

13 December 2018

ISSUED CAPITAL

Ordinary Shares: 528M

DIRECTORS

NON-EXECUTIVE CHAIRMAN:

Kevin Lines

MANAGING DIRECTOR:

Mark Zeptner

NON-EXECUTIVE DIRECTORS:

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Ramelius Resources announces improved, best and final takeover offer for Explaurum Limited

Highlights

- Ramelius intends to improve its current scrip offer by \$0.02 cash per share in addition to existing consideration of 1 Ramelius share for every 4 Explaurum shares
- Best and Final total consideration **\$0.134¹ per share**, being a 57.6% premium to the last closing price of Explaurum shares² and a 11.7% premium to the subscription price of the Alkane Transaction
- Major Explaurum shareholders representing approximately 14.3% of Explaurum intend to accept the Improved Offer and vote against the Alkane Transaction. This would increase Ramelius' relevant interest in Explaurum to 19.9%.
- Ramelius believes the revised offer should fall within the Independent Expert's valuation range of Explaurum and should therefore be considered as 'Fair and Reasonable'³
- Ramelius offers to provide a finance facility to Explaurum to ensure solvency during bid process
- Offer extended to 25 January 2019

Overview

Ramelius Resources Limited (ASX:RMS) (**Ramelius**) intends to improve the consideration under its off-market takeover bid (**Improved Offer**) via a Best and Final offer to acquire all of the ordinary shares of Explaurum Limited (ASX:EXU) (**Explaurum**), a gold exploration and development company focussed on the Tampia Hill Project, located near Narembeen, 240km east of Perth in Western Australia.

Under the Improved Offer, Explaurum Shareholders (including those who have already accepted into the Offer) will receive:

- one (1) Ramelius share for every four (4) Explaurum shares held; plus
- A\$0.02 cash for every Explaurum share held.

This Improved Offer values Explaurum Shares at A\$0.134 each, based on the closing price of Ramelius shares as at 12 December 2018, which represents a premium of:

- 57.6% to Explaurum's last closing price of A\$0.085 on 12 December 2018;
- 54.0% to Explaurum's 10-Day VWAP of A\$0.087, up to and including 12 December 2018; and
- a 11.7% premium to the subscription price of the Alkane Transaction

This Improved Offer is Ramelius' **BEST AND FINAL OFFER** and will not be increased.

¹ Based on the closing price of Ramelius shares as at 12 December 2018 of A\$0.455 per share

² Based on the closing price of Explaurum shares as at 12 December 2018 of A\$0.085 per share

³ Refer to the section headed "Offer Value" on page 2 of this announcement for further information.

Ramelius has taken this step, in light of approaches received from Explaurum shareholders and has received written indications of support for this proposal from shareholders representing approximately 14.3% of Explaurum which when combined with acceptances already received under the Offer, totals 19.9% of Explaurum.

The Improved Offer will have its closing date extended to 25 January 2019.

In light of the above feedback received, Ramelius is very confident that the Improved Offer will be well supported by Explaurum shareholders.

Intention to waive bid conditions

The Improved Offer remains subject to all of the Conditions of the Offer as set out in section 12.8 of the Bidder's Statement.

However, if Explaurum Shareholders do not approve the Alkane Transaction or that transaction does not otherwise proceed, Ramelius intends to make the offer immediately **UNCONDITIONAL** and provide the Offer Consideration to those Explaurum Shareholders who have accepted into the Offer at that time within 14 days thereafter.

This means that if the Explaurum general meeting proceeds on 21 December 2018 and Explaurum Shareholders do not approve the Alkane Transaction at that meeting, Ramelius will declare the Offer free from all Conditions immediately after the meeting and accepting Explaurum Shareholders will receive the Improved Offer within 14 days thereafter .

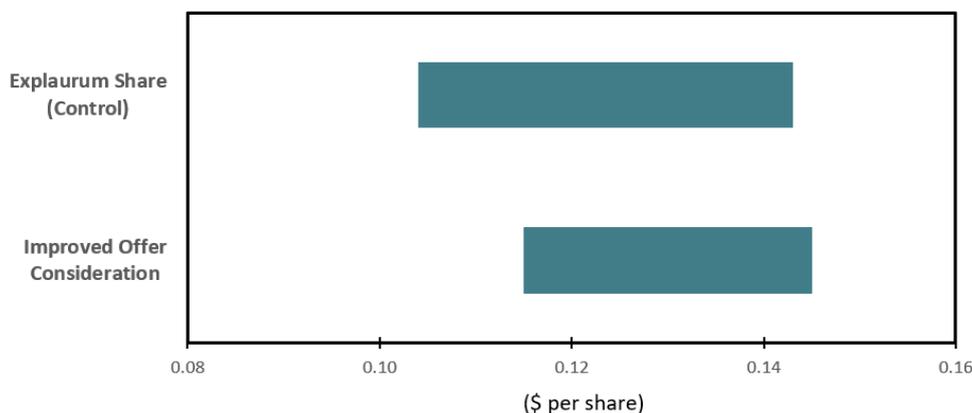
Those Explaurum shareholders representing approximately 14.3% of Explaurum who have indicated to Ramelius their support for the Improved Offer have also indicated that they intend to vote their Explaurum Shares against the Alkane Transaction.

If the Alkane Transaction completes, Ramelius will not proceed with the offer and Explaurum shareholders will not be entitled to receive the consideration from Ramelius.

Offer Value

Ramelius refers to the Independent Expert's Report issued by BDO and is of the view that the Improved Offer is "**fair and reasonable**".

The value range of EXU (as set out in the Independent Expert's Report relative to the Improved Offer⁴) is as follows:



Pursuant to ASIC Regulatory Guide 111, the Offer is considered to be fair if the value of the Offer is equal to or greater than the value of the securities that are the subject of the offer (i.e. the value per Explaurum share). Ramelius believes that the above chart clearly demonstrates that the Improved Offer is fair when the valuation metrics as used by BDO are applied. Under ASIC Regulatory Guide 111, a transaction is considered "reasonable" if it is "fair". Accordingly, as a consequence of the Offer being "fair" then it must also be assessed as reasonable and the factors considered by BDO in section 2.3 of the Independent Expert's Report (including the Alkane Transaction) become irrelevant.

In the view of Ramelius, the Improved Offer should be considered as both fair and reasonable.

⁴Refer to page 4 of the Independent Expert's Report released by Explaurum on 4 December 2018

Ramelius to offer finance to Explaurum

Recognising the fact that Explaurum is financially exposed if shareholders do not approve the Alkane Transaction, Ramelius has offered to Explaurum in writing that it is prepared to extend a line of credit via an unsecured, interest-free loan to allow Explaurum to meet its financial commitments as and when they fall due. Such loan would be on terms standard for an agreement of this nature.

Background to Improved Offer

Ramelius remains of the belief that the combination of the two companies represents a compelling argument for mutually enhanced shareholder value. As part of discussions with the Explaurum board and management team over the past month, the Company conducted a confirmatory due diligence process over key aspects of the Tampia Hill Project.

For the purpose of clarity, Ramelius did not proceed with its original proposal to increase its offer by \$0.05 due to a number of factors that impacted economic returns including:

- Explaurum's use of a Multiple Indicator Kriging (MIK) resource model when compiling the Tampia Hill JORC Resources: an MIK model does not apply any top-cuts to the Resource model. Ramelius believes that the use of an Ordinary Kriged (OK) model with various top-cuts would be more appropriate for the Tampia Hill orebody, which is likely to result in reduction in the overall size of the resource.
- Aggressive modifying factors: Ramelius believes using more appropriate modifying factors, specifically covering dilution and ore recovery, the tonnage/grade profile would be further reduced. These issues were also raised by CSA Global in the Independent Expert report and they noted that the "*magnitude of the effect[s] [being the use of more appropriate factors] may be significant*".
- Ore block shapes and sizes: there were a number of ore blocks identified by Explaurum that, in the view of Ramelius, could not be mined in a cost efficient manner due their narrow size as well as the movement induced by drilling and blasting.
- Metallurgical recoveries: Ramelius were unable to gain sufficient confidence with respect to the 92% average gold recovery figure used in the Explaurum Feasibility Study.

The results of the above due diligence indicated the Tampia resource (as re-estimated by Ramelius), was unlikely to financially support the immediate construction of a stand-alone processing facility without additional future exploration efforts and further technical studies, particularly around metallurgical recoveries.

Ramelius then considered whether or not a trucking option to Edna May would generate a sufficient economic return. As expected, increasing the cut-off grade generated a smaller pit design but with a higher overall grade. Based on the due diligence by Ramelius, a trucking model indicated that an acceptable return on capital could be achieved based on the Improved Offer.

Managing Director, Mark Zeptner, said of the Improved Offer: "*We see our Improved Offer as striking an ideal balance in our desire to provide value accretive returns to shareholders of both companies as we work towards the development of the Tampia Project. We remain committed to carrying out a Strategic Review, typically over several months (as opposed to several weeks), using additional information from further drilling, metallurgical test work and on-the-ground assessment of exploration potential, before finalising the best economic option for the asset.*"

We have received strong support from major shareholders of Explaurum and we are of the view that our offer represents an excellent outcome for both Explaurum and Ramelius shareholders."

Toll Free Information Line

A toll-free information line is established for the purposes of the Offer. Shareholders can contact the Offer Information Line on 1800 237 687 (within Australia) or +61 1800 237 687 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST).

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About Ramelius

Ramelius owns and operates the Mt Magnet, Edna May and Vivien gold mines, all in Western Australia (refer Figure 1).

Ore from the high-grade Vivien underground mine, located near Leonster, is hauled to the Mt Magnet processing plant where it is blended with ore from both underground and open pit sources at Mt Magnet.

The Edna May operation, purchased from Evolution Mining in October 2017, is currently feeding the adjacent processing plant with ore from stockpiles whilst both an underground (Edna May) and open pit (Greenfinch) operation are being developed.



Figure 1: Ramelius' Operations & Development Project Locations