



Ramelius Resources Limited (ASX: RMS) – March Quarterly + Milky Way

**Buy**

Milky Way Extending Mine Life....Tracking 105-110koz in FY16

**Price Target 51c**

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**Capital Summary**

Ordinary Shares	473.7m
Unlisted Options	6.0m
Market Capitalisation (m, undil.)	\$196.6
Cash & equivalents (m) – 31/3	\$37.8
Share Price (6/5/2016)	\$0.415
52 week high/low	\$0.45/\$0.11

**Share Price Graph**



**Directors & Key Management**

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

**Major Shareholders**

JP Morgan Nominees Aus. Ltd	4.0%
Citicorp Nominees Pty Ltd	3.6%
HSBC Custody Nominees Aus. Ltd	1.8%
Jetosea Pty Ltd	1.8%
Mandurang Pty Ltd	1.7%

**Key Points**

- **Quarterly production of 26,657oz (Guidance: 26-29,000oz) at an AISC of A\$1,196/oz.**
  - Mt Magnet = 9,356oz (-22% on guidance)
  - Kathleen Valley (KV) = 15,959oz (+10% on guidance)
  - Vivien = 1,800oz (+80% on guidance)
- **New resource released at Milky Way (6.0Mt @ 1.3g/t for 241koz – 0.7g/t cut-off). This is located next to the mill and will form a critical part of the base load feed at Mt Magnet (currently consists of ore from the Percy Pit and also includes low grade ~0.5g/t stockpiles). The stockpiles account for 24% of overall feed.**
- **Mt Magnet** – Reconciled production (including stockpiled low grade) of 276,628t @ 1.15g/t for 9,270oz.
- **Kathleen Valley** – 96,198t @ 5.12g/t (15,407oz) hauled to Mt Magnet and a stockpile of 6,979oz (4.23g/t) remains at the mine (as at 31<sup>st</sup> March).
- **Vivien Project (WA)** – Claimed ore mined was 9,122 tonnes @ 6.72 g/t for 1,972 oz. Ore haulage to Mt Magnet commenced in February 2016 and attributed mill production was 7,571t @ 7.46 g/t for 1,779oz.
- **Group gold production for the June Quarter is expected to be 28-32,000oz (conservative based on forward-looking grade profile) at an AISC of ~A\$1,175/oz.**
  - Mt Magnet is forecast to contribute 12,500oz
  - Kathleen Valley is forecast to contribute 12,500oz
  - Vivien is forecast to contribute 5,000oz
- **Ramelius Resources is well positioned for the June Quarter with additional capital spent. We retain our “Buy” recommendation with a 51c price target, which is a re-rate based on the back of the Milky Way resource and further gold hedging out to December 2017.**

## Valuation

<b>Price Target (Fully Diluted)</b>					
<b>\$0.51</b>					
<b>Spot Gold Price (A\$/oz)</b>	<b>1,625</b>				
<b>Mt Magnet</b>	100%				
<b>PRODUCTION DETAILS</b>					
<b>Mt Magnet</b>		<b>FY15A</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
<b>Mining</b>					
Ore	(kt)	1,600.0	1,600.0	1,500.0	1,500.0
Grade	(g/t)	1.8	3.2	4.8	3.3
<b>Production Details:</b>					
Milled	(kt)	1,700.0	1,700.0	1,700.0	1,700.0
Gold Grade (Head)	(g/t)	1.7	2.10	2.65	2.30
Gold recovery	(%)	93	93	93	93
<b>Produced:</b>					
<b>Gold</b>	<b>(ozs)</b>	<b>86,738</b>	<b>108,000</b>	<b>135,000</b>	<b>117,000</b>
<b>Cost Details:</b>					
Mining	(A\$/t)	30.0	37.5	37.5	37.5
Milling	(A\$/t)	20.0	20.0	20.0	20.0
G&A	(A\$/t)	10.0	12.5	12.5	12.5
<b>Hedging:</b>					
Ounces Hedged	(oz)	7,418	43,700	67,500	30,000
Average Price	(A\$/oz)	1,574	1,579	1,585	-
<b>Valuation:</b>					
<b>Total Gold Revenue</b>	<b>(A\$m)</b>	<b>129.9</b>	<b>179.0</b>	<b>216.7</b>	<b>187.2</b>
Operating Costs	(A\$m)	98.8	127.3	111.5	111.5
Exploration	(A\$m)	4.0	6.0	4.0	4.0
Royalty	(A\$m)	3.3	5.6	11.5	6.6
<b>All-In Cash Costs</b>	<b>(A\$m)</b>	<b>106.1</b>	<b>138.9</b>	<b>127.0</b>	<b>122.1</b>
EBITDA	(A\$m)	23.8	40.1	87.8	65.1
Interest	(A\$m)	0.4	0.4	0.8	0.9
Depreciation/Amortisation	(A\$m)	2.6	3.1	3.2	3.3
Finance Costs	(A\$m)	0.2	-	-	-
Tax	(A\$m)	-	-	25.6	18.8
<b>Profit after income tax</b>	<b>(A\$m)</b>	<b>24.0</b>	<b>40.5</b>	<b>59.8</b>	<b>43.9</b>
Proceeds from Borrowings	(A\$m)	0.0	0.0	0.0	0.0
Equity	(A\$m)	7.4	0.0	0.0	0.0
Payments of Borrowings	(A\$m)	0.0	0.0	0.0	0.0
Acquisition Costs	(A\$m)	4.0	0.0	0.0	0.0
Expansion Capex	(A\$m)	7.6	26.0	6.0	6.0
<b>Net Cashflow</b>	<b>(A\$m)</b>	<b>19.8</b>	<b>14.5</b>	<b>53.8</b>	<b>37.9</b>

## Sensitivity Modelling

Remaining gold hedging of ~112.7koz (average price of ~A\$1,585/oz out to December 2017) has been accounted for within the sensitivity model below. A discount rate of 8% was used for the NPV calculations.

Spot Gold Price (A\$/oz)	1,500	1,550	1,600	1,650	1,700	1,750	1,800
RMS Valuation (c)	42	46	49	52	55	58	60

## ASX Comparables – Gold Producers

Company	RMS	SLR	DRM	SAR	SBM	RRL	NST	EVN
FY16 Production (Guidance)	108koz	125-135koz	78-85koz	175-195koz	245-260koz	275-305koz	535-570koz	770-820koz
AISC (A\$/oz)	1,150	1,250-1,300 (est.)	~1,100 (est.)	1,025-1,075	840-900	970-1,070	1,050-1,100	970-1,020
Net Cash/Gold (A\$m)	37.8 (Mar 31)	40.7 (Mar 31)	-3.9 (Mar 31)	34.0 (Mar 31)	-134 (Mar 31)	106.7 (Mar 31)	286 (Mar 31)	-350 (Apr 30)
Market Cap (\$m)	196.6	211.6	290.2	953.0	1,188.2	1,529.3	2,502.9	3,112.3

## Milky Way

Milky Way has been the focus of exploration at Mt Magnet for Ramelius Resources due to the close proximity to the milling facility (within a few km). This has led to the following JORC compliant resource:

lower cutoff	Indicated			Inferred			Total		
	t	g/t	oz	t	g/t	oz	t	g/t	oz
>0.5g/t	5,897,000	1.1	200,000	2,830,000	1.0	94,000	8,727,000	1.0	294,000
>0.7g/t	4,096,000	1.3	165,000	1,898,000	1.2	76,000	5,994,000	1.3	241,000
>0.9g/t	2,636,000	1.5	128,000	1,277,000	1.5	60,000	3,913,000	1.5	188,000

The production from Mt Magnet contributes ~73% to the overall mill feed at an average of 1.15g/t. Milky Way provides another source of ore, which is a positive step towards increasing the feed grade and further reducing the operating cost per ounce. Ramelius is now planning the mining schedule and will look to bring Milky Way into production along with the Blackmans Deposit (Ore Reserve 244kt @ 2.0g/t for 16koz).

## Production Targets (quarter by quarter) - FY16

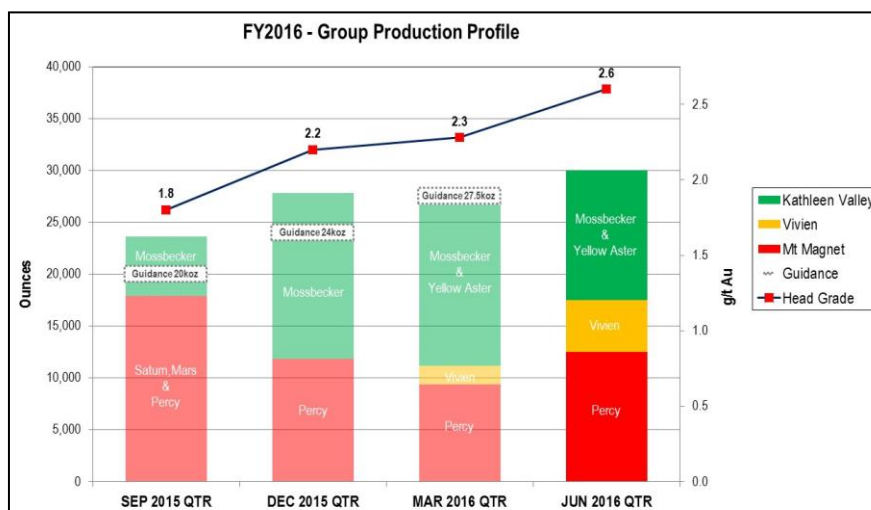


Figure 1 – Ramelius Resources’ Projected Production Profile FY16

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