Ramelius Resources Limited (RMLRF) Q1 2025 Earnings Call Transcript

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Body

Ramelius Resources Limited (RMLRF)

Q1 2025 Earnings Conference Call

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Company Participants

Mark Zeptner - Managing Director

Darren Millman - CFO

Conference Call Participants

Andrew Bowler - Macquarie

Michael Scantlebury - Euroz Hartleys

Alex Barkley - RBC

Paul Kaner - Ord Minnett

Rob Wolf - Private Investor

Presentation

Operator

Thank you for standing by, and welcome to the ***Ramelius Resources*** Quarterly Teleconference. 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. Good morning, everyone. Thank you for taking the time to dial in this morning. In addition to the quarterly report, we have released the presentation that we will speak to during this call. All documents have been uploaded on the ASX platform and will also be available on our website shortly. This morning, I'm again joined by our CFO, Darren Millman. Darren will provide some detail on the financials after I run through the highlights and touched on operational performance as well as our development projects. As usual, there will be an opportunity for listeners to ask questions at the end.

So for those who have downloaded the presentation deck, I'll be speaking initially to Slide 3. On Slide 3, we generated $89 million in underlying free cash flow during the quarter and whilst our cash and gold levels remained at a similar level to last quarter at approximately $440 million, the balance does take into consideration our additional $97 million investment in Spartan ***Resources*** in July. Our quarterly gold production of 62,444 ounces was at an all-in sustaining cost of $19.65 an ounce. The all-in sustaining cost, whilst higher than full year guidance, is in line with our plan and it should also be noted that the all-in sustaining cost, excluding the non-cash component, would be $15.89 per ounce.

Our FY '25 guidance remains unchanged at 270,000 to 300,000 ounces at an all-in sustaining cost of $1500 to $1700 an ounce with production weighted being weighted to quarter two onwards following the introduction of the higher-grade Cue ore and improving grades at Penny.

Pleasingly, our production for the quarter was achieved without any lost time injuries as we continue to focus on this area since marking the 12-month LTI 3 milestone in May 2023. Development activities at Cue are now well underway. We commenced ore mining in the quarter with the entire Mt Magnet open pit mining fleet now mobilized to this project. At Key, we moved over a million BCM in the quarter, which was mainly focused on the high-grade Break of Day pit. Exploration and ***resource*** development activities focused on Eridanus in the quarter given the promising results we'***re*** seeing at this deposit today.

On this Slide 4, just draw your attention to the table on the left which breaks down the quarterly production for the last 12 months. The lower production for the quarter is the result of focus on the development of Cue, lower volumes from Penny due to mine sequencing and lower grades from the stockpiles across Edna May as expected. Grades and volumes from Penny are expected to increase across the balance of the financial year and this along with the introduction of high-grade ore from Cue will see production increase in the coming quarters.

On to Slide 5, which looks at the Company's quarterly production stats. As expected, our total tonnes mined reduced from the preceding quarter with the focus on the development of Cue. However, what is planned to see is the impact the introduction of higher-grade Cue ore has on the mine grade, which increased 33% despite less ore from our highest-grade ore source Penny during the quarter. Mill throughput levels were maintained during the quarter with the drawdown of existing stockpiles across Edna May. However, the lower stockpile grade and less Penny tonnes have resulted in lower mill grade for the quarter with the result in reduction in gold production compared to prior quarters.

On the Slide 6, where we show the operating highlights for Mt Magnet. Production from Mt Magnet totaled 41,019 ounces at an all in sustaining cost of $15.25 an ounce. Mining of the Brown Hill and Eridanus open pits work was completed during the quarter with the entire open pit mining fleet now relocated to concentrate on accessing the higher-grade Cue ore as mentioned previously. Underground operations feeding Mt Magnet are now focused on the Galaxy and Penny mines.

The Galaxy mine is well into commercial production after development in the prior year and as a result, we saw a 90% increase in tonnes mined, a 44% increase in mine grade and a resultant 172% increase in contained gold mine.

At Penny, we did see a drop in production in the quarter, which was not entirely unexpected with the planned development of the next levels within the mine. We are expecting to see production from Penny improve from this quarter onwards, returning to levels seen in the second half of FY '25.

Before I move on from this slide, I'd like to highlight that in the quarter we mined at an overall grade of 3.43 whilst the mill process grades were some 20% less than this at 2.91 grams per tonne. If you look back a couple of quarters to the March 2024 quarter at Mt Magnet, we processed all grades at 3.42 similar to the current quarter's mine grades. And we did that at an all-in sustaining cost of $1000.30 per ounce with operating cash flow from Mt Magnet of $79 million at an average realized gold price of just over $3,000 an ounce.

Now the March 2024 quarter only included the high-grade Penny material with no Cue ore. As we sit here today, we have Cue ore stockpiled at grades over 10 grams per tonne and gold spot prices over 35% higher than the realized prices back in March. As a result, we are looking forward to some extremely positive numbers from Mt Magnet for the remainder of FY 2025.

I'm just on Slide 7, you'll note a picture of the construction works of the intersection with the Cue access road with the Great Northern Highway. Works on the whole road between Cue and Mt Magnet continue. Mainly the bitumenization of this intersection with all haulage expected to commence shortly. As of today, we have 35,000 tonnes of oxide ore at a grade above 10 grams for 11,500 ounces of contained gold, which is only awaiting haulage and processing. This ore will obviously generate significant cash flows, once those stockpiles begin processing.

On Slide 8, Edna May highlights for the quarter, gold production totaled 21,425 ounces at an all-in sustaining cost of just under $2,800 an ounce with production being sourced from the existing high- and low-grade stockpiles available across the hub. The all-in sustaining cost excluding the non-cash component was $17.12 an ounce. As of the end of the quarter, there remained around 900,000 tonnes of both high- and low-grade stockpiles which will provide feed for the mill into the March 2025 quarter.

Slide 9, Eridanus. Earlier this year, we released a mineral ***resource*** for Eridanus of 1.2 million ounces, which was a 64% increase on the June 2023 mineral ***resource*** despite the continued mining depletion. Our studies on Eridanus are continuing. We've added a new exploration target over and above the stated 1.2-million-ounce ***resource*** of 1.6 million to 3.7 million tonnes at between 2 grams and 2. 5 grams per tonne for between 100,000 ounces and 300,000 ounces. This is a new target that sits underneath the already contemplated open pit cutback. In terms of the cutback, we've set a new production target for that open pit between 12 million 16 million tonnes at a grade between 1.2 grams and 1.6 grams per tonne for between 575,000 ounces and 775,000 ounces which is a 25% increase on the previous production target if you take the midpoint. With our mill expansion studies now firming at around 3 million tonnes per annum.

Our targeted outcomes from these mill studies not surprisingly include increased gold production, a reduction in operating cost per ton for all tonnes that go through the mill, and ideally leading to a lower overall all-in sustaining cost for the Mt Magnet mine plan.

Before handing over to Darren, I'd also like to highlight further detail on the exploration and project development programs underway at our various mines that I've not covered can be found in the quarterly report itself and I'd also like to add we'***re*** very much looking forward to sharing with you the PFS results on our Rebecca-Roe project with some encouraging RC drilling results received in the quarter further enhancing the economics of that project.

That covers the highlights from me. I'll now hand over to Darren.

Darren Millman

Thank you, Mark, and it's a pleasure to be here with you all today. I'll be initially speaking to Slide 10 of the presentation deck. On Slide 10, we show financial highlights for the quarter. The September quarter has been another strong quarter for ***Ramelius*** with approximately $90 million of free cash flow being generated. What is really pleasing about this is despite the lower production in Q1, which was in line with our expectations, cash flow remains very strong, demonstrating the high margins being generated by the business.

During the quarter, we sold 62,806 ounces at an average realized price of $3,359 per ounce, which included a mix of spot and committed forward sales. This resulted in total sales revenue for the quarter of $211 million. The gold prices showed incredible strength for the quarter, increasing from $3,500 to $3,800 a run that is further extended into the current quarter with spot prices currently sitting above the $4,100. As we have previously flagged, we continue to wind down our forward contract hedges, which now sits at 127,000 ounces at an average price of $3,123 per ounce.

The all-in sustaining cost for the quarter was $19.65 per ounce, which was up from the prior quarter but within internal expectations. This all-in sustaining cost includes a $376 per ounce charge at the group level from the non-cash drawdown of existing stockpiles. Excluding this non-cash charge, the group all in sustaining cost is $15.89 per ounce. I will talk to this more shortly. The resultant all-in sustaining cost margin, which is the realized gold price of $3,359 less the all in sustaining cost of $1965 remains strong at 42%. Cost guidance for FY '25 remains unchanged at $1500 to $1700 per ounce.

Looking at Mt Magnet in isolation, the all-in sustaining cost was just over $1500 per ounce. The higher cost in the quarter was driven by a couple of factors. Firstly, the focus on development of Cue as opposed to the high-grade sections of the Eridanus pit in the prior quarter. Less production being sourced from lower cost Penny operations and development costs for Galaxy now being considered sustaining as opposed to growth capital. Production is expected to increase and cost to decrease across the balance of the financial year Mt Magnet with higher grades and tonnage from Penny and the introduction of high-grade ore from Cue. Cost guidance for Mt Magnet remains at $1300 to $1500 per ounce for FY '25, peer leading in the industry.

At Edna May, the all-in sustaining cost was $2,799 per ounce, which is again in line with our expectations. Given the prevailing gold price, we are milling lower grade material, which having a higher cost is still generating meaningful cash flow. The Edna May all-in sustaining cost including $100.87 per ounce of non-cash charge at this asset level for the drawdown of existing stockpiles across the hub. Excluding this, the all-in sustaining cost for Edna May would have been $15.89 per ounce. While this non-cash charge is higher than flagged in our guidance, it is not expected to continue at this level for the remaining quarters and free carry low grade stockpile has now been the source of mill feed. We still expect the noncash charge over FY '25 to be approximately $500 per ounce and our cost guidance for Edna May at $2,525 to $2,725 remains in place.

On Slide 11 and 12, we show a breakdown of free cash flow metrics for the quarter and historically. Gold sales of 62,806 ounces generated operational cash flow of $111.2 million with $68.4 million coming from Mt Magnet and the balance of $42.8 million from Edna May. A total of $22.5 million was reinvested in mine development, ***resource*** definition and exploration in the quarter, which focused on Eridanus Cue Q development and the Roe-Rebecca project.

The resultant free cash flow for the quarter was $89.6 million dollars with the closing cash and gold position being $438.6 million which was after the investment of $97.6 million in Spartan ***Resources***. Our closing cash and gold position of $438.6 coupled with the new $170 million debt facility leaves us with over $600 million in available liquidity. It is not only our cash and gold that points to strong balance sheet, but our working capital position with sizable stockpiles available going forward.

Lastly for me, I'll highlight that the growth capital and exploration spend for the quarter was in line with expectations and our guidance for this spend remains at $20 million to $30 million for growth capital and $40 million to $50 million for exploration. However, such expenditures in H2 of FY '25 is dependent on the outcomes associated with Eridanus and Mill expansion studies mentioned earlier. Although any material spend associated with those projects are not realistically likely to come in until FY '26.

With that, I'll hand it back to Mark.

Mark Zeptner

Thanks, Darren. So just last slide, we have summarized our key focus areas for FY '25, which are pretty much unchanged from those previously released. We'll continue to improve our safety performance group wide and deliver FY '25 guidance in line with our we deliver and do it safely core company value. We continue to develop Cue and deliver first ore to Mt Magnet as planned this quarter. We will complete the Eridanus underground open pit studies by December along with the Mt Magnet processing facility study due for the same timeframe along with the Rebecca-Roe combined prefeasibility study in December also, all the while increasing exploration drilling at Mt Magnet, Cue Penny and last but not least Rebecca-Roe.

If we can now open the line up for questions, please, Darcy.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. Thank Your first question comes from Andrew Bowler from Macquarie. Please go ahead.

Andrew Bowler

Good day, Mark and Darren. Just looking at the comments on Page 7, you just talk about some great control drilling in the lower areas of Penny and you talk about the northern mineralization, seeing some thinner spread out in multiple veins for Penny. Just wondering what that could do for the remaining inventory of Penny or are those changes to modeling considered immaterial?

Mark Zeptner

Hi, Andrew, it's Mark. Yeah, look, the ore body looks a little more complicated than what we've seen so far on the northern end. I think the geological term is bifurcation, whether the vein has split in certain areas and it wasn't showing up in the earlier drilling and so we'***re*** still trying to understand, we've only recently drilled and we'***re*** recently developing, but it looks like it's stronger on the south end and could go for longer. So to understand the total overall impact, we'***re*** not quite there yet, but there is some complication down in the lower northern part of the ore body that we weren't predicting and that's what we were talking about in the quarterly.

Andrew Bowler

Thanks, Mark. And last one for me, maybe one for Darren. From what I could see, there wasn't any cash tax paid in the quarter, but you guided circa $90 million over the year. Can you just give us a bit of an idea, how that might come out? Is it relatively even between the remaining three quarters? Or is it back ended into the second half?

Darren Millman

Yes. Probably, third quarter probably looking about $70 million of the space. So, yes, it's sort of back end loaded.

Andrew Bowler

No worries. That's all for me. Thanks.

Operator

Thank you. Your next question comes from Michael Scantlebury from Euroz Hartleys. Please go ahead.

Michael Scantlebury

Just a question around the Mt Magnet mill expansion. How should we be thinking about the grade profile or production profile given the expansion you'***re*** looking to go to 3 million tonnes per annum?

Mark Zeptner

I don't know the grade off the top of my head. Obviously, the average grade of Eridanus is 1.4, 1.5, but it has a profile of being lower grade towards the top as we saw when we actually mine the current pit, and improves with depth. So we need to throw that into the mix, but essentially, if you'***re*** going from your 2 million to 3 million tonnes, there's probably an additional 1 million tonnes of Eridanus material, which has that improving grade profile as I talked about. I don't know the grade on an overall basis, let alone a year-by-year basis, Mike, just yet.

Michael Scantlebury

No worries. And then is there any kind of color you can give on CapEx or do we have to wait for the study? Just obviously, you'***re*** looking at going at that 3 million tonnes and you listed out a few items that you need to work on the plant to get there.

Mark Zeptner

Yes, we'***re*** working with [Indecipherable] on that at the moment. We don't want to throw numbers out there at this stage, but we think it's not too exiting. Maybe looking at what Capricorn have done will give you some sort of indications of where we'***re*** probably thinking and broadly, if you'***re*** doubling production, you'***re*** building a new mill, it's probably going to cost you $200 million so it's less than that, but doesn't come for free as you know.

Michael Scantlebury

Makes sense, makes sense. And then do I hear correctly just on the timing for the spend for would be in FY '26?

Mark Zeptner

Yeah, that's the feeling. If we like what we say come the end of the year and even if you'***re*** pushing buttons and board approvals and you get the ball rolling with permitting and contractors, I can't see a lot of spend in the second half of FY '25, it would mainly be material in FY '26. So, whether there's another $20 million or $25 million or so spent in the second half and that's why we've always pointed in terms of growth capital to FY '25 being very similar to the $50 million or so we spent in FY '24. We can't see that changing.

Michael Scantlebury

All right that makes sense. I will pass it on. Thank you, guys.

Operator

Your next question comes from Alex Barkley from RBC. Please go ahead.

Alex Barkley

Good morning, Mark and Darren. Another question around Eridanus. Thanks for the comments around the production target and exploration target. A couple of questions there. Is there a reason the production target grade is a bit lower than the ***resource***? Is that just around dilution? And then with the exploration target, just interested how that might come into play? Could that get added into a cutback design before you do make the final decision around the mine and the mill? Just sort of timing how that one might enter? Thanks.

Mark Zeptner

Thanks, Alex. It's Mark. I beg to differ on the exploration target being a lower grade it's between 2 and 2.5. The production target doesn't go as deep. The exploration target effectively sits below the pit shell that you see and in line with the improving greater depth the deeper you go, the higher grade you get. So yes, the actual cutback production target at 1.4, 1.5 is lower than the midpoint of 2.25, but that's not unexpected given the nature of the ore body as we are understanding it and sorry, what was your second question, Alex?

Alex Barkley

The timing around the exploration target being sort of lower confidence in the ***resource***, when might that become ***resource*** and does that enter your decision making?

Mark Zeptner

Yes, look, ideally, Alex that comes with the mineral ***resource*** update in December. When we ideally convert that most like that exploration target to an inferred ***resource*** given its depth and the number of drill holes we've got. I think there's about a dozen holes into it. So I think we'd be able to get that into the classified category.

Alex Barkley

Okay. Perfect. Great, thanks very much guys.

Operator

Thank you. [Operator Instructions]. Your next question comes from Paul Kaner from Ord Minnett. Please go ahead.

Paul Kaner

Yeah. Hi, gents. Thanks for taking my questions. Just another one on the mill expansion there at Mt Magnet. You mentioned that 3 million tonne per annum option seems most likely. Can you maybe just flesh that out a bit more? I guess, what's keeping you at 3 million tonnes per annum and not going higher, is that an all constraints, space constraints or capital issue?

Mark Zeptner

I think it's more related to capital, Paul. And obviously we'***re*** working through that at the moment, but you do get to a point where rather than adding or upgrading certain parts of the mill, you do get to a point where you've got to look at pump sizes, conveyor sizes and you'***re*** almost building another mill. So there is a step change in CapEx that does help dictate your decision making.

Paul Kaner

Yes, understood. And then just on that Cue mining, I know it's still relatively early days there, but that material you've mined, I guess is that coming at a higher grade than you expected?

Mark Zeptner

I think it's fair to say the Break of Day pit average grade is 4.5. There is also a lower grade stockpile, there's another 35,000 tonnes at I think 1.7 sitting alongside the high-grade stockpile even though it was up there last week and you can't tell the difference between the 2, funny enough. The average grade of 4.5, I'd actually guess that the high-grade portion is outperforming and we did flag that if any ore body is going to outperform, it's going to be the high-grade portions of Cue given the top cuts and given I suppose how conservative we are with our ***resource*** to reserve processes. So there might be some uplift there, but it is early days, I will caution.

Paul Kaner

And I guess how much should we assume sort of comes in the next quarter, I guess from those stockpiles?

Mark Zeptner

We'***re*** obviously just going to kick off haulage very shortly, we just finished the intersection. We do have to haul through Mt Magnet turn and turn right to head out to the Mt Magnet Mill. So we might not be going at maximum production rates, but we'd like to think that we'll get obviously that high grade portion into the mill by the end of the quarter.

Paul Kaner

Yeah, awesome. That's it for me. Thanks very much, guys.

Operator

Your next question comes from Rob Wolf, a private investor. Please go ahead.

Rob Wolf

Hi, Mark. Good to chat. Just a couple of quick questions regarding the possibility of the expansion of the mill at Mt Magnet. First one regarding grind size. Obviously, the gold price high, is a finer grind going to be looked at to try and get that little tiny bit extra on recoveries? And the second question, LinkedIn really is, will the large stockpiles of low grade and reasonably low grade at Mt Magnet be considered in that 3 million tonne expansion for later in the processing option for that mill?

Mark Zeptner

Thanks Rob, good to hear from you. One of the key outcomes I did mention it on it verbally but it's in the release was to maintain our recoveries which last time I looked were pretty handy, they were around 95%. You'***re*** starting to push the nets to get much more than that. We'***re*** obviously we don't really think we need to find a grind than what we currently got. We'***re*** reasonably fortunate with our ore sources, but we'll always keep an eye on those recoveries. In terms of the stockpiles, I think they'***re*** 0.9 grams or 3 million tonnes at average. They'll find a place in the mine plan which best suits and at this point in time I think it's at the end of the mine plan. Unfortunately, they'll have to wait because we got a higher grade to put in first.

Rob Wolf

Sounds good. Thanks, Mark.

Operator

Thank you. There are no further questions at this time. I'll now hand back to Mr. Zeptner for closing remarks.

Mark Zeptner

I'd just like to thank everyone for listening. Enjoy the rest of your day. Thank you.

Operator

Thank you. That does conclude our conference for today. [Operator Closing Remarks].

Load-Date: October 29, 2024