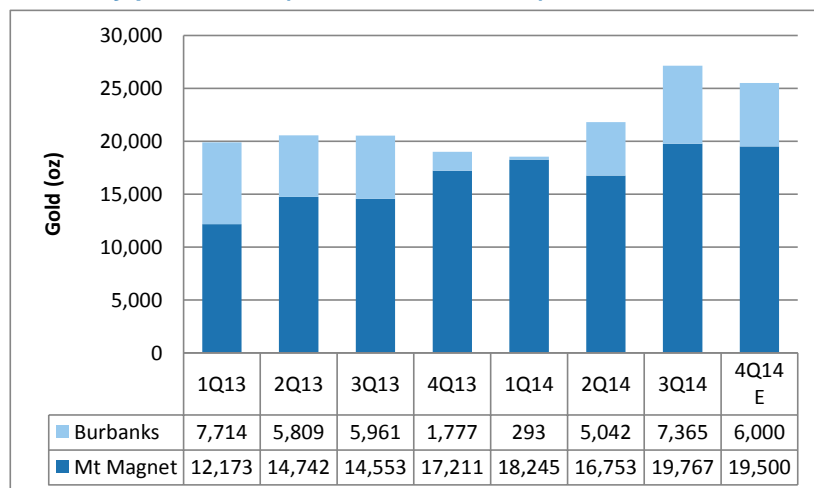


## Ramelius Resources

### 3Q FY14 - record gold output

Ramelius (RMS) reported record quarterly gold production of 27,132oz (OMLe 27.7koz), +24% Q-o-Q and +32% Y-o-Y. Production was boosted by a record head grade of 1.81g/t at the Checkers mill (Mt Magnet) as a result of processing high-grade ore from the Western Queen South pit, and higher grades and throughput at Burbanks (Coogee). Mining at Western Queen South was completed on 12 March and decommissioning of site infrastructure and site rehabilitation has largely been completed. The Coogee pit was completed on 23 Feb, and the site is now largely rehabilitated (ROM and main access road still to be completed). Haulage and milling of stockpiled Western Queen South and Coogee ore will be completed in the current quarter, and management is targeting a slightly lower gold output in 4Q FY14E of 25-26koz (OMLe 25.5koz). **Our NPV/PER-derived target price of A\$0.13ps indicates that RMS offers some 18% upside potential; we maintain a Buy (Higher risk) recommendation.** Risks to our valuation include, but are not limited to: the Australian dollar gold price (as a high-cost producer RMS is highly sensitive to gold price movements), higher than forecast operating and capital costs, throughput rates at the Checkers mill, and the start-date and ramp-up profile at the Vivien Gold Project.

#### Quarterly production (1Q FY13- 4Q FY14E)



Source: Company, Ord Minnett forecasts

#### Key Financials

Year-end June	FY13A	FY14E	FY15E	FY16E	FY17E
Spot Gold (US\$/oz)	1,600	1,308	1,300	1,300	1,313
AUD/USD (average)	1.03	0.93	0.88	0.82	0.80
Spot Gold (A\$/oz)	1,557	1,406	1,479	1,577	1,641
Sales volume (ozs)	79,940	92,965	105,089	111,385	109,163
Revenue (A\$m)	137	130	156	176	179
EBITDA (A\$m)	8	2	21	41	42
Cash costs (A\$/oz)	1,207	1,377	1,287	1,208	1,258
Reported NPAT (A\$m)	-51	-81	2	13	11
Normalised NPAT (A\$m)	-8	-22	2	13	11
EPS Reported (A\$)	-0.15	-0.23	0.01	0.03	0.03
EPS Normalised (A\$)	-0.02	-0.06	0.01	0.03	0.03
DPS (A\$)	0.00	0.00	0.00	0.00	0.00
ROE (%)	nm	-57%	2%	11%	9%
Net debt / (cash) (A\$m)	-30	-19	-26	-55	-87
Capex (A\$m)	-56	-42	-16	-8	-8

Source: Iress, Company Data, Ord Minnett Est. Share price: \$ 0.10 Apr 17, 2014

RMS A\$0.11 (TP A\$0.13)

Recommendation  
Buy

Risk Assessment  
Higher

#### Resources - Gold

David Brennan, CFA

Senior Resources Analyst

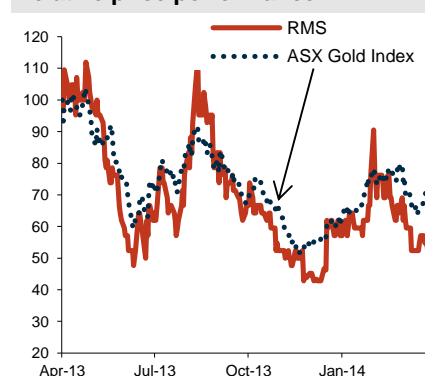
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#### Ramelius Resources

ASX Code	RMS
52 week range	A\$0.09 – A\$0.24
Market Cap (A\$m)	40
Shares Outstanding (M)	366
Av Daily Turnover (Munits)	1.9
ASX All Ordinaries	5,443
FY14E BV per share (A\$)	0.28
FY14E EPS (A\$)	-0.06
Net Debt FY14E (cash)	-19

#### Relative price performance



Source: Iress

#### Consensus earnings

	FY14E	FY15E
NPAT (A\$m) (C)	-16	-8.5
NPAT (A\$m) (OM)	-22	2
EPS (A\$) (C)	-0.05	-0.02
EPS (A\$) (OM)	-0.06	0.01
Target Price (Consensus)		A\$0.14
Target Price (Ord Minnett)		A\$0.13

Source: Bloomberg, Ord Minnett

## Financial Statements

### Ramelius Resources (RMS)

Year ending June

Profit & Loss Statement (A\$m)	FY13A	FY14E	FY15E	FY16E	FY17E
Revenue	137	130	156	176	179
Operating costs	(100)	(119)	(125)	(124)	(126)
Corporate	0	(6)	(6)	(6)	(6)
Other (Royalty/Exploration)	(28)	(3)	(4)	(4)	(4)
<b>EBITDA</b>	<b>8</b>	<b>2</b>	<b>21</b>	<b>41</b>	<b>42</b>
Depreciation & Amortisation	(32)	(25)	(19)	(24)	(28)
<b>Operating profit</b>	<b>(24)</b>	<b>(23)</b>	<b>1</b>	<b>17</b>	<b>13</b>
NOI	(43)	(59)	0	0	0
<b>EBIT</b>	<b>(68)</b>	<b>(82)</b>	<b>1</b>	<b>17</b>	<b>13</b>
Interest income	2	1	1	1	2
Interest expense	(2)	(0)	(0)	(0)	(0)
Tax expense	17	0	0	(5)	(5)
<b>Reported NPAT</b>	<b>(51)</b>	<b>(81)</b>	<b>2</b>	<b>13</b>	<b>11</b>
<b>Normalised NPAT</b>	<b>(8)</b>	<b>(22)</b>	<b>2</b>	<b>13</b>	<b>11</b>
EBITDA Margin (%)	6%	2%	13%	23%	23%
Effective tax Rate (%)	25%	0%	0%	30%	30%
EPS Reported (A\$)	(0.15)	(0.23)	0.01	0.03	0.03
EPS Normalised (A\$)	(0.02)	(0.06)	0.01	0.03	0.03
EPS growth (%)	nm	179%	-110%	441%	-14%
DPS (A\$)	0.00	0.00	0.00	0.00	0.00
Dil Av no. of shares (m)	339	353	365	365	365
Dil YE no. of shares (m)	340	365	365	365	365

Cash Flow Statement (A\$m)	FY13A	FY14E	FY15E	FY16E	FY17E
EBITDA	7	2	21	41	42
Investment in working capital	28	3	1	1	0
Tax expense	1	0	0	(5)	(5)
<b>Operating Cash Flow</b>	<b>36</b>	<b>5</b>	<b>22</b>	<b>37</b>	<b>37</b>
Capex	(56)	(42)	(16)	(8)	(8)
Other investments	40	19	0	0	0
<b>Investing Cash Flow</b>	<b>(16)</b>	<b>(23)</b>	<b>(16)</b>	<b>(8)</b>	<b>(8)</b>
Net interest received / (paid)	(0)	1	1	1	2
Debt draw down / (repayment)	(1)	2	(2)	0	0
Dividends paid	0	0	0	0	0
Equity raised / (repaid)	1	5	0	0	0
<b>Financing Cash Flow</b>	<b>1</b>	<b>8</b>	<b>(1)</b>	<b>0</b>	<b>2</b>
Non-operating & Other	(36)	0	0	0	0
<b>Inc/(Dec) in Cash</b>	<b>(15)</b>	<b>(10)</b>	<b>5</b>	<b>30</b>	<b>31</b>

Balance Sheet (A\$m)	FY13A	FY14E	FY15E	FY16E	FY17E
Cash & Deposits	34	24	29	59	90
Receivables	4	5	6	7	7
Inventories	16	11	13	15	15
Other Current Assets	3	3	3	4	4
PPE and Exploration & Development	145	104	100	84	64
Deferred tax asset	30	30	30	30	30
Other Non Current Assets	3	1	1	1	1
<b>Total Assets</b>	<b>235</b>	<b>177</b>	<b>182</b>	<b>198</b>	<b>210</b>
Payables and other current Liabilities	26	25	30	33	34
Short Term Debt	1	3	1	1	1
Long Term Debt	2	2	2	2	2
Other Non Current Liabilities	26	42	42	42	42
<b>Total Liabilities</b>	<b>56</b>	<b>73</b>	<b>76</b>	<b>79</b>	<b>80</b>
<b>Total Equity</b>	<b>179</b>	<b>104</b>	<b>106</b>	<b>119</b>	<b>130</b>
Net Debt (Cash)	(30)	(19)	(26)	(55)	(87)

Major Shareholders	(%)	Date
Sprott	12.7%	
Van Eck Assoc.	6.5%	Nov-13
Paradise	4.2%	

Source: Company, Ord Minnett estimates.

Assumptions	FY13A	FY14E	FY15E	FY16E	FY17E
Spot Gold (US\$/oz)	1,600	1,308	1,300	1,300	1,313
AUD:USD	1.03	0.93	0.88	0.82	0.80
Spot Gold (A\$/oz)	1,557	1,406	1,479	1,577	1,641

Production Profile	FY13A	FY14E	FY15E	FY16E	FY17E
Ore Mined (Mt)	1.73	1.63	1.84	1.82	1.82
Gold sales ozs	79,940	92,965	105,089	111,385	109,163

Unit data (A\$/oz)	FY13A	FY14E	FY15E	FY16E	FY17E
Operating Costs	1,207	1,276	1,192	1,112	1,159
Corporate & Royalty Costs	114	101	96	96	99
Cash costs (excl. Expl)	1,321	1,377	1,287	1,208	1,258

JORC Resource and Reserve Estimates *	Tonnes '000	g/t	Oz '000
<b>Resources (Measured, Indicated &amp; Inferred)</b>			
Mt Magnet	37,521	2.1	2,538
Coogee	231	4.3	32
<b>Total - Resources</b>	<b>37,752</b>	<b>2.1</b>	<b>2,570</b>
Proven Reserves	1,912	1.5	97
Probable Reserves	8,161	1.9	498
<b>Total - Reserves</b>	<b>10,073</b>	<b>1.8</b>	<b>595</b>

\*As at June 2013

Leverage	FY13A	FY14E	FY15E	FY16E	FY17E
Net Debt/Equity	-17%	-18%	-24%	-46%	-67%
Net Debt/Total Assets	-13%	-10%	-14%	-28%	-41%
Interest Cover (x)	na	na	na	na	na

Valuation Ratios (x)	FY13A	FY14E	FY15E	FY16E	FY17E
Normalised P/E	-5.0	-1.8	17.3	3.2	3.7
Price/OP Cash Flow	1.1	7.9	1.9	1.1	1.1
EV (A\$m)	10	22	15	-15	-46
EV/EBITDA	1.3	8.9	0.7	-0.4	-1.1
ROE (%)	nm	-57%	2%	11%	9%

NPV Valuation	NPV (A\$m)	NPV per share (A\$)
Mount Magnet / Western Queen	24	0.06
Vivien	26	0.03
Coogee	6	0.02
Resources	5	0.01
Net exploration upside	5	0.01
PV of corporate costs	(26)	(0.07)
Enterprise value	25	0.07
Cash	24	0.07
Corporate Debt	(6)	(0.02)
<b>RMS Equity value (NPV)</b>	<b>44</b>	<b>0.12</b>
Risk-weighting (discount)		0%
Risk-weighted NPV (A\$m)		0.12
<b>12-month NPV target value (A\$)</b>		<b>0.13</b>

12-month NPV target value is based on NPV value escalated by ROE and adjusted for dividends

PE multiple Valuation	EPS (A\$)*	PER (X)	Target value (A\$)
	0.00	5.0	0.00

\* Based on one-year rolling EPS

Weighted Target Price*	Valuation method	Target value (A\$)	Weighting (%)	Target price (A\$)	Current (A\$)	Capital gain / (loss)
	1-year NPV	0.13	100%	0.13	0.11	18%
	EPS/PER	0.00	0%			

\* Target price is a one-year out target price

Note: PER multiple valuation set to zero due to negative forecast EPS in FY 14E/FY 15E

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SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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