The Sydney Contrarian Financial Analysis

Stock Valuation Report

Regis Resources Limited (ASX: RRL)

Date	7/02/2019
Classification	Mid-Tier Gold Miner
Current Price	$5.130
No. Issued Stocks (m)	507.6
Net Cash + Bullion ($ m)	$206.70
Last Dividend Payment ($ p.a.)	$0.16
Market Capitalisation ($ m)	$2,603.74
Enterprise Value ($ m)	$2,397.04

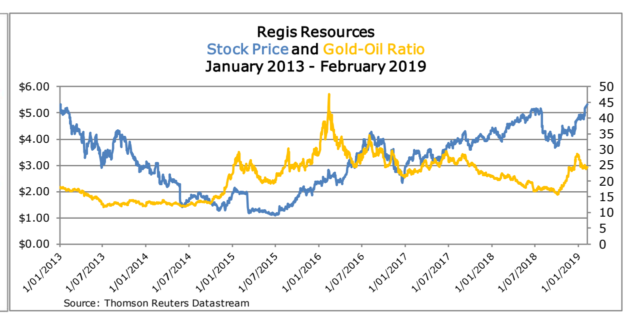
Ranking	**Slightly Overvalued**
Price Range	$2.95-$5.25
Annual Production Guidance (oz p.a.)	340 000-370 000
All-In Sustaining Cost Guidance ($/oz)	$985-$1 055
EV/AISC-Adjusted Production Guidance ($/oz)	$6,752.21
EV/AISC-Adjusted Production Range ($/oz)	$4 000-$6 500
Resources (oz)	7,859,000
Reserves (oz)	4,065,000

Summary

Regis Resources (ASX: RRL) is a leading mid-tier gold mining company listed on the ASX, with an established history of delivering low-cost gold from their Duketon operations (comprising Garden Well, Rosemont and Moolart Well mines). The company has steadily increased their annual production from 270 000oz in 2013 to over 360 000oz in 2018. The expected production for 2019 ranges from 340-370 koz at AISC $980-1 055. In addition, the company will commence underground production in the Rosemont mine and also developing the McPhillamys project to be their second producing operation. Given the exciting opportunities associated with this company and a reliable dividend stream, the stock attracts a premium on its valuation. At present, the stock is deemed Slightly Overvalued owing to the recent rally in the stock price that may have moved ahead of their performance and promise.

Regis Resources delivered 181 366oz of gold in the first half of 2019 at an AISC of $954/oz, below that of their key competitors who delivered at slightly above $1 000/oz. The company has cash and bullion valued at $206m, after paying over $40m in dividends and $20m in tax payments. Substantial cash is being invested into developing the Rosemont underground mine. The Rosemont underground mine has 230 000oz of reserves and a three-year production life. A contract has been struck with Ausdrill Limited worth $117m in January 2019 with production of ore expected this March. In addition, the Definitive Feasibility Study is expected to be completed later this year for the McPhillamys project. When the project begins production, the expected annual level is 190 000oz.bringing the company's annual production level exceeding 500 000oz p.a.

The company's cash reserves and strong operating cashflow generating capability implies they will be able to deliver on their development plans without the need for external funding. The dividend payments are likely to be sustained, unless unforeseen events occur that may affect their cash flow generation. Regis Resources is a stable investment and the market has valued the stock accordingly.



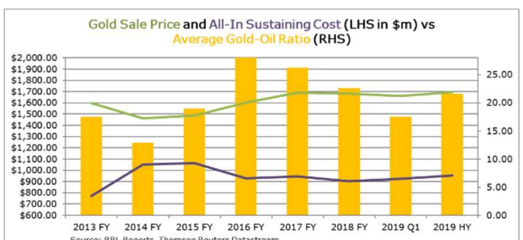
Prevailing Environment

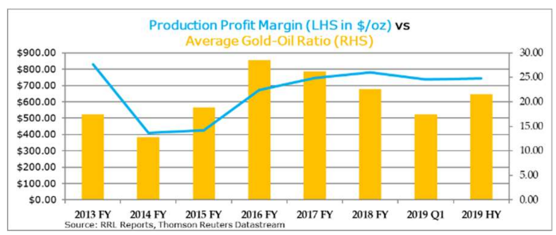
The gold price in AUD terms has branched off increasingly from the USD terms especially in the last three months of 2018 as the Australian dollar declined more sharply, arising from a combination of a flight to safety with the global asset markets peaking as well as confirmation of the slowdown in the property markets in Australia leading to expectations of the Australian economy weakening going forward. Most noteworthy is the gold price in AUD terms was at a record high in intraday trading on 3rd January 2019 at $1 855/oz as the Australian dollar fell temporarily below US70c. Following the Reserve Bank of Australia February meeting where they announced they are uncertain about whether to raise or lower the cash rate and the Royal Commission on Banking final report being released implying further pulling back on credit lending, the Australian dollar has dropped sharply and thus the gold price in AUD terms has rallied to approach the all-time record high.

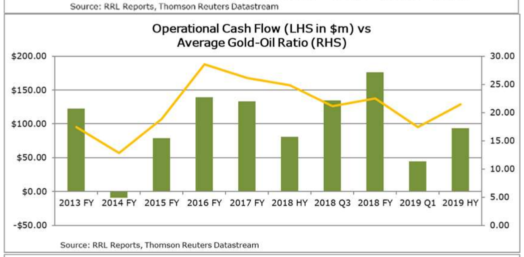
More important to gold mining companies is not so much the gold price, but the relative price of gold and oil. The oil price is relevant as mining companies use large quantities of fuel to power machinery and also the oil price is a significant driver on wages and general costs. A high gold-oil ratio usually results in higher profitability and cash flow generation for gold mining companies.

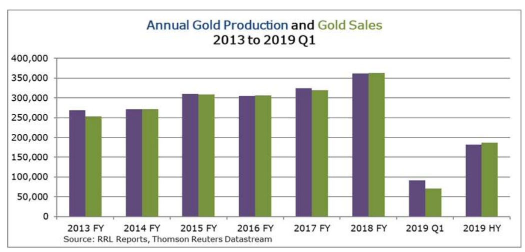
In early October 2018, the gold price began to rally after the September rate hike while the oil price declined, leading to the gold-oil ratio rising from 16 to as much as 28 at the beginning of January 2019. During January 2019, the oil price recovered from the mid-US$40/bbl to US$52-54/bbl, resulting in the gold-oil ratio pulling back to 24.

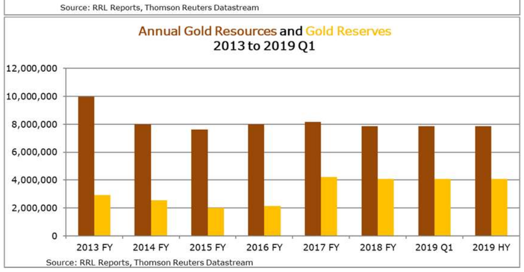
Operational and Financial Performance Charts











SWOT Analysis

Strengths	**Weaknesses**
• Proven track record in generating low AISC and substantial free cash flows. • Reliable dividend payments that is trending higher. • Growth opportunities available with Rosemont underground mining delivering production soon.	• Gold grade at Duketon operations are generally low, at around 1-1.2g/t. • Resources have been trending down, suggesting that exploration has not been able to deliver more resources net of depletion.
Opportunities	**Threats**
• The development of the McPhillamys project into commercial production expected in the next five years will lead to substantial re-rating of the company into a large producer. • A relatively large cash balance of over $200m and no debt offer potential for takeovers and expansion.	• The resources level has been stagnant for the last six years, while competitors have been increasing their resources at the same time. • Concentration of operations in one region may expose it to a shutdown due to adverse weather conditions similar to early 2015.

Peer Comparison