RAMELIUS GIVES GO-AHEAD FOR SECOND GOLD MINE IN WESTERN AUSTRALIA

A second gold project in Western Australia is to be mined under a decision announced today by Australia’s highest grade gold producer, Ramelius Resources Limited (ASX: “RMS”) with mining to start in the second half of this year with first gold pours in the opening quarter of next year.

The decision will see an estimated total of 520,000 ounces of gold produced over an initial six years from Ramelius’ wholly owned Mount Magnet operation – a former gold producer located 600 kilometres northeast of Perth in the State’s Murchison district.

Ramelius acquired the project for A$40 million in July last year. It has total resources of 3.3m ounces of gold, complementing Ramelius’ high grade >90,000 ounce per annum producing Wattle Dam underground gold mine near Kambalda, also in Western Australia.

Ramelius has since announced a revised mineral resource for the Galaxy area at Mount Magnet of 20.3mt at 1.65 g/t Au for 1,075,000 ounces of gold.

The project has previously produced in excess of five million ounces of gold, with more than two million ounces being produced from the historic Hill 50 mine.

“The recommencement of mining at Mount Magnet under our helm is not a large capital intensive operation, with estimated capital cost estimates of A$28 million, including plant upgrade,” Ramelius’ Chairman, Mr Bob Kennedy, said today.

“On current known fundamentals, Mount Magnet is expected to generate a cash surplus in excess of A$187 million,” Mr Kennedy said.

“We are also highly confident of further significant production upside through increasing the mill capacity and undertaking a further optimisation study on the project’s ore bodies.

“The combination of a two stream gold output from Mount Magnet and Wattle Dam, and Mount Magnet’s upside from the mill and project optimisation, will elevate Ramelius much closer to the mid-tier ranks of Australian gold producers at a time most global commentators forecast sustained price strength and demand in the medium-term.”

The Ramelius mine plan estimates base case production of 520,000 ounces of gold over a 6 year period with expected total operating cost
per ounce of A$887/oz – a cost Mr Kennedy says is “substantially below the current spot gold price of approximately A$1400/oz”.

“At the current spot gold price of A$1400/oz, if sustained over the initial mine life period, Mount Magnet’s cash flow would increase to A$240 million,” he said.

Open pit shell models were optimised using a gold price of A$1,150/oz. Base case total diluted ore tonnes are 10.3mt at a grade of 1.7 g/t Au. This plan does not include on site tailings and stockpiles, which total 1.4 mt at 0.9 g/t Au for a further 42,000 ounces.

Ramelius will spend nearly A$14 million on refurbishing the on-site processing plant and a further A$9 million on a new camp, tailings dam lift and other infrastructure.

**Scope for higher production**

“While the project’s construction approval has been based on the A$1150 optimised pits, we intend to complete a further study based on optimising the open pits at a gold price of A$1200-1300 per ounce,” Mr Kennedy said.

“Under this scenario, Mount Magnet we believe has the potential to produce up to a total of 730,000 ounces over a seven year life, using an upgraded plant capacity. This study is expected to take two months to complete and will be available before mining commences.

“The Mount Magnet processing plant can be refurbished to run at an increased throughput of up to 2.4mtpa for the expenditure of a further A$6 million in capital. This option will be considered in the wider project study to be completed over the next two months.”

Watpac Limited has been selected as the preferred mining contractor and GR Engineering Services Limited is being engaged to refurbish the plant.

Ramelius has A$90m in cash and gold on hand and no debt.

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