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Regis Resources Ltd (RRL)

Gold price update

Recommendation
Buy (unchanged)
Price
\$3.73
Target (12 months)
\$4.34 (previously \$3.75)

Sector
Materials

Expected Return

Capital growth	16%
Dividend yield	0%
Total expected return	16%

Company Data & Ratios

Enterprise value	\$2,589m
Market cap	\$2,818m
Issued capital	755.5m
Free float	100%
Avg. daily val. (52wk)	\$12.9m
12 month price range	\$1.51 - \$3.79

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	3.12	2.62	1.85
Absolute (%)	19.6	42.4	102.2
Rel market (%)	23.5	43.5	99.8

Absolute Price



SOURCE: IRESS

Greater uncertainty, reduced market incentives

We have updated our gold price forecasts to reflect the greater levels of uncertainty that have manifested in financial markets and trade policy since the inauguration of US President, Donald Trump. We had previously considered the risks and implications of tariffs, but had not expected the rate, scale and pace with which they have been both implemented and removed. In addition, we had anticipated favourable corporate tax policy changes that would encourage investment and boost equity valuations. Instead, the uncertainty is hurting capital investment, sentiment and equity markets. It's driving a flight to safety and the unencumbered value preservation offered by gold bullion. This has spurred a rally to all-time highs for the gold price in an environment where real interest rates remain elevated, and the US Dollar is at historically high levels. Either of these rolling over would provide a further tailwind for the gold price from current record levels. These factors are informing our forecast gold price increases.

Gold price forecast changes

We now forecast the following gold prices: 1HCY25: US\$2,890/oz/A\$4,634/oz (+7.1%); 2HCY25: US\$2,950/oz/A\$4,758/oz (+9.3%); CY26: US\$2,800/oz/A\$4,300/oz (+12.0%); CY27: US\$2,700/oz/A\$3,900/oz (+6.3%); and LT: US\$2,800/oz/A\$4,000/oz (+8.5%). These prices are in nominal terms. We have made no changes to our foreign exchange rate forecasts. Our near-term forecasts to end CY27 are within ±5% of the latest consensus. Our LT (long-term) forecast is 8% above the latest consensus.

Investment thesis – Buy, TP \$4.34/sh (from Buy, TP\$3.75/sh)

EPS changes in this report are FY25: 20%, FY26: 44%, FY27: +44% on our higher gold price forecasts. RRL's sensitivity to the gold price is among the highest in the large ASX gold producers. We are attracted to RRL's all-Australian, multi-mine asset portfolio, its demonstrated leverage to the gold price, sector leading cash generation and its fully unhedged, debt free position. Our NPV-based target price is increased by 16%, to \$4.34/sh. We retain our Buy recommendation.

Earnings Forecast

Year end	2024a	2025e	2026e	2027e
Sales (A\$m)	1,263	1,615	1,713	1,540
EBITDA (A\$m)	304	753	922	733
NPAT (reported) (A\$m)	(186)	218	382	293
NPAT (adjusted) (A\$m)	8	218	382	293
EPS (adjusted) (eps)	1.0	28.9	50.5	62.2
EPS growth (%)	nm	nm	75%	23%
PER (x)	nm	12.9	7.4	6.0
FCF Yield (%)	7%	18%	18%	14%
EV/EBITDA (x)	8.5	3.4	2.8	3.5
Dividend (eps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	100%	100%	100%	100%
ROE (%)	-13%	15%	21%	14%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Gold price update

Gold price forecast changes

Our latest gold price forecast changes are summarised in the table below:

Table 1 - Updated gold price forecasts (US\$/oz)							
	1HCY25	2HCY25	1HCY26	2HCY26	1HCY27	2HCY27	LT
Previous (US\$/oz)	\$2,700	\$2,700	\$2,500	\$2,500	\$2,523	\$2,560	\$2,580
New (US\$/oz)	\$2,890	\$2,950	\$2,800	\$2,800	\$2,700	\$2,700	\$2,800
New (A\$/oz)	\$4,634	\$4,758	\$4,375	\$4,242	\$3,971	\$3,857	\$4,000
Change	7.1%	9.3%	12.0%	12.0%	7.0%	5.5%	8.5%
Consensus Economics	\$2,848	\$2,858	\$2,834	\$2,793	\$2,713	\$2,713	\$2,595

SOURCE: BELL POTTER SECURITIES

Changes to our forecasts and valuation

In addition to the above changes, we have also:

- Updated for RRL's latest capital structure and net cash position.

The net impacts of these changes are summarised in the table below:

Table 2 – Changes to our earnings estimates									
Year ending 30 June	Previous			New			Change		
	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Prices & currency									
Gold (US\$/oz)	2,645	2,600	2,511	2,741	2,875	2,750	4%	11%	10%
US\$/A\$	0.64	0.63	0.67	0.64	0.63	0.67	0%	0%	0%
Gold (A\$/oz)	4,138	4,131	3,749	4,278	4,567	4,107	3%	11%	10%
Production & costs									
Gold produced (koz)	371	375	375	371	375	375	0%	0%	0%
AISC (A\$/oz)	2,560	2,411	2,456	2,561	2,415	2,460	0%	0%	0%
Earnings & valuation									
Revenue (A\$m)	1,565	1,549	1,406	1,615	1,713	1,540	3%	11%	10%
EBITDA (A\$m)	704	760	600	753	922	733	7%	21%	22%
EBIT (A\$m)	275	366	264	325	528	397	18%	44%	50%
NPAT (underlying) (A\$m)	183	265	197	218	382	293	20%	44%	49%
NPAT (reported) (A\$m)	183	265	197	218	382	293	20%	44%	49%
EPS (reported) (cps)	24.2	35.0	43.1	28.9	50.5	62.2	20%	44%	44%
Free Cash Flow (A\$m)	482	395	311	517	512	408	7%	29%	31%
PER (x)	15.4	10.6	8.6	12.9	7.4	6.0	(2.5)	(3.3)	(2.6)
EPS growth (%)	nm	45%	23%	nm	75%	23%	nm	30%	0%
DPS (reported) (cps)	-	-	-	-	-	-	na	na	na
Yield (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%
NPV (\$/sh)	3.18	3.75	4.39	3.68	4.34	5.18	16%	16%	18%
Price Target (\$/sh)		3.75			4.34			16%	

SOURCE: BELL POTTER SECURITIES ESTIMATES

The increased gold price flows through RRL's financial metrics demonstrating its sector leading leverage to higher gold prices. In FY26 and FY27, the 10-11% increase in the gold price drives EPS increases of 44% in each year. Our NPV-based target price lifts 16%, to \$4.34/sh.

Upcoming catalysts

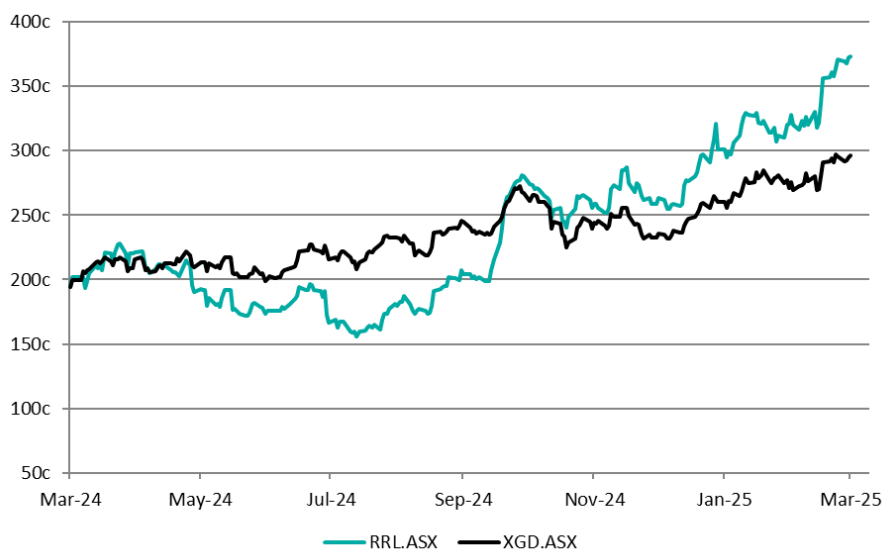
Upcoming catalysts for RRL include:

- The release of the March 2025 quarter production and cost report, expected in late April 2025;
- The ongoing ramp-up of higher-grade production ore from the Rosemont and Garden Well South underground mines, including the commencement of the Garden Well Main and Rosemont Stage 3 underground mines;
- The ongoing ramp-up of open-pit ore production ore from the Havana open-pit at Tropicana;
- Progress updates on the development of the Havana underground mine where the decline is advancing on schedule;
- Exploration updates across the portfolio, with results from the Garden Well Main exploration decline a key focus;
- Any resolution to the Section 10 cultural heritage protection order of August 2024; and
- Any updates on the legal proceedings related to the claims made by South 32 Ltd (S32, not rated) for the payment of royalties from the Tropicana Gold Mine.

Share price performance vs ASX Gold Index

Relative performance chart below:

Figure 1 - RRL relative share price performance vs XGD



SOURCE: BLOOMBERG AND BELL POTTER SECURITIES ESTIMATES

Regis Resources Ltd (RRL)

Company description

RRL is an established multi-mine gold producer and one of the largest ASX-listed gold producers with all its operating mines located in Western Australia. The Duketon Gold Project (located in the Laverton region 350km north, north-east of Kalgoorlie in WA) is RRL's flagship project and comprises the Duketon North Operations (DNO) and the Duketon South Operations (DSO) which produce a combined ~250kozpa. In May 2021 RRL completed the acquisition of a 30% interest in the Tropicana Gold Mine for cash consideration of A\$889m. It is currently producing at a rate of 135-150kozpa with an expected mine life beyond 2030. RRL also owns the McPhillamys Gold Project, a prospective, large, open pit gold development project located in NSW, about 35km from Orange and Bathurst. It subject to permitting uncertainty following a cultural heritage protection order made by Australia's Federal Minister for Environment and Water in August 2024.

Investment thesis – Buy, TP \$4.34/sh (from Buy, TP\$3.75/sh)

EPS changes in this report are FY25: 20%, FY26: 44%, FY27: +44% on our higher gold price forecasts. RRL's sensitivity to the gold price is among the highest in the large ASX gold producers. We are attracted to RRL's all-Australian, multi-mine asset portfolio, its demonstrated leverage to the gold price, sector leading cash generation and its fully unhedged, debt free position. Our NPV-based target price is increased by 16%, to \$4.34/sh. We retain our Buy recommendation.

Valuation methodology

Our valuation for RRL is based upon the 12-month forward NPV of our forecast free cash flows from the Duketon Gold Project and its 30% interest in the Tropicana Gold Mine, net of corporate administration costs and RRL's net cash position. This is included in a sum-of-the-parts valuation for the company which includes an NPV-based, risk adjusted valuation for the McPhillamys Gold Project and a notional estimate for the value of the exploration potential of the balance of the Duketon tenements and RRL's exploration portfolio.

Table 3 – RRL sum-of-the-parts valuation

Sum-of-the-parts (+12 month Target Price)	A\$m	A\$/sh
Duketon (unrisked NPV ₁₀)	1,068.9	1.41
Tropicana (30%, unrisked NPV ₁₀)	1,313.0	1.74
McPhillamys (risk adjusted NPV ₁₀)	160.0	0.21
Other exploration	320.0	0.42
Corporate overheads	(47.0)	(0.06)
Subtotal	2,814.9	3.73
Net cash (debt)	488.9	0.65
Total (undiluted)	3,303.9	4.37
Add options in the money (m)		6.5
Add cash	-	-
Total (diluted)	3,303.9	4.34

SOURCE: BELL POTTER ESTIMATES

With our latest update, we calculate an NPV-based valuation and Target Price of \$4.34/sh. With a total shareholder return of 16% from the last closing share price to our valuation, we retain our Buy recommendation.

Resource sector risks

Risks to resources sector equities such as RRL include, but are not limited to:

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.

Table 4 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e	Year ending June	Unit	2023a	2024a	2025e	2026e	2027e
Revenue	\$m	1,133.7	1,262.8	1,614.8	1,713.0	1,540.4	VALUATION						
Expense	\$m	(758.2)	(959.0)	(861.5)	(790.6)	(807.7)	NPAT	\$m	(24.3)	(186.0)	218.4	381.6	293.2
EBITDA	\$m	375.5	303.8	753.3	922.4	732.7	Reported EPS	c/sh	(3.2)	(24.6)	28.9	50.5	62.2
Depreciation	\$m	(385.0)	(347.0)	(428.4)	(394.8)	(336.0)	Adjusted EPS	c/sh	(3.0)	1.0	28.9	50.5	62.2
EBIT	\$m	(9.5)	(43.2)	324.9	527.6	396.7	EPS growth	%	-276%	nm	nm	75%	23%
Net interest expense	\$m	-	(18.9)	(10.5)	6.4	10.5	PER	x	nm	nm	12.9x	7.4x	6.0x
Unrealised gains (Impairments)	\$m	(1.9)	(193.5)	-	-	-	DPS	c/sh	-	-	-	-	-
Other	\$m	(22.2)	(10.1)	(7.5)	(4.0)	-	Franking	%	100%	100%	100%	100%	100%
PBT	\$m	(33.6)	(265.7)	306.9	530.0	407.3	Yield	%	0%	0%	0%	0%	0%
Tax expense	\$m	(9.3)	(79.7)	88.5	148.4	114.0	FCF/share	c/sh	5.7	26.6	68.4	67.7	54.0
NPAT (reported)	\$m	(24.3)	(186.0)	218.4	381.6	293.2	P/FCFPS	x	65.3x	14.0x	5.4x	5.5x	6.9x
NPAT (underlying)	\$m	(22.4)	7.5	218.4	381.6	293.2	EV/EBITDA	x	6.9x	8.5x	3.4x	2.8x	3.5x
							EBITDA margin	%	33%	24%	47%	54%	48%
							EBIT margin	%	nm	nm	20%	31%	26%
							Return on assets	%	-1%	-8%	10%	16%	11%
							Return on equity	%	-2%	-13%	15%	21%	14%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	393	17	(1,131)	(1,646)	(962)
							ND / E	%	25%	1%	-72%	-84%	-43%
							ND / (ND + E)	%	20%	1%	-254%	-527%	-75%
							EBITDA / Interest	x	nm	nm	nm	-143.4x	-69.5x
							ORE RESERVES AND MINERAL RESOURCES						
							Duketon						
							Mineral Resource	Mt		g/t Au		(koz)	
							Ore Reserve		59.0	1.3	2,480		
									19.5	1.3	791		
							Tropicana 30% basis						
							Mineral Resource	Mt		g/t Au		(koz)	
							Ore Reserve		30.0	1.9	1,788		
									14.0	1.5	672		
							McPhillamys + Discovery Ridge						
							Mineral Resource	Mt		g/t Au		(koz)	
							Ore Reserve		80.2	1.0	2,684		
									0.0	0.0	0		
							Total						
							Mineral Resources				169.2	1.3	6,952
							Ore Reserves				33.5	1.4	1,463
							ASSUMPTIONS - Prices						
							Year ending June (avg)	Unit	2023a	2024a	2025e	2026e	2027e
							Gold	US\$/oz	\$1,842	\$2,085	\$2,741	\$2,875	\$2,750
							Gold	A\$/oz	\$2,738	\$3,180	\$4,278	\$4,567	\$4,107
							AUD:USD	A\$/US\$	0.67	0.66	0.64	0.63	0.67
							ASSUMPTIONS - Production & costs						
							Year ending June	Unit	2023a	2024a	2025e	2026e	2027e
							Duketon						
							Gold produced	koz	327.3	289.9	233.2	233.2	233.2
							All-in-Sustaining-Costs (AISC)	A\$/oz	\$2,014	\$2,267	\$2,717	\$2,496	\$2,553
							Tropicana						
							Gold produced - 100%	koz	437.0	425.9	460.8	473.0	473.0
							Gold produced - RRL 30%	koz	131.1	127.8	138.2	141.9	141.9
							All-in-Sustaining-Costs (AISC)	A\$/oz	\$1,214	\$2,116	\$2,298	\$2,282	\$2,306
							Total						
							Gold produced	koz	458.354	417.714	371.444	375.110	375.110
							All-in-Sustaining-Costs (AISC)	A\$/oz	\$1,805	\$2,286	\$2,561	\$2,415	\$2,460
							VALUATION						
							Ordinary shares (m)						755.5
							Options in the money (m)						6.5
							Diluted m						762.0
								current	+12 months	+24 months			
							Sum-of-the-parts	\$m	\$/sh	\$m	\$/sh	\$m	\$/sh
							Duketon (unrisked NPV10)	925.7	1.23	1,068.9	1.41	1,132.8	1.50
							Tropicana (30%, unrisked NPV10)	1,236.2	1.64	1,313.0	1.74	1,370.6	1.81
							McPhillamys (risk adjusted NPV10)	160.0	0.21	160.0	0.21	160.0	0.21
							Other exploration	320.0	0.42	320.0	0.42	320.0	0.42
							Corporate overheads	(64.6)	(0.09)	(47.0)	(0.06)	(34.5)	(0.05)
							Subtotal	2,577.3	3.41	2,814.9	3.73	2,948.8	3.90
							Net cash (debt)	229.0	0.30	488.9	0.65	1,000.5	1.32
							Total (undiluted)	2,806.3	3.71	3,303.9	4.37	3,949.3	5.23
							Add options in the money (m)		6.5		6.5		6.5
							Add cash		-		-		-
							Total (diluted)	2,806.3	3.68	3,303.9	4.34	3,949.3	5.18
							MAJOR SHAREHOLDERS						
							Shareholder		%				m
							Van Eck (GDX & GDXJ)		8.0%				60.8
							State Street Global Advisors		6.1%				45.8
							Blackrock		6.0%				45.7
							Dimensional		6.4%				48.7
							Australian Retirement Trust		5.0%				37.6

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

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The Analyst, David Coates, holds a long position in RRL

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