

30 Nov 2016

Share Price	\$0.490
Valuation	\$0.58
Price Target (12 month)	\$0.58

Brief Business Description:
Gold producer & developer

Hartleys Brief Investment Conclusion
Mispricing of Ramelius due to perceptions of a short mine life won't last as cash accumulates and Mt Magnet and Vivien continue to deliver.

Chairman & MD
Robert Kennedy (Chairman)
Mark Zepfner (MD)

Top Shareholders
Board & Management 3.0%

Company Address
Level 1, 130 Royal St
East Perth, WA, 6004

Issued Capital 525.0m
- fully diluted 531.0m

Market Cap A\$257m
- fully diluted A\$260m

Cash (30 Sep 16a) A\$89m

Debt (30 Sep 16a) A\$0m

EV A\$168m

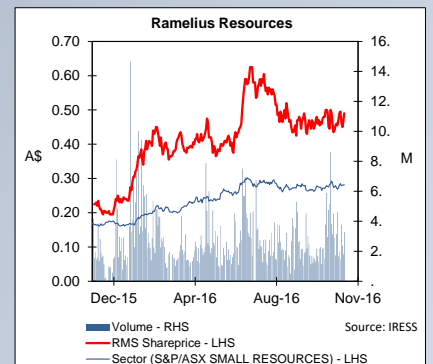
EV/Resource Au oz A\$77/oz

EV/Reserve Au oz A\$404/oz

Prelim. (A\$m)	FY16a	FY17e	FY17e
Prod (koz Au)	112	135	130
Op Cash Flw	68	92	68
Norm NPAT	33	63	32
CF/Share (cps)	12.8	17.3	12.8
EPS (cps)	6.2	11.9	6.0
P/E	7.9	4.1	8.2

Resources (Moz) Au 2.20

Reserves (Moz) 0.42



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Hartleys has assisted in the completion of part of capital raisings in the past 12 months for RMS, for which it has earned fees. See backpage for details.

RAMELIUS RESOURCES LTD (RMS)

Production up, cash up, mine life increasing.

Having increased its gold production rate, from 85,000 ounces in FY2015 to a forecast 135,000 ounces in FY2017, Ramelius is in position to extend the mine schedule at Mt Magnet beyond 2020.

Mount Magnet is a gold camp with +6Mozs of past production. Ramelius continues to define and draw on near surface BIF and porphyry mineralisation; mainly extensions to the ~40 pits mined in the main 10x10km lease area. The current mainstay Perseverance pit is due to be completed in December 2016. Blackmans (30km north of the mill) and Titan will be completed by late 2017. Pits at Milky Way and Morning Star are planned to replace them, maintaining 1.0-1.2 Mtpa open pit ore production at ~1.8 g/t and 6:1 SR out to Dec 2018, on reserves. On the basis of recent drilling, Ramelius is confident mining at each of Milky Way and Morning Star will extend through to 2020. Other porphyry hosted (bulk tonnage) prospects, such as Stellar, are being assessed as potential post 2020 feed.

Underground development of Water Tank Hill at Mt Magnet began in November 2016. Extraction of up to 160ktpa at 5g/t is planned from June 2017. Meanwhile Ramelius is scoping larger scale plans at the deeper extension (1,000-1,500 mbs) to Morning Star (1.5 Mozs past production).

The Vivien underground mine is ramping up to full production in the Dec 2016 quarter. Vivien ore is trucked to Mt Magnet, where it is expected to yield about 55kozpa. Vivien has a +10g/t, +4m wide core and lower grade flanks. Encouraged by the initial drives and with the aid of a higher gold price, Ramelius is extending the Vivien mine plan out to 2020, relying only on lateral development above 350 metres below surface. Vivien shows no evidence of waning with depth and remains open beneath 350 mbs. Extension drilling from underground is planned in the remainder of FY2017.

Production at Mt Magnet (incl. Vivien) is forecast to stay in the 130-140kozpa channel, with AISC in the A\$1,000-1,200/oz range out to FY2020.

Ramelius increased its cash position to \$89M at the end of Sept'16, with help from a A\$23M net raising in July. Hartleys' projected June'17 cash balance is A\$110M, after A\$15M exploration and A\$50M capex in FY17. Ramelius is assessing opportunities to apply its operating capabilities to new projects.

Not a bad view from the plateau

Ramelius delivered above June'15 guidance in FY2016 (~+10% produced ounces) and forecasts here suggest production will outperform (~+3-5%) again in FY2017. This record shores up confidence in Ramelius' reserve base, mine plans and exploration prospects. Projected output shows a plateau, but at a profitable level from which Ramelius can look further ahead at Mt Magnet and Vivien, and expand its sphere of influence.

Ramelius is undervalued according to DCF analysis using spot prices, which is an unusual situation for profitable +100,000ozpa gold miners. Continued good performance in coming quarters, both from production and exploration, should address the apparent mispricing.

Accumulate recommendation installed with a 12 month price target of 58c, underpinned by a base case NAV of 58cps.

SUMMARY MODEL

Ramelius Resources							
RMS							
Market Information							
Share price		\$0.49					
Market Capitalisation		\$260m					
Net cash (debt) June 2016		\$69					
Issued Capital (fully diluted)		531m					
EV		\$192m					
Valuation		0.58					
12 month price target		\$0.58					
Profit & Loss							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
Net Revenue	ASM	180	224	225	235	176	
Forward sales	ASM	-2	0	-4			
Total Costs	ASM	-110	-133	-154	-151	-126	
EBITDA	ASM	68	92	68	84	49	
- margin		38%	41%	30%	36%	28%	
Depreciation/Amort	ASM	-38	-30	-31	-31	-29	
EBIT	ASM	30	62	37	53	20	
Net Interest	ASM	1	2				
Pre-Tax Profit	ASM	31	63	37	53	20	
Tax Expense	ASM	2		-5	-16	-6	
NPAT	ASM	33	63	32	37	14	
Abnormal Items	ASM						
Reported Profit	ASM	33	63	32	37	14	
Balance Sheet							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
Cash	ASM	44	112	175	254	289	
Other Current Assets	ASM	25	25	25	25	25	
Total Current Assets	ASM	69	137	200	279	314	
Property, Plant & Equip.	ASM	92	97	72	41	12	
Investments/other	ASM	35	35	35	35	35	
Tot Non-Curr. Assets	ASM	127	132	107	76	47	
Total Assets	ASM	196	269	307	355	361	
Short Term Borrowings	ASM						
Other	ASM	28	28	28	28	28	
Total Curr. Liabilities	ASM	28	28	28	28	28	
Long Term Borrowings	ASM						
Other	ASM	39	39	39	39	39	
Total Non-Curr. Liabil.	ASM	39	39	39	39	39	
Total Liabilities	ASM	66	66	66	66	66	
Net Assets	ASM	129	203	240	289	295	
Cashflow							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
Operating Cashflow	ASM	68	92	68	84	49	
Income Tax Paid	ASM				-5	-16	
Interest & Other	ASM	1	2				
Operating Activities	ASM	69	93	68	79	33	
Property, Plant & Equip.	ASM	-49	-35	-5			
Exploration	ASM	-5	-15				
Asset sales	ASM						
Investments	ASM						
Investment Activities	ASM	-54	-50	-5			
Borrowings	ASM	-1					
Equity	ASM	1	23				
Financing Activities	ASM	0	23				
Net Cash Change	ASM	15	67	63	79	33	
Shares							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
Ordinary Shares - End	M	473	527	528	530	531	
Ordinary Shares - Weighted	M	469	527	528	530	531	
Diluted Shares - Weighted	M	479	531	531	531	531	
Ratio Analysis							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
GCFPS	A¢	12.8	17.3	12.8	15.8	9.3	
CFR	X	3.8	2.8	3.8	3.1		
EPS	A¢	6.2	11.9	6.0	7.0	2.6	
PER	X	7.9	4.1	8.2	7.0		
DPS	%	na	na	na	na	na	
Yield	%	na	na	na	na	na	
Interest Cover	x	na	na	-	-	-	
ROCE	%	24%	47%	35%	70%	42%	
ROE	%	24%	31%	15%	18%	7%	
Gearing	%	-	-	-	-	-	
*All values fully diluted unless otherwise stated							
Debt/Equity		-	-	-	-	-	
Directors							
Robert Kennedy (Chairman)							
Mark Zepfner (MD)							
Michael Bohm (Non-Exec Director)							
Kevin Lines (Non-Exec Director)							
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						East Perth, WA, 6004	
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						+61 8 9202 1138	
						www.rameliusresources.com.au	
Top Shareholders							
		m shares		%			
Board & Management		15.9		3.0%			
Production Forecasts							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
Mill Throughput	Mt	1.7	1.7	1.6	1.6	1.5	
Mined grade	g/t	2.24	2.69	2.68	2.68	2.25	
Met recovery	%	0.94	0.94	0.94	0.94	0.94	
Gold	(koz)	112	135	130	130	105	
Mine Life	yr	4.2	3.2	2.4	1.4	0.4	
Costs							
		Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
Cost per milled tonne	\$/t	60	72	89	87	74	
EBITDA / tonne milled ore	\$/t	40	55	42	52	32	
Total cash costs	\$/oz	982	984	1184	1164	1202	
C1: Operating Cash Cost = (a)	\$/oz	862	902	1098	1076	1109	
(a) + Royalty = (b)	\$/oz	907	948	1145	1125	1155	
C2: (a) + depreciation & amortisation = (c)	\$/oz	1201	1124	1333	1311	1388	
(a) + actual cash for development = (d)	\$/oz	1300	1161	1137	1076	1109	
C3: (c) + Royalty	\$/oz	1245	1170	1381	1360	1434	
(d) + Royalty	\$/oz	1344	1207	1184	1125	1155	
All in sustaining costs (AISC)	\$/oz	1112	1039	1159	1123	1134	
Price Assumptions							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
AUDUSD		0.74	0.75	0.75	0.76	0.76	
Gold	US\$/oz	1182	1246	1300	1375	1275	
Gold	A\$/oz	1608	1662	1733	1809	1671	
Hedging							
	Unit	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	
Hedged sales	koz	45	55	54			
Hedged price	A\$/oz	1561	1666	1666			
Hedge gain/(loss)	ASM	-2	0	-4			
Hedged %		40%	41%	42%			
Sensitivity Analysis							
		Valuation		FY18 NPAT			
Base Case		0.58		31.9			
	Sens	-10%	+10%	Sens	-10%	+10%	
US Gold price +/-10%		19%	0.47	0.69	30%	22.2	41.6
AUDUSD +/- 10%		19%	0.47	0.69	30%	22.2	41.6
Production +/-10%		9%	0.53	0.63	19%	25.9	37.9
Operating Costs +/-10%		16%	0.49	0.67	32%	21.7	42.1
Spot price			0.52			25.8	
Unpaid Capital							
Expiry year		No. (M)	\$M	Avg ex.	% ord		
30-Jun-17		1.5	0.4	0.25	0.3%		
30-Jun-18		1.5	0.4	0.30	0.3%		
30-Jun-19		1.5	0.3	0.20	0.3%		
30-Jun-20		1.5	0.3	0.20	0.3%		
Total		6.0	1.4	0.24	1.1%		
Reserves & Resources June '16							
	Mt	g/t Au	Koz	Mkt cap/oz			
TOTAL RESOURCE	29.3	2.3	2,196	118			
Measured	2.3	2.3	172				
Indicated	15.7	2.5	1,262				
Inferred	11.2	2.1	762				
INCLUDES TOTAL RESERVE	5.6	2.3	417	625			
Open pit	4.5	1.8	256				
Underground	0.7	6.6	152				
Stockpile	0.3	0.9	9				
Hartleys model June '16							
	Mt	g/t Au	Koz	Mkt cap/oz			
TOTAL INVENTORY	6.8	2.9	640	407			
Open pit	4.9	1.8	281				
Underground	1.7	6.6	350				
Stockpile	0.3	0.9	9				
Share Price Valuation (NAV)							
		Risked Est. A\$/m	Est. A\$/share				
100% M Magnet after tax 7% DR		197	0.37				
Exploration		39	0.07				
Corporate overheads		-20	-0.04				
Net cash (debt)		72	0.14				
Tax benefit (liability)		24	0.05				
Hedging		-3	-0.01				
Option value		-3	0.00				
Total		308	0.58				

VALUATION

The accompanying Ramelius model takes into account publicly available information including Ramelius' projected group production profile and production guidance given periodically.

At Vivien Hartleys' modelled inventory is 200,000 ounces higher than Ramelius' June 2016 reserve of 98,000 ounces. An average of 600 ozs/vm is assumed down to 600 metres vertical depth, in contrast to the Ramelius June 2016 reserve, which estimates reserves to 350 metres vertical depth. Additional exploration, development and mining costs are taken into account. Ramelius has limited drill information from Vivien below 350 metres vertical depth.

Vivien is open beneath 350 metres below surface. Drilling in 2017 will test Vivien down dip.

Projected costs at Vivien and Mt Magnet are estimated according to information supplied by Ramelius and reconciliation against past accounts.

The pit inventory at Mt Magnet is modelled here at 4.9Mt at 1.79 g/t (280kcozs) compared to 4.5Mt at 1.75g/t (255kcozs) in reserve at the end of June 2016. Waste:ore is modelled at a constant 6.8:1 over the forward mine plan. The modelled Mt Magnet underground inventory matches reserves of 335kt at 4.9 g/t (53kcozs).

A nominal value of A\$46M is assumed for Ramelius' mineral interests not modelled, including Morning Star Deeps, Stellar, Vivien below 600 metres depth and all other exploration prospects.

Fig. 1: Hartleys Sum of Parts Valuation for RMS

Share Price Valuation (NAV)	Risked Est. A\$m	Est. A\$/share
100% Mt Magnet after tax 7% DR	197	0.37
Exploration	39	0.07
Corporate overheads	-20	-0.04
Net cash (debt)	72	0.14
Tax benefit (liability)	24	0.05
Hedging	-3	-0.01
Option value	-3	0.00
Total	308	0.58

Source: Hartleys Estimates

Modelled Vivien output is based on 600 ozs/vm to 600 metres depth

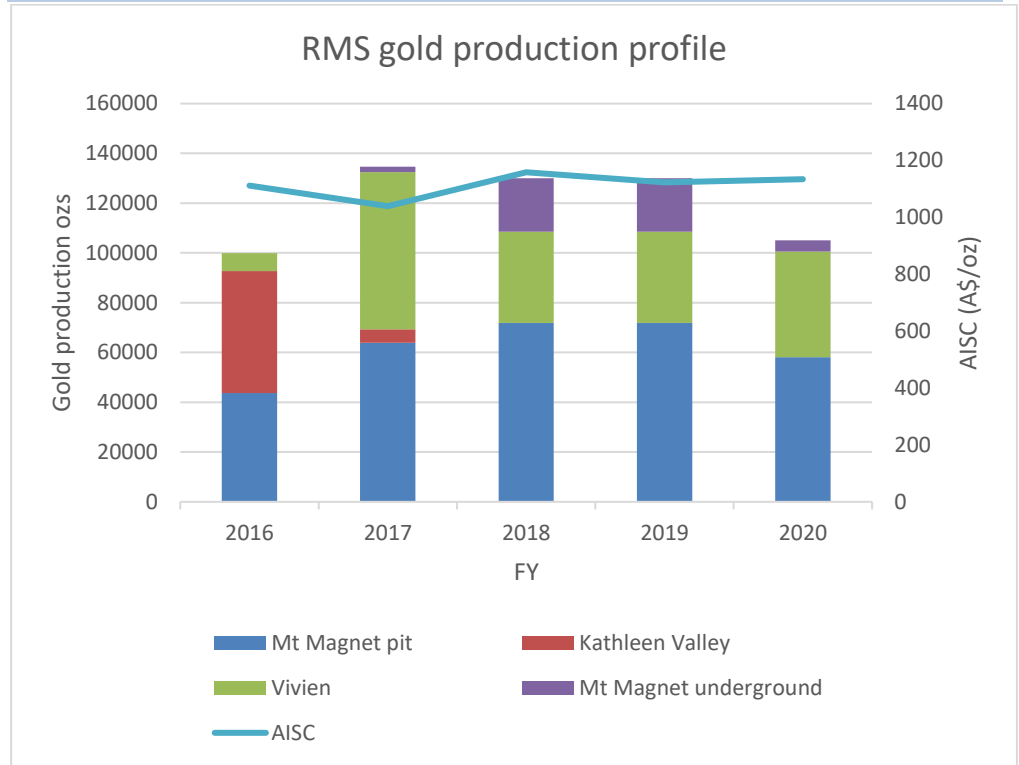
Hartleys base case valuation for RMS is A\$0.58/share

PRICE TARGET

The price target is based on a discounted cash flow valuation of the Mt Magnet and Vivien operations, an informal estimate of exploration assets value and nominal assessment of Ramelius' other assets and liabilities as at June 30 2016. Hedging arrangements are valued separately from the mining assets. A real, after tax discount rate of 7% is used in net present value estimations. Hartleys have base case commodity and currency forecasts set out in the summary table, which are used to estimate the base case NAV. A spot price NAV is also generated using assumptions of US\$1196/oz Au and AUDUSD 0.747, to arrive at a spot price valuation. For Ramelius the 12 month share price target is based on the base case NAV.

Fig. 2: RMS gold production profile

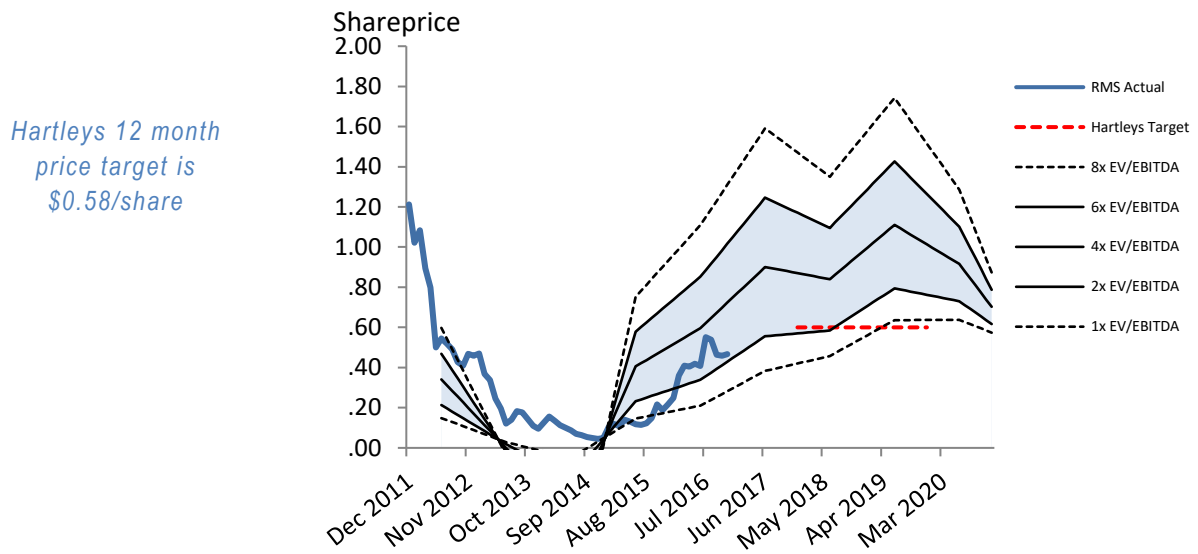
Ramelius production is forecast to stabilise at 130-140kozpa and an all in sustaining cost of A\$1,000-1,200/oz.



Source: Hartleys Estimates

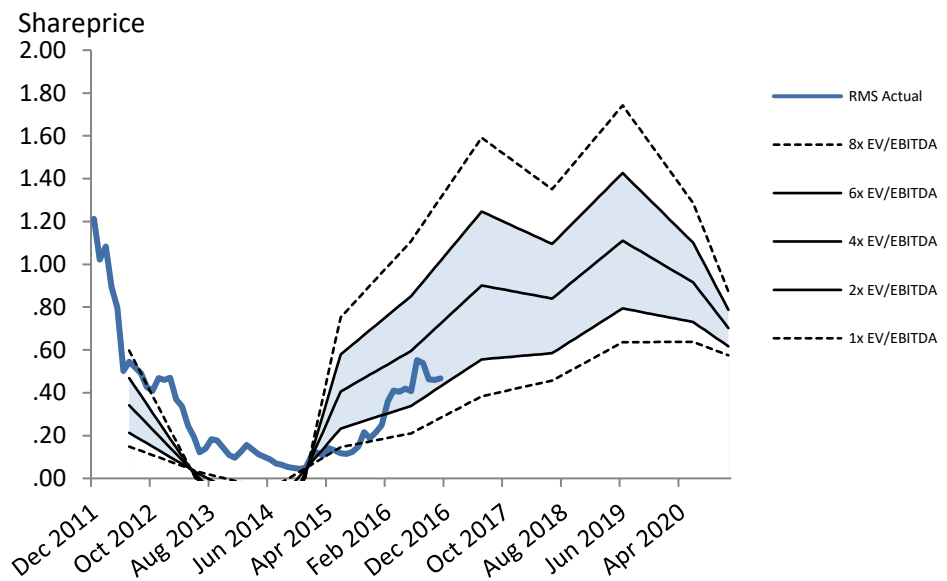
EV/EBITDA BANDS

Fig. 3: Using Hartleys base case commodity forecasts



Source: Hartleys Estimates, IRESS

Fig. 4: Using spot commodity prices



Source: Hartleys Estimates, IRESS

RISKS

Fig. 5: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Gold price, currency	High	Industry ave. - high	Ramelius' forward looking AISC production cost of about A\$1150/oz is close to the Australian industry average, and hedging (40% of 2 yrs) is modest.
Exploration, re-investment	Medium	High	Like most of its peers Ramelius plans to invest most of its cash and future free cash flows in exploration and/or other mineral asset acquisitions. Valuation assumes that future exploration and investments achieve acceptable returns.
Exploration asset value	Medium	Medium	Subjective value is attributed to exploration assets at Mt Magnet and Vivien.
Costs	Medium	High	All publicly available information has been used in forecasting Mt Magnet and Vivien operating and capital costs. Some cost assumptions are based on incomplete information or informal estimates.
<i>Conclusion</i>	<i>Ramelius faces industry average risks with respect to gold price and currency. As a cash surplus/income generating company, the major recommendation risks relate to future re-investment and exploration returns.</i>		

Source: Hartleys Research

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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Hartleys has assisted in the completion of part of capital raisings in the past 12 months for Ramelius Resources Limited ("Ramelius"), for which it has earned fees.

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