

29 April 2022

Austral Resources Aust. (AR1) BUY Share Price: A\$0.20

Setting the base for a transformative 2022 Target Price: A\$0.47

Austral (AR1) is one of the few copper producers listed on the ASX, producing copper cathode at its Mt Kelly copper oxide SX-EW plant some 120km NW of Mt Isa in Queensland (Figure 1). The March quarter saw operations commence at the new Anthill Mine, stacking will commence in May, and all is on track for a step-change in production to ~10,000tpa copper cathode from mid-CY2022. AR1 currently has a Resource of ~420,000t of contained copper and has multiple copper oxide and sulphide exploration targets within its 2,100km² of granted tenure. An aggressive 12-month exploration program (A\$10m, 30,000m) will look to expand this Resource and extend the current four-year LoM. AR1 offers investors direct exposure to the current buoyant copper price, as well as strong organic growth potential. BUY, TP A\$0.47/sh (prev. A\$0.45/sh) on upward revisions to near-term output.

Targeting +9,000t in 2023 and 12,000t in 2023

- 425t of copper cathode produced at Mt Kelly in Mar. Q'22 from processing remnant ore; 348t sold for A\$4.83m.
- Anthill Mine commenced bulk overburden removal on 5 Jan (Figure 2), with ore mining starting in February and ore haulage to Mt Kelly commencing on 24 March.
- Ore stacking to commence in early May. Cathode production is targeted to ramp up to +1,000t in the month of July and +1,400t in October (Fig. 3).
- AR1 is guiding to CY2022 and CY2023 production of 9,300t and 12,000t respectively. We have upwardly revised our prior CY22F and CY23F forecasts of 8,000t and 10,650t to match AR1's guidance.

Aggressive exploration program to expand LOM

- AR1 signalled an aggressive commitment to Resource expansion and LoM extension with a A\$10m (30,000m) 12-month exploration & drilling budget.
- Focus will be on in-pit and near-pit potential at Anthill and on high-priority oxide Cu targets close to the Mt Kelly processing facility (Figure 4). The exploration team will be concurrently working on 2-3 prospects, and a steady stream of reporting of results and news flow is expected from May onward.
- Importantly, a diamond drill program is scheduled to commence at the historical Flying Horse pit to collect fresh (sulphide) core samples for metallurgical test work in Canada. This could determine if Mt Kelly sulphide ore (26.5Mt @ 0.80% for 212kt Cu) is amenable to a newly developed heap leach process.

Key Dates Ahead

- May 2022 – Maiden Anthill copper cathode production.
- Jun. Q'22 – Drill results from exploration programs.

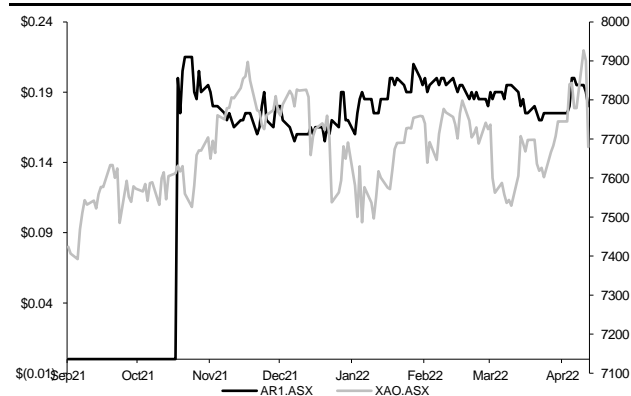
Company Data

Shares – incl. restricted (M)	445
Options/rights (M)	54
Total (fully diluted) (M)	500
Market capitalisation (\$M)	86.8
12 month low/high (\$)	0.15/ 0.22
Average monthly turnover (\$M)	5.1
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End	December	CY21A	CY22F	CY23F	CY24F	CY25F
Revenue (\$M)		37.3	120.0	146.5	103.1	96.2
Costs (\$M)		-45.2	-73.8	-91.8	-73.6	-73.4
EBITDA (\$M)		-8.0	46.2	54.7	29.5	22.8
NPAT (\$M)		-11.7	29.4	36.9	19.7	15.1
EPS (¢ps)		-2.4	5.9	7.4	4.0	3.0
EPS growth (%)		na	>100%	25%	-46%	-24%
PER (x)		na	3.3	2.6	4.9	6.5
Op. Cashflow (\$M)		0.0	28.7	39.2	20.6	16.3
OCFPS (¢ps)		0.0	5.7	7.8	4.1	3.3
POCFPS (x)		na	3	2	5	6.0
Enterprise Value (\$M)	100.9	84.9	58.3	49.5	41.4	
EV / EBITDA (x)	-ve	1.8	1.1	1.7	1.8	
Payout ratio (%)	na	na	na	na	na	
Dividends (¢ps)	0	0	0	0	0	
Yield (%)	na	na	na	na	na	
Franking (%)	na	na	na	na	na	

AR1 – performance over one year (AR1 listed Nov.'21)



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document.

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Analysis

Austral Resources Australia

Year End December

Share price (A\$)	0.195
Issued shares (m)	445 (includes 200m restricted shares)
Market Cap (A\$m)	86.8
Options/Rights (m)	54 (10m options expire Nov'24)
Dilution	0
Fully diluted no. of Shares (m)	500

P&L Statement (A\$m)	CY20A	CY21A	CY22F	CY23F	CY24F	CY25F
Revenue	25.0	37.3	120.0	146.5	103.1	96.2
Costs	(43.1)	(45.2)	(73.8)	(91.8)	(73.6)	(73.4)
EBITDA	(18.1)	(8.0)	46.2	54.7	29.5	22.8
D&A	(0.1)	(0.0)	(2.0)	(2.0)	(2.0)	(2.0)
Operating profit	(18.1)	(8.0)	44.2	52.7	27.5	20.8
NOI	0.0	2.6	0.0	0.0	0.0	0.0
EBIT	(18.1)	(5.3)	44.2	52.7	27.5	20.8
Interest income	0.3	0.1	0.3	0.8	0.8	0.8
Interest expense	(4.7)	(6.5)	(2.4)	(0.9)	(0.1)	0.0
Tax expense	0.0	0.0	(12.6)	(15.8)	(8.5)	(6.5)
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Reported NPAT	(22.5)	(11.7)	29.4	36.9	19.7	15.1
EPS - Underlying (A\$)	(7.0)	(2.4)	5.9	7.4	4.0	3.0
DPS - Declared (A\$)	0.0	0.0	0.0	0.0	0.0	0.0
Avg. shares (m)	323	480	500	500	500	500
YE shares (m)	323	480	500	500	500	500

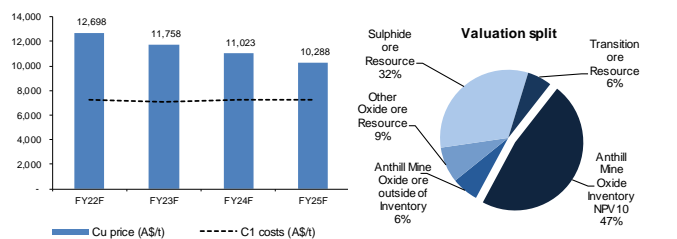
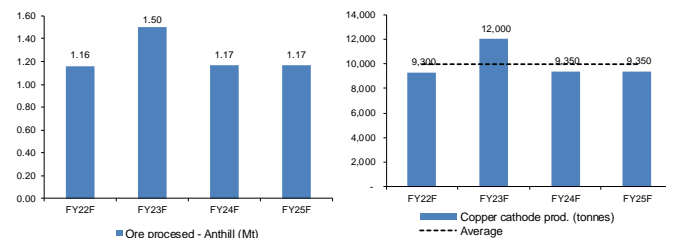
Commodity prices	CY20A	CY21A	CY22F	CY23F	CY24F	CY25F
LME Copper (US\$/lb)	2.72	4.22	4.28	4.00	3.75	3.50
Hedged Cu price (US\$/lb) (30%)	-	-	4.51	4.51	4.51	4.51
ARP (US\$/lb)	-	-	4.35	4.15	3.75	3.50
ARP (US\$/t)	-	-	9,592	9,156	8,267	7,716
AUD:USD	0.70	0.75	0.74	0.75	0.75	0.75
ARP (A\$/t)	-	-	12,901	12,208	11,023	10,288

Costs (A\$/t Cu cathode)	CY20A	CY21A	CY22F	CY23F	CY24F	CY25F
C1 (A\$/t)	-	-	7,255	7,061	7,250	7,250
AISC (A\$/t)	-	-	7,732	7,513	7,658	7,631

Production (Anthill)	CY20A	CY21A	CY22F	CY23F	CY24F	CY25F
Ore processed (Anthill) (Mt)	-	-	1.16	1.50	1.17	1.17
Grade (% Cu)	-	-	0.94%	0.94%	0.94%	0.94%
Recovery (%)	-	-	85.2%	85.2%	85.2%	85.2%
Copper cathode produced (t)	-	-	9,300	12,000	9,350	9,350

Cash Flow (A\$m)	CY20A	CY21A	CY22F	CY23F	CY24F	CY25F
EBITDA	(18.1)	(8.0)	46.2	54.7	29.5	22.8
Invest. In WC	11.2	8.0	(4.9)	0.3	(0.4)	(0.1)
Tax expense	0.0	0.0	(12.6)	(15.8)	(8.5)	(6.5)
Operating Cash Flow	(6.8)	0.0	28.7	39.2	20.6	16.3
Capex	0.0	(10.6)	(3.0)	(5.0)	(5.0)	(4.0)
Exploration	(0.5)	0.0	(7.5)	(7.5)	(7.5)	(5.0)
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(0.5)	(10.6)	(10.5)	(12.5)	(12.5)	(9.0)
Net interest	(4.4)	0.0	(2.2)	(0.1)	0.7	0.8
Debt	11.7	(4.0)	11.9	(27.0)	(11.3)	(1.1)
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	0.0	30.5	0.0	0.0	0.0	0.0
Financing Cash Flow	7.3	26.5	9.8	(27.1)	(10.6)	(0.3)
Non-operating/Other	(0.1)	(3.2)	0.0	0.0	0.0	0.0
Inc/(Dec) in Cash	0.3	12.8	27.9	(0.4)	(2.5)	7.0

Resources (April 2021)	Mt (ore)	Cu %	Cu (tonnes)
Oxide - Anthill	8.90	0.73%	64,970
Oxide - Other	7.83	0.43%	33,737
Transition - total	17.25	0.67%	115,575
Sulphide - total	26.50	0.80%	212,000
Global Resource	60.48	0.70%	426,282



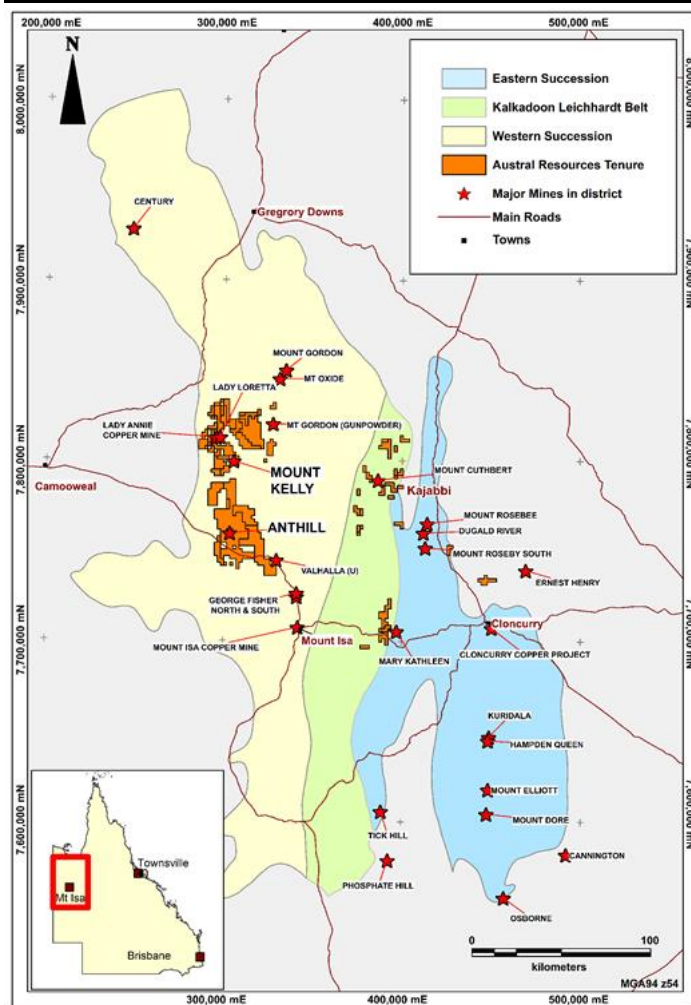
Balance Sheet (A\$m)	CY20A	CY21A	CY22F	CY23F	CY24F	CY25F
Cash & Equivalents	0.6	13.3	41.3	40.9	38.4	45.3
Receivables	0.0	0.0	8.4	10.3	7.2	6.7
Inventories	10.3	3.2	14.4	17.6	12.4	11.5
Other Current Assets	34.2	39.8	40.0	40.0	40.0	40.0
PPE and Exploration	0.5	7.2	15.7	26.2	36.7	43.7
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	45.7	63.6	119.7	134.9	134.6	147.3
Payables & Other	63.8	13.5	28.3	33.6	25.0	23.6
Short Term Debt	235.0	6.4	18.3	1.3	0.0	0.0
Long Term Debt	0.0	21.1	21.1	11.1	1.1	0.0
Other Liabilities	32.5	35.2	35.2	35.2	35.2	35.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities incl NCI	331.3	76.2	102.9	81.2	61.2	58.8
Equity	(285.6)	(12.6)	16.8	53.7	73.4	88.5
Total Liabilities & Equity	45.7	63.6	119.7	134.9	134.6	147.3

Valuation	(A\$m)	(A\$/ps)
Anthill Mine Oxide Inventory NPV ₁₀	106	0.21
Anthill Mine Oxide ore outside of Inventory	14	0.03
Anthill Mine Oxide Resource	120	0.24
Other Oxide ore Resource	19	0.04
Sulphide ore Resource	72	0.14
Transition ore Resource	13	0.03
Total Resource	224	0.45
Exploration upside	19	0.04
Investments	0	0.00
Corporate costs	(10)	(0.02)
Enterprise value	233	0.47
Net cash (debt) (CY22F)	2	0.00
Equity value	235	0.47

Ratios	CY20A	CY21A	CY22F	CY23F	CY24F	CY25F
P/E (x)	na	na	3.3	2.6	4.9	6.5
ROE (%)	na	na	na	105%	31%	19%
Debt/Equity	na	na	na	23%	1%	0.0%

Source: Petra Capital

Figure 1: AR1's Mt Kelly SX-EW plant and Anthill Mine location in Mount Isa district, QLD



Source: Company. Note: Anthill is strategically located by bitumen road some 45km south of Mt Kelly.

Figure 2: Anthill Mine east pit – oxide Cu ore on RHS of main pit as dark coloured material



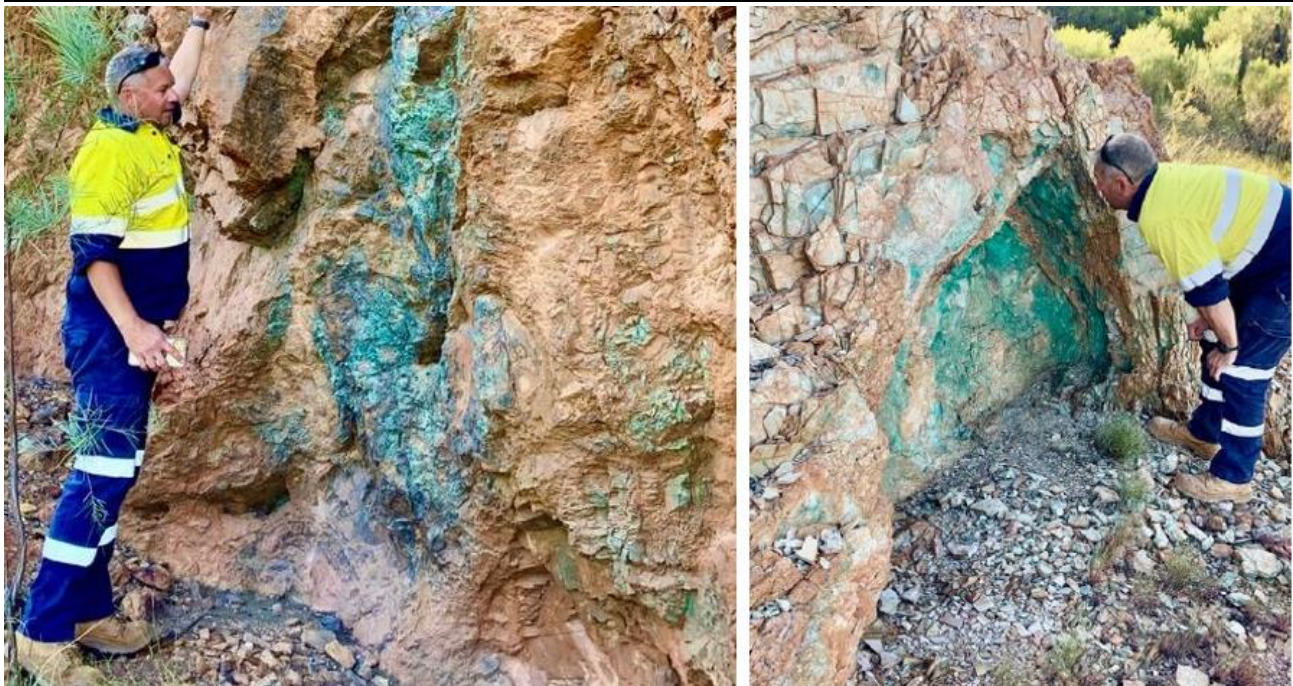
Source: Company. Note: As of 27 April; 5.7Mt of overburden removed between Jan and April 2022

Figure 3: AR1's projected production schedule for 2022 – 9,300t copper cathode

	2022											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mt Kelly Plant Refurbishment												
Anthill Creek Diversion												
Anthill Pre-stripping (kt)	665	1,400	1,750	1,502	1,294	1,393	1,407	1,394	1,389	1,421	1,382	1,323
Anthill Ore Mining (t)		3,000	5,000	100,000	177,500	172,500	169,500	187,000	164,500	158,000	179,000	237,000
Ore delivery to Mt Kelly (t)			5,000	51,000	155,000	150,000	155,000	155,000	150,000	155,000	150,000	155,000
Ore stacking Mt Kelly (t)					137,000	180,000	186,000	174,000	150,000	150,000	150,000	150,000
Cathode Production tonnes	175	125	125	115	193	688	1,021	1,265	1,337	1,453	1,434	1,450
Copper source	Remnant mining 2021					Anthill Copper Production						

Source: Company

Figure 4: Outcropping shear hosted copper mineralisation at Dividend prospect (LHS) and Swagman (RHS)



Source: Company

Figure 5: Summary of Changes (CY22F-24F)

		CY22F			CY23F			CY24F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	120.0	104.2	15%	146.5	130.0	13%	103.1	117.4	-12%
EBITDA	A\$m	46.2	39.2	18%	54.7	47.3	16%	29.5	35.1	-16%
EBIT	A\$m	44.2	37.2	19%	52.7	45.3	16%	27.5	33.1	-17%
NPAT	A\$m	29.4	24.5	20%	36.9	31.6	17%	19.7	23.6	-16%
EPS	A\$/sh	6.1	5.1	20%	7.7	6.6	17%	4.1	4.9	-16%
DPS	A\$/sh	0.0	0.0	na	0.0	0.0	na	0.0	0.0	na
NPV/sh	A\$/sh	0.47	0.45	4%						
Price target	A\$/sh	0.47	0.45	4%						
Copper prod.	tonnes	9,300	8,000	16%	12,000	10,652	13%	9,350	10,652	-12%
Copper price	US\$/t	9,441	9,370	1%	8,818	8,818	0%	8,267	8,267	0%
C1 Costs	A\$/t	7,255	7,394	-2%	7,061	7,145	-1%	7,250	7,145	1%

Source: Company, Petra Capital



29 April 2022

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