

SPEC BUY

Current Price **\$0.07**

Ticker:	RNS	
Sector:	Materials	
Shares on Issue (m):	306.6	
Market Cap (\$m):	21.5	
Cash (\$m):	2.9	
Enterprise Value (\$m):	18.6	
52 wk High/Low:	\$0.11	\$0.05
12m Av Daily Vol (m):	0.27	

Mineral Inventory (100% basis)

	Mt	g/t	Moz
Reserves	-	-	-
Resources	15.6	2.4	1.2

	\$/oz
EV / Reserve	-
EV / Resource	15

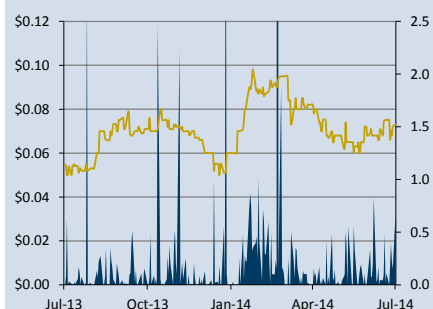
Directors:

Alan Campbell	Non-Executive Chairman
Justin Tremain	Managing Director
David Kelly	Non-Executive Director

Substantial Shareholders:

OZ Minerals	16.0%
JA Advisory	11.4%
Ingalls & Snyder	8.2%

Share Price Graph



Monday, 21 July 2014

Renaissance Minerals

Building an economic case

Analysts | Patrick Chang | Matthew Keane

Quick Read

Renaissance Minerals (RNS) released drilling results at Okvau, targeting gaps in previous Resource drilling. The results demonstrate further exploration upside and Argonaut anticipates the inventory at Okvau to continue to grow. The project compares favourably on grade and strip profiles when benchmarked against ASX gold developers. On Argonaut's estimate, the project is already NPV positive and the delineation of additional Resources, which we consider highly likely, would underpin a convincing development / production scenario. RNS is one of Argonaut's preferred gold explorers / developers. Speculative Buy recommendation maintained.

Event & Impact | Positive

109m @ 2.3g/t: RNS completed three diamond holes at the Western Margin of Okvau targeting gaps in previous Resource drilling. The results improve on the Company's understanding of the controls on higher grade mineralisation and are likely to add ounces. DD14OKV240 intersected multiple high grade lodes and averaged 109m @ 2.3g/t from 196m (assuming 0 g/t for unreported intersects). Better results include:

- 11m @ 3.6g/t from 196m
- 15m @ 5.7g/t from 290m
- 8m @ 10.7g/t from 237m
- 15m @ 2.7g/t from 252m

Favourable characteristics: Results from the recently completed metallurgical testing demonstrated a viable processing route with no oxidation requirements, significantly de-risking the project. Importantly, these results highlighted the potential for coarse grind (150 µm, pre flotation), low mass pull of ~10%, and rapid leach kinetics with cyanide leaching of the concentrate largely complete within 3-4 hours. These characteristics should contribute to modest processing costs under a production scenario. Given the low mass pull, incremental capex for a regrind circuit is also anticipated to be modest.

Exploration success could deliver largest upside: There is potential for multi-million ounce deposits in the Eastern Cambodia Igneous Province. This new gold region remains largely untested by modern, systematic methods since the virgin discovery was made in 2006. The regional potential is supported by exploration work completed to date, in particular extensive gold-in-soil anomalies and analogies to large deposits in other known intrusive related gold belts worldwide. The Company's exploration strategy in the near term involves extensional drilling at Okvau, testing of other prospects as well as target generation.

Recommendation

Speculative Buy recommendation maintained.

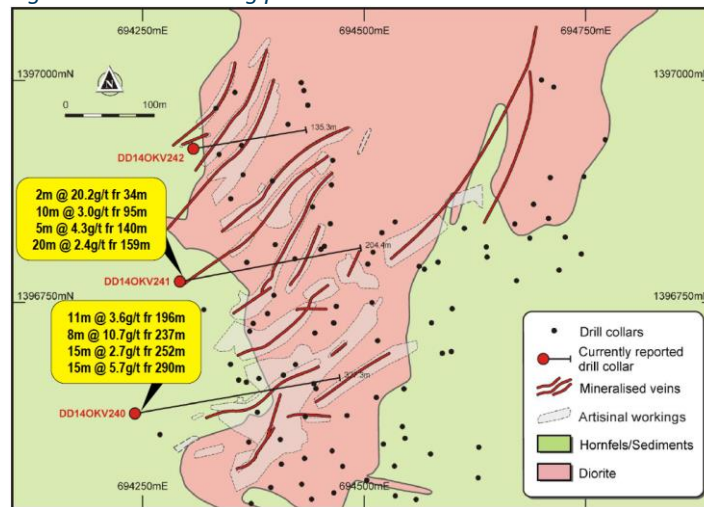
High grade within gaps

Recent geological modelling better defined controls on gold mineralisation...

Recent geological modelling on Okvau identified the potential controls on gold mineralisation, which highlighted high grade potential where two sets of NE striking structures of varying dip intersect. RNS completed a 1,443m diamond program including three holes to test this model, whilst simultaneously targeting gaps in the previous Resource drilling.

...which RNS tested within 3 diamond holes drilling west to east...

Figure 1: Okvau drilling plan view



Source: RNS

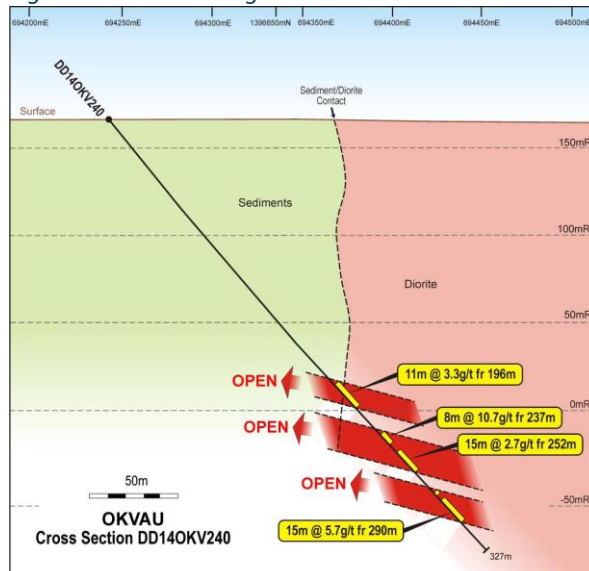
...results demonstrated grades and improved on geological understanding...

DD14OKV240 intersected multiple high grade lodes and averaged 109m @ 2.3g/t from 196m (assuming 0 g/t for unreported intersects). Better (downhole) results include:

- 11m @ 3.6g/t from 196m (DD14OKV240)
- 20m @ 2.4g/t from 159m (DD14OKV241)
- 15m @ 5.7g/t from 290m (DD14OKV240)
- 8m @ 10.7g/t from 237m (DD14OKV240)
- 15m @ 2.7g/t from 252m (DD14OKV240)

...expected to add ounces as previously within 'gaps' of the Resource wireframe

Figure 2: Okvau drilling cross section



Source: RNS

Okvau has the potential for a high grade, low cost operation...

Building an economic case

Argonaut’s preliminary modelling of Okvau demonstrated the potential for a high grade, low cost (estimated AISC ~US\$888/oz) operation averaging 84koz pa. This followed the release of a recent metallurgical study which demonstrated a viable processing route with no oxidation requirements, significantly de-risking the project.

...with an estimated (Argonaut estimate) AISC of US\$888/oz...

Table 1: Indicative project parameters (Argonaut estimate)

Indicative project parameters and costs		
Metric	Unit	Argonaut estimate
Strip ratio	:	4:1
Grade	g/t	2.40
Grind	µm	150
Regrind	µm	15
Mass pull	%	10
Overall recoveries	%	87
Throughput	Mtpa	1.25
Production	kozpa	84
Startup capex	\$m	120-150
Sustaining capex	\$m pa	12
Mining cost	\$/t	4.0
Processing cost (based on diesel)	\$/t	25.0
Admin / support / corporate	\$/t	5.0
Total unit cost	\$/t	50.0
C1 Cash Cost	\$/oz	744.7
"All-in" Sustaining Cost (AISC)	\$/oz	887.7

...producing 84koz pa from a 1.3Mtpa operation

Source: Argonaut

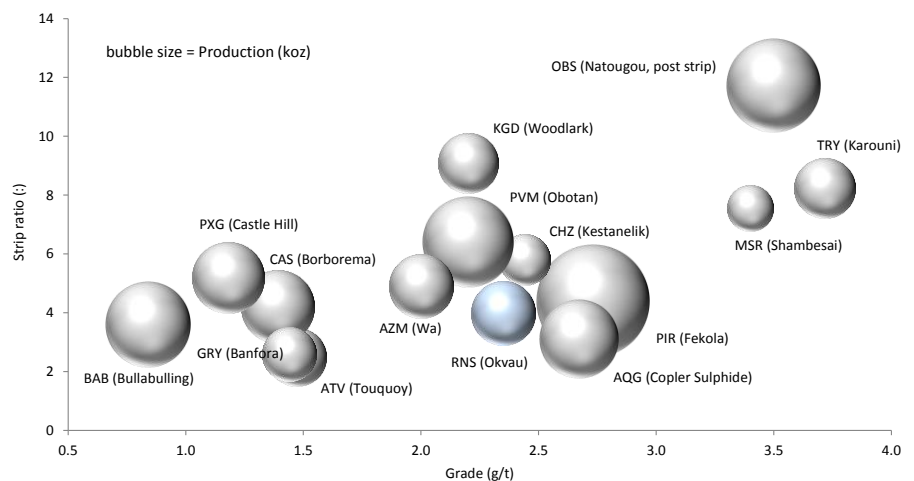
On these metrics the project benchmarks well...

Stacking up against peers

The Okvau project benchmarks well against ASX gold development peers, having high open-pittable grades (~2.4g/t) and low strip ratio of ~4.0:1 (Argonaut estimate).

...against peer development projects...

Figure 3: Peer comp, strip ratio vs grade



...having high grades and low strip

Source: Argonaut

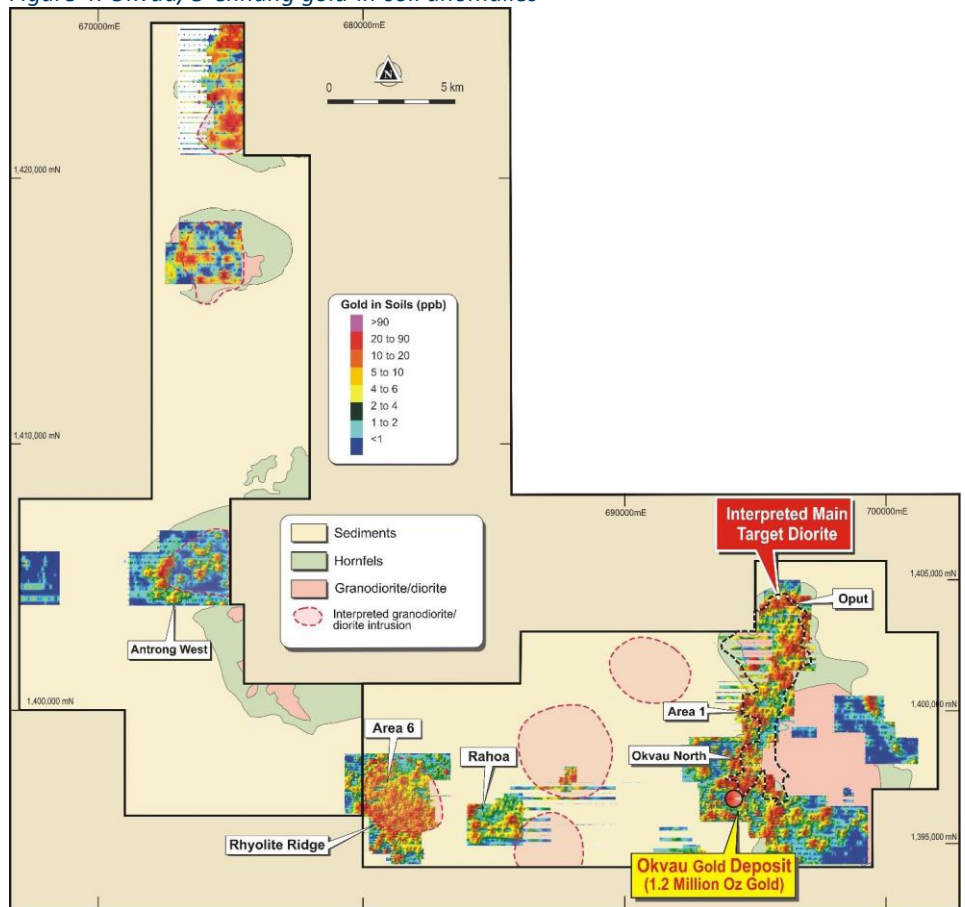
Realising regional prospectivity

Under-explored province with multi-million ounce potential...

There is potential for multi-million ounce deposits in the Eastern Cambodia Igneous Province. This new gold region remains largely untested by modern, systematic methods since the virgin discovery was made in 2006. The regional potential is supported by the exploration work completed to date, in particular extensive gold-in-soil anomalies and analogies to large deposits in other known intrusive related gold belts worldwide.

...supported by extensive gold-in-soil anomalies...

Figure 4: Okvau/O'Chhung gold-in-soil anomalies



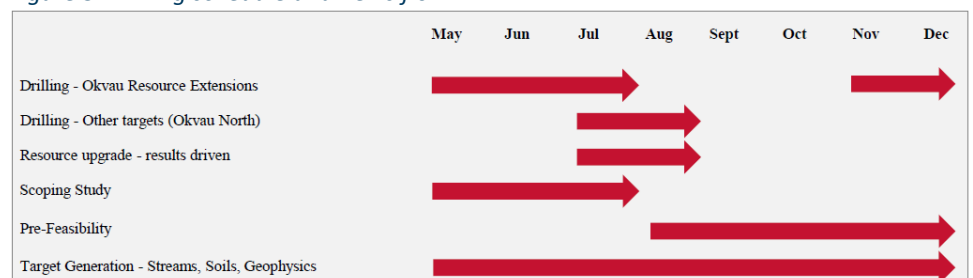
...with discovery of Okvau made in 2006

Source: RNS

RNS is conducting drilling and early stage generative work...

RNS is undertaking both drilling and early stage target generation working including stream and soil sampling, ensuring a pipeline of prospects and news flow in the coming months. Regional targets include Oput, Area 1, Okvau North, Area 3, and Area 6.

Figure 5: Drilling schedule and news flow



...ensuring news flow and a pipeline of projects

Source: RNS

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Important Disclosure

Argonaut has acted as Corporate Adviser to RNS within the past 12 months. Argonaut currently owns and/or controls 2M RNS options exercisable at \$0.25 on or before 28 February 2016.

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