



Takeover of Apollo, new high-grade Penny Mine

Company/ASX Code	Ramelius Resources/RMS
AGM date	Thursday 24 November 2022
Time and location	11am, Frasers Suites, 10 Adelaide Terrace Perth
Registry	Computershare
Type of meeting	Hybrid
Poll or show of hands	Poll on all items
Monitor	Bob Kelliher
Pre AGM Meeting?	with Company Secretary Richard Jones

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

Summary of issues for meeting

Takeover of Apollo Consolidated, after increasing the offer, with the resulting Rebecca mine. Share price \$1.80 in November 2021, \$0.80 in November 2022.

Impairment at Edna May (\$95m), due to the Tampia mine current valuation coming in less than the valuation at acquisition in early 2019, from Explaurium.

Proposed Voting Summary

No.	Resolution Description	
1	Adoption of Remuneration Report (Non -Binding Resolution)	Against
2	Election of Fiona Jane Murdoch as a Director	For
3	Re-election of Natalia Streltsova as a Director	For
4	Grant of Performance Rights to a Director	For
5	Approval Performance Plan	For
6	Renewal of proportional takeover provisions	For

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

Summary of ASA Position

Governance and culture

The production Guidance has been reduced to 240koz to 280koz, from 260koz to 290koz, after this year's result of 258koz just missed the lower end. Note the CEO STI bonus KPI is "Production to budget", which was achieved at "Threshold".

The report says the lower guidance is cautious due to “labour shortages and cost pressures”. With the high-grade Penny mine coming into production, the lower Guidance is very possible to be achieved this year.

Financial performance

The dividend has been reduced to 1.0 cent per share (down from 2.5 cents), after Production just missed the lower end of Guidance, Revenue was down 5% and cost were up 38%. Statutory Net Profit was down 90%.

Key events

The takeover of Apollo Consolidated was completed in 2021, after increasing the offer price due to a competing tender. The final cost was \$68m cash plus 52m shares. Recent drilling has increased the reserves of this Rebecca mine by 9%, with more to come.

The Board’s quest for a third production centre (after Mt Magnet and Edna May) may well include this Rebecca mine.

Key Board or senior management changes

Michael Bohm departed 31 May 2022, after nine and a half years on the Board, with the resulting Board of five comprising 40% females, assuming both proposed female directors are elected at the AGM. This should be an ongoing trend in Australian companies; older male directors retiring and younger female directors arriving.

ASA focus issues

ESG: The annual report includes 64 pages of the company’s third Sustainability Report. This report starts with FY22 achievements, including community grants, first nations grants, taxes and royalties, and finally GHG emissions “9% below Australian average (for gold miners)”. 34 pages in, is the first indication that Scope 1 and 2 GHG emissions have increased 13% in FY22, and stated as due to growth in operations. Emissions intensity is stated as 0.67 t of CO2 equivalent (compared to Australian average of 0.73), but up from 0.56 last year.

The start of a GHG reduction roadmap by consultants this year is planned to produce baselines for each site, forecast trends, then define opportunities to reduce emissions and set a 2030 target, to be published in the FY23 report.

43 pages in is the first real indications of environmental harm reduction and mine rehabilitation, with currently 32% of the disturbed areas already rehabilitated.

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	12.4	126.8	113.4	21.8	30.8
Share price (\$)	0.87	1.695	1.99	0.75	0.58
Dividend (cents)	1	2.5	2	1	0
Simple TSR (%)	(48.1)	(13.3)	175.9	23.3	28
EPS (cents)	1.47	15.6	16.4	3.7	5.84
CEO total remuneration, actual (\$m)	1.473	1.364	1.33	0.999	0.675

CEO's total actual remuneration is 15.4x annualised Australian Full time Adult Average Weekly Total Earnings (based on data from the Australian Bureau of Statistics.)

Election or re-election of directors

We support the election of Fiona Murdoch and re-election of Dr Natalia Streltsova.

Fiona Murdoch was appointed to the board in December 2021, so this is her first AGM. She holds 34,500 shares, all acquired on market. At the 30 June share price of \$0.87, her shareholding is valued at \$30,015, compared to her director fees of \$85,200, so she needs to increase her shareholding to more equal her director fees over the next three years

Natalia was appointed to the board in October 2019, so she has been on the board for three years.

Her shareholding of 12,000 shares, same as last year, now valued at \$10,440, compared to her director's fees of \$148,500, and so, same as last year, needs to increase her shareholding to more equal the value of her fees.

Adoption of Remuneration Report and grant of Performance Rights to a Director

The STI has two "gates" which we support, no fatality, and no serious breach of environmental, heritage or community regulations.

As noted last year, STI is still paid in cash (other peers have 50% in Performance Rights, deferred for 12 months) and the scoring of the items is by opaque internal measures, such as, NPAT to Budget, scored at Threshold (115%), Production to Budget, scored at Threshold (102.5%), and AISC to Budget, achieved at Target (95%).

LTI now has relative TSR, with a selected comparative group still containing Resolute Mining, an African only gold miner, and Perseus Mining, a West African gold miner. With around 184 companies in the Gold sub-industry index, a more appropriate comparative group should be selected. And the standard of 50% awarded at the 50th percentile and 100% awarded at the 75th percentile is not challenging enough, as RMS achieved greater than the 75th percentile for the three years to 2022. ASA guidelines support 50% vesting at the 51st percentile, and straight line vesting up to 100% at the 85% percentile.

FY22 also introduce a second KPI, absolute TSR greater than 15% CAGR, hardly a challenging value, given that this was well exceeded in FY18 to FY20 and the share price contraction since 2020.

With the STI paid all in cash, opaque performance measures for STI and an inappropriate comparable group for LTI, we cannot support Resolution 1.

The proposed grant of Performance Rights to the CEO, in Resolution 4, is correctly calculated, with his Total Fixed Remuneration of \$808,307.50 divided by the 5-day VWAP share price of \$0.94, for a total of 859,902 Performance Rights.

We support this Resolution 4, as vesting of these rights is subject to the achievement of benchmarks as defined in the Remuneration Report.

Approval of Performance Plan

This Plan, renewed for another three years, is for the broader issue of both Performance and Service Rights, to assist with recruitment and retention of hard to find and keep staff. The Board can determine if there is a payment or not to acquire these Rights, and the vesting conditions.

The other reason is to obtain shareholder approval for shares issued under this plan not to detract from the company's standard placement capacity.

In an era of difficult workforce conditions, these types of plans are appropriate.

We support this Resolution 5.

Renewal of proportional takeover provisions

We support this resolution, as is it provides for shareholders to be offered the sale of all their shares, in the event of a takeover.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY22	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.808	38%
STI - Cash	0.485	24%
STI - Equity	0	0%
LTI	0.808	38%
Total	2.101	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.