



Ramelius Resources Limited (ASX: RMS) – Market Update

Speculative Buy

Mt Magnet Outperforming in FY15

Price Target 20c

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Capital Summary

Ordinary Shares	469.0m
Listed Options	51.4m
Unlisted Options	1.5m
Market Capitalisation (m, undil.)	\$72.7
Cash & equivalents (m) – 31/3	\$35.8
Share Price (14/4/2015)	\$0.155
52 week high/low	\$0.19/\$0.039

Share Price Graph



Directors & Key Management

Mark Zeptner	CEO
Robert Kennedy	Ind. Non-Exec Chairman
Michael Bohm	Ind. Non-Exec Director
Kevin Lines	Ind. Non-Exec Director

Major Shareholders

Sprott Asset Management, LP	7.2%
Robert Kennedy	2.1%
West Trade Enterprises Pty Ltd	1.6%
Aurelius Resources Pty Ltd	1.1%
Stramig Properties Pty Ltd	0.9%

Key Points

- Mt Magnet quarterly production of 22,655 fine ounces of gold (Guidance: 21,000-23,000oz).
- Cash & gold on hand increased to A\$35.8m (Dec Qtr: A\$24.7M), representing a further A\$11.1m or 45% increase in the period; nil debt. **Well above expectation of ~A\$30m cash/gold at the end of March. With an EV of ~A\$37m; RMS is the best leveraged gold producer on the ASX.**
- Production target for FY15: **83koz @ an AISC A\$1,150/oz.** As at 31/3 RMS had produced 69,431/oz @ an AISC ~A\$1,170/oz (est.) - **Well ahead of forecast with produced ounces. Costs continue to drop and expect RMS to hit the A\$1,150 target for FY15.**
- Based on the announced guidance and assuming an average sale price of ~A\$1,550/oz, AISC (including all additional capital spent at the Perseverance Pit and exploration on other projects) is forecast to be ~A\$1,050-\$1,100/oz for the March Quarter.
- Mt Magnet – The current production pits (Saturn and Mars) will continue to be the base feed for the Checkers Mill, until bringing the **Perseverance (Percy) Pit ore into the feed by mid-2015.**
- Kathleen Valley (KV) Project - **Minimal capital expenditure required (~\$1.7m). Expected to produce 53koz at an all-in cost of A\$936/oz.** KV development to begin this quarter and is still forecast to supplement base feed at Mt Magnet from Q3 CY15.
- Vivien Project - Capital expenditure of \$16.3m. **Expected to produce at an AISC of A\$990/oz.** The Vivien ore will also supplement the base feed at Mt Magnet from Q1 CY16.
- **Price Target increased to 20c/share, with an FY15 average \$A spot price of A\$1,500/oz (current spot sitting at ~A\$1,580/oz) and a total of 87koz produced by the end of FY15 assumed.**

Price Target (Fully Diluted)					
\$0.20					
Spot Gold Price (A\$/oz) FY15	1,500				
Spot Gold Price (A\$/oz) FY16-FY18	1,400				
Mt Magnet	100%				
PRODUCTION DETAILS					
Mt Magnet		FY15	FY16	FY17	FY18
Exploration/Capex:					
Exploration	(A\$m)	4.0	4.0	4.0	4.0
Expansion Capex	(A\$m)	7.1	10.9	7.0	7.0
Total	(A\$m)	11.1	14.9	11.0	11.0
Mining					
Ore	(kt)	1,600.0	1,200.0	1,100.0	1,100.0
Grade	(g/t)	1.8	3.2	4.8	3.3
Production Details:					
Milled	(kt)	1,700.0	1,700.0	1,700.0	1,700.0
Gold Grade (Head)	(g/t)	1.7	2.4	2.7	2.6
Gold recovery	(%)	93	93	93	93
Produced:					
Gold	(ozs)	87,000	97,000	132,000	106,000
Cost Details:					
Mining	(A\$/t)	30.0	37.5	42.5	50.0
Milling	(A\$/t)	20.0	22.5	25.0	25.0
G&A	(A\$/t)	10.0	12.5	12.5	12.5
Hedging:					
Ounces Hedged	(oz)	7,867	23,600	15,733	-
Average Price	(A\$/oz)	1,582	1,582	1,582	-
Valuation:					
Total Gold Revenue	(A\$m)	131.1	140.1	187.7	148.4
Operating Costs	(A\$m)	99.0	104.5	110.5	118.8
Exploration/Expansion Capex	(A\$m)	11.1	14.9	11.0	11.0
Royalty	(A\$m)	3.4	4.5	10.3	5.2
All-In Cash Costs	(A\$m)	113.5	123.9	131.8	135.0
(inc. projected KV and Vivien Capex)	(A\$/oz)	1,305	1,277	998	1,274
EBITDA	(A\$m)	17.6	16.2	55.9	13.4
Depreciation/Amortisation	(A\$m)	18.0	21.6	23.4	23.9
Interest	(A\$m)	0.3	0.1	0.2	0.3
Finance Costs	(A\$m)	0.9	-	-	-
Tax	(A\$m)	-	-	9.8	-
Profit after income tax	(A\$m)	17.0	16.3	46.3	13.7
Proceeds from Borrowings	(A\$m)	0.0	5.0	0.0	0.0
Equity	(A\$m)	7.4	6.0	0.0	0.0
Payments of Borrowings	(A\$m)	0.0	5.0	5.0	0.0
Acquisition Costs	(A\$m)	4.0	0.0	0.0	0.0
Net Cashflow	(A\$m)	20.4	22.3	41.3	13.7
NPV (10%)	(A\$m)	85.1			
Total Attributed Value (inc. cash/gold at start of FY15 - Fully Diluted)	(A\$m)	101.7			

Sensitivity Modelling

Ramelius Resources has costs that rank in the second quartile of Australian gold producers (projected average total cash costs of ~A\$1,195/oz between FY15-FY18) and has a heavy weighting on spot gold prices.

47,200oz of gold hedging (average price of A\$1,582/oz over a 2 year period) has also been accounted for within the sensitivity model below. A discount rate of 10% was used for the NPV calculations.

Spot Gold Price (A\$/oz) for FY15-18	1,300	1,350	1,400	1,450	1,500	1,550	1,600
NPV (A\$m)	45	62	78	93	107	120	132
RMS Valuation (c)	12	15.5	19	22	24.5	27	29.5

ASX Comparables – Gold Producers

Company	RMS	SLR	DRM	SBM	SAR	EVN	RRL	NST
FY15 Production (Guidance)	83koz	120koz	85-90koz	320-345koz	145-155koz	400-440koz	305-355koz	550-600koz
AISC (A\$/oz)	1,150 ¹	1,350 (est.)	1,100-1,150 (est.)	1,050-1,100 (est.)	1,150	1,050-1,130	1,100 (est.)	1,050-1,100
Net Cash/Gold (A\$m)	35.8	23.1 ² (Dec 31)	-12.0 (Dec 31)	(Cash 108, Gold? Debt?)	(Cash 30.2, Gold?)	(Cash -59.3, Gold?)	9.7 (Dec 31)	84 (Dec 31)
Market Cap (\$m)	72.7	93.1	103.1	163.4	356.8	634.3	644.7	1,345.3

¹Excludes projected capital expenditure at Kathleen Valley and Vivien in FY15

²Includes a \$10m gold pre-payment facility from CBA

Exploration – Blackmans

The Blackmans Gold Project is located only 30 kilometres north of Mt Magnet, which means that any future mining operation at Blackmans can simply be run out of Mt Magnet and the gold ore processed at the existing Checkers processing facility. The gold mineralisation remains open down dip. Further resource modelling and extensional exploration drilling will be undertaken during the June Quarter.

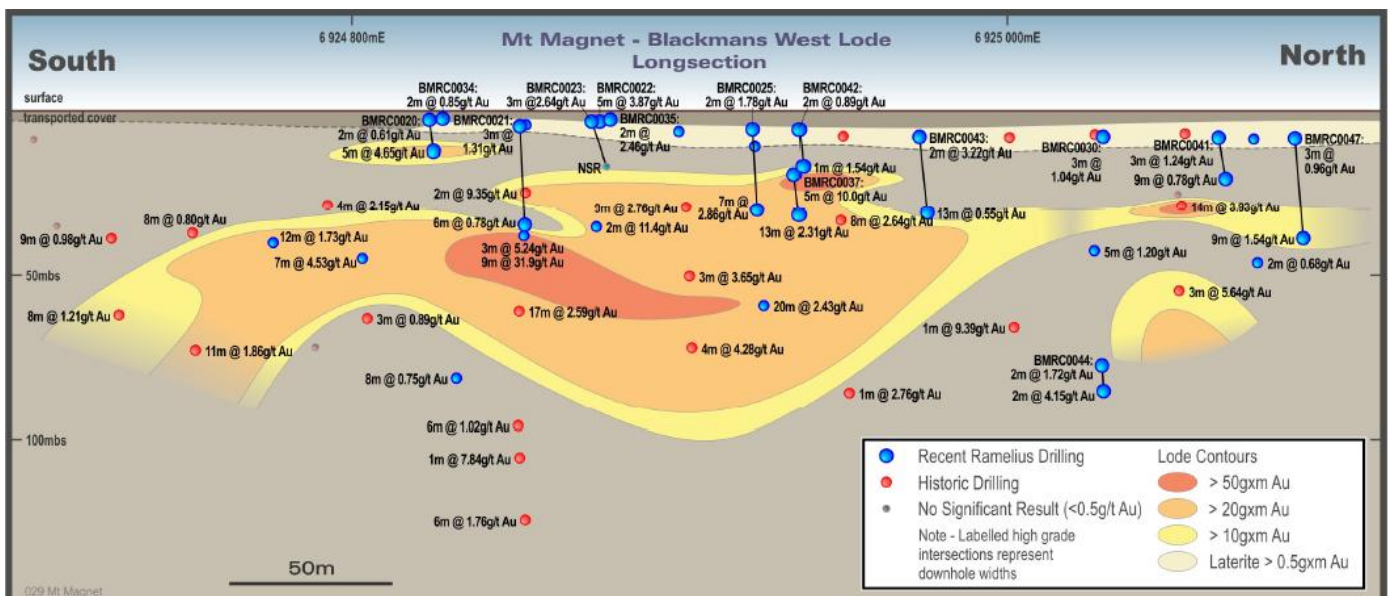


Figure 1 – Blackmans West Lode long section

Summary

Ramelius Resources (RMS) has had another strong production quarter due to the consistent ore being supplied by the production pits at Saturn and Mars Pits (coupled with the continued strong Australian dollar spot gold price). RMS has lifted its cash/gold position by ~\$11.1m in the March Quarter.

The higher grade deposits at Kathleen Valley (4.1g/t – Open Pit) and Vivien (7.6g/t – Underground) will be brought into development in the June Quarter, with production to supplement the feed from Percy (1.9g/t) and ROM stockpiles (~1g/t). This will all be fed through the Checkers Mill, which is performing well; but will continue to require a blend of at least 80% fresh: 20% oxide due to hardness of the fresh rock being produced at Mt Magnet.

We are confident RMS can maintain a similar level production over the next 3 months and the timing of Kathleen Valley (minimal Capex required with Percy) in mid-2015 is ideal for production growth in FY16. Vivien will require a more intensive set-up, and is set to contribute to the RMS production profile in the final quarter of FY16. There is a well-understood mine plan in place for the next 3 years at Mt Magnet, with plenty of exploration upside (below 100m) on the tenements within vicinity of the processing plant.

RMS also has the advantage of a solid balance sheet (\$35.8m net cash/gold position and growing) and is in a position now to grow the production profile well beyond 100kozpa. Ramelius has a good hedging position (47,200oz @ A\$1,582/oz or 20% of planned production over the next 2 years) and we foresee further gold sales being locked in as project developments take place. We continue to cover Ramelius Resources (RMS) with a “Speculative Buy” recommendation.

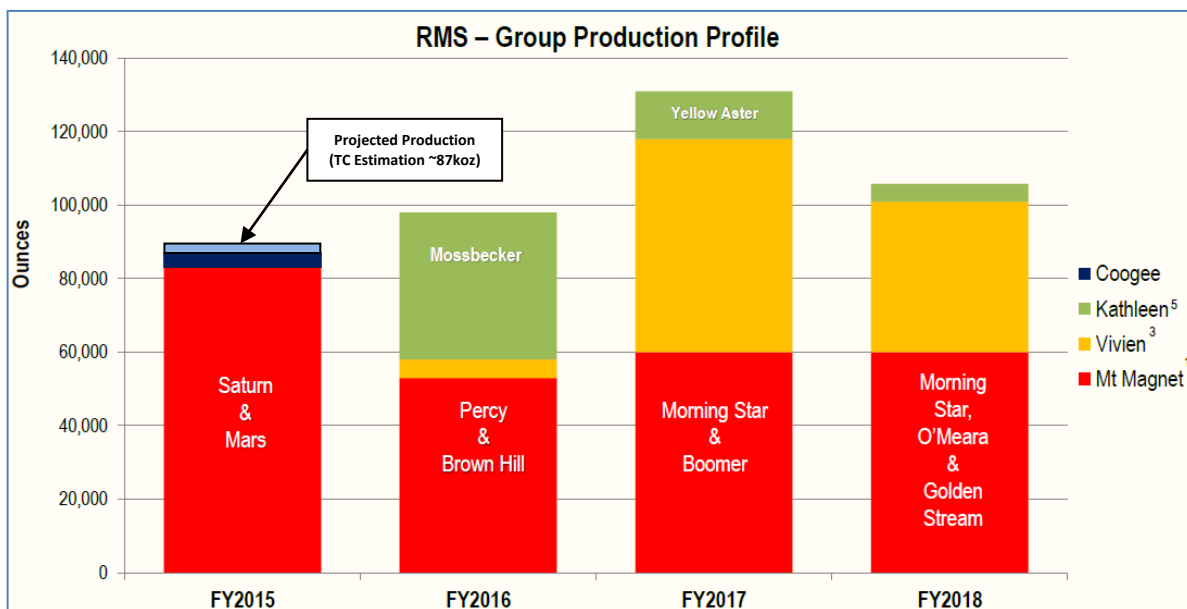


Figure 2 – Ramelius Resources’ Production Profile Guidance FY15-18

¹ All Mt Magnet Production targets are based on current Ore Reserves. For detailed information relating to Mt Magnet Mineral Resources and Ore Reserves see ASX release (RMS) 3 Sept 2014, ‘Resources and Reserves Statement’.

³ Vivien Production Target based on Ore Reserves plus a small proportion of Inferred Mineral Resource (7% oz). For detailed information relating to Vivien Mining Inventory and Ore Reserve see ASX release (RMS) 30 May 2014, ‘Vivien Gold Mine Feasibility Completed’. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

⁵ Kathleen Valley production target based on Ore Reserves plus a small proportion of Inferred Mineral Resource (8% oz). For detailed information relating to the Ore Reserve see ASX release (RMS) 19 Jan 2015, ‘Maiden Ore Reserve boosts Kathleen Valley Gold Project’. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

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