



18 October 2018
For Immediate Release

RAMELIUS RESPONSE TO EXPLAURUM TARGET'S STATEMENT

Highlights

- Explaurum have delayed key information milestones beyond the end of the initial Offer period of 25 October 2018
- Ramelius Takeover Offer for Explaurum now extended to 23 November 2018
- Allows Explaurum shareholders to form a view based on the Ramelius response to the Explaurum Target's Statement, contained below
- Allows Explaurum Board additional time to consider merits of a dialogue with Ramelius

18 October 2018

ISSUED CAPITAL

Ordinary Shares: 528M

DIRECTORS

NON-EXECUTIVE CHAIRMAN:

Kevin Lines

NON-EXECUTIVE DIRECTORS:

Michael Bohm

David Southam

MANAGING DIRECTOR:

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Explaurum Target's Statement

Ramelius Resources Limited (ASX: RMS) provides this update on the Company's Offer to acquire the shares in Explaurum Limited (ASX: EXU) as announced on 10 September 2018 and detailed in the Bidders Statement released on the same day.

On 12 October 2018, Explaurum released a Target's Statement to shareholders that made a number of statements regarding the Ramelius Offer (the "Offer"). Ramelius makes the following comments around the key statements listed on page 7 of Explaurum's Target's Statement:

- 1 *"The Offer Consideration is inadequate and does not reflect the underlying value of Explaurum's Tampia Gold Project and the potential exploration upside"*
 - Ramelius believes the current consideration represents excellent value for Explaurum shareholders particularly when considering:
 - a) the 66.2% premium to Explaurum's closing share price of 7.4 cents on 7 September 2018, being the last trading day prior to the Offer being announced
 - b) the uncertainty regarding the ability of Explaurum to independently develop Tampia particularly given the likely requirement to raise substantial amounts of new equity, most likely at a discount to the pre-Offer share price
 - c) the potential synergies with existing Ramelius operations and the strong financial position of Ramelius which may enable an earlier start date to the development of the Tampia Hill project
 - Explaurum relies on numerous "undervalue" statements that are not supported by a quantitative assessment within the Offer period but instead point to the "potential to increase" value at a point in the future

- Explaurum refers to the “ungeared post-tax value” of the Tampia Gold Project, yet provides no additional information as to how the project will be funded and the consequential effect on underlying value per share as a result of this funding process
- Explaurum has failed to provide an independent assessment or basis for its “undervalue assertions” and there is no certainty that such assessment will be provided in the future.
- Ramelius notes that the volume weighted share price of Explaurum since the announcement of the offer has traded at a discount to the volume weighted implied Ramelius Offer price over the same period. Further, Explaurum itself acknowledges that, but for the existence of the Offer, the EXU share price may fall.
- Explaurum has failed to provide any basis for its assertion that Mace will deliver a JORC-compliant mineral resource of any nature.

2 *“The timing of the Offer is highly opportunistic and made at a time when not all potentially material information is available to Explaurum Shareholders”*

- Ramelius engaged in an initial dialogue with Explaurum management on 14 June 2018, post the release of the Tampia Feasibility Study on 30 May 2018. After several efforts to engage in dialogue with the Explaurum Board, including efforts to exchange data under a Confidentiality Agreement, Ramelius subsequently made the Offer direct to shareholders. Ramelius believed Explaurum was not in possession of any additional material information that had not already been released to the ASX under its continuous disclosure obligations.

3 *“By accepting the Offer without all potentially material information, Explaurum Shareholders risk making a decision which is not fully informed and will not be able to accept a superior offer from another bidder if such an offer is made”*

- Explaurum has been afforded considerable time in which to articulate to its shareholders the value within its current asset base and at this stage no alternative offers, superior or otherwise, have been presented to their shareholders.

4 *“Ramelius’ plan for the future development and operation of the Tampia Gold Project and the Mace Discovery is uncertain”*

- Ramelius’ development and operating intentions for Tampia are straightforward:
 - a. The Company intends to conduct a thorough review of the merits of Explaurum’s current plans to develop the Tampia Hill project on a stand-alone basis.
 - b. If, as a result of this Strategic Review, alternate development paths - with superior economic outcomes - present themselves, then Ramelius will make capital and development decisions in the best interests of all stakeholders, including shareholders and the local communities.
 - c. As an experienced developer and miner of gold projects, Ramelius is comfortable that this process will be robust and defensible irrespective of the final development decision.
- Ramelius produced over 200,000 oz of gold in FY2018 and finished the September 2018 quarter with more than A\$100M in cash and gold. Ramelius is an experienced operator in a very strong financial position. As a result, it can, with confidence, deploy capital in a manner that provides a large degree of certainty around the development of Tampia Hill and other projects within the vicinity of its existing Edna May mine, be it on a stand-alone basis or by accessing potential benefits through the use of existing infrastructure.

5 *“Explaurum has an existing clear strategy and plan to develop the Tampia Gold Project”*

- Explaurum has not articulated a plan as to how they intend to fund and construct the development of the Tampia gold project in a manner that adds value for shareholders over and above the Ramelius Offer; particularly once the effect of share price dilution from capital raisings, potential financial structuring imposts of corporate debt and a requirement for additional working capital over and above initial project capital expenditure are considered.
- Ramelius highlights that whilst the upfront capital of Tampia Hill is \$118.5 million, the actual funds required to establish the project, satisfy any upfront debt servicing requirements, adequately continue exploration and cover

corporate overheads may be materially higher. This total funding requirement needs to be disclosed to the market so EXU shareholders can adequately value the development alternatives.

6 *“By accepting the Offer and becoming a Ramelius Shareholder, Explaurum Shareholders would reduce their exposure to the Tampia Gold Project - a higher grade, longer life asset with forecast lower operating costs than the Ramelius assets – and the Mace Discovery”*

- Ramelius sees the reduction of funding risks for project development and the potential synergies associated with the use of the existing Edna May infrastructure as more than offsetting any material dilution of relevant interests in Tampia, which would likely occur if Tampia was to remain independently held.

Further to this, Ramelius provides the following commentary in regard to the statements on page 8 and 9 of Explaurum’s Target’s Statement:

Section 1.1 of Target’s Statement

“Disproportionate contribution to the merged group – Explaurum would contribute 41% of the merged groups attributable reserves yet only receive a shareholding of 19% of the merged group”

- Reserves are not the only measure of contribution to a merged entity, noting that currently Explaurum only owns 90% of the undeveloped Tampia Reserves, and Explaurum’s contribution to other key metrics such as mineral resources, exploration tenure, cash, operating revenue, cash flow and net assets is considerably lower, or indeed, nil.

“Asset quality – Ramelius’ operating mines, taken together, have a shorter Reserve life (including 2.5 years for Edna May underground), higher AISC (\$1,191/oz overall AISC in 2018); \$1,242/oz AISC forecast for Edna May underground) and lower grade Reserves (overall grade of 1.6g/t for Ore Reserves, with Edna May’s overall grade at 1.1g/t) compared to the Tampia feasibility study. Your directors believe that the Offer does not appropriately compensate Explaurum Shareholders for the dilution in asset quality”

- Ramelius’ assets have delivered \$92.9M of operating cashflow in the past four financial years at an AISC of between A\$1,150-\$1,200/oz and total Ore Reserves are at the highest point in the Company’s history. The ability of Explaurum to deliver on the feasibility studies’ capital costs, development timeline and projected AISC present a significant risk, as highlighted by recent new projects in Western Australia where additional equity has been required to fund cost over-runs and project delays stemming from inherent risks around plant commissioning costs and time frames.

“Operational risks – Edna May’s transition from an open pit mine to an underground mine presents operational risk that have not yet been fully addressed by Ramelius”

- Ramelius has successfully transitioned from open pit to underground mining at the Wattle Dam (2008) and Vivien (2014) operations and is currently in progress to do the same at the Shannon project at Mt Magnet. Ramelius believes it has the management team and operational skillset to smoothly transition at Edna May.

Extension of Offer Period

On 10 September 2018 Ramelius Resources Limited (ASX:RMS) announced its intention to make an off-market takeover bid for all of the fully paid ordinary shares in Explaurum Limited (ASX: EXU) (“The Offer”).

Ramelius has extended the closing date of the Offer to 23 November 2018 in order to allow for:

- Explaurum shareholders being able to consider the Ramelius response to a number of the statements in the Explaurum Target’s Statement (as outlined in this ASX Release);
- Further dialogue with the Explaurum Board in the event that they wish to engage to add additional value for their shareholders by more clearly articulating their view on value to Ramelius.

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