

AZURE MINERALS LIMITED

Equity Analysis (19 May 2023)



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Introduction

Azure Minerals Limited is an Australian company that conducts precious and base mineral exploration. The corporation mainly looks for nickel, cobalt, gold, and copper deposits. The Andover developments, situated in southeast Karratha, are its showpiece undertaking. The business is in West Perth, Australia, and was founded in 2003.

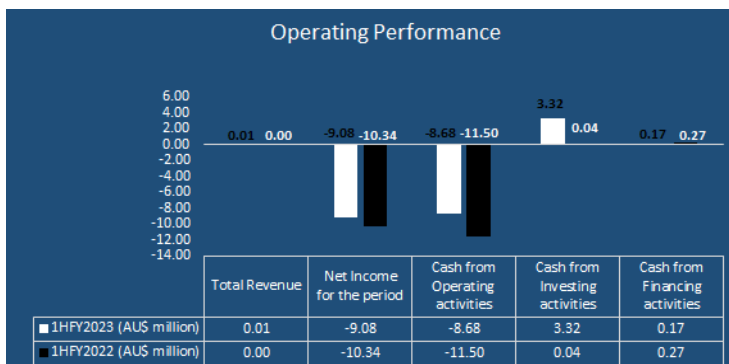
Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (AU\$)	0.495	
52 Week Low-High (AU\$)	0.160-0.525	
Market Capitalisation (AU\$)	181.45 million	
Outstanding Shares	390.24 million	
PE (TTM)	-	
EPS (AU\$) (TTM)	-0.054	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	-	-
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	5.5x	2.2x

Performance Chart



	1 month	12 months	36 months
% Change	21.62%	62.90%	587.50%
Asx Ordinaries Index (% Change)	-1.13%	0.05%	23.34%
S&P/ASX 200 Materials	-3.19%	-1.02%	38.96%

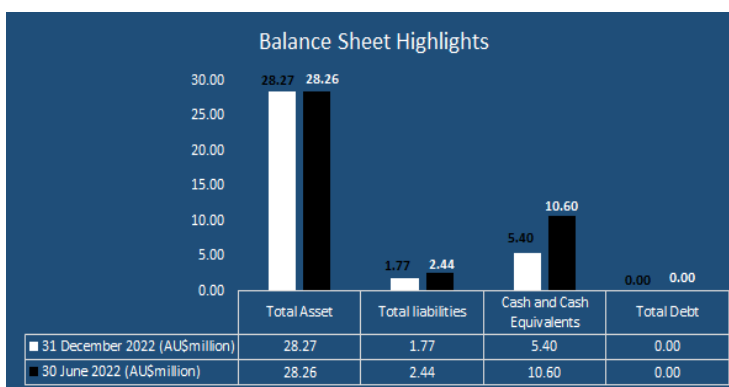
Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- In 1HFY23, total revenue was AU\$0.01 million against AU\$0.00 million in 1HFY22.
- In 1HFY23, the company's net loss was AU\$9.08 million against the net loss of AU\$10.34 million in 1HFY22.
- Cash used operating activities which was AU\$8.68 million in 1HFY23 compared to cash used AU\$11.50 million in 1HFY22.
- Cash from in investing activities was AU\$3.32 million in 1HFY23 compared to cash from AU\$0.04 million in 1HFY22.
- Cash from in financing activities was AU\$0.17 million in 1HFY23 compared to cash from AU\$0.27 million in 1HFY22.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to 30 June 2022, on 31 December 2022:

- Total asset increased by ~0.04% to AU\$28.27 million.
- Total liabilities decreased to AU\$1.77 million.
- Cash and Cash Equivalents decreased by ~49.06% to AU\$5.40 million.
- Total debt is ~0.00% to AU\$0.00 million.

Ratio Analysis

Fiscal Quarters	1Q FY2022	2Q FY2022	3Q FY2022	4Q FY2022	1Q FY2023	2Q FY2023
Return on Assets %	-30.92%	-35.59%	-	-	-40.10%	-40.10%
Return On Equity %	-52.24%	-60.05%	-	-	-69.45%	-68.57%
Return on Total Capital %	-32.20%	-36.99%	-	-	-42.75%	-42.26%
EBITDA Margin %	-	-	-	-	-	-
Gross Profit Margin %	100.00%	100.00%	-	-	100.00%	100.00%
Net Income Margin %	-	-	-	-	5043.49%	5043.49%
Asset Turnover	-	-	-	-	-	-
Days Outstanding Inventory (Avg)	-	-	-	-	-	-
Current Ratio	14.70	14.70	9.90	9.90	12.50	12.50
Days Sales Outstanding (Average Receivables)	-	-	-	-	-	-
Days Payable Outstanding (Avg)	-	-	-	-	-	-
Cash Conversion Cycle (Average Days)	-	-	-	-	-	-

Source: Koyfin, Chart Prepared by Kapitales Research

Recent Update

- On 27 April 2023, Azure Minerals Limited has announced the final assay results from the 2022 exploration drilling programme at the Daisy Corner and Trevan Well prospects on the Company's 100%-owned Barton Project. Barton is situated in the Kookynie Gold District, which is part of the world-class Leonora-Laverton gold province in Western Australia's Eastern Goldfields region.
- On 05 April 2023, The Company reports that it's continuing lithium-focused exploration drilling program continues to intersect significant widths of spodumene-bearing pegmatite at its Andover Project (Azure 60% / Creasy Group 40%), which is located in Western Australia's West Pilbara region.

Outlook

Azure continued its exploration and resource definition diamond drilling on E47/2481 during the quarter, completing 31 holes totaling 11,113.0 metres. Additionally, drilling was done at the Seaview and Skyline prospects, where many holes intersected nickel sulphide deposit that was highly mineralized.

Exploration for Lithium, Given that the analytical findings for 600 pegmatite samples are still waiting, many more intriguing opportunities for priority drill testing are likely to be discovered in the coming months.

Risks

The company has exposure to the following risks-

- Supply chain risks.
- Raw material risk.
- Third Party vendors risk.
- Human resources risks.

Technical Analysis



Source: TradingView, Analysis by Kapitaless Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Azure Minerals Limited	AZS	Materials	0.495	21 May 2023	Speculative Buy	0.560	0.595	0.430

The stock of material company AZS settled at AU\$0.495 on 19 May 2023 after a surge of nearly 6.4% 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 (EMA) of 20, 50, and 200 days on a daily time frame, indicating bullishness for the near term.

The stock is trading above the pivot resistance R1 (AU\$0.410), holding a bullish momentum on a daily time frame chart.

RSI (14 days) is at 66, 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\$0.560 (previous swing resistance) and AU\$0.595 (pivot resistance R2) 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\$0.430 (previous swing support) 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.

Investment Summary

Over the past one month, the company's stock has returned 21.62%, surpassing ASX Ordinaries at -1.13% and S&P/ASX 200 Materials at -3.19%. Current ratio for 2QFY23 stood at 12.50x, implying that the company possess better capabilities to meet its short-term obligations. Compared to the previous corresponding period, it has shown robust growth in its total revenue in 1HFY23.

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\$0.495 as of 19 May 2023 (after-market hours).

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