

## Buy

Current Price **\$1.44**  
Valuation **\$1.81**

Code: **RMS**  
Sector: **Materials**

\* All figures in AUD unless stated otherwise

Shares on Issue (M):	<b>813</b>
- fully diluted (M)	<b>822</b>
Market Cap (\$M):	<b>1,171</b>
- fully diluted (\$M)	<b>1,183</b>
Net cash & bullion (\$M Dec 2020)	<b>213</b>
Est. hedge MtoM (2 Feb 21)	<b>-A\$25m</b>
Enterprise value (\$M):	<b>965</b>
52 wk High/Low (ps):	<b>\$2.47 \$0.82</b>
12m av. daily vol. (Mshs):	<b>7.10</b>

### Key Metrics

	FY20a	FY21e	FY22e
P/E (x)	10.6	8.0	6.2
EV/EBITDA (x)	3.8	3.5	3.1

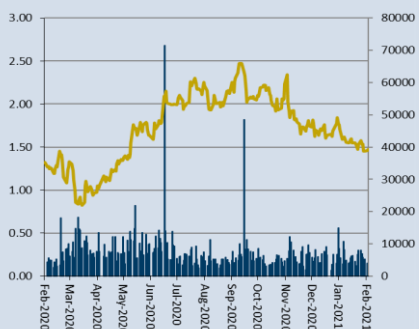
### Financials:

	FY20a	FY21e	FY22e
Revenue (\$M)	466	642	631
EBIT (\$M)	149	208	272
NPAT (A\$M)	111	146	190
Net assets (\$M)	546	487	735
Op CF (\$M)	249	237	252

### Per share data:

EPS (c)	13.6	17.9	23.4
Dividend (cps)	1.0	2.0	2.0
Yield (%)	0.7	1.4	1.4
CF/Share (cps)	31.0	33.5	38.7

Prod (koz Au) 231 275 265



Please refer to important disclosures at end of the report (from page 8)

Thursday, 11 February 2021

## Ramelius Resources Ltd (RMS)

### Magnet stars shine on

John Macdonald

### Quick Read

A period of share price underperformance and firm operating results put RMS in buy territory.

### Main points.

**December 2020 quarter:** Production was 72.9koz, above the range of 67-72koz indicated in October. Mt Magnet provided the outperformance against guidance. Total implied expenses before hedging and stamp duty were \$131M, compared to \$128M guided in October (69.5koz\*\$1250/oz AISC plus \$41M capex). Net cash and bullion at the end of December 2020 were \$213M, up from \$206M at the end of September, after \$16M dividends and \$11M stamp duty paid. Opportunity cost of hedging was \$21M.

**Guidance** for the March 2021 quarter is 65-70koz at AISC A\$1290-1390/oz, and \$36M in capital/project development expenses (\$6M Eridanus cutback, \$10M Tampia development, \$8M Tampia minority interest payments, \$4M Penny development and \$7M exploration). Total guided expenses for the March quarter equate to \$126M. At mid-point of guidance, scheduled hedge deliveries, and A\$2400/oz gold price, Argonaut estimates Ramelius will add \$31M in the March quarter, before income tax payments. Looking further ahead, guided total costs and output in the June 2021 quarter are \$103M and 67koz respectively, putting the company on course to add about \$80M to net cash & bullion in the current June half of 2021, before tax payments.

**Shannon and Eridanus** at Mt Magnet each have a lot to do with Ramelius' success since respective discoveries in 2018, and each has more to give. From a starting reserve of 48koz, Shannon surpassed 80koz mined at the end of December, with planning extending at least 4 levels beneath 2020 reserves limits. Drilling programs at Eridanus underground, and areas 1.5km along strike to the east, are continuing with the aim of concluding mine studies by June 2021. Latest reported intercepts include 60m at 3.5 g/t from 330m down hole (infill, Eridanus), and 32m at 11.7 g/t from 129m (Orion, 500m along strike from Eridanus).

**Cutting Edna May back** will cost \$165M from 2023 according to the January scoping study. Underground mining will carry on in parallel with pit cutback plans, which are subject to refinement in a pre-feasibility study due by June 2021.

### Recommendation

Argonaut's valuation of Ramelius is \$1.81 per share, down from \$1.90 per share, after additional costs assumed for an Edna May cutback in our model. Now at a 26% share price discount to valuation, we lift the recommendation from Hold to Buy, with an eye on lower costs in the June 2021 quarter, plus continued asset development.

## Ramelius Resources

## Equities Research

Analyst: John Macdonald

Recommendation	Buy
Current Price	\$1.44
Valuation	\$1.81

Sector	Metals & Mining
Issued Capital (M)	813
Market Cap (M)	\$1,171
Thursday, 11 February 2021	

Profit & loss (\$M) 30 June	2020A	2021E	2022E	2023E
Sales Revenue	549	714	653	729
+ Other income/forwards	-83	-71	-21	-1
- Operating costs	-180	-332	-284	-313
- Royalties	-24	-28	-23	-26
- Corporate & administration	-10	-10	-10	-10
<b>Total Costs</b>	<b>-214</b>	<b>-370</b>	<b>-317</b>	<b>-349</b>
<b>EBITDA</b>	<b>252</b>	<b>272</b>	<b>315</b>	<b>379</b>
- margin	46%	38%	48%	52%
- D&A	-103	-64	-43	-60
<b>EBIT</b>	<b>149</b>	<b>208</b>	<b>272</b>	<b>320</b>
+ Finance Income/Expense	-2	0	0	0
<b>Pre-Tax Profit</b>	<b>147</b>	<b>208</b>	<b>272</b>	<b>320</b>
Tax Expense	-36	-63	-82	-96
<b>NPAT</b>	<b>111</b>	<b>146</b>	<b>190</b>	<b>224</b>
Abnormal Items				
<b>Reported Profit</b>	<b>111</b>	<b>146</b>	<b>190</b>	<b>224</b>

Balance Sheet	2020A	2021E	2022E	2023E
<b>Cash + bullion</b>	<b>185</b>	<b>266</b>	<b>310</b>	<b>512</b>
Other current assets	85	53	54	55
<b>Total Current Assets</b>	<b>270</b>	<b>319</b>	<b>364</b>	<b>567</b>
Property, plant & equip.	314	216	344	375
Investments/expln	196	196	196	196
Deferred tax assets	0	0	0	0
<b>Tot Non-Curr. Assets</b>	<b>510</b>	<b>412</b>	<b>540</b>	<b>571</b>
<b>Total Assets</b>	<b>780</b>	<b>730</b>	<b>904</b>	<b>1138</b>
Short term borrowings	23	23	23	23
Trade payables	79	89	70	79
Other	55	55	55	55
<b>Total Curr. Liabilities</b>	<b>157</b>	<b>167</b>	<b>93</b>	<b>102</b>
Contingent consideration	7	7	7	
Other	69	69	69	69
<b>Total Non-Curr. Liabil.</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>69</b>
<b>Total Liabilities</b>	<b>233</b>	<b>243</b>	<b>169</b>	<b>171</b>
<b>Net Assets</b>	<b>546</b>	<b>487</b>	<b>735</b>	<b>967</b>

Cash flow (\$M)	2020A	2021E	2022E	2023E
Operating Cashflow	252	272	315	379
-Tax payments	-1	-36	-63	-82
+ Interest & other	-2	0	0	0
<b>Operating Activities</b>	<b>249</b>	<b>237</b>	<b>252</b>	<b>297</b>
- Property, plant, mine devel.	-139	-102	-171	-51
- Exploration	-33	-19	-20	-21
- Asset sales/acqn	-32	-2	0	0
<b>Investment Activities</b>	<b>-204</b>	<b>-124</b>	<b>-191</b>	<b>-71</b>
+ Borrowings	25	-16	0	0
- Dividends	-8	-16	-16	-24
+ Equity	0	0	0	0
<b>Financing Activities</b>	<b>25</b>	<b>-32</b>	<b>-16</b>	<b>-24</b>
<b>Net Cash Change</b>	<b>70</b>	<b>81</b>	<b>45</b>	<b>202</b>

Operations summary	2020A	2021E	2022E	2023E
<b>Mt Magnet/Vivien/Penny Nth</b>				
Gold production (koz)	167	160	101	136
AISC (A\$/oz)	1047	1219	1530	1230
Growth capital (\$M)	45	48	5	50
<b>Edna May</b>				
Gold production (koz)	64	115	164	164
AISC (A\$/oz)	1464	1366	1011	1144
Growth capital (\$M)	35	40	166	40
<b>Group</b>				
Gold production (koz)	231	275	265	300
CAIC pre-hedging (\$M)	413	492	554	533
CAIC (\$M)	496	564	576	534
<b>CAIC (A\$/oz)</b>	<b>2151</b>	<b>2051</b>	<b>2173</b>	<b>1780</b>

Financial ratios		2020E	2021E	2022E	2023E
GCFPS	Ac	31.0	33.5	38.7	46.6
CFR	X	4.6	4.3	3.7	3.1
EPS	Ac	13.6	17.9	23.4	27.5
PER	X	10.6	8.0	6.2	5.2
DPS	Ac	1.0	2.0	2.0	3.0
Yield	%	0.7%	1.4%	1.4%	2.1%
Interest Cover	x	0.0	0.00	0.00	0.00
ROCE	%	29%	51%	50%	56%
ROE	%	27%	43%	37%	33%
Gearing	%	1%	1%	1%	0%

Shares		2020E	2021E	2022E	2023E
New shs issued/exerciseable	M	149	6	8	1
Average issue price	cps	0	0	0	0
Ordinary Shares - End	M	807	813	821	821
Diluted Shares	M	822	822	822	822

Hedging		2020E	2021E	2022E	2023E
Hedged sales	koz	155	129	122	44
Hedged price	A\$/oz	1808	2042	2293	2404
Hedge gain(-loss)	\$M	-83	-71	-21	-1
Hedged %		67%	47%	46%	15%
Received price	A\$/oz	1979	2338	2386	2427

Share Price Valuation (NAV)		A\$M	A\$/sh
100% Mt Magnet after tax 6% DR		607	0.75
100% Edna May after tax 6% DR		447	0.55
Exploration		264	0.32
Corporate overheads		-45	-0.06
Net cash		213	0.26
Tax benefit		25	0.03
Hedging		-13	-0.02
Option/equity dilution		-28	-0.03
<b>Total</b>		<b>1470</b>	<b>1.81</b>

Directors	
Bob Vassie	Non- Executive Chairman
Mark Zeptner	Managing Director
David Southam	Non-Executive Director
Natalia Streltsova	Non-Executive Director
Michael Bohm	Non-Executive Director

Top shareholders		M shs	%
Ruffer LLP		59.8	7.4
Vinva Investment Management		38.0	4.7
Van Eck Associates		36.4	4.5

Reserves & Resources as at June 2020	Mt	g/t Au	Koz	Mkt cap/oz
<b>TOTAL RESOURCE</b>	<b>89.6</b>	<b>1.6</b>	<b>4,700</b>	<b>34</b>
Mt Magnet/Vivien/Penny	48.3	1.6	2,510	
Edna May/Marda/Tampia	41.3	1.7	2,190	
<b>INCLUDES TOTAL RESERVE</b>	<b>16.8</b>	<b>2.0</b>	<b>1,082</b>	<b>1082</b>
Mt Magnet open pit+stockpile	9.7	1.2	366	
Mt Magnet, Vivien, Penny underground.	1.3	7.8	315	
Edna May open pit + stockpile.	5.6	2.0	361	
Edna May underground.	0.3	4.7	41	

Argonaut model June '20	Mt	g/t Au	Koz	Mkt cap/oz
<b>TOTAL INVENTORY</b>	<b>41.2</b>	<b>1.6</b>	<b>2077</b>	<b>77</b>
Mt Magnet open pit, s/pile	10.6	1.3	443	
Mt Magnet/Vivien/Penny underground	5.0	3.5	564	
Edna May/Marda/Tampia pit,s/pile	24.9	1.2	965	
Edna May underground	0.6	5.2	105	

Price Assumptions	2020A	2021E	2022E	2023E
AUDUSD	0.671	0.721	0.720	0.720
Gold	1563	1872	1775	1750
Gold	2330	2598	2465	2431

## EARNINGS CHANGES

Fig. 1: Argonaut's changes to Ramelius forecasts since December 2020.

	30 Jun 21			30 Jun 22			30 Jun 23		
	old	new	% diff	old	new	% diff	old	new	% diff
Production (koz)	279	275	-2%	258	265	3%	283	300	6%
Implied price received (A\$/oz)	2387	2338	-2%	2380	2384	0%	2406	2427	1%
AISC (A\$/oz)	1230	1280	4%	1294	1210	-7%	1147	1183	3%
Net Revenue	666	642	-4%	614	631	3%	681	728	7%
Total Cash Costs	-379	-370	-2%	-333	-317	-5%	-319	-349	9%
EBITDA	287	272	-5%	281	315	12%	362	379	5%
- margin	39%	38%	-2%	44%	48%	9%	53%	52%	-2%
Depreciation/Amort	-29	-64	121%	-39	-43	10%	-45	-60	32%
EBIT	258	208	-19%	242	272	12%	317	320	1%
Net Interest	0	0	n/a	0	0	n/a	0	0	n/a
Pre-Tax Profit	258	208	-19%	242	272	12%	317	320	1%
Tax Expense	-78	-63	-20%	-73	-82	12%	-95	-96	1%
NPAT	181	146	-19%	149	190	27%	149	224	50%
Capex & exploration	-99	-121	23%	-113	-191	69%	-128	-71	-44%
Net cash	315	266	-16%	382	310	-19%	519	512	-1%
Dividends Per Share	2	2	0%	2	2	0%	2	3	50%

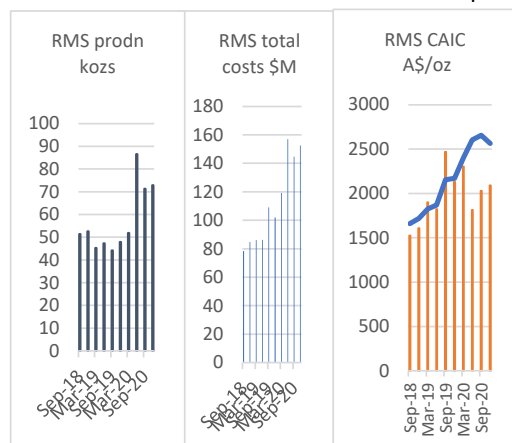
Source: Argonaut.

## GOLD PRODUCTION AND CASH FLOW HISTORY

Fig. 2: RMS gold production and cash flow summary. Figures for MQ2021 are Argonaut estimates.

		2018			2019				2020			2021
		SQ	DQ	MQ	JQ	SQ	DQ	MQ	JQ	SQ	DQ	MQ (f)
Gold price	A\$/oz	1660	1718	1826	1867	2153	2170	2403	2603	2654	2563	2400
	US\$/oz	1192	1283	1298	1308	1475	1480	1581	1712	1903	1876	
Exch rate		0.722	0.705	0.711	0.701	0.685	0.682	0.658	0.658	0.717	0.732	
<b>Ramelius</b>												
Gold production	koz	51.4	52.6	45.3	47.3	44.2	47.9	51.8	86.5	71.3	72.9	67.5
Reported AISC	A\$/oz	1253	1190	1210	1106	1234	1245	1248	1041	1241	1279	
Net cash & bullion (EOP)	\$M	102	108	105	107	93	88	93	161	206	213	240
Net -raise+div+new project	\$M						7				27	
Hedge cost	\$M				4	14	14	25	32	24	21	5
Total costs before hedging	\$M				83	95	88	95	125	121	131	130
Total costs	\$M	78	85	86	86	109	102	119	157	145	152	135
CAIC	A\$/oz	1526	1610	1901	1823	2470	2130	2302	1814	2029	2091	2004
S/holder cash build	\$M	7	6	-3	2	-14	2	5	68	45	34	27
AISC/CAIC		82%	74%	64%	61%	50%	58%	54%	57%	61%	61%	

Corporate all in cost (CAIC) for a period is the average gold price minus (the change in net cash and bullion/gold produced). The Change in net cash and bullion is before dividends paid, equity raised and new project investment.



Source: Argonaut research

## PRODUCTION AND COST FORECASTS

Fig. 3: Argonaut forecasts.

Production Summary	2020A	2021E	2022E	2023E
<b>Mt Magnet/Vivien/Penny Nth</b>				
Underground ore mined	0.47	0.58	0.11	0.17
UG ore grade	6.09	5.55	7.32	0.00
Open pit ore mined	2.94	0.58	1.28	1.28
Open pit ore grade	1.30	1.75	1.50	1.50
Mill Throughput	1.97	1.91	1.91	1.85
Head grade	2.74	2.77	1.71	2.36
Met. recovery	0.96	0.96	0.96	0.96
Gold production	167	160	101	136
AISC	1047	1219	1530	1230
<b>Edna May</b>				
Underground ore mined	0.14	0.23	0.21	0.19
UG ore grade	4.86	4.26	5.76	5.76
Open pit ore mined	0.57	2.08	0.86	1.80
Open pit ore grade	1.58	1.41	1.89	1.38
Mill Throughput	2.26	2.55	2.31	2.75
Head grade	0.99	1.50	2.35	1.99
Met. recovery	0.91	0.94	0.94	0.94
Gold production	64	115	164	164
AISC	1464	1366	1011	1144
<b>Total</b>				
Underground ore mined	0.61	0.82	0.32	0.36
UG ore grade	5.81	5.18	6.29	3.02
Open pit ore mined	3.50	2.66	2.14	3.08
Open pit ore grade	1.34	1.48	1.66	1.43
Mill Throughput	4.23	4.46	4.22	4.60
Head grade	1.80	2.04	2.06	2.14
Gold production	231	275	265	300
AISC	1163	1280	1210	1183
Costs	2020A	2021E	2022E	2023E
<b>Mt Magnet</b>				
Cost per milled tonne	71	85	68	72
Total cash costs incl. royalty	746	1313	1470	1153
+ depreciation & amortisation	1166	1563	1657	1263
All in sustaining costs (AISC)	1035	1219	1530	1230
Total costs	208	233	142	198
All in site cost	1247	1459	1407	1460
<b>Edna May</b>				
Cost per milled tonne	40	56	59	62
Total cash costs incl. royalty	1066	1131	879	1035
+ depreciation & amortisation	1585	1340	1025	1305
All in sustaining costs (AISC)	1252	1366	1011	1144
Total costs	161	194	319	223
All in site cost	2523	1691	1953	1353
<b>Group</b>				
Cost per milled tonne	54	68	63	66
Total cash costs incl. royalty	835	1237	1105	1088
+ depreciation & amortisation	1282	1470	1267	1286
All in sustaining costs (AISC)	1095	1280	1210	1183
CAIC \$/M	496	564	576	534
CAIC A\$/oz	2151	2051	2173	1780

Source: Argonaut Research.

## PEER COMPARISON TABLE – DECEMBER 2020 QUARTER

Fig. 4: Comparison table – December 2020 quarter production and costs for selected ASX listed gold companies.

	Production DQ	Rec'd price DQ	AISC MQ (A\$/oz)	Cash banked & paid DQ (A\$M)	CAIC DQ (A\$/oz)	AISC/CAIC 33mth	Prodn rate change DQ/SQ	Mkt cap (A\$M)	Net cash 31 Dec 2020 (A\$M)	EV (A\$M)	Cash banked/EV DQ	Cash banked/EV 36 month	Chg in total costs DQ/SQ
Gold Road	35	2432	1265	30	1719	73%	27%	1034	133	901	3.3%	13.9%	7.1%
Perseus Mining	69	2305	1416	49	1844	81%	0%	1441	-16	1457	3.4%	18.5%	-13.6%
West African	50	2563	1356	35	1866	79%	11%	791	-138	929	3.8%	11.3%	26.2%
Pantoro	10	2035	1435	7	1883	70%	27%	331	65	266	2.7%	-4.6%	-27.2%
Dacian	27	2441	1430	15	2007	48%	-17%	264	15	250	6.0%	-53.3%	-18.5%
Evolution	180	2453	1166	99	2014	65%	6%	7774	-196	7971	1.2%	15.6%	9.8%
<b>Ramelius</b>	<b>73</b>	<b>2270</b>	<b>1279</b>	<b>34</b>	<b>2091</b>	<b>66%</b>	<b>2%</b>	<b>1193</b>	<b>213</b>	<b>980</b>	<b>3.5%</b>	<b>19.3%</b>	<b>8.1%</b>
Alkane	16	2311	1201	5	2237	57%	38%	488	36	452	1.1%	0.2%	1.5%
Silver Lake	58	2354	1592	19	2237	77%	-8%	1380	315	1065	1.8%	27.0%	1.2%
St Barbara	90	2127	1517	28	2251	72%	23%	1538	16	1522	1.8%	26.7%	-9.4%
Westgold	65	2430	1293	18	2283	66%	7%	975	163	812	2.3%	-18.0%	1.6%
Northern Star	248	2283	1599	65	2302	75%	7%	9440	-30	9470	0.7%	7.4%	4.9%
Saracen	155	2342	1224	38	2321	62%	0%	5389	183	5206	0.7%	6.7%	24.1%
Red 5	22	2258	2181	4	2377	85%	6%	424	94	330	1.2%	-2.2%	-7.3%
Gascoyne	20	2563	1100	3	2411	60%	0%	130	3	128	2.4%	-25.9%	-5.5%
Resolute	90	2354	1468	12	2432	58%	3%	762	-316	1077	1.1%	-52.0%	-9.6%
All	1299	2334	1358	491	2186	68%	9%	35569	758	34810	1.4%	8.9%	1.8%

Source: Argonaut.

## RESERVES

Fig. 5: Ramelius reserves estimates as at June 2020.

Reserves June 2020	Proved			Probable			Total		
	kt	g/t	kozs	kt	g/t	kozs	kt	g/t	kozs
Boomer				130	2.9	12	130	2.9	12
Brown Hill				623	1.6	32	623	1.6	32
Eridanus	91	1.1	3	3,600	1.2	139	3691	1.2	142
Golden Stream				95	3.0	9	95	3.0	9
Lone Pine						0	0	0.0	0
Milky Way						0	0	0.0	0
Morning Star				1,099	1.9	67	1099	1.9	67
O'Meara						0	0	0.0	0
Shannon						0	0	0.0	0
Stellar				64	6.3	13	64	6.3	13
Stellar West						0	0	0.0	0
Vegas						0	0	0.0	0
<b>Total Mt Magnet open pit</b>	<b>91</b>	<b>1.1</b>	<b>3</b>	<b>5,611</b>	<b>1.5</b>	<b>272</b>	<b>5702</b>	<b>1.5</b>	<b>276</b>
Hill 60	100	2.5	8	350	2.5	28	450	2.5	36
Shannon	90	9.7	28	120	7.2	28	210	8.3	56
Water Tank Hill						0	0	0.0	0
<b>Total Mt Magnet UG</b>	<b>190</b>	<b>5.9</b>	<b>36</b>	<b>470</b>	<b>3.7</b>	<b>56</b>	<b>660</b>	<b>4.3</b>	<b>92</b>
<b>Vivien UG</b>	<b>110</b>	<b>6.1</b>	<b>22</b>	<b>200</b>	<b>4.5</b>	<b>29</b>	<b>310</b>	<b>5.1</b>	<b>51</b>
<b>Penny</b>				<b>500</b>	<b>14.0</b>	<b>225</b>	<b>500</b>	<b>14.0</b>	<b>225</b>
<b>ROM &amp; low grade stocks</b>	<b>4000</b>	<b>0.7</b>	<b>90</b>				<b>4000</b>	<b>0.7</b>	<b>90</b>
<b>Total Mt Magnet, Penny + Vivien</b>	<b>4391</b>	<b>1.1</b>	<b>151</b>	<b>6,781</b>	<b>2.7</b>	<b>582</b>	<b>11172</b>	<b>2.0</b>	<b>733</b>
Edna May Stage 2			0			0	0	0.0	0
Edna May UG	79	5.0	13	190	4.6	28	269	4.7	41
Greenfinch	610	1.1	22	920	1.0	30	1530	1.0	51
ROM & LG stocks	190	0.5	3				190	0.5	3
Dolly Pot				330	1.6	17	330	1.6	17
Dugite				110	1.8	6	110	1.8	6
Python				310	1.8	18	310	1.8	18
Goldstream				53	2.7	5	53	2.7	5
Golden Orb East				64	4.2	9	64	4.2	9
Golden Orb West				140	2.7	12	140	2.7	12
King Brown				75	5.3	13	75	5.3	13
Rom and low grade stocks	260	1.7	14				260	1.7	14
Tampia	190	3.4	21	2,300	2.6	192	2490	2.7	213
<b>Total Edna May</b>	<b>1329</b>	<b>1.7</b>	<b>72</b>	<b>4,492</b>	<b>2.3</b>	<b>329</b>	<b>5821</b>	<b>2.1</b>	<b>402</b>
<b>Total Ramelius</b>	<b>5720</b>	<b>1.2</b>	<b>223</b>	<b>11,273</b>	<b>2.5</b>	<b>912</b>	<b>16993</b>	<b>2.1</b>	<b>1135</b>

Source: Ramelius Resources.

## VALUATION

Fig. 6: Argonaut valuation breakdown

Share Price Valuation (NAV)	A\$M	A\$/sh
100% Mt Magnet after tax 6% DR	607	0.75
100% Edna May after tax 6% DR	447	0.55
Exploration	264	0.32
Corporate overheads	-45	-0.06
Net cash	213	0.26
Tax benefit	25	0.03
Hedging	-13	-0.02
Option/equity dilution	-28	-0.03
<b>Total</b>	<b>1470</b>	<b>1.81</b>

Source: Argonaut Research.

Argonaut's modelling of Ramelius considers 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.

Argonaut's modelled total June 2020 pit inventory for Mt Magnet is 340kcozs, which is 65kcozs higher than RMS' June 2020 reserves. Eridanus underground inventory is modelled at 4Mt at 2.0 g/t (260kcozs), which is higher than the June 2020 scoping study assumption of 98kcozs. Shannon underground inventory as at June 30 2020 is modelled as 75kcozs, compared to 56kcozs in estimated reserve. Other modelled inventories for Mt Magnet (Penny, Hill 60) are in line with Ramelius reserve estimates.

Modelled inventories for Edna May (Tampia, Marda, Greenfinch) are in line with Ramelius reserve estimates. Edna May Stage 3 pit assumptions are based on the Company's January 2021 scoping study estimates, with 5.5:1 and 3.7:1 assumed for waste:ore, before and after the pre-strip.

The valuation is based on discounted cash flow valuations of the Mt Magnet, Vivien and Edna May operations, an 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 6% is used in net present value estimations. Argonaut base case commodity and currency forecasts, set out in the summary table, are used to estimate the base case NAV.

## RISKS TO VALUATION

### Gold price.

Ramelius cash flows are sensitive to the gold price. Each 10% change in the Australian dollar gold price changes our valuation by 20%.

### Costs.

Cost estimations are based on limited mine design information. Unit costs are based mainly on industry standard costs for earthmoving and underground mining, which are subject to fluctuation through changes in labour and fuel cost inputs.



**Exploration success.**

Ramelius will invest a proportion 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. Subjective value is attributed to exploration assets.

**Interest rates/discount rates.**

Ramelius is a competent operator with assets in Western Australia and a solid track record of acquisition and exploration. Ramelius publishes forward plans with a five-year outlook. Argonaut takes cash flow risk into account when choosing discount rates for different projects. Our valuation is sensitive to the discount rate used. Each 2% (after tax) change makes a 7% difference to our valuation.

**RESEARCH:**

**Ian Christie** | Head of Research  
 +61 8 9224 6872 [ichristie@argonaut.com](mailto:ichristie@argonaut.com)

**John Macdonald** | Director, Research  
 +61 8 9224 6835 [jmacdonald@argonaut.com](mailto:jmacdonald@argonaut.com)

**George Ross** | Analyst, Metals & Mining Research  
 +61 8 9224 6840 [georger@argonaut.com](mailto:georger@argonaut.com)

**Royce Haese** | Analyst, Metals & Mining Research  
 +61 8 9224 6869 [rhaese@argonaut.com](mailto:rhaese@argonaut.com)

**INSTITUTIONAL SALES - PERTH:**

**Chris Wippl** | Executive Director, Head of Institutional Sales  
 +61 8 9224 6875 [cwippl@argonaut.com](mailto:cwippl@argonaut.com)

**Damian Rooney** | Director Institutional Sales  
 +61 8 9224 6862 [drooney@argonaut.com](mailto:drooney@argonaut.com)

**John Santul** | Consultant, Sales & Research  
 +61 8 9224 6859 [jsantul@argonaut.com](mailto:jsantul@argonaut.com)

**Josh Welch** | Institutional Dealer  
 +61 8 9224 6868 [jwelch@argonaut.com](mailto:jwelch@argonaut.com)

**George Ogilvie** | Institutional Dealer  
 +61 8 9224 6871 [gogilvie@argonaut.com](mailto:gogilvie@argonaut.com)

**INSTITUTIONAL SALES – HONG KONG:**

**Damian Rooney** | Director Institutional Sales  
 +61 8 9224 6862 [drooney@argonaut.com](mailto:drooney@argonaut.com)

**CORPORATE AND PRIVATE CLIENT SALES:**

**Glen Colgan** | Managing Director, Desk Manager  
 +61 8 9224 6874 [gcolgan@argonaut.com](mailto:gcolgan@argonaut.com)

**Kevin Johnson** | Executive Director, Corporate Stockbroking  
 +61 8 9224 6880 [kjohnson@argonaut.com](mailto:kjohnson@argonaut.com)

**James McGlew** | Executive Director, Corporate Stockbroking  
 +61 8 9224 6866 [jmcglew@argonaut.com](mailto:jmcglew@argonaut.com)

**Geoff Barnesby-Johnson** | Senior Dealer, Corporate Stockbroking  
 +61 8 9224 6854 [bj@argonaut.com](mailto:bj@argonaut.com)

**Ben Willoughby** | Senior Dealer, Corporate Stockbroking  
 +61 8 9224 6876 [bwilloughby@argonaut.com](mailto:bwilloughby@argonaut.com)

**Philip Grant** | Senior Dealer, Corporate Stockbroking  
 +61 8 9224 6834 [pgrant@argonaut.com](mailto:pgrant@argonaut.com)

**Rob Healy** | Dealer, Private Clients  
 +61 8 9224 6873 [rhealy@argonaut.com](mailto:rhealy@argonaut.com)

**Cameron Prunster** | Dealer, Private Clients  
 +61 8 9224 6853 [cprunster@argonaut.com](mailto:cprunster@argonaut.com)

**James Massey** | Dealer, Private Clients  
 +61 8 9224 6849 [jmassey@argonaut.com](mailto:jmassey@argonaut.com)

**Chris Hill** | Dealer, Private Clients  
 +61 8 9224 6830 [chill@argonaut.com](mailto:chill@argonaut.com)

**Harry Massey** | Dealer, Private Clients  
 +61 8 9224 6829 [hmassey@argonaut.com](mailto:hmassey@argonaut.com)

**Jonas Dorling** | Assoc. Dealer / Prov. Fin. Advisor, Private Clients  
 +61 8 9224 6837 [jdorling@argonaut.com](mailto:jdorling@argonaut.com)

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