[Ramelius Resources Limited (RMLRF) Q2 2025 Earnings Call Transcript]

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Body

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

Q2 2025 Results Conference Call

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Company Participants

Mark Zeptner - Managing Director

Darren Millman - CFO

Conference Call Participants

Alex Barkley - RBC

Presentation

Operator

Thank you for standing by, and welcome to the ***Ramelius*** ***Resources*** December Quarterly Conference Call. [Operator Instructions]

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

Mark Zeptner

Thank you, Travis. Good morning, everyone. Thank you for taking the time to dial in this morning. In addition to the quarterly report, we've also released a presentation that we'll largely speak to during the call. Both documents have been uploaded on the ASX platform and will be available on the website shortly.

Once again, I'm joined by our CFO, Darren Millman. Darren will provide some detail on the financials after I've run through the highlights and touched on the operational performance and our development projects. As always, there will be an opportunity for listeners to ask questions at the end.

For those who have downloaded the presentation deck, I'll be initially speaking to Slide 3. I'll focus on the highlights and key achievements for the quarter. I would like to point out that there is a large amount of detail on exploration, operations and project development within the quarterly report itself.

So on Slide 3, operationally and financially, the December quarter was exceptionally strong, with the business generating a record and also sector-leading AUD 174.5 million in underlying free cash flow. After considering our additional investment in Spartan during the quarter of AUD 68 million and the payment of our FY '24 AUD 0.05 per share dividend, our closing cash and gold position was just over AUD 500 million.

Our quarterly gold production was 85,311 ounces, which was a 37% increase on the prior quarter, noting also just shy of our record production, which occurred in the March 2024 quarter. The increase in production was mainly due to the introduction of ore from Cue, which performed extremely well during the quarter and also improved grades from Penny. I'll talk to these points in more detail shortly.

Looking at the costs, we saw a 25% decrease in our all-in sustaining costs down to AUD 1,491 for the quarter. Now whilst we were guiding for a reduction in all-in sustaining costs across the year, the all-in sustaining cost for the quarter was below our expectations and obviously benefited from the outperformance of Cue. Importantly, our guidance for FY '25 remains unchanged at 270,000 to 300,000 ounces at an all-in sustaining cost of AUD 1,500 to AUD 1,700 an ounce.

Whilst we are encouraged by the indicative overperformance of Cue grades, it is still relatively early days, and we will continue to assess this during the March quarter as more data becomes available as mining and milling progresses.

Unfortunately, during the quarter, we did record our first LTI since May 2023. Whilst this is extremely disappointing, the incident itself, which is detailed in the quarterly report, was not of a serious nature. We do strive to ensure that all employees and contractors remain healthy -- safe and healthy under our watch. The total recordable injury frequency rate, or TRIFR, at the end of December was 8.33, which was only marginally higher than that recorded last quarter.

There were several milestones and advancements in our key projects across the quarter with haulage to [Cue] commencing mid-November following the completion of the Great Northern Highway intersection upgrade and also delivery of the Rebecca Roe PFS, which is demonstrating strong economic returns.

For the immediate future, our focus is on delivery of the Eridanus and Mt Magnet mill upgrade studies and associated mine plan in this quarter and the Rebecca Roe DFS, which is targeting a final investment decision in the September quarter. Exploration and ***resource*** definition activities during the quarter were largely focused on Eridanus, Penny West and the Lena pit at Cue.

On Slide 4, I will draw your attention on -- sorry, we'***re*** looking here at the quarterly production breakdown for the last 12 months. If you look at the yellow Mt Magnet bars, you can see the previous September quarter, we focused largely on the development of Cue. And now we see that asset in production, along with improved grades at Penny, has been the main driver of increased production in the December quarter. As expected, Edna May production is slowly winding down.

On to Slide 5, which references quarterly production stats. The standout here is the mine grade for the quarter of 7.3 grams per tonne, which is more than double that of the September quarter and has been driven once again by grades at Cue and Penny, which were 7.4 and 17.9 grams per tonne, respectively.

Now whilst the ore tonnes mined reduced, it needs to be highlighted that there still is a fair amount of pre-strip and development taking place at Cue. We expect comparable mined ore tonnes to continue into the March quarter as we progress development before we start to see an increase in these ore tonnes in the June 2025 quarter. Mill throughput levels were maintained during the quarter with the drawdown of existing stockpiles across Edna May and also the Eridanus stockpile at Mt Magnet.

On to Slide 6, we'***re*** showing Mt Magnet's highlights. Production from Mt Magnet totaled just over 67,000 ounces at an all-in sustaining cost of AUD 1,277. Open pit mining at Mt Magnet is now solely focused at Cue, with the Break of Day, Waratah and White Heat pits all being mined during the quarter. Productivities increased during the quarter with the introduction of a third excavator, which resulted in a 44% increase in material movement quarter-on-quarter. Underground operations continue to focus on Galaxy and Penny. At Galaxy, mining was largely in line with the prior quarter, whilst at Penny, both tonnages and grade increased, most notably the mine grade, which is attributable to stoping on the 1252 level, which is central to the high-grade plunge of the Penny North load.

I would also like to highlight, the overall mill grade at Mt Magnet in the quarter was 5.1 grams. This is the highest grade seen under ***Ramelius*** ownership at the Mt Magnet mill. It has to be pointed out, the processing team did exceptionally well in managing these higher grade of ores with met recovery levels being maintained above 96%.

Before I move on from this slide, if I refer you to the pie chart, we only incorporated 20% of the high-grade material from Cue and Penny into Mt Magnet to generate AUD 161.3 million in cash flow at Mt Magnet, quite amazing, with plenty more to come.

On to Penny, Slide 7. We mined 48,000 tonnes, average grade of 17.9, as mentioned. We milled 39,000 tonnes at 20.5 grams and produced a little over 18,000 ounces of gold. The mine itself generated operating cash flow of AUD 73.1 million at a very nice all-in sustaining cost of AUD 790 per ounce.

Our exploration last quarter was focused on the Penny West ore body beneath the original pit with some extremely high-grade hits in this area, as noted on the slide. The drilling to date pretty much confirms the location and thickness of this load, with the additional drilling information to be used to refine stoping blocks.

On to Cue, Slide 8, the graphic shows the Break of Day pit Starlight load, which is where most of Cue's production from the -- in the quarter came from. A total of 101,000 tonnes was mined across Cue in the quarter at a grade of 7.4. However, we were able to selectively stockpile and allow processing to focus on the highest grade material, with 48,000 tonnes being milled at an excellent grade of 15.8.

The free cash flow from Cue alone in the quarter after growth capital spend of 4.4 was AUD 56 million and an all-in sustaining cost actually below that of Penny of AUD 723 per ounce. The high-quality blend of Penny and Cue has generated these great results at Mt Magnet this quarter.

Slide 9 on Edna May. Gold production at Edna May totaled 18,261 ounces in the quarter at an all-in sustaining cost of AUD 2,209, which, as you can appreciate, is highly cash generative. And indeed, across operations at Edna May, we reported free cash flow of AUD 32.5 million. The all-in sustaining cost was lower than the previous quarter, with the three carried low-grade stockpiles currently being processed exceeding grade expectations.

In our mind, there is no reason to think that this outperformance on grade won't continue through to the end at Edna May. At the end of the quarter, there remained approximately 400,000 tonnes at a grade of 0.8 grams per tonne, which will provide feed for the Edna May mill through the bulk of the March 2025 quarter.

Slide 10 on guidance. We note both production cost and also capital guidance for FY '25, where there has been no change since our initial guidance issued in August, and we are tracking well to achieve these targets for FY '25, having produced a little over 50% of the ounces required in the first half.

Slide 11 doesn't normally appear in our quarterly presentation deck, but I think we needed it in this time around. And there's probably two key points to make on this slide.

Firstly, at Penny, we passed an important milestone in the quarter. The operation has effectively paid back our initial investment plus the capital and is effectively AUD 31 million in the black, courtesy of AUD 71 million in free cash flow, generated by that operation in the quarter.

Secondly, if you include stockpiles at the mine, Cue generated AUD 83 million in cash flow in the quarter, which represents an excellent start to paying back the initial investment in Cue of approximately AUD 206 million. At current gold prices, we expect that initial investment to be paid back in the second half of this calendar year.

That covers the highlights and operations from me. I'll hand over to you, Darren.

Darren Millman

Thank you, Mark, and it's a pleasure to be here today. I will be initially speaking to Slide 12. On Slide 12, we show financial highlights for the quarter.

From a financial point of view, it was an exceptional strong quarter for ***Ramelius*** with AUD 174.5 million of free cash flow being generated, our best on record by quite a margin. This demonstrates the increasing margins of the business, not only due to the gold price, but also improved mill grades. These high cash flow generating ounces will not only continue for the remainder of FY '25, but also into FY '26.

During the quarter, we sold 80,000 ounces at an average realized price of AUD 3,683 per ounce, which included a mix of spot and committed forward sales. This results in total sales revenue for the quarter of AUD 295 million. The Australian gold price continues to increase over the quarter, reporting 11% increase from the September 2024 quarter. We further unwound our forward contract hedge book, which now sits under 100,000 ounces or less than 6 months production at an average price of AUD 3,183 per ounce.

The all-in sustaining cost for the quarter was AUD 1,491 per ounce, which was down on the prior quarter, mainly due to the impact of stronger grades from Cue and Penny in the quarter. The resulting all-in sustaining cost margin of AUD 2,192 per ounce, which is the realized gold price of AUD 3,383 per ounce, less the all-in sustaining cost of AUD 1,491; represents an all-in sustaining cost margin of 60%.

Cost guidance for FY '25 remains unchanged at AUD 1,500 to AUD 1,700 per ounce. While this reduction in cost was expected, the overperformance of Cue grades did have an impact on reducing the all-in sustaining costs for the quarter.

As Mark mentioned earlier, it's early days at Cue. Our geological and operational teams at Mt Magnet are performing their reconciliations of both tonnes and grade that have been mined and milled to date at Cue incorporating recent grade control drilling, with final results during the March 2025 quarter.

Looking at Mt Magnet in isolation, the all-in sustaining cost was AUD 1,277 per ounce. Whilst total cost did increase with the planned maintenance shutdown and increased open pit mining activities, this was more than offset by improved grades and production. At Edna May, the all-in sustaining cost was AUD 2,209 per ounce, which is a decrease from the prior quarter and better than expected with the overperformance of low-grade stockpile grades.

In the past, we have made the point that Edna May all-in sustaining cost includes a noncash charge for the drawdown of existing stockpiles. For this quarter and going forward, this was not the case with the mill feed now being made up of largely low-grade stockpiles, which carry no cost on our balance sheet.

On Slide 13 and 14, we show a breakdown of free cash flow metrics for the quarter and historically. Gold sales of 80,000 ounces generated operational cash flow of AUD 193.6 million and AUD 161.1 million coming from Magnet and AUD 32.5 million from Edna May. A total of AUD 15.9 million was reinvested into mine development, _**resource**_ definition and exploration in the quarter, which focused on Eridanus, Cue and Penny West.

The resultant free cash flow for the quarter was AUD 174.5 million or over AUD 2,000 per ounce produced. During the quarter, we had two material cash flows outside operations. Firstly, _**Ramelius**_ participated in the Spartan capital raise, increasing our position to 19.9% with the additional AUD 68 million invested.

And secondly, we paid our FY '24 final dividend of AUD 0.05 per share, which after taking into account our dividend reinvestment plan resulted in a cash payment of AUD 43.4 million to our shareholders. The resultant cash and gold position was AUD 501.7 million, which coupled with AUD 175 million debt facility and value of listed investment held leaves us with over AUD 1 billion in available liquidity.

On Slide 15, we summarized our key focus areas in FY '25. We want to continue to improve safety performance group-wide and deliver FY '25 guidance in line with our value -- our core value of we deliver and do it safely. We want to complete the Eridanus underground open pit studies, the Mt Magnet processing facility study on mill upgrades and also update our Mt Magnet mine plan, which will be delivered in the March quarter.

At Roe Rebecca, we combined definite feasibility study to be delivered in the September '25 quarter and increase exploration programs at Mt Magnet, Cue, Penny and Rebecca Roe.

Operator, with that, we'll now open the line for questions, if you could, please.

Question-and-Answer Session

Operator

[Operator Instructions] The first question today comes from Alex Barkley from RBC.

Alex Barkley

A question on the Cue pits. I get reconciliation is high, and that's a positive. How long do those high-grade pits Break of Day and White Heat last, if you could remind me? And then has that understanding changed at all since last year's integrated Mt Magnet plan?

Mark Zeptner

Alex, it's Mark. Just looking at the -- I suppose on the Cue, we possibly flagged that we might get a bit of outperformance on grade or maybe words to the effect of if we'_**re**_ going to get outperformance anywhere, it will be Cue, especially in the top parts of the pits. And the reason why we do reconciliation and we do additional work before jumping to conclusions that the whole camp is going to overperform is because you potentially have supergene enrichment in some areas.

But just looking at Break of Day, we've got 130,000 ounces, and White Heat in reserve has got 40,000 ounces. So we should be enjoying these grades. There's higher grades. Obviously, we'_**re**_ mining the highest-grade pits first for some time. But mind you, we are in that oxide zone. How the grades perform in the fresh rock? We'_**re**_ not jumping to conclusions on that just yet. But no, we'll be in very good grade at Cue for some time.

Darren Millman

And just adding to that, Alex, so we'_**re**_ looking to update the Mt Magnet entire plan, so in March. So that will also incorporate any changes we feel appropriate in timing of the release of that ore in that plan as well.

Alex Barkley

Okay. Just one more question on your quite ample cash and liquidity you called out. Is there any consideration to buying back your hedges? Or would that pend your project studies or potentially approval? Is there just a time frame or parameters around how you think around the hedges?

Darren Millman

You thankfully answered my question. So yes, that's right. When we put out the Mt Magnet, obviously, potential Eridanus larger open pit, we've got the Mt Magnet mill upgrade. And obviously, we've also got the FID decision around Rebecca Roe, and that's all coming in the first half of the calendar FY '25.

So I think once we have that full picture, then we'll be looking at all capital allocations and obviously, something that we may consider is reducing this hedge book. But at the moment, we'***re*** producing margins of over 60% with having this hedge book. So it's not a high priority, but it's definitely something we will look at, but it's coming off pretty quick at the back end of this year.

Mark Zeptner

Yes, we'***re*** below 100,000 ounces now. But at the moment, we'***re*** not currently minded to write a big check and buy it out, but we need to see the capital profile for the business, particularly over the next few years, to make good decisions on that, Alex.

Operator

[Operator Instructions] At this time, we'***re*** showing no further questions. I'll hand the conference back to Mark for any closing remarks.

Mark Zeptner

Thank you, Travis. One question, some sort of record. 22 minutes past the hour. Everyone must be happy with the information we've provided. Thank you for listening in. Have a great day, guys.

Load-Date: January 29, 2025
