

RAMELIUS RESOURCES LTD (RMS)

Lining up a stellar FY2020

Ramelius produced 52.6koz in the December quarter with a headline AISC average of \$1190/oz. Cash and bullion went up over the quarter by \$6M to \$108M, after \$9M outlays for acquisitions and \$6M exploration cost.

Securing Edna May ore sources

The Company is developing on ore at Edna May underground and expecting full production of 20ktpm from July 2019. Acceptances have been received for 93.2% of Explaurum shares. We have modelled a Tampia pit inventory of 4.5Mt at 2.1 g/t (300koz, 6:1 SR) trucked to Edna May at 800ktpa from June 2020, with 88% metallurgical recovery. Capital costs of \$30M have been included for Edna May circuit modifications and site infrastructure. We expect Tampia to be an accretive acquisition (ie add more than \$70M to the Edna May NPV).

Ramelius has also acquired Marda. Hartleys assumes a Marda pit inventory of 2.0Mt at 2.1 g/t (135koz, 8:1 SR) to be trucked to Edna May at a 400-700ktpa rate from June 2019. Capital costs of \$4M have been included for a road upgrade and site infrastructure. Ramelius has the Greenfinch pit (1.7Mt at 1.2 g/t, 62koz in reserve) scheduled to be mined from June 2019. An appeal against a refused clearing permit for Greenfinch is due to be ruled on in April 2019. If the ruling goes against Ramelius we estimate a maximum impact of 6cps, although in practice, stockpiles, Marda and Tampia will likely cover most of the gap.

The Company's Marda and Tampia mine plans will be firmed up in May 2019, when a Greenfinch decision will also be made.

Mt Magnet to pick up again in the 2nd half

The Company expects group March 2019 quarter production of 45-50koz at \$1150-1250/oz AISC, with Mt Magnet/Vivien increasing production to offset lower Edna May output. At Mt Magnet the Milky Way and Shannon pits have progressed into higher ore grades, while higher Vivien grades are also scheduled. Full year FY2019 production guidance is kept at 190-210koz, also at \$1150-1250/oz AISC.

FY2020 looks good.

Ramelius' initial planning for FY2020 suggests 230-250koz production, inclusive of Greenfinch. Even if Greenfinch comes out of the schedule, Edna May has flexible ore source options to provide cover. Development of Eridanus and Shannon underground should extend Mt Magnet's +140kozpa production rate across FY2020.

Company has earned respect. Buy.

Hartleys' projections show cash and bullion of about \$85M at 30 June 2019. Assured by Ramelius' enviable record in acquiring assets and delivering on forward plans, we expect the exploration, development and acquisition programs taken on in the June half will set the Company up to outperform through FY2020 and 2021. We maintain a Buy recommendation with a valuation and 12 month price target of 79 cps.

22 Feb 2019

Share Price	\$0.608
Valuation	\$0.79
Price Target (12 month)	\$0.79

Brief Business Description:

WA based gold producer and explorer.

Hartleys Brief Investment Conclusion

Profitable producer getting good returns from two WA gold projects. Market appreciation expected with continued good performance.

Chairman & MD

Kevin Lines (Non-exec Chairman)

Mark Zeptner (MD)

Top Shareholders

Ruffer LLP	9.8%
Van Eck Associates	4.8%

Company Address

Level 1, 130 Royal St

East Perth, WA, 6005

Issued Capital

664m

- fully diluted 682m

Market Cap A\$403m

- fully diluted A\$414m

Cash + bullion (31 Dec 18) A\$106m

Debt (31 Dec 18) A\$0m

EV A\$297m

EV/Resource oz A\$110/oz

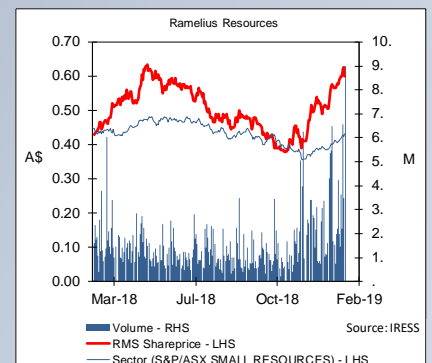
EV/Reserve oz A\$156/oz

	Prelim. (A\$m)	FY18	FY19e	FY20e
Prod (koz Au)		207	203	267
Op Cash Flw (A\$m)		121	100	171
Norm NPAT (A\$m)		30	14	81
CF/Share (cps)		15.1	15.1	25.7
EPS (cps)		2.1	2.1	12.3
P/E		29.6	29.6	5.0

Au

Resources (Moz) 2.7

Reserves (Moz) 0.7



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SUMMARY MODEL

Ramelius Resources RMS							Buy						
Market Information							Directors						
Share price		\$0.61					Kevin Lines (Non-exec Chairman)						
Market Capitalisation		\$403m					Mark Zepner (MD)					Level 1, 130 Royal St	
Net cash (debt)		\$95m					Michael Bohm (Non-Exec Director)					East Perth, WA, 6005	
Issued Capital (F.pd)		664m					David Southam (Non-Exec Director)					+61 8 9202 1128	
EV		\$308m										+61 8 9202 1139	
Valuation		\$0.79										www.rameliusresources.com.au	
12 month price target		\$0.79					Top Shareholders						
Spot Valuation		\$0.89					Ruffer LLP					m shares	%
							Van Eck Associates					65.0	9.8
												32.0	4.8
Profit & Loss							Production Summary						
Net Revenue	ASM	350	359	486	443	364	Underground ore mined	Mt	0.41	0.37	0.67	0.46	0.26
Forward sales	ASM	3	-4	-5	0	0	UG ore grade	g/tAu	6.3	5.2	5.3	4.8	4.9
Total Costs	ASM	-231	-255	-310	-285	-239	Open pit ore mined	Mt	4.42	2.41	3.32	2.63	2.30
EBITDA	ASM	121	100	171	158	125	Open pit ore grade	g/tAu	1.0	1.3	1.4	1.6	1.7
- margin	ASM	35%	28%	35%	36%	34%	Mill Throughput	Mt	4.00	4.62	4.54	3.89	3.36
Depreciation/Amort	ASM	-78	-81	-55	-37	-34	Head grade	g/t	1.7	1.4	1.9	2.1	2.0
EBIT	ASM	44	19	116	120	91	Gold	(koz)	207	203	267	247	206
Net Interest	ASM	0	0	0	0	0	AISC	\$/oz	1,096	1,249	1,145	1,136	1,136
Pre-Tax Profit	ASM	44	19	116	120	91	Costs						
Tax Expense	ASM	-14	-6	-35	-36	-27	Cost per milled tonne	\$/t	50	44	60	63	62
NPAT	ASM	30	14	81	84	64	Total cash costs incl. royalty	\$/oz	1070	1043	1058	1014	1037
Abnormal Items	ASM						+ depreciation & amortisation	\$/oz	1444	1442	1263	1166	1204
Reported Profit	ASM	30	14	81	84	64	All in sustaining costs (AISC)	\$/oz	1096	1249	1145	1136	1136
Balance Sheet							Price Assumptions						
Cash	ASM	92	84	200	316	420	AUDUSD		0.77	0.72	0.73	0.75	0.76
Other Current Assets	ASM	39	28	52	53	54	Gold	US\$/oz	1290	1269	1321	1338	1345
Total Current Assets	ASM	131	112	252	369	474	Gold	\$/oz	1679	1770	1822	1795	1770
Property, Plant & Equip.	ASM	128	112	95	80	48	Hedging						
Investments/expln	ASM	19	120	120	120	120	Hedged sales	koz	62	70	42	0	0
Deferred tax assets	ASM	38	0	0	0	0	Hedged price	\$/oz	1723	1712	1712	0	0
Tot Non-Curr. Assets	ASM	185	232	215	200	168	Hedge gain(loss)	\$/M	3	-4	-5	0	0
Total Assets	ASM	316	344	467	569	641	Hedged %		30%	35%	16%	0%	0%
Short Term Borrowings	ASM	0	0	0	0	0	Sensitivity Analysis						
Other	ASM	47	40	37	38	39	Base Case						
Total Curr. Liabilities	ASM	47	40	37	38	39			Valuation			FY19 NPAT	
Contingent consideration	ASM	15	15	15	15	15			0.79			13.6	
Other	ASM	74	44	62	63	64	US Gold price +/-10%	Sens	-10%	+10%	Sens	-10%	+10%
Total Non-Curr. Liabil.	ASM	89	59	77	78	79	AUDUSD +/- 10%	36%	0.51	1.08	45%	7.5	19.7
Total Liabilities	ASM	136	99	114	116	118	Production +/-10%	-37%	1.08	0.50	-41%	19.2	8.0
Net Assets	ASM	180	245	352	453	523	Operating Costs +/-10%	25%	0.59	0.99	36%	8.7	18.5
Cashflow							Unpaid Capital						
Operating Cashflow	ASM	121	100	171	158	125	Expiry year	No. (M)	\$/M	Avg ex.	% ord		
Income Tax Paid	ASM	0				0	30-Jun-19	4	0.6	0.17	0.7%		
R&D grant	ASM						30-Jun-20	1	0.0	0.00	0.1%		
Interest & Other	ASM	0	0	0	0	0	30-Jun-21	0	0.0	0.00	0.0%		
Operating Activities	ASM	122	100	171	158	125	Total	4	0.6	0.14	0.8%		
Property, Plant & Equip.	ASM	-51	-65	-37	-22	-2	Reserves & Resources as at June 2018						
Exploration	ASM	-16	-19	-18	-19	-20		Mt	g/t Au	Koz	Mkt cap/oz		
Asset sales/acqn	ASM	-40	-26	0	0	0	TOTAL RESOURCE	44.5	1.9	2,709	35		
Investments	ASM	-5					Mt Magnet/Vivien	36.3	2.1	2,393			
Investment Activities	ASM	-111	-109	-55	-41	-22	Edna May	8.2	1.2	316			
Borrowings	ASM	0	0	0	0	0	INCLUDES TOTAL RESERVE						
Equity	ASM	0	1	0	0	0	Mt Magnet open pit+stockpile	6.9	1.5	333			
Financing Activities	ASM	0	1	0	0	0	Mt Magnet, Vivien underground.	1.0	5.2	167			
Net Cash Change	ASM	11	-8	116	116	104	Edna May open pit+stockpile.	5.1	0.9	139			
							Edna May underground.	0.4	4.8	62			
Shares							Hartleys model June '18						
Ordinary Shares - End	M	528	664	664	666	673		Mt	g/t Au	Koz	Mkt cap/oz		
Diluted Shares	M	551	682	681	673	673	TOTAL INVENTORY	14.0	1.8	795	119		
							Mt Magnet open pit	7.6	1.4	350			
Ratio Analysis							Mt Magnet & Vivien underground	0.7	8.3	180			
GCFPS	A¢	15.1	15.1	25.7	23.7	18.9	Edna May open pit	5.0	1.0	157			
CFR	X	4.0	4.0	2.4	2.6	3.2	Edna May underground	0.7	4.8	108			
EPS	A¢	2.1	2.1	12.3	12.6	9.6	Share Price Valuation (NAV)						
PER	X	29.6	29.6	5.0	4.8	6.3			Risked Est. ASM st. A\$/share				
DPS	%	na	na	na	na	na	100% Mt Magnet after tax 7% DR		167	0.25			
Yield	%	na	na	na	na	na	100% Edna May after tax 7% DR		192	0.29			
Interest Cover	x	-	-	-	-	-	Exploration		107	0.16			
ROCE	%	24%	8%	54%	60%	54%	Corporate overheads		-48	-0.07			
ROE	%	24%	8%	33%	27%	17%	Net cash		84	0.13			
Gearing	%	8.5%	6.3%	4.4%	3.4%	2.9%	Tax benefit		25	0.04			
Sources: IRESS, Company reports, Hartleys Research							Hedging		0	0.00			
							Option/equity dilution		-2	0.00			
							Total		525	0.79			

HIGHLIGHTS

Ramelius is driving on ore at Edna May underground and expecting full production of 20ktpm from July 1 2019. Drilling is underway with the objective of extending resources and reserves.

Ramelius has received acceptances for 93.2% of Explaurum shares. The Company will seek to use the compulsory acquisition clauses in the Corporations Act to mop up the remaining shares. Development studies are underway with the aim of setting out a Tampia mine plan in May 2019. Hartleys assumes Tampia ore will be trucked to Edna May. We have included a pit inventory of 4.5Mt at 2.1 g/t (300koz, 6:1 SR) processed at 800ktpa from June 2020, with 88% metallurgical recovery. Capital costs of \$30M have been included for Edna May circuit modifications and site infrastructure at Tampia. All of these assumptions are subject to refinement as Ramelius completes its assessments. We expect Ramelius to rein in Explaurum's estimates, and still present Tampia as an accretive acquisition (ie add more than \$70M to the Edna May NPV).

Ramelius has completed the acquisition of Marda. Final consideration of \$11M was paid early February. Hartleys assumes a Marda pit inventory of 2.0Mt at 2.1 g/t (135koz, 8:1 SR) will be trucked to Edna May at a 400-700ktpa rate from June 2019. Capital costs of \$4M have been included for a road upgrade and site infrastructure. Ramelius plans to upgrade 100km of road and settle negotiation with MinRes over its nearby camp and airstrip.

Greenfinch 1.7Mt at 1.2 g/t (62koz, reserve) is scheduled to be mined from June 2019. Ramelius' appeal against a refused clearing permit for Greenfinch is due to be ruled on in April 2019. Greenfinch is still in our model. If the ruling goes against Ramelius we estimate the maximum impact at 6cps, although in practice brought forward stockpile treatment, Marda and Tampia production will cover most of any gap in the Edna May schedule.

At Mt Magnet, the Milky Way pit design has been extended and is in higher grade, primary stockwork mineralisation. Similarly, high grades at the base of the Shannon pit will help boost grades through mid-2019. Development of Eridanus is planned to start in March. Ramelius expects Vivien production to lift in the June half of 2019. The Stellar high grade shoot resource is estimated by the Company at 22koz in a pit extension, with "very conservative top-cuts" applied to the very high grade samples.

When combined, Eridanus, Vivien, Shannon and Hill 60 should underpin higher output and lower total cost gold production at Mt Magnet in FY2020. Ramelius' initial planning for FY2020 suggests 230-250koz production, inclusive of Greenfinch. Even if Greenfinch comes out of the schedule, Edna May has flexible ore source options to provide cover.

Ramelius produced 52.6koz in the December quarter with a headline AISC average of \$1190/oz. Cash and bullion went up over the quarter by \$6M to \$108M, after \$9M outlays for acquisitions and \$6M exploration cost. The Company expects March quarter production of 45-50koz at \$1150-1250/oz AISC, with Mt Magnet/Vivien increasing production to offset lower Edna May output. The March quarter will see an increase in capital outlays, for new mine development (\$20M) and acquisition consideration (\$11M for Marda plus \$5M cash component for EXU). June quarter capital for mine development is estimated by Ramelius at \$26M.

Full year FY2019 production guidance is kept at 190-210koz, also at \$1150-1250/oz AISC.

Hartleys' projections show cash and bullion of \$84M at 30 June 2019. The exploration, development and acquisition programs taken on in the June half set the Company up for FY2020 and 2021.

EARNINGS CHANGES

Fig. 1: Earning changes to Hartleys' model since December 2018.

	30 Jun 18	30 Jun 19			30 Jun 20			30 Jun 21		
		old	new	% diff	old	new	% diff	old	new	% diff
Hartleys Production (koz)	207	189	203	7%	266	267	0%	193	247	28%
Implied price received (A\$/oz)	1702	1697	1754	3%	1744	1805	3%	1720	1795	4%
Total cash costs (A\$/oz)	1116	1333	1258	-6%	1168	1164	0%	1206	1157	-4%
Net Revenue	353	320	355	11%	464	481	4%	331	443	34%
Total Cash Costs	-231	-252	-255	1%	-311	-310	0%	-232	-285	23%
EBITDA	121	69	100	46%	153	171	11%	99	158	59%
- margin	35%	22%	28%	26%	33%	35%	7%	30%	36%	19%
Depreciation/Amort	-78	-57	-81	42%	-49	-55	12%	-32	-37	16%
EBIT	44	12	19	62%	104	116	11%	67	120	80%
Net Interest	0	0	0	n/a	0	0	n/a	0	0	n/a
Pre-Tax Profit	44	12	19	62%	104	116	11%	67	120	80%
Tax Expense	-14	-4	-6	46%	-31	-35	11%	-20	-36	80%
NPAT	30	9	14	51%	73	81	11%	47	84	80%
Abnormal Items	0	0	0	n/a	0	0	n/a	0	0	n/a
Minority	0	0	0	n/a	0	0	n/a	0	0	n/a
Profit Attrib	30	9	14	51%	73	81	11%	47	84	80%
capex + exploration	-66	-51	-83	62%	-40	-55	37%	-26	-41	58%
Net cash	92	96	84	-12%	209	200	-4%	254	316	25%
Dividends Per Share	0	0	0		0	0		0	0	

Source: Hartleys Research

Fig. 2: Hartleys' forecast Ramelius production and costs.

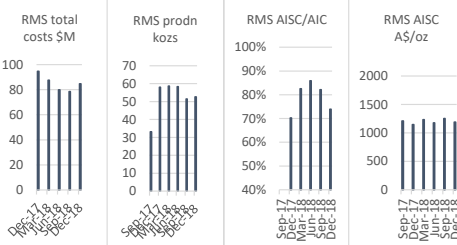
Production Summary		Unit	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22
Mt Magnet/Vivien							
Underground ore mined	Mt		0.41	0.33	0.45	0.22	0.05
UG ore grade	g/tAu		6.30	5.28	5.60	4.79	5.20
Open pit ore mined	Mt		1.03	1.87	1.60	1.60	1.60
Open pit ore grade	g/tAu		1.25	1.32	1.47	1.47	1.47
Mill Throughput	Mt		1.99	2.03	2.05	1.82	1.65
Head grade	g/t		2.23	2.04	2.38	1.87	1.59
Met. recovery	%		0.94	0.95	0.95	0.95	0.95
Gold	(koz)		135	126	149	104	81
AISC	(A\$/oz)		1077	1191	1105	1130	1194
Edna May							
Underground ore mined	Mt			0.04	0.22	0.24	0.20
UG ore grade	g/tAu			4.94	4.79	4.79	4.79
Open pit ore mined	Mt		3.40	0.54	1.72	1.03	0.70
Open pit ore grade	g/tAu		0.96	1.40	1.41	1.81	2.10
Mill Throughput	Mt		2.01	2.59	2.49	2.07	1.70
Head grade	g/t		1.20	0.97	1.56	2.27	2.42
Met. recovery	%		0.94	0.94	0.94	0.94	0.94
Gold	(koz)		72	76	117	142	125
AISC	(A\$/oz)		1132	1346	1196	1141	1098
Total							
Underground ore mined	Mt		0.41	0.37	0.67	0.46	0.26
UG ore grade	g/tAu		6.30	5.25	5.34	4.79	4.88
Open pit ore mined	Mt		4.42	2.41	3.32	2.63	2.30
Open pit ore grade	g/tAu		1.03	1.34	1.44	1.60	1.66
Mill Throughput	Mt		4.00	4.62	4.54	3.89	3.36
Head grade	g/t		1.71	1.44	1.93	2.08	2.01
Gold	(koz)		207	203	267	247	206
AISC	(A\$/oz)		1096	1249	1145	1136	1136
Costs							
			Jun 18	Jun 19	Jun 20	Jun 21	Jun 22
Mt Magnet							
Cost per milled tonne	\$A/t		60	65	73	60	54
Total cash costs incl. royalty	\$A/oz		1058	1111	1080	1096	1158
+ depreciation & amortisation	\$A/oz		1374	1594	1359	1291	1394
All in sustaining costs (AISC)	A\$/oz		1077	1191	1105	1130	1194
Total costs	\$M		172	188	178	117	93
All in site cost	A\$/oz		1277	1491	1197	1119	1159
Edna May							
Cost per milled tonne	\$A/t		39	27	49	66	70
Total cash costs incl. royalty	\$A/oz		1092	929	1030	954	960
+ depreciation & amortisation	\$A/oz		1575	1192	1142	1074	1082
All in sustaining costs (AISC)	A\$/oz		1132	1346	1196	1141	1098
Total costs	\$M		93	95	160	182	138
All in site cost	A\$/oz		1278	1241	1359	1275	1106
Group							
Cost per milled tonne	\$A/t		50	44	60	63	62
Total cash costs incl. royalty	\$A/oz		1070	1043	1058	1014	1037
+ depreciation & amortisation	\$A/oz		1444	1442	1263	1166	1204
All in sustaining costs (AISC)	A\$/oz		1096	1249	1145	1136	1136
AIC	(A\$M)		297	338	365	327	260
AIC	(A\$/oz)		1434	1669	1371	1323	1266

Source: Hartleys Research

COST TRENDS

Fig. 3: Ramelius AISC and AIC trends September 2017 to December 2018*

		2017		2018			Total/ Ave/Chg	
		SQ	DQ	MQ	JQ	SQ		DQ
Gold price	A\$/oz	1632	1695	1725	1714	1660	1718	1691
RMS								
Production	kozs	33.2	58.0	58.7	58.3	51.4	52.6	312
Reported AISC	A\$/oz	1209	1146	1233	1176	1253	1190	1200
Adj. net cash at EOQ	\$M	96	100	113	134	140	146	50
Reported margin	A\$/oz	423	549	492	538	407	528	496
Notional cash flow	\$M	14	32	29	31	21	28	155
Costs outside AISC	\$M		28	15	11	14	22	91
Costs outside AISC	\$/oz		485	260	193	273	420	291
Total costs	\$M		95	88	80	78	85	425
AIC	A\$/oz		1631	1493	1369	1526	1610	1524
AISC/AIC			70%	83%	86%	82%	74%	79%



AIC estimated from net cash change adjusted for dividends paid and equity capital raised

*Adjusted for \$40M acquisition of Edna May in DQ2017.

Source: Company announcements, Hartleys Research

PEER COMPARISON

Fig. 4: Selected gold companies, AISC and AIC trends September 2017 to December 2018.

	AISC	Cash banked (incl. divs)	AIC	AISC/AIC	Implied cash invested (costs outside AISC incl. tax)	Price Sep17	last	Gain	Prodn rate change	Production	Mkt cap	Adj	Net cash	EV	Cash banked /EV
	A\$/oz	ASM	A\$/oz		ASM	\$ps	\$ps	Sep17-Dec18	Sep17-Dec18	kozs	ASM	ASM	ASM	ASM	
AMI	627	135	821	76%	30	0.26	0.82	221%	201%	166	720	-35	103	617	22%
SBM	929	202	1282	72%	170	2.63	5.06	92%	-10%	591	2627	44	357	2270	9%
EVN	839	390	1288	65%	421	2.21	3.86	75%	0%	1183	6703	89	143	6560	6%
RRL	919	156	1347	68%	188	3.60	5.36	49%	-2%	543	2686	81	207	2479	6%
SLR	1340	39	1493	90%	29	0.39	0.54	37%	0%	225	274		104	170	23%
DRM	1229	17	1513	81%	29	0.19	0.35	84%	12%	114	159	-23	12	147	11%
RMS	1200	50	1515	79%	88	0.39	0.57	47%	59%	312	355	40	106	249	20%
SAR	1103	68	1538	72%	181	1.31	3.28	150%	11%	513	2732		129	2603	3%
NST	1143	85	1593	72%	368	4.94	8.48	72%	52%	993	5614	236	292	5322	2%
PRU	1373	33	1594	86%	77	0.34	0.40	19%	33%	387	410	32	24	386	9%
PNR	1226	-1	1714	72%	27	0.21	0.26	21%	-9%	74	219	-13	21	199	-1%
RED	1589	-5	1746	91%	15	0.05	0.12	145%	47%	97	149		6	143	-4%
MOY	1402	-19	1886	74%	50	0.14	0.22	54%	15%	117	175		1	174	-11%
DCN	0	-127	1899	0%	298	1.98	2.51	27%	0%	101	566	-50	-48	614	-21%
WGX	1488	-105	2024	74%	153	1.94	0.99	-49%	-1%	385	375	-112	44	331	-32%
RSG	1384	-266	2486	56%	373	1.04	1.12	7%	-3%	413	853	30	-95	948	-28%
All	1078	651	1511	71%	2498			72%	35%	6216	24618	318	1405	23213	1%

AISC as per Company reported headline.

AIC estimated from net cash change adjusted for dividends paid and equity capital raised

AIC includes corporate costs, taxes paid and acquisition consideration paid (net of sale proceeds).

Same historic gold price and exchange rate assumptions used for all companies.

Source: Company announcements, Hartleys Research

VALUATION

Hartleys' Ramelius modelling takes into account publicly available information including Ramelius' projected group production profile and production guidance given periodically. Costs are estimated according to information supplied by Ramelius and reconciliation against past accounts.

At Vivien, Hartleys' modelled inventory is 11,000 ounces higher than Ramelius' June 2018 reserve of 77,000 ounces, on the presumption that progressive mine development and drilling will add incremental reserves as access allows. Additional exploration, development and mining costs are taken into account.

The pit inventory at Mt Magnet is modelled here at 7.6Mt at 1.4 g/t (350kozs) compared to 6.5Mt at 1.5g/t (320kozs) in reserve at the end of June 2018, accounting for additional low grade ore mined in planned pits. Waste:ore is modelled at a constant 8:1 over the forward mine plan. The modelled Mt Magnet underground inventory of 85kozs as at June 2108 is equivalent to reserves at Water Tank Hill, Shannon and Hill 60.

Edna May Stage 2 stockpiles and Greenfinch are modelled as per the June 2018 reserves schedule. Edna May underground is also modelled according to reserves as at June 2018. Royalty payments of A\$150/oz on all production between 200koz and 700koz are included in costs.

A mine inventory at Marda of 2Mt at 2.1 g/t is included (8:1 SR), to be mined and trucked to Edna May from June 2019 at 400-600ktpa.

A mine inventory at Tampia of 4.5Mt at 2.1 g/t is included (6:1 SR), to be mined and trucked to Edna May from June 2020 at 800ktpa.

PRICE TARGET

The price target is based on a discounted cash flow valuation of the Mt Magnet, Vivien and Edna May operations, an informal estimate of exploration assets value and nominal assessment of Ramelius' other assets and liabilities. 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 base case commodity and currency forecasts, set out in the summary table, are used to estimate the base case NAV. For Ramelius the 12 month share price target is based on the base case NAV.

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\$1100/oz is close to the Australian industry average, and hedging (30% of 3 yrs) is modest.
Exploration, re-investment	Medium	High	Ramelius may 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.
Mine performance matches reserve estimates	Medium-low	Low	Ramelius has a very good recent record delivering against reserves.
Exploration asset value	Medium	Medium	Subjective value is attributed to exploration assets at Mt Magnet and Edna May.
Costs	Medium	High	Publicly available information has been used in forecasting operating and capital costs. Some cost assumptions are based on incomplete information or informal estimates.

Conclusion

Ramelius faces industry average risks with respect to gold price and currency. Major recommendation risks relate to future re-investment and exploration returns.

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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