and a third party database, i.e. Refinitiv. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.*

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