

Ramelius to buy Spectrum

SUCCESSFUL gold miner Ramelius Resources is acquiring the high-grade Penny West gold deposit via a A\$228 million mainly scrip takeover of Spectrum Metals.



Finance > M-a

Comments

Share

Michael Quinn

The Spectrum board-agreed deal includes a \$26 million cash component and at a notional 15c per share, represents a 52% premium to Spectrum's last closing price and a 70% premium to the 30-day volume-weighted-average-share price.

It also represents an enterprise value per resource ounce of about \$640/oz for the 355,500oz grading nearly 14 grams per tonne.

While the \$640/oz number is high on a headline basis, Ramelius will be expecting to achieve a big margin on the ore it aims to start mining in the third quarter next year and trucking 150km northwest to its Mt Magnet mill.

In addition, Ramelius' paper has more than doubled in market value over the past 12 months.

Ramelius had cash and gold of about \$90 million at the end of December, as well as a recently established \$35 million syndicated finance agreement.

Naturally Ramelius is also bullish on the exploration potential and is in position to hammer the ground aggressively with the drill bit given its balance sheet.

The deal follows Ramelius' acquisitions' of ASX-listed company Explaurum and the Marda gold project over the past 18 months.

In the current financial year Ramelius expects to produce 205,000-225,000oz at an AISC of \$1225-\$1325/oz, with gold trading at up to \$2300/oz last week and the miner having 240,000oz hedged at an average of \$1943/oz out to May 2022.

The deal also follows the cessation of legal action between Spectrum and Venus Metals after the two companies settled a dispute essentially revolving around Spectrum's acquisition of the Penny West project in late 2018.

The settlement sees about \$1 million going Venus' way in a "commercial settlement" that concedes no wrong-doing or admission of guilt by any of the parties involved.

The agreed Ramelius takeover brings to a close a massive 12 months for Spectrum shareholders, with the stock trading at 0.5c in February 2019 prior to the high-grade Penny West discovery being made in March.

The company's most recent fundraising was in August when \$7.25 million worth of new shares priced at 6.25c each were placed with investors.

Shares in Spectrum rose 41% to 14c following the announcement of the deal, while Ramelius lost 5% to \$1.26 per share.

At that price Ramelius is capitalised at \$855 million.



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