



# DecQ'24: Capex breather ahead

ALK.ASX | ALKANE RESOURCES LIMITED | MATERIALS | GOLD

PRICE  
A\$0.47/sh

TARGET PRICE  
A\$0.95/sh  
(UNCHANGED)

RECOMMENDATION  
SPECULATIVE BUY  
(UNCHANGED)

## Event

ALK reported a DecQ'24 production result of 14.9koz at an AISC of A\$3,053/oz (EHe: 16.4koz at A\$2,603/oz).

## Impact

**Production miss on timing, guidance maintained:** The miss on our DecQ'24 production estimate (aligned with previously issued QoQ guidance) was driven by a ~1.7koz increase in gold-in-circuit following reduced elution stripping in the back end of the DecQ. Once normalised for this, the production result was broadly in-line. Full-year guidance of 70-80koz at an AISC range of A\$2,400-2,600/oz has been maintained by ALK; we stay unchanged at 72.6koz while slightly lifting our AISC forecast to A\$2,513/oz. ALK sold 16.6koz at an average realised price of A\$3,582/oz for a DecQ revenue result of A\$59m, with 6.3koz (38% of DecQ sales) delivered into forward contracts at an average price of A\$2,792/oz, with cash and bullion declining by A\$11m QoQ (exit liquidity: A\$57m).

**We now expect an interim pause in growth capex:** DecQ'24 saw the completion of the current phase of TGEP capital growth (DecQ spend: A\$11m) with both the fine grind and flotation circuits commissioned. Commissioning and stabilisation of the paste plant remains underway across MarQ'25. Recoveries lifted to 87% across December, hitting the top end of the previously guided quarterly range. We continue to model an uplift in recoveries to 91%/92% across the MarQ/JunQ on optimisation and higher-grade plant feed. ALK flagged that the Newell Highway road diversion contractor submitted environmental and construction management plans to the regulator during the quarter, and as such, we have re-cut our model to reflect the commencement of the next phase of capital growth in early FY26E, deferring the balance of TGEP growth capex (ex-minor residual MarQ outflows flagged by ALK) into FY26E. As a result, at spot gold and FX, we expect a return to modest FCF generation in H2 FY25E as both production and spot-exposed sales lift.

## Action

**Speculative Buy maintained, PT unchanged at A\$0.95/sh at 0.9x NAV.** Model revisions since our last note include the deferral of A\$50m of growth capex into FY26E, mark-to-market for DecQ'24 actuals and minor cost adjustments. See [here](#) for our gold price deck upgrades following our last published note. The thesis remains unchanged for ALK as a heavily discounted underperformer against peers in a red-hot AUD gold price environment. We see potential for the stock to be rewarded for modest FCF generation in H2 on our assumption that the next phase of TGEP capex is deferred into early FY26E at the earliest.

## Analyst

**Steven Clark**  
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ALK-AU		
Share Price	0.47	A\$/sh
Valuation	1.04	A\$/sh
Price Target	0.95	A\$/sh
Shares on issue (FD)	612	m
Market capitalisation	288	A\$m
Enterprise value	312	A\$m
Debt	63	A\$m
Cash and bullion	40	A\$m

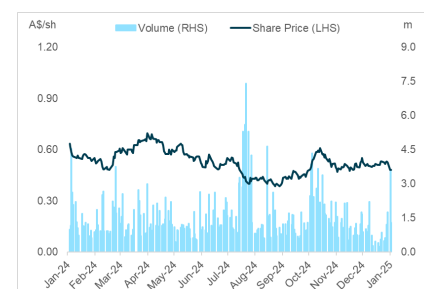
Substantial Holders	
Ian Gandel	18.3%

Production Forecast	FY24A	FY25E	FY26E
Throughput (mt)	1.1	1.1	1.3
Head grade (g/t)	2.0	2.3	2.5
Gold Production (koz)	57.2	72.6	92.0
C1 cost (A\$/oz)	1,615	1,957	1,593
AISC (A\$/oz)	2,224	2,513	1,841

Assumptions	FY24A	FY25E	FY26E
Gold Price (US\$/oz)	2,122	2,538	2,553
Realised Px (A\$/oz)	3,004	3,454	3,398
AUD/USD (x)	0.66	0.68	0.69

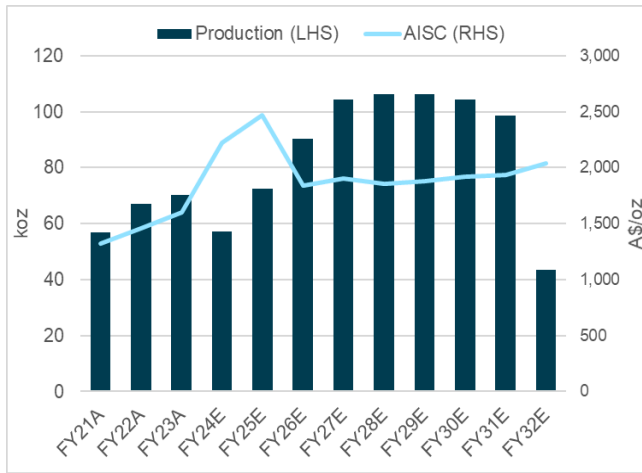
Key Financials	FY24A	FY25E	FY26E
Revenue (A\$m)	176	254	313
EBITDA (A\$m)	60	99	158
NPAT (A\$m)	18	38	52
Op CF (A\$m)	53	78	112
EPS (cps)	2.8	6.1	8.5
EPS growth (%)	-60%	117%	39%
P/E (x)	16.6	7.7	5.5
EV/EBITDA (x)	4.8	3.3	1.8
EV/EBIT (x)	11.8	5.1	2.9

## Performance



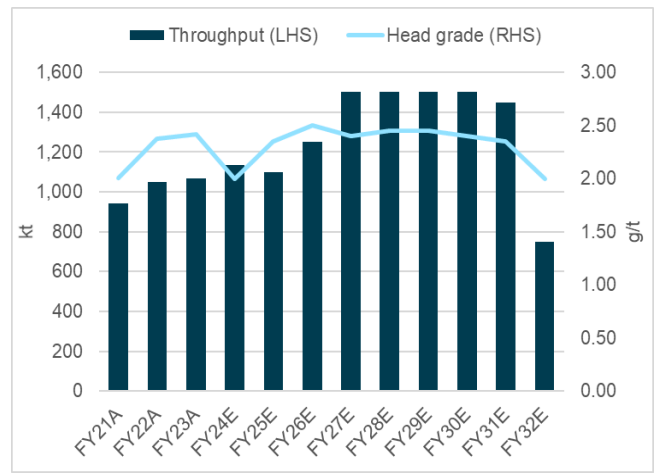
Source: IRESS

Figure 1: EHe Tomingley production and AISC profile



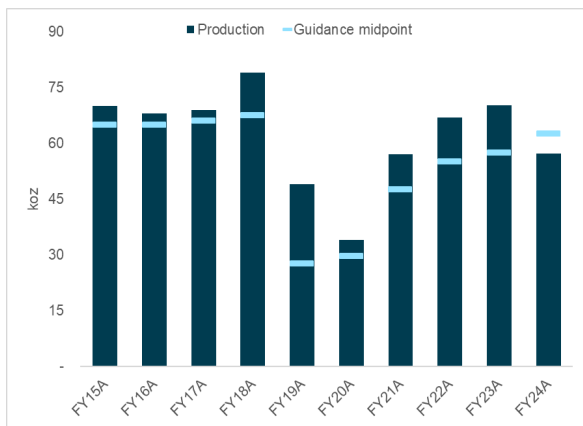
Source: Euroz Hartleys estimates

Figure 2: EHe throughput and head grade assumptions



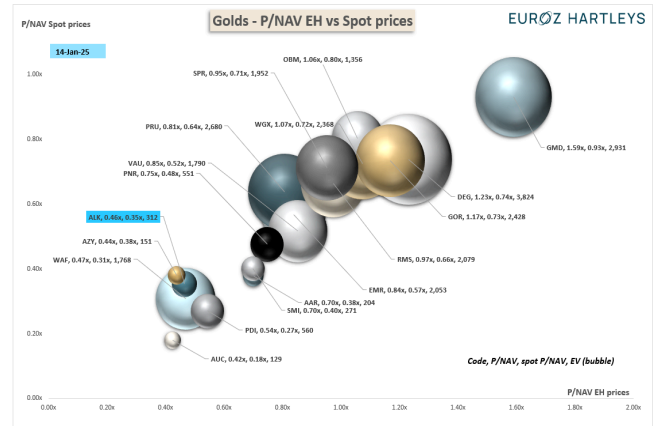
Source: Euroz Hartleys estimates

Figure 3: ALK is a historically conservative issuer of guidance



Source: Company reports, Euroz Hartleys edits

Figure 4: ALK screens at the cheaper end of our gold coverage universe on a P/NAV basis



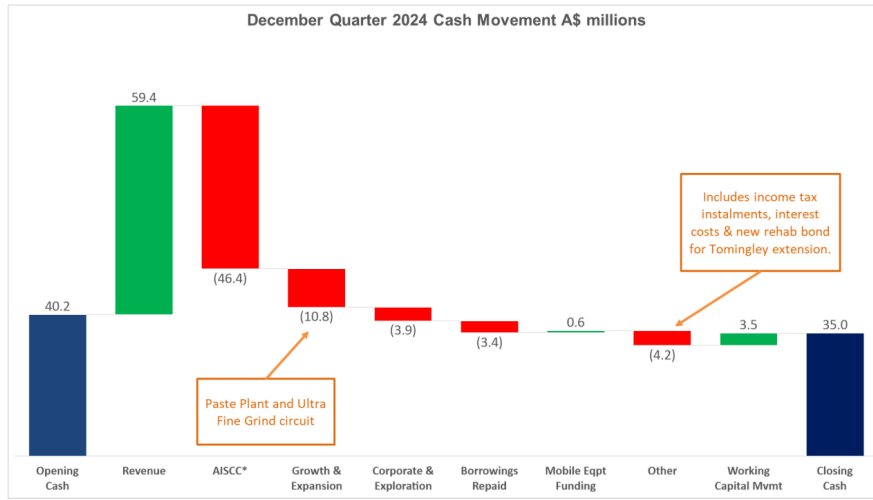
Source: Euroz Hartleys estimates

Figure 5: FY25-FY29 Tomingley production and AISC guidance (TGEP 5-year plan)

Financial Years	FY24	FY25	FY26	FY27-FY29
<b>Production Range (ozAu)</b>	55,000 – 58,000	70,000 – 80,000	85,000 – 95,000	100,000 – 110,000
<b>Ore Source:</b>				
- Underground	100%	100%	100%	60%
- Open Cut	0%	0%	0%	40%
<b>Head Grade g/t Au</b>	2.0	2.3	2.5	2.4
<b>Expected AISC A\$/ozAu</b>	2,150 – 2,350	2,400 – 2,600	1,800 – 2,000	1,900 – 2,100
			1,900 – 2,100	

Source: Company reports

Figure 6: DepQ'24 cash flow waterfall



Source: Company reports

Figure 7: ALK hedge book as at Jan'25

Quarter	Average Forward Price A\$/oz	Delivery Ounces
March 2025	2,804	6,600
June 2025	2,818	7,200
September 2025	2,832	7,250
December 2025	2,843	8,200
March 2026	2,855	8,700
June 2026	2,870	8,500
September 2026	2,884	7,800
December 2026	2,896	7,200
March 2027	2,821	7,300
June 2027	2,844	6,650
<b>Total</b>	<b>2,847</b>	<b>75,400</b>

Source: Company reports

Figure 8: ALK Financial Summary

ALK-AU: MARKET STATISTICS			
Share Price	0.47	A\$/sh	
Issued Capital			
Fully Paid Ordinary	605.1	m	
Performance Rights	7.1	m	
<b>Total Dil. FPOrd</b>	<b>612.1</b>	<b>m</b>	
Market capitalisation (fully diluted)	288	A\$m	
Enterprise value	309	A\$m	
Cash and bullion	42	A\$m	
Debt	63	A\$m	
<b>Shareholders</b>			
Ian Gandel	18.3%		

SOTP VALUATION			
	<b>Equity</b>	<b>A\$m</b>	<b>A\$/sh</b>
Tomingley Gold Project	100%	381	0.63
Boda	100%	269	0.44
Other Exploration		100	0.17
Corporate Overheads		(34)	(0.06)
Hedging		(65)	(0.11)
Listed Investments		3	0.00
Cash and Bullion		40	0.07
Borrowings		(63)	(0.10)
<b>Total</b>		<b>630</b>	<b>1.04</b>
<b>Price Target (0.9x NAV)</b>			<b>0.95</b>
<b>Spot NAV @ US\$2,672/oz, 0.62 AUD:USD</b>		<b>879</b>	<b>1.45</b>

PRODUCTION FORECASTS				
	<b>FY23A</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Tomingley</b>				
Throughput (mt)	1.1	1.1	1.1	1.3
Head grade (g/t Au)	2.4	2.0	2.3	2.5
Gold production (koz)	70.3	57.2	72.6	92.0
C1 cost (A\$/oz)	1,124	1,615	1,957	1,593
AISC (A\$/oz)	1,602	2,224	2,513	1,841
<b>Assumptions</b>				
Gold Price (US\$/oz)	1,909	2,122	2,538	2,553
AUD/USD (x)	0.66	0.66	0.68	0.69

RATIO ANALYSIS				
	<b>FY23A</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>
CF (A\$m)	96	54	78	115
CFPS (cps)	15.8	8.8	12.7	18.8
Earnings (A\$m)	42	17	38	55
EPS (cps)	7.0	2.8	6.1	9.0
EPS Growth (%)	96%	-60%	117%	46%
P/E Ratio (x)	6.8	16.8	7.7	5.3
Enterprise Value (A\$m)	220	291	328	353
EV/EBITDA (x)	2.3	4.9	3.3	2.2
EV/EBIT (x)	3.7	11.9	5.2	3.6
EBIT Margin (%)	31%	14%	25%	31%
ROE (%)	14%	6%	12%	15%
ROA (%)	10%	4%	8%	9%

RESERVES AND RESOURCES			
<b>Reserves</b>	<b>mt</b>	<b>g/t</b>	<b>koz</b>
Tomingley	0.7	1.6	34
Tomingley Extension	11.1	1.9	663
<b>Resources</b>	<b>mt</b>	<b>g/t</b>	<b>koz</b>
Tomingley	6.0	2.3	441
Tomingley Extension	18.0	2.1	1,206
NMPP (AuEq)	796	0.58	14,700

PROFIT & LOSS				
<b>Yr End 30 June (A\$m)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>
(+) Gold revenue	191	173	254	313
(+/-) Hedging Revenue	-	-	-	-
(+) Interest Income	2	3	-	-
(+) Other Income	0	1	-	-
<b>Total Revenue</b>	<b>193</b>	<b>176</b>	<b>254</b>	<b>313</b>
(-) Costs of production	(83)	(103)	(144)	(149)
(-) Corporate overheads	(13)	(11)	(10)	(5)
(-) D&A	(36)	(35)	(36)	(60)
(-) Other	-	0	-	-
<b>EBITDA</b>	<b>95</b>	<b>60</b>	<b>99</b>	<b>158</b>
<b>EBIT</b>	<b>59</b>	<b>24</b>	<b>64</b>	<b>98</b>
(-) Interest Expense	(1)	(2)	(10)	(20)
<b>NPBT</b>	<b>61</b>	<b>25</b>	<b>54</b>	<b>79</b>
(-) Tax	(18)	(7)	(16)	(24)
<b>NPAT</b>	<b>42</b>	<b>18</b>	<b>38</b>	<b>55</b>
(+/-) Net abnormal/disc. ops	-	-	-	-
<b>NPAT After Abnormal/Disc ops.</b>	<b>42</b>	<b>18</b>	<b>38</b>	<b>55</b>

CASH FLOW				
<b>Yr End 30 June (A\$m)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Net Profit</b>	<b>42</b>	<b>18</b>	<b>38</b>	<b>55</b>
(+) Working Capital Adj.	(6)	(3)	4	-
(+) D&A	36	36	36	60
(+) Tax Expense	18	-	16	24
(-) Tax Paid	(18)	-	(20)	(24)
(+/-) Other	23	2	4	-
<b>Operating Cashflow</b>	<b>96</b>	<b>53</b>	<b>78</b>	<b>115</b>
(-) Capex & Development	(39)	(116)	(83)	(135)
(-) Exploration	(58)	(20)	(8)	(5)
(+/-) Other	6	12	(4)	-
<b>Investing Cashflow</b>	<b>(91)</b>	<b>(124)</b>	<b>(95)</b>	<b>(140)</b>
(+) Equity Issues	-	-	-	-
(+) Loan Drawdown	7	44	3	50
(-) Loan Repayment	(8)	(8)	(7)	(5)
(+) Other	(0)	-	-	-
<b>Financing Cashflow</b>	<b>(2)</b>	<b>36</b>	<b>(5)</b>	<b>45</b>
<b>BoP Cash Balance</b>	<b>78</b>	<b>80</b>	<b>46</b>	<b>23</b>
Net Cashflows	2	(35)	(22)	20
(+/-) FX Adj.	-	-	-	-
<b>EOp Cash Balance</b>	<b>80</b>	<b>46</b>	<b>23</b>	<b>43</b>

BALANCE SHEET				
<b>Yr End 30 June (A\$m)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Assets</b>				
Cash	80	46	23	43
Current Receivables	5	4	4	4
Other Current Assets	22	23	23	23
Non-Current Assets	305	393	440	515
<b>Total Assets</b>	<b>412</b>	<b>465</b>	<b>490</b>	<b>585</b>
<b>Balance Sheet</b>				
Borrowings	14	49	61	106
Current Accounts payable	24	24	24	24
Other Liabilities	75	83	83	83
<b>Total Liabilities</b>	<b>112</b>	<b>155</b>	<b>172</b>	<b>212</b>
<b>Net Assets</b>	<b>300</b>	<b>309</b>	<b>318</b>	<b>373</b>

Source: Euroz Hartleys Research

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The companies and securities mentioned in this report, include:

Alkane Resources Limited (ALK.ASX) | Price A\$0.47 | Target price A\$0.95 | Recommendation Speculative Buy;

*Price, target price and rating as at 14 January 2025 (\* not covered)*

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