

# POST RESULTS

## VALUE RANGE

CAD 2.82 – 3.12



RMX 12m Price Relative Chart vs. TSX Index (darker)

### Monday, 13 May 2019

Intrinsic Price	\$2.97
Value Range Low	\$2.82
Value Range High	\$3.12
Implied MCAP (m)	\$208.77
Implied EV (m)	\$213.87
TSX	RMX
Financial YE	31-Dec
Currency	CAD

#### Business Activity

Gold Mining

#### Key Metrics

Close Price	\$0.94
MCAP (m)	\$66.1
Net Debt (Cash) (m)	\$5.1
EV (m)	\$71.2
52 Wk Hi	\$1.88
52 Wk Lo	\$1.05

#### Key Ratios

(Net Cash) /	7.72%
Shareholder Equity %	
FX Rate C\$/USD	1.30

#### Mining Sector Research

TSX Market Index

#### Analyst Team

+44 20 7419 7928  
extractives@acfequityresearch.com

## Rubicon Minerals Corp 1Q19A

### Robust 1Q19 results; PEA scheduled for 2H19

Rubicon Minerals Corp (RMX:TSX) is a high-grade gold explorer in the prolific Canadian Red Lake District. RMX reported 1Q19A results with an updated mineral resource estimate which showed a 110% increase in resources further boosting confidence in the Phoenix Gold Project. We adjust our full year forecasts and remodelled our NAV expectations based upon the new resource estimates. The balance sheet remains strong with net debt of C\$2.4m providing ample financial flexibility. RMX is now working on a new Preliminary Economic Assessment (PEA) for the Project which is scheduled for delivery in 2H19. The PEA will be a significant milestone towards a Feasibility Study for the Project and could lead to an upward re-rating of the stock.

- Strong balance sheet with net debt of ~C\$2.4m;
- Phoenix Gold Project ~110% growth in M+I Resource ounces;
- PEA commenced – short lead time mine plan expected by 2H19;
- Potential Feasibility Study (FS) on back of positive PEA;
- Management working on funding assuming positive FS.

ACF est. CAD (m)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2019E	0	-6	-10	-0.15	-0.14
2020E	0	-17	-15	-0.33	-0.31

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2019E	NM	NM	NM	NM	NM
2020E	NM	NM	NM	NM	NM

13/05/2019

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	70.3	75.5
Implied Intrinsic Price	C\$3.19	C\$2.97
Value Range Low	C\$3.03	C\$2.82
Value Range High	C\$3.35	C\$3.12
TSX	RMX	
Financial YE	31-Dec	
Reporting Currency	CAD	
NoSh (m)		70.3
NoSh (m) expected dilution (Exp D)		70.3
NoSh (m) full dilution		75.5
<b>Key Metrics</b>	<b>C\$</b>	<b>adj.</b>
MCAP (m)	66.1	66.1
Net Debt (Cash) (m)	5.1	5.1
EV (m)	71.2	71.2
52 Wk Hi	1.88	1.88
52 Wk Lo	1.05	1.05
Free Float	99%	99%
<b>*Key Metrics FCF adj.</b>	<b>2019E</b>	<b>2020E</b>
CPS (C\$)	-0.14	-0.21
CPS (Exp D) (C\$)	-0.14	-0.21
CPS (FD) (C\$)	-0.13	-0.20
P/CPS	NM	NM
P/CPS (Exp D)	NM	NM
P/CPS (FD)	NM	NM

\*Note that in the table above we show Free Cash Flow Per Share (CPS) based upon current NoSh, expected dilution (Exp D) and full dilution (FD). P/CPS uses the implied "close price" which is the mid-point of our valuation range as per front page and this page.

## Investment Case – 1Q19 Highlights

### Competitive background

RMX is an advanced gold explorer that owns blocks in the prolific Red Lake gold district in northwestern Ontario, Canada. The land blocks total 28,266 ha of prospective gold bearing properties, accounting for ~40% of the entire regions claims. The Red Lake Gold District is one of the richest (high-grade) gold producing regions globally having produced over 29 Moz of gold. The Company's goal is to position itself as a mid-tier gold company via advancement of its flagship Phoenix Gold Project to commercial production over the next 2-3 years. A 2019 updated mineral resource estimate on the project showed a 110% increase in reserves with potential for further expansion and improvement in classifications. The management team noted that the Project has potentially robust economics - mining infrastructure and sunk capital that is already in place to the value of ~C\$770m, reducing the amount of required production capex.

### Updated mineral study 1Q19

During 1Q the company reported an updated Mineral Resource Estimate showing substantial growth in ounces (~110%) and a robust conversion rate of Inferred resources to the M&I categories. M&I resources increased 113% and Inferred resources rose 81%. The positive bulk sample results delivered tonnes, grade and ounces that were 7.4%, 5.9%, and 13.8% higher than forecast.

### Commencement of PEA study

The PEA is a key milestone and is scheduled for release 2H19. RMX noted that there is further upside exploration potential in areas within proximity to the Phoenix project. RMX will continue its drilling program, aiming to expand M&I Resources to a threshold of more than 650k vs. the current ~589k Au ounces, which RMX believes is the required level to advance the project to the Feasibility Study (FS) stage. Rubicon has significant infrastructure already in place including an operational shaft and other underground infrastructure. This provides the opportunity to move the project into commercial production in a short time frame and at lower construction risk than other development-stage peers.

### Exploration Upside Potential

RMX has identified several highly prospective grassroots exploration targets, mostly close proximity targets, within 2 km of the Phoenix Gold Project.

### Strong balance sheet 1Q19

1Q19 C&CE and short-term investments ~C\$11m.

## Catalysts

Release of PEA study in 2H19; updated project economics including preliminary production profile; decision on feasibility study; exploration upside from nearby proximity targets.

## Operational Strategy

*RMX is targeting commercial production at Phoenix in the next 2-3 years.*

Rubicon Minerals Corp is a junior gold exploration company focused on the Phoenix gold project in the prolific Red Lake District in Ontario, Canada. Phoenix features strong potential economics, including low capex requirements with only minor refurbishment needed at an existing, fully permitted mill. RMX's operational strategy primarily revolves around two key initiatives:

- 1) Advancement of the Phoenix Gold Project to commercial production and;
- 2) Organic growth with exploration targets within 2 km of the Phoenix Gold Project.

The **NI 43-101** Technical Report filed during 1Q19 showed a significantly improved resource estimate for the Phoenix Gold Project. Please note that the base-case scenario for the 2019 Mineral Resource Estimate is at the 3.0 g/t Au cut-off.

### Exploration Upside Potential

*Strong exploration upside in close proximity targets*

Exploration upside is a key part of the story as multiple, stacked veins appear open along the strike and to depth. RMX noted excellent potential within McFinley Deep and other close proximity targets and the vast land package in the Red Lake Gold camp. The company has identified several highly prospective grassroots exploration targets. Most of these are close proximity targets within 2 km of the Phoenix Gold Project. Targets were evaluated and prioritized by an exploration consultant with +20 years of experience in Red Lake.

### Strong balance sheet 1Q19

*Net debt of just C\$2.4 million; provides ample balance sheet flexibility*

As of end 1Q19, the Company had cash and cash equivalents and short-term investments of ~C\$11m. The management noted that it has sufficient financial resources to carry out the 2019 planned activities which include - release of the PEA in 2H19, the continued exploration throughout 2019 at Phoenix Gold Project and other targets within 2 km from the Phoenix project.

#### Exhibit 1: 2019 Updated Mineral Resource Estimate

	Quantity (000't)			Grade (g/t Au)			Contained Gold Oz (000)		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
<b>3.0 g/t Au</b>									
Measured (M)	442	188	135%	6.99	6.80	3.0%	99	41	141%
Indicated (I)	2,485	1,186	110%	6.13	6.30	-3.0%	490	240	104%
<b>Total M+I</b>	<b>2,927</b>	<b>1,374</b>	<b>113%</b>	<b>6.26</b>	<b>6.37</b>	<b>-2.0%</b>	<b>589</b>	<b>281</b>	<b>110%</b>
<b>Inferred</b>	<b>2,570</b>	<b>3,884</b>	<b>-34%</b>	<b>6.53</b>	<b>6.00</b>	<b>9.0%</b>	<b>540</b>	<b>749</b>	<b>-28%</b>
<b>3.5 g/t Au</b>									
Measured (M)	355	155	116%	8.18	7.54	8.0%	88	38	132%
Indicated (I)	1,954	964	103%	6.92	7.01	-1.0%	435	217	100%
<b>Total M+I</b>	<b>2,289</b>	<b>1,119</b>	<b>105%</b>	<b>7.11</b>	<b>7.08</b>	<b>0.0%</b>	<b>523</b>	<b>255</b>	<b>105%</b>
<b>Inferred</b>	<b>2,038</b>	<b>3,146</b>	<b>-35%</b>	<b>7.39</b>	<b>6.64</b>	<b>11.0%</b>	<b>484</b>	<b>672</b>	<b>-28%</b>
<b>4.0 g/t Au</b>									
Measured (M)	267	129	107%	9.32	8.29	12.0%	80	35	129%
Indicated (I)	1,575	779	102%	7.69	7.78	-1.0%	389	195	99%
<b>Total M+I</b>	<b>1,842</b>	<b>909</b>	<b>103%</b>	<b>7.92</b>	<b>7.86</b>	<b>1.0%</b>	<b>469</b>	<b>230</b>	<b>104%</b>
<b>Inferred</b>	<b>1,671</b>	<b>2,556</b>	<b>-35%</b>	<b>8.19</b>	<b>7.31</b>	<b>12.0%</b>	<b>440</b>	<b>601</b>	<b>-27%</b>

Source: ACF Estimates, Company Reports.

## Valuation Cash Flow Model

Exhibit 2: RMX Cash Flow Model

CAD (M)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	0	0	0	75	75	86	86	86	86	86	96	96	96	96	64	43
Refining and royalty cost	0	0	0	-2	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-2	-1
Mining Cost	0	0	0	-19	-19	-21	-21	-21	-21	-21	-24	-24	-24	-24	-16	-11
Processing Cost	0	0	0	-5	-5	-5	-5	-5	-5	-5	-6	-6	-6	-6	-4	-3
G&A	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Capital	0	-10	-15	-4	-4	-4	-4	-4	-4	-4	-5	-5	-5	-5	-3	0
<b>Cash flow pre-tax</b>	<b>0</b>	<b>-10</b>	<b>-15</b>	<b>44</b>	<b>44</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>38</b>	<b>27</b>
Taxes	0	0	0	0	0	0	0	0	0	0	-17	-17	-17	-17	-11	-8
Tax rate (%)	-	-	-	-	-	-	-	-	-	-	0	0	0	0	0	0
<b>Cash flow after-tax</b>	<b>0</b>	<b>-10</b>	<b>-15</b>	<b>44</b>	<b>44</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>27</b>	<b>19</b>
NPV	0	-9	-12	32	29	30	27	25	23	21	15	13	12	11	7	4
<b>Total NPV</b>	<b>229.3</b>															
Cash	8.3															
Debt	13.4															
<b>Implied equity</b>	<b>224.2</b>															
Shares (mn)	75.5															
<b>Fair value per share (C\$)</b>	<b>2.97</b>															
Close Price C\$	0.94															
<b>VR (low-high)</b>	<b>2.82</b>	<b>3.12</b>														
VR Spread	5%															
Implied VR Return (low - 200%)	232%															

Source: ACF Estimates, Company Reports.

Compared to our 16<sup>th</sup> July 2018 Initiation report, we have pushed out revenue generation by 12 months but assumed a higher production rate based on increased resource estimates provided by RMS and third-party geology reports, leading to a revised higher valuation.

*Increased resource estimates lead to an upward revision of our valuation in spite of revenue generation delayed by 12 months.*

Our calculation considers LOM average production of 45k oz/yr over a 13-year mine life from a 5.4 Mt, 6.4 g/t mineral resource inventory. We assume royalty, refining and transportation cost C\$57/oz, mining cost at C\$97/t, processing cost at C\$24/t, SGA at C\$6/t and sustaining capital at C\$20/t. Using our base case assumptions of US\$1,400/oz gold price, US\$0.77/C\$ and 10% discount rate, Phoenix project generates a post-tax NPV of ~C\$229m. We believe our production numbers are conservative and could be expanded with additional exploration success leading to higher production rates.

## Financial Projections annual

P&L CAD (m)	2017A	2018A	2019E	2020E	2021E
<b>Revs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
gr%	NM	NM	NM	NM	NM
SGA	-19	-24	-6	-17	-16
<b>EBITDA</b>	<b>-19</b>	<b>-24</b>	<b>-6</b>	<b>-17</b>	<b>-16</b>
% Revs	NM	NM	NM	NM	NM
FV adj.	0	0	0	0	0
% Revs	0%	0%	0%	0%	0%
<b>EBIT</b>	<b>-19</b>	<b>-26</b>	<b>-8</b>	<b>-19</b>	<b>-18</b>
EBT	-19	-26	-8	-19	-18
% Revs	NM	NM	NM	NM	NM
ETR	-7%	-5%	0%	0%	0%
<b>NI</b>	<b>-17</b>	<b>-25</b>	<b>-10</b>	<b>-23</b>	<b>-23</b>
% Revs	NM	NM	NM	NM	NM
Adj EPS (p)	-0.24	-0.35	-0.15	-0.33	-0.32
Basic EPS (p)	-0.24	-0.35	-0.15	-0.33	-0.32
Diluted EPS (p)	-0.23	-0.32	-0.14	-0.31	-0.30
<b>Balance Sheet CAD (m)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Investments	25	24	23	22	21
Rev Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Rev Yield 1 yr fwd	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Fixed Assets</b>	<b>25</b>	<b>24</b>	<b>23</b>	<b>22</b>	<b>21</b>
Current assets	1	1	1	1	1
Assets held for sale	0	0	0	0	0
Cash	5	11	22	25	4
<b>Total Current Assets</b>	<b>6</b>	<b>12</b>	<b>23</b>	<b>26</b>	<b>5</b>
<b>Total Assets</b>	<b>30</b>	<b>36</b>	<b>46</b>	<b>48</b>	<b>26</b>
Creditors	2	3	3	3	3
Provision & other liabil	8	8	8	8	8
Loans	13	14	34	59	59
<b>Total Liabilities</b>	<b>22</b>	<b>24</b>	<b>45</b>	<b>70</b>	<b>70</b>
<b>Net Assets</b>	<b>8</b>	<b>11</b>	<b>1</b>	<b>-22</b>	<b>-44</b>
Share Capital	732	746	746	746	746
Accum. Profit/(loss)	-755	-780	-790	-813	-835
<b>Total Equity</b>	<b>25</b>	<b>17</b>	<b>6</b>	<b>-17</b>	<b>-39</b>
<b>Total Equity &amp; Liabilities</b>	<b>48</b>	<b>41</b>	<b>51</b>	<b>53</b>	<b>31</b>
Basic NAV (p)	0.4	0.2	0.1	-0.2	-0.6
Diluted NAV (p)	0.3	0.2	0.1	-0.2	-0.5
<b>Cash Flow CAD (m)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
EBT Profit/(loss)	-19	-26	-8	-19	-18
Finance costs	1	0	-3	-5	-5
<b>FV adj. + Other adj.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash Taxes	1	1	0	0	0
WCap change	1	1	0	0	0

Source: ACF Estimates, Company Reports.

## Notes – [Intentionally Blank]

## INDEPENDENCE & DISTRIBUTION

ACF Equity Research Ltd is a provider of issuer-pays research with a clearly defined independent ethic. ACF produces accurate, clear, focused research aimed at a professional investment audience. ACF has excellent distribution capabilities and always aims to provide access without restriction to the widest professional audience. ACF offers a range of additional services to support its clients.

## DISCLAIMER

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. [The opinions expressed in this report herein do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein.] ACF Equity Research Ltd has based this document on information obtained from sources it believes to be reliable, but which it has not independently verified. Neither ACF Equity Research Ltd. nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. [Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by ACF Equity Research Ltd. with respect to future performance. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.]

## IMPORTANT DISCLOSURES FOR U.S. INVESTORS

This research report was prepared by ACF Equity Research Ltd., a company authorized to engage in securities activities in the United Kingdom. ACF Equity Research Ltd. is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through, a registered broker-dealer in the United States. The analyst who prepared this research report is not registered or qualified with the Financial Industry Regulatory Authority ("FINRA") and may not be associated with a U.S. broker dealer and as such, would not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

[Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.]

## LEGAL NOTICE

This report is for authorized use by the intended recipient(s) only. It may contain proprietary material, confidential information and/or be subject to legal privilege. No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of ACF Equity Research Ltd. and ACF Equity Research Ltd. accepts no liability whatsoever for the actions of third parties in this respect.

#### **IMPORTANT ADDITIONAL DISCLOSURES FOR U.K. INVESTORS**

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe or in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the investment research. ACF Equity Research Limited is authorised and regulated by the Financial Conduct Authority. However the contents of this research report are produced as if ACF Equity Research Limited is unregulated and consequently this report does not contain investment recommendations or ratings.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Copyright © 2019 ACF Equity Research all rights reserved. Additional information is available upon request.

Copyright 2019 ACF Equity Research Ltd. All rights reserved.

**ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.**

**Tel: +44 (020) 7558 8974**

**Website: [www.acfequityresearch.com](http://www.acfequityresearch.com)**