Ramelius Resources Limited (RMLRF) December 2023 Quarterly Conference Call Transcript

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Body

Ramelius ***Resources*** Limited (RMLRF)

December 2023 Quarterly Conference Call

January 29, 2024 07:00 PM ET

Company Participants

Mark Zeptner - Managing Director

Ben Ringrose - Acting Chief Financial Officer

Conference Call Participants

Hayden Bairstow - Argonaut

Alex Barkley - RBC

Ashley Chen - Shareholder

Andrew Bowler - Macquarie

Presentation

Operator

Thank you for standing by, and welcome to the ***Ramelius*** ***Resources*** December 2023 Quarterly Conference Call. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. [Operator Instructions]

I would now like to hand the conference over to Mr. Mark Zeptner, Managing Director. Please go ahead.

Mark Zeptner

Thank you, Travis. Good morning, everyone. Thank you for taking the time to dial into ***Ramelius***' December 2023 quarterly conference call. I'm joined this morning for the first time in a speaking role that is by acting CFO, Ben Ringrose, who will provide some detail on the quarterly financials after I've run through the highlights.

As usual, there will be an opportunity for listeners to ask questions before we finish up the call. As you will have seen this morning we reported quarterly gold reduction of 68,524 ounces at an all-in sustaining cost of AUD1,837 per ounce which is towards the upper end of our quarterly guidance of 60,000 to 70,000 ounces, and also in line with internal forecasts that has production increasing over the course of the financial year. The increase in the December quarter was primarily attributable to a greater contribution from Penny underground and also mining at the Symes' open-pit operation ramping up.

As I said, Ben will delve into the financials further, but I wanted to highlight upfront that the increase in production, we saw a similar trend with cash generation. Operating cash flow was 68 million with underlying free cash flow totaling 45.7 million, our best performance on that front for several years. Further, we anticipate strong cash flows will continue over the rest of the financial year and beyond. Including the December quarter contribution, first half production totaled 12447 ounces, at an all-in sustaining cost of just under $1,900 an ounce, again ahead of our internal budgets and at the upper end of guidance.

You may have noticed we have upgraded second half guidance to 140,000 to 155,000 ounces and consequently full year guidance for this financial year has also increased to 265,000 to 280,000 ounces. By way of reminder, original guidance was 250,000 to 275,000 ounces. In terms of all-in sustaining costs, the guidance range in the second half is AUD1700 to AUD1800, which demonstrates a continuing downward trend and results in full year all-in sustaining costs for FY24 of AUD1750 to AUD1850. This compared to our original all-in sustaining cost guidance of AUD1550 to AUD 1750 with the higher costs attributable to CV01 conveyor appears carried out at Mt Magnet in the quarter, which I'll expand on shortly and also an increased production contribution from Edna May, which is the higher cost production hub of the two.

The split in production from our two houses were relatively even this quarter with Mt Magnet producing just over 35,000 ounces at an all-in sustaining cost of AUD1,668 and Edna May also producing just over 33,000 ounces as an all-in sustaining cost up to over AUD2,000 per ounce. That breakdown gives an insight into the real impact of Penny on costs at Mt Magnet. Although it should be noted that the Edna May all-in sustaining figure does include a reasonably significant non-cash component, which relates to the drawdown of existing stockpiles. I'll let Ben to explain the actual unit cost detail later.

During the quarter, a total of 36,829 tonnes at 12.39 grams per tonne for 14,296 recoverable ounces was hauled from Penny to Mt Magnet. At Penny with multiple stoping areas becoming available, production is expected to increase significantly in the second half. On the CV01, mill throughput at Mt Magnet was impacted by repairs to the main conveyor structure, which goes from the crusher to the course or stockpile referred to as CV01. They put it out of action for approximately nine weeks. We were however able to maintain plant feed, albeit at a slightly lower rate through the use of a mobile crushing solution. Thankfully, the conveyer outage didn't prevent us from meeting production targets, as the site team and external contractors managed the situation very well, but we did incur some extra costs, both sustaining capital for the repairs and operating costs associated with the mobile crushing and haulage operation, which added almost AUD180 per ounce to Mt Magnet's quarterly all-in sustaining costs. The repairs were completed by mid-December and we have reviewed our structural integrity regime, and have taken steps to reduce the likelihood of similar unplanned repairs being required elsewhere in the plant in the future.

The quarter saw completion of mining operations in Marda, with rehab activities now being carried out while remaining stockpiles have been hauled to Edna May. At the end of the period, there was almost 450,000 tonnes grading 1.71 grams per tonne in stockpiles at Marda. A similar situation is playing out at Tampia where mining operations ceased in the middle of last year, and there we have just over 635,000 tonnes at a grade near to 1.5 grams per tonne in stockpiles at the end of the quarter.

On to exploration; highlights in the quarter include results from ***resource*** definition work undertaken at Eridanus targeting high-grade mineralization for potential underground mining below and outside their plant of a current open pit. Among the better intercepts from the [Indiscernible] RC program with 13 meters at 10.4, 12 meters at 12.8, and 10 meters at 18.1. Important to note, all significantly better grades than what we'***re*** seeing at depths previously at Eridanus.

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At Galaxy underground diamond drilling targeting the Mars ore body produced results including two meters at 28.9 and four meters at 17.8, whilst diamond drilling at the Bombora deposit, part of the Roe Project acquired from Breaker ***Resources*** produced first results, which included 4.5 meters at 18.7 and 4.2 meters at 11.1, which were from the Tura underground Lode.

Lastly, in terms of the highlights, we wrapped up the acquisition of Musgrave Minerals in October having reached the compulsory acquisition threshold of 90% acceptances. Infill and extensional diamond and RC drilling is underway at the key project targeting the high-grade Break of Day ***resource***, but also the nearby Waratah Prospect. We've only received limited results at this stage. Further information on the expiration program, there's plenty of detail in the quarterly itself.

Now that covers the highlights for me. So I'll now hand over to Ben.

Ben Ringrose

Thank you, Mark, and it's a pleasure to be here with you all today. December quarter was indeed a very strong one financially for ***Ramelius*** with sales revenue of 194.5 million and an associated underlying free cash flow of 47.5 million, which is after growth and exploration investment. On both metrics, the December quarter was our best since June 2020. During the quarter we sold just over 68,000 ounces at an average realized gold price of AUD2,855 an ounce, which includes a mix of spot and committed forward sales.

As Mark mentioned, the all-in sustaining costs for the December quarter was AUD1,837 per ounce. Pleasingly both production centers reported a low all-in sustaining cost than the prior quarter. At Mt Magnet, 8% reduction in all-in sustaining costs was achieved despite the increased costs associated with the one-off CV01 repairs, which, as a reminder, added AUD179 per announced to the Mt Magnet all-in sustaining costs for the quarter. Impact of Penny is evident here along with the increased tonnages and grades from Mt Magnet's own open pit operations.

Moving on to Edna May, the improved all-in sustaining costs was the result of increased throughput and grades, most notably the introduction of the high-grade ore from Symes'. Whilst Edna May is reporting a higher all-in sustaining costs than Mt Magnet, it is important to note that this includes a AUD227 per ounce non-cash charge for the drawdown of existing Tampia stockpiles. This non-cash component of the Edna May all-in sustaining costs will increase over the second half of FY24, as the existing Tampia, Marda and Symes' stockpiles continue to be drilling down and monetized.

The resulting operating cash flow from the business was AUD68 million, from which AUD20.9 million was invested in growth capital exploration and ***resource*** definition. The quarter also saw ***Ramelius*** return AUD17.3 million in cash to shareholders by our via FY23 dividend paid in October 2023, as well as complete the Musgrave Minerals acquisition with a final consideration payment of AUD2.1 million. AUD10.5 million investment in growth capital for the quarter mainly related to the Galaxy underground mine and the AUD10.4 million spent on exploration and ***resource*** definition in the quarter focused on the Rebecca and Roe Gold Project and the recently acquired Cue Gold Project. Both capital and exploration spent is in line with our forecast and we have maintained our full-year guidance on capital and project development expenditure of AUD50 million to AUD60 million and exploration and ***resource*** definition expenditure of AUD30 [Phonetic] million.

The closing cash and gold position of AUD281.8 million was our best on record leaving ***Ramelius*** in a very healthy financial position. Further to this, a total of AUD9.2 million was received from the -- was due from the ATO in December. However, the late payment of this by the ATO meant these funds were only received by ***Ramelius*** in the first week of January. Notionally, including this, the reported cash and gold at 31 December would have been AUD291 million. In addition to the strong cash and gold position is our AUD100 million debt facility, which remains in place and undrawn.

The Aussie dollar spot price increased 5% over the December quarter, finishing at just under AUD3,030 an ounce. In fact, the Aussie dollar gold price has had a daily closing price above AUD3,000 every day since the 12th of October 2023, a trend that is continuing into the March 2024 quarter. What is even more encouraging about this is that this AUD3,000 plus gold price was maintained despite the strengthening Aussie dollar pointing to a fundamental increase in the US dollar gold value.

During the quarter, we continued to gradually rundown our fixed price contracts delivering 30,000 ounces into maturing contracts and replacing 24,000 of these at an average price of AUD3,259 an ounce. At the end of the quarter, forward gold sales consisted of 192,000 ounces at an average price of AUD2,918 an ounce over the period January 2024 to June 2026. As you will note, our committed ounces have decreased over the financial year and we expect this trend to continue for the remainder of FY24. A disciplined hedge book maintenance over the past 12 months leaves the book in a very healthy position.

Lastly to note on gold sales is that with the increased production forecasted for H2, our exposure to the spot price will increase in the second half of FY24.

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With that I'll now hand back to Mark.

Mark Zeptner

Thanks Ben. Travis, if we could please open the line up for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] The first question today comes from Hayden Bairstow from Argonaut. Please go ahead.

Hayden Bairstow

Hi, good morning guys. Pretty impressive results at Magnet mining wise. I mean just get a field of view to the second half and obviously you push guidance a bit higher about Edna May, I mean despite that mill shut down, and what -- how are we looking second half on ounces into Magnet, looks like it's going to be a pretty sizable increase.

Mark Zeptner

Yeah. Good morning, Hayden. It's Mark. I don't have the numbers off top my head but it's driven obviously by increases at Penny combined with the gradual ramp up at Galaxy but probably more importantly at Magnet is reducing strip ratio at Eridanus and improving grades at depth. We'***re*** saying that back into it as there was a bit of a lower grade section that we mined through for 12 months, but we'***re*** back into much better grades at Eridanus. So the combination of those three things leads to a very strong second half at Magnet. I'm not sure if you've got the numbers Ben but I won't put you on the spot with that. But yeah, we can provide some numbers Hayden.

Hayden Bairstow

Yeah, okay. And just on -- I guess more beyond 2025, just given you locking in hedging, almost 3300 an ounce and then does that start to make the stage very cut back at Magnet look like a more attractive option for you guys to sort of deliver to production decline there?

Mark Zeptner

Potentially, you'***re*** a little bit ahead of where we'***re*** focused on right at the moment. We will be putting out this quarter a new Mt Magnet mine plan and then probably turning our attention to see sort of 12 months on from when we made the decision to defer stage three where we stand. We'***re*** obviously seeing some things in the market labor wise that are starting to ease. Unfortunately, that's brought about by some closures of operations, but we think, in a couple of months time, we will dust that off and see where we'***re*** at, Hayden.

Hayden Bairstow

And the Magnet mine plan, that obviously incorporates all the key stuff, I presume, is that going to come with an upgrade to that -- or an update to that three year guidance?

Mark Zeptner

Yeah, the idea with the Mt Magnet mine plan is obviously, including any Penny extensions, which we've already flagged, the Q project in its entirety and then obviously, the portfolio of projects at Mt Magnet itself, including [Indiscernible] et cetera. There's a whole list of names there, so everything that goes into Mt Magnet out for the foreseeable future.

Hayden Bairstow

Alright. Perfectly alluded. Thanks, guys.

Mark Zeptner

Thanks, Hayden.

Operator

Thank you. The next question comes from Alex Barkley from RBC. Please go ahead.

Alex Barkley

Thanks. Good morning Mark and Ben. Question on that strong Edna May production this year. Is that mostly around accelerated mining and haulage? Does that mean, it might get pulled forward from FY25 or is there some other component to the strong result this year? Thanks.

Mark Zeptner

It is Mark again. Alex, good morning. Stronger performance out of the underground definitely. Since we've addressed the water issues, which were prominent mid-to-late last year, the team out there has really hit some decent production numbers. It's a small underground, but they are pushing towards 30,000 ton a month there. So that may bring forward some production there into 2024. The haulage, I think, has been pretty consistent. The ramping up and the inclusion of Symes' sort of has added to that. And I think some of the Symes' grades are probably a little better than we might have expected in certain areas of the pit as well. So I don't think we'***re*** robbing Peter to pay Paul at the Edna May. I think it's better performance, the underground with better grades, and sort of consistent haulage like in summer.

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Alex Barkley

Okay. That's very helpful. Thanks very much, guys.

Mark Zeptner

Thanks, Alex.

Operator

Thank you. [Operator Instructions] The next question comes from Dr. Richard Hatch from Topwheel [Phonetic]. Please go ahead.

Richard Hatch

Hello, Mark, and Ben. Happy New Year to you and thanks for another great performance. I thought a brilliant performance, particularly with the conveyor belt problems. Obviously, I had a question about it, and may everybody does about what happens next, but I'll leave that one alone. One thing I remember talking about, I think last time was your hedging of oil and I see you have hedged 5 million liters. I just wondered, how does that 0.991 price hedge diesel compare -- beware, I won't judge you because I'm all for hedging for insurance, but how does it compare with current price?

Ben Ringrose

Hi, Richard, and thanks for the question. It's Ben here. We put that diesel hedging program in place probably 12 months ago, and it's served us quite well, I guess over the last 12 months and continue to do so and we have had some cash returned on those hedges, which is good. That 91 cents, the price we'***re*** paying today is 98 cents, so it's marginally in the money. It has been more in the money over the past 12 months but, yeah, it is getting closer.

Mark Zeptner

It's the rebated figure to have [Multiple Speakers].

Ben Ringrose

That's right, yeah.

Mark Zeptner

Yeah, it is not the price you see at the service station.

Ben Ringrose

Yeah.

Richard Hatch

Now I understand that. Well, again, congratulations. That's an interesting area for you to go into but well done being winners again. Anyway, thanks for all you've done.

Mark Zeptner

Thanks, Richard.

Operator

Thank you. [Operator Instructions] The next question comes from Ashley Chen from shareholder. Please go ahead.

Ashley Chen

Hi, Mark. Hi, Ben. Thanks again for a nice quarter and your hard work for it. I just have a question on the -- also on the diesel hedging strategy. Can you give some more details on your thinking now for the next two, three, four years in regards to hedging? I can see production -- if production were to be 550,000 over two years, your current hedge book is about 33% hedged? Are you expecting to reduce that to 25%, 20%? That is my first question. And second question are something completely different. As you probably know, the government has put a positive duty on employers to prevent harassment, sexual harassment, at work and the Australian Human Rights Commission probably spot the iron ore industry, Rio Tinto, BHP, and its sights at the moment, but eventually you'll come around to the gold industry. What programs or what anti-harassment programs ***Ramelius Resources*** is planning to implementing or planning to implement over the next couple of years?

Ben Ringrose

Thanks, Ashley. I will take those ones. It's Ben. In terms of hedging policy, I think Tim Manners late last year reported that the Board is in the process of reviewing our policy and if there are any changes -- obviously, there's not a lot of Board meetings through December, January, but if there is any change, then we'll obviously inform the market on that one. In the meantime, we are gradually running off our book, as we have been for some time. In terms of our duty to prevent harassment, it's not something that we've waited to be told that we should look at it or are we planning to. We've been reasonably proactive in that area. When people start with the company, they run through workplace behavior training, we have a whistleblower line. I think a lot of the goldies have a lot of these things in place, we've assessed our sites for the safety and security, and we'***re*** basically taking a no tolerance approach to those who crossed the line. Unfortunately, there've been a few cases and those people are no longer working for us or the contractors associated with that. So we've done a lot in that area and we continue to try to improve.

Ashley Chen

Thank you.

Ben Ringrose

Thanks, Ashley.

Operator

Thank you. [Operator Instructions] We'll pause for a moment to allow parties to enter the queue. The next question comes from Steven Goranson [Phonetic] from ***RE*** Funds Management. Please go ahead.

Unidentified Participant

Hi, guys. Just a quick question around Musgrave. What have you seen to date since the acquisition and when do you expect to -- for us to start thinking about when we should be seeing Musgrave coming through the mill?

Mark Zeptner

Thanks for the question, Steve. I will answer that. It's Mark. Look, what we'***re*** saying is that the team at Musgrave did an excellent job in terms of drilling the ore body out and preparing ***resources*** and mine plans that are pretty close to production ready. Our optimizations and reruns of [Indiscernible] are very similar and very close, which is always company. It's not what you'll always find, I have to add. In terms of production, we hope to be developing in the second half of this calendar year with -- I'd say, or first or sort of September, August, September, obviously ramping up through that period. So perhaps, I sent it earlier than some expect. We've already submitted our mining proposal and we'***re*** on like the third back and forwards with the department on that. So assuming we get approvals prior to June, then we should be ready to go from July onwards.

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Unidentified Participant

That's an great sign. Thanks very much for that, Mark.

Mark Zeptner

Thanks, Steve.

Operator

Thank you. The next question comes from Andrew Bowler from Macquarie. Please go ahead.

Andrew Bowler

Hello, gents. Quick one from me. Obviously, handy tax refund post quarter end. Just wondering if you'***re*** expecting any more over the remainder of the financial year or is that what you'***re*** expecting to say?

Ben Ringrose

Hi, Andrew. It's Ben here, I'll take that one. No, that tax refund related to the 2023 tax term, it is a one-off, I guess, and we don't expect that to be a recurring throughout the financial year.

Andrew Bowler

Alright. Thanks.

Ben Ringrose

Thanks, Andrew.

Operator

Thank you. At this time, we'***re*** showing no further questions. I'll hand the conference back to Mark for closing remarks.

Mark Zeptner

Thank you, Travis. I'd just like to make two points to wrap up. ***Ramelius*** is one of the few Aussie gold producers actually upgrading guidance and therefore we are expecting to deliver a very strong cash flows in the second half of FY24. I mean, as already mentioned, we are on track to deliver our new Mt Magnet mine plan this current quarter, which promises to include Penny, Cue, as well as all the portfolio of projects at Mt Magnet itself. Thank you for listening in this morning. Enjoy the rest of your day.

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