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Rambler Mining – working steadily towards re-opening the Ming Mine

by David Rowland



Rambler: hardly an inspiring moniker for any project, but progress at Rambler Metals and Mining has been neither leisurely nor directionless. In a nutshell, Rambler is a single-project company in the throes of re-opening a historic copper mine of the same name on Newfoundland's Baie Verte Peninsula. Progress has been excellent and mining should start in Q4 2009 or Q1 2010.

The story to date.

A little history will help us understand the challenges and potential pitfalls.

Mining at the Rambler property has been a stop-start affair. Operations at the Main mine originally started in 1964 with the linchpin Ming mine following in 1972, halting abruptly in 1982 upon reaching the property boundary. Mining briefly resumed between 1995 and 1996 when the adjoining Ming West opened, but the near-surface resource was soon exhausted. By this

time low commodity prices prohibited further exploration or development, so the mine was abandoned and all sections allowed to flood.

2001 proved to be a watershed year. The government decided to consolidate the old mines with the next-door properties as part of a wider review, and Altius Minerals picked it up. Rather than develop it itself, in 2003 Altius sold the project on to Rambler for shares. Rambler listed first on the TSX and later on AIM in April 2005, and set about proving up enough resource to justify reopening.

Several years of hard work later, it seems to be paying off. According to SRK's promising scoping study a month or so ago, drilling (over 91km of it) has proved up a viable initial resource and identified extensions to mineralisation. The Ming Mine has been dewatered, initial equipment ordered and some key management positions filled, but there is still plenty to do before mining becomes actuality.

The technical stuff.

The April 2008 NI 43-101 resource amounts to over 13 MT at weighted grades of 1.77% copper and 0.36g/t gold, the gold being a small but handy bonus. These grades are modest for an underground project. However, the headline figures disguise a more complicated situation with very down-to-earth consequences.

The great bulk (>80%) of the drilled resource is located in the Lower Footwall Zone (LFZ), with rather moderate grades driving down the average. Development 'should' still be economic if copper prices remain firm, but capex and time requirements to put this into production at 4,000 tpd – no mean operation – threaten to be considerable, at a time when banks are hesitant to lend.



Fortunately this is not the whole story, and here's where the fun starts. The most interesting of several other areas is the 1807 Zone, where two-thirds of the small 0.34MT massive sulphide resource is in the measured category. In the 1807 Zone, weighted grades average -4.33 % copper and 1.9 g/t gold – more than double the LFZ grades. In addition, the Upper Footwall Zone houses 0.39MT at 3% copper, which would be next to be exploited, followed by another similarly sized block of Massive Sulphide nearby. By then, cashflow should then allow the rest of the deposit to be mined.

The upshot is that management has decided to postpone LFZ development and concentrate instead on a less ambitious near-term operation of roughly 500tpd. The company will then use its free operations cashflow to expand into the large lower grade footwall deposit when market conditions are favourable.

Capex will be of the order of US\$20m – a fraction of the original planned cost. A senior mine planner has already been hired. Ground conditions after the dewatering are said to be excellent and it's full speed ahead with a feasibility study. Development out to the 1807 Zone should be complete by October, but unfortunately cashflow will have to wait for a year after that.

There are a number of advantages to targeting the 1807 Zone first, beyond earlier cashflow. Access drifts out to this zone will also act as exploration platforms to probe the extent of the 1807 Zone mineralization, which remains open both up-plunge and down-plunge. Contractors have been brought in to operate a second (smaller) underground drill rig and perform an underground Titan 24 geophysics programme.

Part of the fun is that drifting may intersect two other small separate VMS deposits, the so-called 1805 and 1806 Zones. At other levels, in certain places these have been shown to contain visible gold, so the next two months should keep Rambler's geologists more than interested.

Back to more prosaic matters, CEO and President George Ogilvie expects 90% recoveries and cash costs of \$70/t, leaving annual profits in excess of \$30m, using conservative metal price assumptions.

Management.

Experience eventually teaches investors to place a hefty premium on the track record of the Board of Directors. Those who have achieved in the past are much more likely to do so in the future, and here Rambler really scores. The Chairman is the famous Harry Dobson, who currently also runs Kirkland Lake Gold, a little company with a market cap of C\$540m.

A point well worth mentioning is SRK's opinion of the operating staff, for which Ogilvie can take credit. To quote the Scoping Study, "Geological modelling based primarily on high quality Rambler drill data has delineated, with confidence, a resource of merit. The exploration program has been conducted according to industry standards by a highly competent and professional geological team." Truly fulsome praise for SRK.

Challenges.

First, Rambler will need to raise equity sometime in 2009. Some may be equity-based, but forward sales are also a possibility.

Secondly, the pressure is on to complete a feasibility study as soon as possible. Rambler has plenty of ore but nowhere to mill it, so the old mill 3km away will be cannibalised and the salvageable components used to reconstruct a 1000tpd facility on Rambler's own brown field site.

Alongside that, environmental permitting needs to be obtained as soon as possible. To this end, a Fish Habitat study of the waters around the mine, which will determine where the tailings dam is ultimately located, should report in September. Metallurgy of the high-grade sulphides also needs finalising.

Thirdly, the existing 1807 Zone resource will last two years at planned mining rates. Resource tonnage will need to be enlarged as soon as possible, and a feasibility study completed. However the known UMFZ and MMS will provide an additional 6 years of mining at 500 mtpd.



Fourthly, Rambler will eventually need to recruit mineworkers, but according to Mr Ogilvie this hardly represents a challenge. Many Newfoundlanders are employed at Alberta oil sands projects on the other side of Canada and more than keen to return home. There is no question that Rambler enjoys both political and community support.

The Investment Case.

Like every other mining explorer and developer, Rambler's share price has taken a beating, and there are funds to be raised yet. Rambler's projected 2009 exploration budget alone exceeds US\$7m. Nevertheless, management appears excellent at every level; the company has delivered on time and seems to take a commendably pragmatic approach.

For those who place faith in such things, Seymour Pierce published a 31-page Broker's Note on Rambler in May this year with an 83p (CAD1.66) target price. For the time being, the market is totally sceptical of all valuations, but sooner or later it will change.