

REVISED TERMS FOR ACQUIRING REMAINING INTEREST IN MOTZFELDT PROJECT

Announcement

16 May 2011

Highlights

- ❖ Ram signs Memorandum of Understanding to vary terms for the acquisition of the remaining 49% of Motzfeldt Project.
- ❖ Ram will have a 12 month option to acquire remaining 49% in one transaction by issuing 200 million shares to the Vendor.
- ❖ Variation offers improved terms for acquisition, reduced complexity and greater flexibility in negotiating future corporate transactions in relation to development of the Motzfeldt Project.

Ram Resources Limited ("Ram or the Company") is pleased to announce that it has signed a non binding Memorandum of Understanding ("MOU") with the minority shareholders of Greenland Resources Limited ("GRL"), the UK Company which holds the Motzfeldt Project in Southern Greenland ("Motzfeldt Project") and of which Ram already holds 51%, to vary the terms on which Ram may acquire the remaining 49% interest in GRL ("Remaining Interest"), as approved by Shareholders at the general meeting held on 24 August 2010.

The varied terms will provide Ram with an option to acquire the remaining 49% in one stage (as opposed to three as per the current terms) by issuing to the Vendor 200 million fully paid shares in the capital of Ram ("New Option"). Ram would have 12 months to exercise then New Option from the date of execution of Formal Agreements.

Commenting on the New Option, Ram Managing Director, Mike Drew said: *"The revised terms for acquiring the remaining 49% of GRL, (and as a result the remaining 49% of the Motzfeldt Project) offer reduced complexity and much greater flexibility over the existing terms. If Ram is able to establish a Mineral Resource at its Aries Prospect at the end of the upcoming 2011 field season, a greater focus will be placed on potential development of the Motzfeldt Project. We believe that the option of moving to full ownership of the Project in one simple transaction will provide better opportunities to introduce a joint venture partner into the Project, particularly one who may have existing capability in the processing of complex, multi element concentrates and the extraction of REE oxides."*

Background

As announced on 1 October 2010, the Company and Quayside Services Limited as trustee for Exchange Minerals FZE, Kibe Investments No 3 Limited, Tiwari Limited, Thirlmere Investments Limited, and Marlowe Enterprises Limited ("the Vendor") entered into a Share Sale and Purchase Agreement ("SSPA") pursuant to which Ram agreed to acquire, in four stages, all of the issued capital of GRL.

A Shareholders Agreement dated 1 October 2010 was entered into between the Vendor, the Purchaser and GRL ("Shareholders' Agreement") and a Royalty Deed dated 1 October 2010 was entered into between the Vendor, GRL and the Purchaser ("Royalty Deed"). The key terms of the Shareholders Agreement and the Royalty Deed were detailed in the Notice of Meeting for the general meeting of Shareholders held on 24 August 2010.

On 21 October 2011, Ram completed the acquisition of the initial 51% of the issued capital of GRL by issuing to the Vendor 150,000,000 fully paid ordinary shares at a deemed issue price of 3 cents each, together with 150,000,000 listed options, in the same class as the existing RMRO options, exercisable at 3 cents each, expiring 30 March 2012.

Pursuant to the SSPA, Ram has the right to acquire the Remaining Interest in three stages, the terms of which are set out in Table 1 below.

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Proposed Variation to SSPA

Ram and the Vendor have entered into the MOU to set out the key terms that would provide Ram with a new option to acquire the Remaining Interest by issuing to the Vendor 200 million fully paid ordinary shares in Ram. The parties have agreed to work together to negotiate Formal Agreements by 31 May 2011, in line with the key terms as set out in the MOU ("Formal Agreements").

The key terms set out in the MOU are as follows:

- ❖ The Vendor will grant Ram the option to acquire the Remaining Interest, free of all encumbrances, by issuing to the Vendor 200 million fully paid shares in the capital of the Company ("New Option").
- ❖ The New Option will be exercisable by Ram for up to 12 months from the date of execution of the Formal Agreements.
- ❖ The Vendor agrees and acknowledges that Ram shares issued to the Vendor or its nominees by the Purchaser upon exercise of the New Option may be deemed by ASX to be "restricted securities" in accordance with the ASX Listing Rules and in those circumstances their grant, allotment and issue may be conditional on such conditions, requirements and limitations imposed and stipulated or required by ASX.
- ❖ The granting of the New Option will be subject to the following Conditions Precedent:
 - approval of the Board of Ram;
 - the parties entering into satisfactory Formal Agreements;
 - approval of the Shareholders of Ram pursuant to ASX Listing Rules 7.1 and 10.1 and section 611 item 7 of the Corporations Act 2001 of the issue of securities in the Company contemplated in the MOU;
 - the ASX confirming in writing to Ram that the transactions contemplated by the Formal Agreements will not invoke the application of ASX Listing Rule 11.1.3; and
 - all other necessary approvals required under the Formal Agreements.
- ❖ If Ram elects to exercise the New Option then, amongst other things, the obligations of Ram under the SSPA clauses 10, 11, 12 & 13 where it is required to pay money, issue shares, and/or fund expenditure as the case may be (refer Table 1) are terminated and the total consideration payable to acquire the Remaining Interest will be the 200 million shares.
- ❖ If one of the following events occurs:
 - the parties cannot agree the Formal Agreements as contemplated by the MOU;
 - the Conditions Precedent are not met, or waived; or
 - Ram does not exercise the New Option;

then the status quo remains, and the existing documentation, including the SSPA, will remain in full force and effect.

If Ram elects to exercise the New Option, the Shareholders' Agreement will be terminated. This will have the effect of relieving Ram from any further obligation to sole fund group expenditure in accordance with the SSPA.

For the sake of clarity, nothing contemplated by the MOU will discharge, release or otherwise affect any liability or obligation arising under the Royalty Deed.

A comparison of the current structure whereby Ram may acquire the Remaining Interest and the proposed New Option is set out below in Table 1.

Table 1- Comparison of Proposed Acquisition Terms for 49% of GRL

CURRENT STRUCTURE To Acquire Remaining 49% of GRL	PROPOSED "NEW OPTION" STRUCTURE To Acquire Remaining 49% of GRL
<p>Second Interest - Ram may acquire a further 14% interest in GRL (for a total of 65%) by paying \$1.5 million in cash to the Vendor & funding \$10 million in expenditure for GRL within 3 years of electing to acquire the Second Interest (which took place on 21 October 2010).</p>	<p>Ram has 12-month option whereby it may issue the Vendors with 200 million new shares, to acquire the remaining 49% of GRL.</p>
<p>Third Interest - Within 60 days of completion of the acquisition of the Second Interest, Ram may acquire a further 15% interest in GRL (for a total of 80%) by paying \$2.5 million in cash to Vendor & funding \$15 million in expenditure for GRL within 3 years of electing to acquire the Third Interest.</p>	
<p>Final Interest - If the Company has acquired the Third Interest it may at any time at its option acquire the remaining issued capital of GRL held by the Vendor by paying to the Vendor or its nominee the aggregate of:</p> <ul style="list-style-type: none"> (a) \$50,000,000; and (b) where the average value of the Final Interest (as determined by two independent valuations) exceeds \$50,000,000, 25% of the amount by which the Final Interest exceeds \$50,000,000, if any. 	
<p>Ram is also required to pay a Deferred Consideration amount as follows:</p> <p>If within, a two year period from 21 October 2010:</p> <p>Ram defines an Inferred Mineral Resource of 50 million tonnes on the Project area, it is required to issue to the Vendor 50 million fully paid ordinary shares in Ram; and</p> <p>Ram defines an Inferred Mineral Resource of 100 million tonnes on the Project area, it is required to issue to the Vendor 100 million fully paid ordinary shares in Ram.</p> <p>The maximum obligation under the Deferred Consideration is to issue 100 million shares.</p>	
<p>2% NSR type royalty</p>	<p>2% NSR type royalty</p>

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In comparing the existing terms and the New Option, Mr Drew noted: *“The revised terms are considerably more advantageous to Ram than the existing arrangements in that, under the current terms (to acquire 49%) the Company would be required to pay to the vendor a minimum of \$54 million in cash (over a number of years) and possibly up to a further 100 million fully paid ordinary shares as deferred consideration, compared to issuing 200 million shares within a 12 month period. Previously we were looking at a situation when Ram may not have exercised the option to acquire the final 20% of the Project because of the hefty price tag, now with the New Option, it’s much more viable to move to 100%.”*

“This New Option structure also offers the best of both worlds, in that we can choose to exercise within the 12 month period, or in fact do nothing and the existing arrangements continue.”

As noted above, the next steps in this process will be for the Company and the Vendors to negotiate the Formal Agreements, which they have undertaken to do by 31 May 2011, following which it is anticipated that Shareholder approval will be sought as contemplated above. The Company will make further announcements on these matters as they progress.

For and on behalf of the Board

Mike Drew
Managing Director