

15 Mar 2018

Share Price	\$0.463
Valuation	\$0.54
Price Target (12 month)	\$0.58

**Brief Business Description:**

WA based gold producer and explorer.

**Hartleys Brief Investment Conclusion**

Sensitive to cash flow returns and Edna May's long term mine plans in coming quarters.

**Chairman & MD**

Robert Kennedy (Chairman)

Mark Zepfner (MD)

**Top Shareholders**

Ruffer LLP	8.3%
Van Eck Associates	7.0%

**Company Address**

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

**Issued Capital**

- fully diluted	527m
	538m

**Market Cap**

	A\$244m
- fully diluted	A\$249m

**Cash + bullion (31 Dec 17)**

	A\$62m
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**Debt (31 Dec 17)**

	A\$0m
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**EV**

	A\$182m
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**EV/Resource oz**

	A\$47/oz
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**EV/Reserve oz**

	A\$54/oz
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	Prelim. (A\$m)	FY17e	FY18e	FY19e
Prod (koz Au)	124	211	218	
Op Cash Flw (A\$m)	66	122	138	
Norm NPAT (A\$m)	17	39	44	
CF/Share (cps)	12	23.3	26.3	
EPS (cps)	3.3	7.5	8.4	
P/E	14.1	6.2	5.5	

	Au
Resources (Moz)	3.8
Reserves (Moz)	0.9

## RAMELIUS RESOURCES LTD (RMS)

### Edna May confidence on the rise

Ramelius' first drill results from the Stage 3 extensions at Edna May have confirmed the tenor of stockwork gold mineralisation and increased confidence in the continuity of the high grade lodes.

Results from 24 core holes drilled from underground included intercepts 149m at 2.0 g/t Au, 82m at 2.9 g/t, 146m at 1.7 g/t, 122m at 1.6 g/t and 65m at 2.8 g/t.

### A green light would change Ramelius

Drilling and optimisation studies for Edna May Stage 3 are due for completion by the end of June 2018.

Edna May Stage 3 is potentially transformative for Ramelius. We estimate Stage 3 could involve an open pit mine inventory of 500koz, and a cutback of 35-40Mt, costing \$100M. If a solid investment case can be put it will give the Company mine life and reserve credits on top of the financial return.

On Hartleys projections, with commitment to a Stage 3 cutback, Ramelius could point to a forward profile of +200kozspa, +5yrs mine life and sub \$1100 average AISC. For Ramelius such a profile would be a break from its recent past of multiple, moderate scale, open pit and underground mines.

### Internal funding?

Ramelius is on track to increase cash and bullion reserves to \$90-100M by June 2018. Stage 3 could be internally funded on our numbers with a comfortable working capital buffer, but expenditure timing and other development plans could change that.

### Other fish frying

Ramelius does not need Edna May's Stage 3 cutback. Stage 2 returns justify the acquisition and the partially developed Edna May underground prospects provide lower capex alternatives.

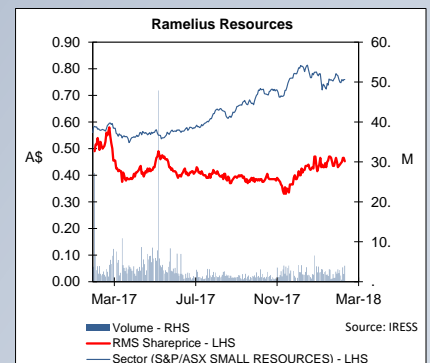
Our forecast operating cash flows include \$70M in the current half and \$138M in FY2019. At Mt Magnet the Shannon and Eridanus projects are being matured, continuing to push out Mt Magnet's horizons.

As an experienced open pit and underground mine operator, Ramelius is well placed to judge Stage 3 at Edna May on its risk/reward merits.

### Maintain Buy

We are still to build in value for Stage 3 at Edna May, although confidence has risen with drilling results and the gold price, supporting our Buy recommendation.

Hartleys' 12 month price target is 58 cps. The shares trade at a discount to our NAV, and a better rating is likely as reserve and costs keep improving.



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## SUMMARY MODEL

Ramelius Resources RMS							Buy									
<b>Market Information</b>							<b>Directors</b>									
Share price		\$0.44					Robert Kennedy (Chairman)						<b>Company Information</b>			
Market Capitalisation		\$232m					Mark Zepner (MD)						Level 1, 130 Royal St			
Net cash (debt)		\$62m					Michael Bohm (Non-Exec Director)						East Perth, WA, 6004			
Issued Capital (F.pd)		\$27m					Kevin Lines (Non-Exec Director)						+61 8 9202 1127			
Issued Capital (F.diluted)		\$38m											+61 8 9202 1138			
EV		\$170m											www.rameliusresources.com.au			
Valuation		\$0.54					<b>Top Shareholders</b>									
12 month price target		\$0.58					Ruffer LLP						m shares			
Spot Valuation							Van Eck Associates						43.4			
													36.6			
													8.3			
													7.0			
<b>Profit &amp; Loss</b>							<b>Production Summary</b>									
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21		Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21			
Net Revenue	ASM	206	348	378	222	145	Underground ore mined	Mt	0.20	0.34	0.31	0.18	0.03			
Forward sales	ASM	0	4	-5	-1		UG ore grade	g/tAu	7.4	7.4	7.2	7.4	7.4			
Total Costs	ASM	-140	-229	-235	-143	-107	Open pit ore mined	Mt	1.27	5.05	3.10	1.70	1.92			
EBITDA	ASM	66	122	138	77	38	Open pit ore grade	g/tAu	1.5	1.1	1.3	1.4	1.4			
- margin		32%	35%	37%	35%	26%	Mill Throughput	Mt	1.89	3.89	4.48	2.59	1.95			
Depreciation/Amort	ASM	-42	-66	-76	-46	-31	Head grade	g/t	2.2	1.8	1.6	1.7	1.5			
EBIT	ASM	23	57	62	31	6										
Net Interest	ASM	1					Gold	(koz)	124	211	218	130	88			
Pre-Tax Profit	ASM	25	57	62	31	6	AISC	AS/oz	1,205	1,103	1,069	1,061	1,164			
Tax Expense	ASM	-7	-17	-18	-10	-2	<b>Costs</b>									
NPAT	ASM	17	39	44	21	4		Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21			
Abnormal Items	ASM						Cost per milled tonne	\$/t	65	50	46	47	48			
Reported Profit	ASM	17	39	44	21	4	Total cash costs incl. royalty	\$/oz	1047	1006	1004	1011	1106			
							+ depreciation & amortisation	\$/oz	1385	1319	1353	1368	1463			
							All in sustaining costs (AISC)	\$/oz	1205	1103	1069	1061	1164			
<b>Balance Sheet</b>							<b>Price Assumptions</b>									
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21		Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21			
Cash	ASM	80	94	186	231	240	AUDUSD		0.75	0.79	0.76	0.76	0.77			
Other Current Assets	ASM	34	55	51	52	53	Gold	US\$/oz	1239	1305	1325	1288	1275			
Total Current Assets	ASM	114	149	237	283	293	Gold	AS\$/oz	1643	1661	1738	1687	1651			
Property, Plant & Equip.	ASM	91	136	90	59	27	<b>Hedging</b>									
Investments/expn.	ASM	19	19	19	19	19		Unit	Jun 17	Jun 18	Jun 19	Jun 20				
Deferred tax assets	ASM	31	38	38	38	38	Hedged sales	koz	60	62	70	42				
Tot Non-Curr. Assets	ASM	141	192	147	115	84	Hedged price	AS/oz	1636	1723	1673	1673				
Total Assets	ASM	255	342	384	398	377	Hedge gain(loss)	AS/M	0	4	-5	-1				
Short Term Borrowings	ASM						Hedged %		48%	29%	32%	32%				
Other	ASM	25	47	36	37	38	<b>Sensitivity Analysis</b>									
Total Curr. Liabilities	ASM	25	47	36	37	38		Valuation				FY19 NPAT				
Contingent consideration	ASM		15	15	15	15	Base Case	Sens	0.54	-10%	+10%	Sens	-10%	+10%		
Other	ASM	40	74	61	62	63	US Gold price +/-10%		36%	0.34	0.73	45%	24.3	64.1		
Total Non-Curr. Liab.	ASM	40	89	76	77	78	AUDUSD +/- 10%		-37%	0.74	0.34	-41%	62.3	26.1		
Total Liabilities	ASM	65	136	112	114	116	Production +/-10%		25%	0.40	0.67	36%	28.3	60.1		
Net Assets	ASM	189	205	271	284	261	Operating costs +/-10%		31%	0.37	0.71	29%	31.4	57.0		
<b>Cashflow</b>							<b>Unpaid Capital</b>									
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21		Expiry year	No. (M)	\$M	Ava ex.	% ord				
Operating Cashflow	ASM	66	122	138	77	38	30-Jun-18		2	0.4	0.30	0.3%				
Income Tax Paid	ASM					-10	30-Jun-19		2	0.3	0.15	0.4%				
R&D grant	ASM						30-Jun-20		2	0.3	0.20	0.3%				
Interest & Other	ASM	1	0				Total		5	1.0	0.21	0.9%				
Operating Activities	ASM	67	123	138	77	28	<b>Reserves &amp; Resources</b>									
Property, Plant & Equip.	ASM	-39	-49	-30	-15			Mt	g/t Au	Koz	Mkt cap/oz					
Exploration	ASM	-15	-16	-17	-18	-19	TOTAL RESOURCE	52.1	2.3	3,833	16					
Asset sales/acqn	ASM	-40					Mt Magnet/Vivien June 2017	36.4	2.2	2,571						
Investments	ASM	-5					Edna May Dec. 2016	15.7	2.5	1,262						
Investment Activities	ASM	-54	-110	-47	-33	-19	<b>INCLUDES TOTAL RESERVE</b>									
Borrowings	ASM							14.8	1.8	870	266					
Equity	ASM	23	0	0	0		Mt Magnet open pit+stockpile. June 17	6.0	1.6	306						
Financing Activities	ASM	23	0	0	0		Mt Magnet, Vivien underground. June 17	0.6	7.1	138						
							Edna May open pit+stockpile. Dec 16	6.9	1.0	223						
Net Cash Change	ASM	36	13	92	45	9	Edna May underground. Dec 16	1.3	4.7	202						
<b>Shares</b>							<b>Hartleys model June '17</b>									
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21		Mt	g/t Au	Koz	Mkt cap/oz					
Ordinary Shares - End	M	527	528	530	532	532	TOTAL INVENTORY	15.4	1.7	845	73					
Diluted Shares	M	538	538	538	538	538	Mt Magnet open pit	8.9	1.4	406						
							Mt Magnet & Vivien underground	1.0	7.8	248						
<b>Ratio Analysis</b>								5.6	1.1	191						
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	<b>Share Price Valuation (NAV)</b>									
GCFPS	A¢	12.5	23.3	26.3	14.7	7.2		Risked Est. ASM - AS/share								
CFR	X	3.5	1.9	1.7	3.0	6.1	100% Mt Magnet after tax 7% DR		137	0.26						
EPS	A¢	3.3	7.5	8.4	4.1	0.8	100% Edna May after tax 7% DR		50	0.10						
PER	X	13.4	5.9	5.2	10.8	54.6	Exploration		56	0.11						
DPS	%	na	na	na	na	na	Corporate overheads		-49	-0.09						
Yield	%	na	na	na	na	na	Net cash (debt)		94	0.18						
Interest Cover	x	na	-	-	-	-	Tax benefit		6	0.01						
ROCE	%	17%	29%	43%	27%	8%	Hedging		-5	-0.01						
ROE	%	13%	28%	23%	11%	2%	Option/equity dilution		-5	-0.01						
Gearing	%	-	7.5%	5.7%	5.4%	5.9%	Total		284	0.54						
*All values fully diluted unless otherwise stated																
Sources: IRESS, Company reports, Hartleys Research																

*Ramelius produced  
58koz in the  
December 2017  
quarter.*

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## PRODUCTION- CURRENT OUTLOOK

Ramelius sold 55koz at an AISC of A\$1146/oz in the December quarter of 2017. Gold produced (recovered) in the quarter was 60koz (at an AISC of \$1050/oz produced gold).

March quarter formal production guidance is 54-58koz at AISC of A\$1180/oz, comprising 33koz from Mt Magnet/Vivien (\$1100/oz AISC) and 23koz from Edna May (\$1300/oz). Full year formal guidance is 200-210koz at AISC \$1100-1200/oz.

Hartleys forecasts Ramelius operating cash flow in the 2<sup>nd</sup> half of FY2018 at \$70M, of which \$48M is projected flow through to an increase in cash. As previously set out, Ramelius is expected to enjoy a better 2<sup>nd</sup> half courtesy of;

- A full half contribution from Edna May
- Higher budgeted head grades and production at Edna May.
- Water Tank Hill stopes operating for the entire half.
- Development capital and exploration expenditures down from \$33M to \$15M in the respective halves.
- Delivery into higher price forward gold sale contracts in the June 2018 half.

Based on committed mine developments *only* in FY2019 (Greenfinch at Edna May and Milky Way at Mt Magnet, with Shannon open pit falling into FY2018), Hartleys has Ramelius continuing in a similar vein to the June half of 2018, with \$138M operating cash flow, and \$92M flowing through to an increase in cash and bullion.

**Fig. 1: Hartleys' forecast Ramelius production (committed mine plans only).**

Production Summary	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21
<b>Mt Magnet</b>						
Underground ore mined	Mt	0.20	0.34	0.31	0.18	0.03
UG ore grade	g/tAu	7.40	7.36	7.18	7.45	7.45
Open pit ore mined	Mt	1.27	1.25	1.52	1.52	1.92
Open pit ore grade	g/tAu	1.55	1.38	1.40	1.40	1.40
Mill Throughput	Mt	1.89	1.88	1.83	1.70	1.95
Head grade	g/t	2.20	2.54	2.38	2.03	1.49
Combined Recovery & Payability	%	0.93	0.94	0.94	0.94	0.94
Gold	(koz)	124	144	132	104	88
AISC	(A\$/oz)	1205	1050	1060	1097	1164
<b>Edna May</b>						
Underground ore mined	Mt					
UG ore grade	g/tAu					
Open pit ore mined	Mt		3.80	1.58	0.18	
Open pit ore grade	g/tAu		1.00	1.21	1.20	
Mill Throughput	Mt		2.01	2.65	0.90	
Head grade	g/t		1.10	1.08	0.95	
Combined Recovery & Payability	%		0.93	0.93	0.93	
Gold	(koz)		67	86	26	
AISC	(A\$/oz)		1217	1082	917	
<b>Total</b>						
Underground ore mined	Mt	0.20	0.34	0.31	0.18	0.03
UG ore grade	g/tAu	7.40	7.36	7.18	7.45	7.45
Open pit ore mined	Mt	1.27	5.05	3.10	1.70	1.92
Open pit ore grade	g/tAu	1.55	1.10	1.30	1.38	1.40
Mill Throughput	Mt	1.89	3.89	4.48	2.59	1.95
Head grade	g/t	2.20	1.80	1.61	1.66	1.49
Gold	(koz)	124	211	218	130	88
AISC	(A\$/oz)	1205	1103	1069	1061	1164

Source: Hartleys Research

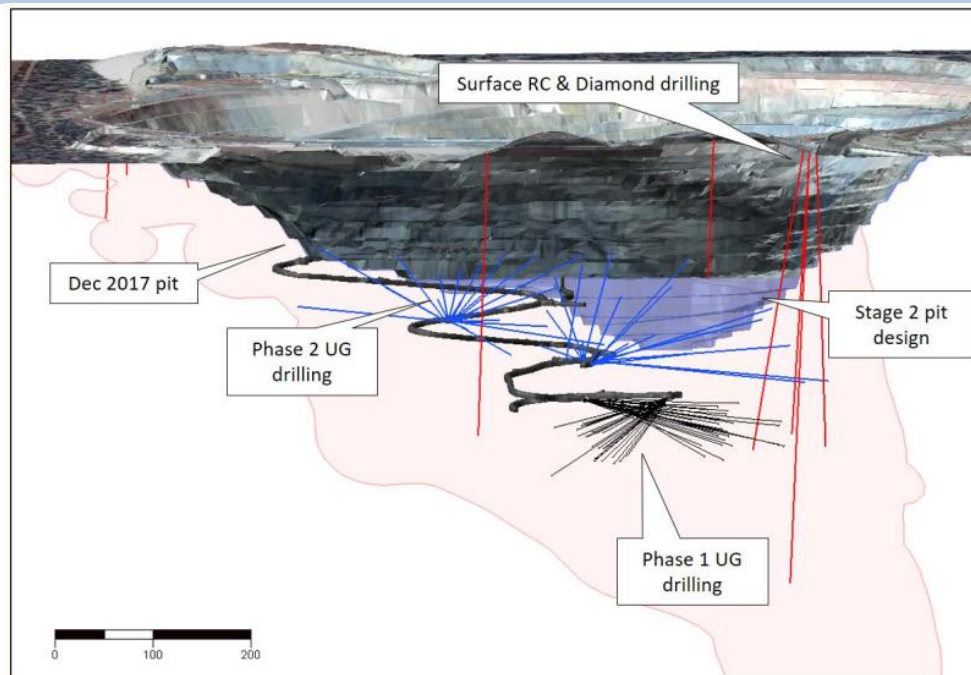
## UNCOMMITTED MINE DEVELOPMENTS

### Edna May Stage 3

Ramelius' main uncommitted mine development is the Stage 3 decision at Edna May. Drilling and optimisation studies are due for completion by the end of June 2018.

In March 2018 infill core drilling from underground, 120m below the Stage 2 pit floor, intersected Edna May Gneiss stockwork mineralisation as expected. Results from 24 holes, reported in March 2018, included 149m at 2.0 g/t, 82m at 2.9 g/t, 146m at 1.7 g/t, 122m at 1.6 g/t and 65m at 2.8 g/t, all from start of hole. Importantly, intercepts in two high grade lode positions within the gneiss (6m at 11.1 g/t, 5m at 14.9 g/t, 6m at 22.9 g/t, 5m at 28.4 g/t), displayed some continuity, potentially increasing the resource grade. The main high grade lodes above 220m depth were mined from underground before open pit mining began, but workings stop at the Stage 2 pit limits. Hence Stage 3 ore grades should be higher than Stage 2.

Fig. 2: *Edna May isometric view.*



Source: Ramelius Resources

While Stage 3 reserves and costs (underground or open pit) are still to be estimated, with a firmer gold price and confidence increasing with drilling, either option could potentially add value to Ramelius.

A decision to go with a Stage 3 Edna May cutback;

- Would trigger \$20M payment to Evolution Mining on decision to mine, payable in cash or shares at Ramelius' choice. A maximum additional \$30M would be payable through a production royalty of A\$60/oz.
- For milling continuity, Stage 3 ore would need to be accessed in quantity from late-CY2019. Hence pressure to complete drilling and studies before June 2018. Ramelius will be planning to keep the 2.6Mtpa mill fully fed through to Stage 3 ore access.
- Stage 3 could involve an open pit mine inventory of 500koz, and a cutback of 35-40Mt.
- The cutback could cost \$100M up front over 12 months, plus say \$15M site capital costs. Hartleys' modelling shows no funding gap in Ramelius' forward cash flows, although the timing of expenditures will determine this.
- We speculate: 13Mt at 1.2 g/t (500koz), total strip ratio of 6:1 (4:1 after a 35Mt cutback) could be sufficient to get the green light, and a value uplift. Ramelius will be looking to do better.
- Non valuation benefits would include the corporate breathing space afforded by a five year mine life extension, and the added gold in reserve (more exposure to the gold price). There is a risk that returns could be secondary to these considerations, but we believe Ramelius is return focused.

- The Edna May system remains open at depth, and a new underground mine would probably be developed from the Stage 3 pit.

With no Edna May cutback – straight to underground;

- Underground development could continue off existing decline access, requiring minimal capital.
- Ramelius would pay Evolution production royalties of A\$100/oz up to a maximum of \$50M.
- Evolution's underground reserve (1.3Mt at 4.7 g/t containing 202koz) would be revised by Ramelius following the completion of current drilling campaigns. Ramelius has increased its confidence in local continuity of the multiple lode system.
- Ore production from underground could be built up to +250ktpa, complementing pit ore and keeping the mill at full capacity until about mid-2020, after which the mill would be run on a campaign basis.
- At average ore grades of 4.7 g/t, Edna May underground would produce about 40kozspa.

*Ramelius is considering a plan to cut back the Edna May pit, accessing about 500koz.*

We have attributed no value yet to Stage 3 at Edna May other than exploration value, pending the study outcomes. Ramelius does not need Edna May Stage 3. However if a solid investment case can be put it will give the Company mine life and reserve credits on top of the financial return. With commitment to a Stage 3 cutback, Ramelius could point to a forward profile of +200kozspa, +5yrs mine life and sub \$1100 average AISC.

## Shannon underground and Eridanus

At Mt Magnet, Ramelius' main uncommitted mine developments are Shannon underground and Eridanus open pit. Shannon underground reserve estimates are due for completion by June 2018. Eridanus is a new discovery under drilling that has the grade and tonnage potential to extend Mt Magnet's pit reserves for another year at relatively low costs. Other underground prospects (Hill 60 and Morning Star) are also under assessment. +6Mozs on, Mt Magnet shows few signs of entering a terminal phase.



**Fig. 3: Pro forma Ramelius summary sheet – with Hartleys' Edna May cutback projections. \***

Profit & Loss						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
Net Revenue	A\$M	206	348	378	328	299
Forward sales	A\$M	0	4	-5	-1	
<b>Total Costs</b>	<b>A\$M</b>	<b>-140</b>	<b>-229</b>	<b>-235</b>	<b>-213</b>	<b>-211</b>
EBITDA	A\$M	66	122	138	113	88
- margin		32%	35%	37%	35%	29%
Depreciation/Amort	A\$M	-42	-54	-56	-54	-60
<b>EBIT</b>	<b>A\$M</b>	<b>23</b>	<b>68</b>	<b>83</b>	<b>59</b>	<b>28</b>
Net Interest	A\$M	1				
Pre-Tax Profit	A\$M	25	68	83	59	28
Tax Expense	A\$M	-7	-21	-24	-18	-9
<b>NPAT</b>	<b>A\$M</b>	<b>17</b>	<b>48</b>	<b>58</b>	<b>41</b>	<b>19</b>
Abnormal Items	A\$M					
<b>Reported Profit</b>	<b>A\$M</b>	<b>17</b>	<b>48</b>	<b>58</b>	<b>41</b>	<b>19</b>
Balance Sheet						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
Cash	A\$M	80	94	87	144	196
Other Current Assets	A\$M	34	55	51	52	53
<b>Total Current Assets</b>	<b>A\$M</b>	<b>114</b>	<b>149</b>	<b>138</b>	<b>196</b>	<b>249</b>
Property, Plant & Equip.	A\$M	91	148	201	185	124
Investments/expln	A\$M	19	19	19	19	19
Deferred tax assets	A\$M	31	38	38	38	38
<b>Tot Non-Curr. Assets</b>	<b>A\$M</b>	<b>141</b>	<b>204</b>	<b>258</b>	<b>241</b>	<b>181</b>
<b>Total Assets</b>	<b>A\$M</b>	<b>255</b>	<b>353</b>	<b>395</b>	<b>438</b>	<b>430</b>
Short Term Borrowings	A\$M					
Other	A\$M	25	47	36	37	38
<b>Total Curr. Liabilities</b>	<b>A\$M</b>	<b>25</b>	<b>47</b>	<b>36</b>	<b>37</b>	<b>38</b>
Contingent consideration	A\$M		15	15	15	15
Other	A\$M	40	74	61	62	63
<b>Total Non-Curr. Liabil.</b>	<b>A\$M</b>	<b>40</b>	<b>89</b>	<b>76</b>	<b>77</b>	<b>78</b>
<b>Total Liabilities</b>	<b>A\$M</b>	<b>65</b>	<b>136</b>	<b>112</b>	<b>114</b>	<b>116</b>
<b>Net Assets</b>	<b>A\$M</b>	<b>189</b>	<b>217</b>	<b>283</b>	<b>323</b>	<b>313</b>
Cashflow						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
Operating Cashflow	A\$M	66	122	138	113	88
Income Tax Paid	A\$M					-18
R&D grant	A\$M					
Interest & Other	A\$M	1	0			
<b>Operating Activities</b>	<b>A\$M</b>	<b>67</b>	<b>123</b>	<b>138</b>	<b>113</b>	<b>70</b>
Property, Plant & Equip.	A\$M	-39	-49	-109	-38	
Exploration	A\$M	-15	-16	-17	-18	-19
Asset sales/acqn	A\$M		-40	-20		
Investments	A\$M		-5			
<b>Investment Activities</b>	<b>A\$M</b>	<b>-54</b>	<b>-110</b>	<b>-146</b>	<b>-56</b>	<b>-19</b>
Borrowings	A\$M					
Equity	A\$M	23	0	0	0	0
<b>Financing Activities</b>	<b>A\$M</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Cash Change</b>	<b>A\$M</b>	<b>36</b>	<b>13</b>	<b>-7</b>	<b>58</b>	<b>51</b>
Shares						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
Ordinary Shares - End	M	527	528	530	532	532
Diluted Shares	M	538	538	538	538	538
Ratio Analysis						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
GCFPS	A¢	12.5	23.3	26.3	21.5	16.7
CFR	X	3.5	1.9	1.7	2.0	2.6
EPS	A¢	3.3	9.0	11.1	7.8	3.6
PER	X	13.4	4.9	4.0	5.6	12.1
DPS	%	na	na	na	na	na
Yield	%	na	na	na	na	na
Interest Cover	x	na	-	-	-	-
ROCE	%	17%	33%	32%	24%	15%
ROE	%	13%	31%	29%	18%	9%
Gearing	%	-	7.1%	5.4%	4.8%	4.9%
*All values fully diluted unless otherwise stated						
Sources: IRESS, Company reports, Hartleys Research						
Production Summary						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
Underground ore mined	Mt	0.20	0.34	0.31	0.18	0.03
UG ore grade	g/tAu	7.4	7.4	7.2	7.4	7.4
Open pit ore mined	Mt	1.27	5.05	3.10	3.65	4.52
Open pit ore grade	g/tAu	1.5	1.1	1.3	1.3	1.3
Mill Throughput	Mt	1.89	3.89	4.48	4.33	4.55
Head grade	g/t	2.2	1.8	1.6	1.5	1.3
Gold	(koz)	124	211	218	194	181
AISC	A\$/oz	1,205	1,103	1,069	1,033	1,076
Costs						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
Cost per milled tonne	\$/t	65	60	46	43	41
Total cash costs incl. royalty	\$/oz	1047	1006	1004	997	1041
+ depreciation & amortisation	\$/oz	1385	1263	1261	1278	1374
All in sustaining costs (AISC)	A\$/oz	1205	1103	1069	1033	1076
Price Assumptions						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
AUDUSD		0.75	0.79	0.76	0.76	0.77
Gold	US\$/oz	1239	1305	1325	1288	1275
Gold	A\$/oz	1643	1661	1738	1687	1651
Hedging						
Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	
Hedged sales	koz	60	62	70	42	
Hedged price	A\$/oz	1636	1723	1673	1673	
Hedge gain/(loss)	A\$/M	0	4	-5	-1	
Hedged %		48%	29%	32%	22%	
Sensitivity Analysis						
		Valuation		FY19 NPAT		
<b>Base Case</b>		<b>0.63</b>		<b>58.2</b>		
	Sens	-10%	+10%	Sens	-10%	+10%
US Gold price +/-10%	36%	0.40	0.86	45%	32.0	84.4
AUDUSD +/- 10%	-37%	0.86	0.40	-41%	82.1	34.3
Production +/-10%	25%	0.47	0.79	36%	37.3	79.2
Operating Costs +/-10%	31%	0.43	0.82	29%	41.3	75.1
Unpaid Capital						
Expiry year	No. (M)	\$M	Avg ex.	% ord		
30-Jun-18	2	0.4	0.30	0.3%		
30-Jun-19	2	0.3	0.15	0.4%		
30-Jun-20	2	0.3	0.20	0.3%		
<b>Total</b>	<b>5</b>	<b>1.0</b>	<b>0.21</b>	<b>0.9%</b>		
Reserves & Resources						
	Mt	g/t Au	Koz	Mkt cap/oz		
<b>TOTAL RESOURCE</b>	<b>52.1</b>	<b>2.3</b>	<b>3,833</b>	<b>16</b>		
Mt Magnet/Vivien June 2017	36.4	2.2	2,571			
Edna May Dec. 2016	15.7	2.5	1,262			
<b>INCLUDES TOTAL RESERVE</b>	<b>14.8</b>	<b>1.8</b>	<b>870</b>	<b>266</b>		
Mt Magnet open pit+stockpile. June 17	6.0	1.6	306			
Mt Magnet, Vivien underground. June 17	0.6	7.1	138			
Edna May open pit+stockpile. Dec 16	6.9	1.0	223			
Edna May underground. Dec 16	1.3	4.7	202			
Hartleys model June '17						
	Mt	g/t Au	Koz	Mkt cap/oz		
<b>TOTAL INVENTORY</b>	<b>28.4</b>	<b>1.5</b>	<b>1347</b>	<b>46</b>		
Mt Magnet open pit	8.9	1.4	406			
Mt Magnet & Vivien underground	1.0	7.8	248			
Edna May open pit	18.6	1.2	693			
Edna May underground						
Share Price Valuation (NAV)						
	Risked Est.	A\$M	A\$/share			
100% Mt Magnet after tax 7% DR		137	0.26			
100% Edna May after tax 7% DR		103	0.20			
Exploration		72	0.14			
Corporate overheads		-49	-0.09			
Net cash (debt)		94	0.18			
Contingent payment		-20	-0.04			
Tax benefit		6	0.01			
Hedging		-5	-0.01			
Option/equity dilution		-7	-0.01			
<b>Total</b>		<b>331</b>	<b>0.63</b>			

\*Assumes Stage 3 at Edna May inventory of 13Mt at 1.2 g/t, waste:ore 7:1 including prestrip, average earth moving cost \$3.65/t material, \$15M site capital costs, contingent consideration payments of \$20M up front plus \$60/oz royalty on 500koz mined from Stage 3.

## 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 40,000 ounces higher than Ramelius' June 2017 reserve of 103,000 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 (340koz) compared to 5.4Mt at 1.7g/t (290koz) in reserve at the end of June 2017, accounting for additional low grade ore mined in planned pits, in line with recent practice. Waste:ore is modelled at a constant 8:1 over the forward mine plan. The

modelled Mt Magnet underground inventory of 60koz is 26koz more than Water Tank Hill's June 2017 reserves of 167kt at 6.5 g/t (34koz) at Water Tank Hill, again accounting for progressive reserve definition. The underground mining potential at Shannon is included as exploration potential only.

Edna May is modelled assuming completion of the Stage 2 pit as per Evolution's December 2016 reserves schedule, and an additional 30koz extracted from the Greenfinch pit, assuming \$A15M development costs in FY2019. Royalty payments of A\$100/oz on all production between 200koz and 700koz are included in costs.

## 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. 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. 4: 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.
Edna May Stage 3 pit returns are positive	Medium	Low	Edna May Stage 3 is a substantial potential investment for RMS. Our model assumes marginal returns pending further Company reserve and cost estimates.
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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