

6 Sep 2019

## JUPITER MINES LTD (JMS)

### Increasing our 1H DPS estimate (again)

Jupiter Mines Ltd (JMS) announced that it expects Tshipi to distribute a total 1H FY20 dividend of ZAR1.75billion (ZAR0.875b on JMS basis). The dividend is higher than previously estimated by Tshipi/JMS (ZAR1.55-1.65b), mainly due to additional low-grade product sold in the second quarter and currency depreciation.

The total dividend implies ~A\$87.5m to JMS, which equates to ~4.5cps, but after withholding tax and other JMS costs, we estimate it equates to ~4cps for JMS shareholders.

We had previously assumed a 3.75cps 1H DPS, and have increased our assumption to 4cps. We have not changed our 2H estimate of 1.75cps

### Maintain Buy

Spot manganese prices have continued to fall, but we use even lower prices in our model (our assumptions are similar to sell side consensus) – See Fig. 4 on page 4. Hence, on spot prices, JMS will still continue to exceed our formal dividend expectations.

We have a 46cps twelve month target + 5.75cps DPS (4.0cps + 1.75cps).

Fig. 1: Earnings Changes

Tshipi (49.9%)	Unit	28 Feb 19 actual	29 Feb 20			28 Feb 21		
			Old	New	% chg	Old	New	% chg
Production (100%)	Mtpa	3.4	3.0	3.1	1.5%	3.0	3.0	0.0%
Received Price	US\$/dmu	5.7	5.0	5.0	0.0%	4.5	4.5	-0.3%
AUD	US\$/A\$	0.72	0.70	0.68	-2.2%	0.71	0.70	-1.7%
ZAR	Rand/US\$	14.2	14.1	14.5	3.0%	14.2	14.6	2.8%
<b>Tshipi Revenue (49.9%)</b>	<b>A\$m</b>	<b>497.9</b>	<b>392.5</b>	<b>407.3</b>	<b>3.8%</b>	<b>342.9</b>	<b>347.9</b>	<b>1.4%</b>
	ZARm	5079.4	3880.0	4053.0	4.5%	3467.6	3555.6	2.5%
<b>Tshipi Cash Costs (49.9%)</b>	<b>A\$m</b>	<b>-236.4</b>	<b>-215.3</b>	<b>-217.5</b>	<b>1.0%</b>	<b>-210.6</b>	<b>-209.6</b>	<b>-0.5%</b>
	ZARm	-2411.8	-2128.1	-2164.1	1.7%	-2129.3	-2142.2	0.6%
	ZAR/t	-1412.0	-1412.5	-1415.1	0.2%	-1421.0	-1429.6	0.6%
Tshipi EBITDA (49.9%)	A\$m	261.5	177.2	189.8	7.1%	132.3	138.3	4.5%
- margin		52.5%	45%	47%	3.2%	39%	40%	3.0%
Tshipi, 100%, EBITDA	A\$m	522.9	355.2	380.4	7.1%	265.2	277.1	4.5%
Tshipi, 100%, Cash dist	A\$m	316.1	252.5	270.2	7.0%	156.3	163.7	4.7%
% of EBITDA		60%	71%	71%	-0.1%	59%	59%	0.2%
<b>Tshipi, 100%, Cash dist</b>	<b>ZARm</b>	<b>3,224</b>	<b>2,496</b>	<b>2,689</b>	<b>7.7%</b>	<b>1,581</b>	<b>1,673</b>	<b>5.8%</b>
Tshipi, 100%, EBITDA	ZARm	5345.9	3510.8	3785.5	7.8%	2681.9	2832.4	5.6%
Tshipi, 100%, EBITDA	US\$	376.9	248.8	260.6	4.7%	188.8	194.0	2.7%
<b>Tshipi NPAT (49.9%)</b>	<b>A\$m</b>	<b>189.5</b>	<b>122.6</b>	<b>131.6</b>	<b>7.4%</b>	<b>90.3</b>	<b>94.5</b>	<b>4.7%</b>
payout		83%	103%	103%	-0.4%	87%	87%	0.0%
<b>DPS</b>		<b>0.075</b>	<b>0.055</b>	<b>0.0575</b>	<b>4.5%</b>	<b>0.030</b>	<b>0.030</b>	<b>0.0%</b>

Source: Hartleys Estimates

Share Price	\$0.375
Valuation	\$0.45
12mth price target	\$0.44

#### Brief Business Description:

Manganese producer in Sth Africa (via 49.9% interest in Tshipi mine)

#### Hartleys Brief Investment Conclusion

Long mine life, low cost and highly incentivised management for shareholder friendly capital management. Risks are Sth Africa sovereign risk & manganese price volatility.

#### Chairman & MD

Brian Gilbertson (Chairman)

Priyank Thapliyal (CEO)

#### Top Shareholders

AMCI	17.2%
Stichting Pensioenfonds	12.9%
Posco	6.9%

#### Company Address

Level 10, 16 St Georges Terrace  
Perth WA, 6000, Australia

Issued Capital 1959.0m  
- fully diluted 1959.0m

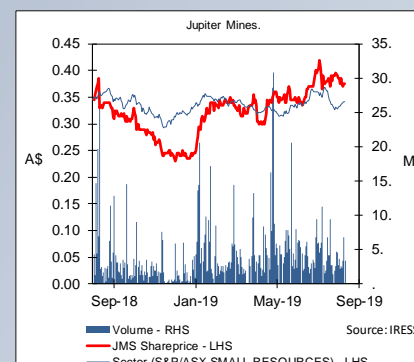
Market Cap A\$734.6m  
- fully diluted A\$734.6m

Cash (31 May 19p) A\$107.0m

Debt (31 May 19p) A\$0.0m

EV A\$627.6m

	Mt	Mn grade
Resources (Mt)	459.5	33%
Reserves (Mt)	86.41	36.32



#### Authors

Trent Barnett

Resource Analyst

Ph: +61 8 9268 3052

E: trent.barnett@hartleys.com.au

**Jupiter Mines Ltd  
JMS**
**Key Market Information**

Share price	A\$0.375
Issued Capital	1959.0m
Options, performance rights and partly paid shares ITM	0.0m
Options, performance rights and partly paid shares	0.0m
Issued Capital (fully diluted inc. all options)	1959.0m
Issued Capital (fully diluted inc. all options and new capital)	1959.0m
Net Cash	\$107.0m
Twelve month price target	A\$0.44
Valuation	A\$0.45

Tshipi (49.9%)	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
<b>Tshipi Revenue (49.9%)</b>	<b>A\$m, CFR</b>	<b>371.4</b>	<b>497.9</b>	<b>407.3</b>	<b>347.9</b>
	ZARm	3659.7	5079.4	4053.0	3555.6
<b>Tshipi Cash Costs (49.9%)</b>	<b>A\$m CFR</b>	<b>-214.2</b>	<b>-236.4</b>	<b>-217.5</b>	<b>-209.6</b>
	ZARm	-2110.8	-2411.8	-2164.1	-2142.2
Tshipi EBITDA (49.9%)	A\$m	157.2	261.5	189.8	138.3
- margin		42%	53%	47%	40%
<b>Tshipi, 100% EBITDA</b>	<b>A\$m</b>	<b>524.0</b>	<b>380.4</b>	<b>277.1</b>	
<b>Tshipi, 100% Cash dist</b>	<b>A\$m</b>	<b>161.0</b>	<b>316.1</b>	<b>270.2</b>	<b>163.7</b>
% of EBITDA		60%	71%	59%	
<b>Tshipi, 100% EBITDA</b>	<b>ZARm</b>	<b>5345.9</b>	<b>3785.5</b>	<b>2832.4</b>	
<b>Tshipi, 100% EBITDA</b>	<b>US\$</b>	<b>376.9</b>	<b>260.6</b>	<b>194.0</b>	
<b>Tshipi, 100% EBITDA - reported</b>	<b>A\$m</b>	<b>585.3</b>	<b>431.4</b>	<b>321.0</b>	

<b>Tshipi NPAT (49.9%)</b>	<b>A\$m</b>	<b>96.3</b>	<b>189.5</b>	<b>131.6</b>	<b>94.5</b>
<i>payout</i>		84%	83%	103%	87%

JMS	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
<b>JMS Reported Revenue</b>	<b>A\$m</b>	<b>-0.4</b>	<b>0.0</b>		
<b>JMS Reported COGS</b>	<b>A\$m</b>	<b>0.3</b>	<b>0.0</b>		
<b>JMS Reported GP</b>	<b>A\$m</b>	<b>-0.1</b>	<b>0.0</b>		
<b>JMS Reported Profit</b>	<b>A\$m</b>	<b>92.2</b>	<b>142.2</b>		

JMS Balance Sheet	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
<b>Cash</b>	<b>A\$m</b>	<b>76.5</b>	<b>72.8</b>	<b>70.9</b>	<b>76.1</b>
Other Current Assets	A\$m	45.9	85.2	85.2	85.2
<b>Total Current Assets</b>	<b>A\$m</b>	<b>122.5</b>	<b>158.0</b>	<b>156.1</b>	<b>161.2</b>
Property, Plant & Equip.	A\$m	0.0	0.0	0.0	0.0
Exploration	A\$m	8.7	10.8	10.8	10.8
Investments/other	A\$m	386.6	424.8	424.8	424.8
<b>Tot Non-Curr. Assets</b>	<b>A\$m</b>	<b>395.3</b>	<b>435.6</b>	<b>435.6</b>	<b>435.6</b>
<b>Total Assets</b>	<b>A\$m</b>	<b>517.8</b>	<b>593.6</b>	<b>591.6</b>	<b>596.8</b>
Short Term Borrowings	A\$m	-	-	-	-
Other	A\$m	49.1	132.9	132.9	132.9
<b>Total Curr. Liabilities</b>	<b>A\$m</b>	<b>49.1</b>	<b>132.9</b>	<b>132.9</b>	<b>132.9</b>
Long Term Borrowings	A\$m	-	-	-	-
Other	A\$m	2.6	51.2	51.2	51.2
<b>Total Non-Curr. Liabil.</b>	<b>A\$m</b>	<b>2.6</b>	<b>51.2</b>	<b>51.2</b>	<b>51.2</b>
<b>Total Liabilities</b>	<b>A\$m</b>	<b>51.6</b>	<b>184.1</b>	<b>184.1</b>	<b>184.1</b>
<b>Net Assets</b>	<b>A\$m</b>	<b>466.2</b>	<b>409.5</b>	<b>407.6</b>	<b>412.7</b>
Net Debt (net cash)	A\$m	-76.5	-72.8	-70.9	-76.1

JMS Cashflow	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
Operating Cashflow	A\$m	90.6	158.4	132.0	78.4
Income Tax Paid	A\$m	0.0	-12.4	-6.6	-4.7
Interest & Other	A\$m	0.3	0.3	0.0	0.0
<b>Operating Activities</b>	<b>A\$m</b>	<b>90.9</b>	<b>146.4</b>	<b>125.4</b>	<b>73.7</b>
Property, Plant & Equip.	A\$m	0.0	0.0	0.0	0.0
- off JMS b/s (ie Tshipi)	A\$m	0.0	-6.7	-6.5	-6.5
Exploration and Devel.	A\$m	-0.9	-0.9	0.0	0.0
Other	A\$m	3.1	0.0	0.0	0.0
<b>Investment Activities</b>	<b>A\$m</b>	<b>2.2</b>	<b>-0.9</b>	<b>0.0</b>	<b>0.0</b>
Borrowings	A\$m	0.0	0.0	0.0	0.0
Equity or "tbc capital"	A\$m	-102.4	-51.1	0.0	0.0
Dividends Paid	A\$m	0.0	-97.9	-127.3	-68.6
<b>Financing Activities</b>	<b>A\$m</b>	<b>-102.4</b>	<b>-149.1</b>	<b>-127.3</b>	<b>-68.6</b>
<b>Net Cashflow</b>	<b>A\$m</b>	<b>-9.3</b>	<b>-3.6</b>	<b>-1.9</b>	<b>5.1</b>

Shares	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
Ordinary Shares - End	m	2064.5	1959.0	1959.0	1959.0
Ordinary Shares - Weighted	m	2173.2	1967.8	1959.0	1959.0
Diluted Shares - Weighted	m	2173.2	1967.8	1959.0	1959.0

Ratio Analysis	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
Cashflow Per Share	A\$ cps	4.2	7.4	6.4	3.8

Earnings Per Share	A\$ cps	nm	nm	nm	nm
Dividends Per Share	AUD	-	0.075	0.0575	0.030
Franking		0%	0%	0%	0%
Net Debt / Net Debt + Equity	%	na	na	na	na
Interest Cover	X	na	na	na	na

Analyst: Trent Barnett  
+61 8 9268 3052

"tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained.

Sources: IRESS, Company Information, Hartleys Research

6 September 2019

Buy

**Directors**

Brian Gilbertson (Chairman)	Level 10, 16 St Georges Terrace
Priyank Thapliyal (CEO)	Perth WA, 6000, Australia
Paul Murray (Non-exec)	Tel: +61 8 9346 5500
Andrew Bell (Non-exec)	Fax: +61 8 9481 5933
Yeongjin Heo (Non-exec, Posco Nominee)	Web: www.jupitermines.com
Melissa North - CFO	

**Top Shareholders**

Company Information	%
AMCI	17.2%
Stichting Pensioenfond	12.9%
Posco	6.9%

**Reserves & Resources**

Reserves & Resources	Mt	% Mn	Attributable to JMS
Measured	103	34.1	JMS Atrib: 51Mt
Indicated	119	33.5	JMS Atrib: 60Mt
Inferred	237	32.5	JMS Atrib: 119Mt
<b>TOTAL Resources</b>	<b>460</b>	<b>33.1</b>	<b>JMS Atrib: 229Mt</b>

**Reserve**

Production Summary	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
Mill Throughput	Mt	3.8	3.8	3.4	3.30
Saleable Product	Mt	3.4	3.4	3.1	3.00
- grade Mn	Mt	36.5%	36.5%	36.5%	36.5%
Saleable Product (attrib to JMS)	Mt	1.7	1.7	1.5	1.5
Mass recovery		91.0%	90.3%	91.0%	91.0%
Mine Life	%	49.25	49.25	47.25	46.25
Assumed Mine Inventory (end)	Mt	135.1	135.1	127.9	124.6

Costs	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
Cost per milled tonne	A\$/t	108.9	108.1	114.3	114.0
EBITDA / tonne milled ore	A\$/t	83.6	138.0	112.7	83.8
	US\$/t	64.8	99.3	77.2	58.7
Total cost / tonne product cfr	A\$/t	125	138	142	140
	ZAR/t	1,236	1,412	1,415	1,430
	ZAR\$/dmu	34	39	39	39
	US\$/t	97	100	97	98
	US\$/dmu	2.7	2.7	2.7	2.7

Price Assumptions	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20f	28 Feb 21f
AUDUSD	A\$/US\$	0.78	0.72	0.68	0.70
USDZAR		12.71	14.18	14.53	14.60
AUDZAR		9.85	10.20	9.95	10.22
Manganese: 44% benchmark cfr	US\$/dmu	6.32	7.31	5.79	5.09
Manganese: 44% benchmark cfr	US\$/t	278	322	255	224
Iron Ore 62% benchmark cfr	US\$/t	66.0	73.6	89.9	73.2

Tshipi received price cfr	US\$/t	168.6	209.7	182.4	162.5
	US\$/dmu	4.6	5.7	5.0	4.5
	ZAR\$/dmu	58.7	81.5	72.6	65.0
	A\$/dmu	6.0	8.0	7.3	6.4

Valuation multiples	Unit	28 Feb 18a	28 Feb 19a	29 Feb 20a	28 Feb 21a
EV/EBITDA	x	4.0	2.4	3.3	4.5
Div Yield	%	0.0%	20.0%	15.3%	8.0%

Hedging	Unit	28 Feb 18a	28 Feb 19f	29 Feb 20f	28 Feb 21f
none					

**Sensitivity Analysis**

Base Case	Valuation	FY21 pro-forma EBITDA
	<b>0.45</b>	<b>138.3</b>
Spot Prices	0.63 (39.7%)	162.6 (17.6%)
Spot USD/AUD 0.68, USD/ZAR 14.9, 44% Mn CFR \$5.4/dmu, 37% Mn fob Sth Africa \$4.2/dmu		
AUDUSD +/-10%	0.37 / 0.55 (-18.3% / 22.4%)	111.8 / 170.6 (-19.1% / 23.4%)
Manganese +/-10%	0.55 / 0.34 (23.5% / -23.5%)	171.8 / 104.7 (24.3% / -24.3%)
Production +/-10%	0.54 / 0.36 (20.0% / -20.0%)	167.1 / 109.4 (20.9% / -20.9%)

**Unpaid Capital**

Year Expires	\$m	Avg price	% ord
28-Feb-19	0.0	0.00	0%
29-Feb-20	0.0	0.00	0%
28-Feb-21	0.0	0.00	0%
28-Feb-22	0.0	0.00	0%
28-Feb-23	0.0	0.00	0%
<b>TOTAL</b>	<b>0.0</b>	<b>nm</b>	<b>0%</b>

Valuation	A\$/shr
49.9% Tshipi (pre-tax NAV at disc. rate of 10%)	0.56
Tshipi Tax (NPV future liability)	-0.15
Marketing	0.02
Other Assets/Exploration	0.00
Forwards	0.00
Corporate Overheads	-0.02
Net Cash (Debt)	0.07
Withholding Tax	-0.02
Options & Other Equity	0.00
<b>Total</b>	<b>0.45</b>

Fig. 2: Earnings Changes

Tshipi (49.9%)	Unit	28 Feb 19	29 Feb 20			28 Feb 21			28 Feb 22		
		actual	Old	New	% chg	Old	New	% chg	Old	New	% chg
Production (100%)	Mtpa	3.4	3.0	3.1	1.5%	3.0	3.0	0.0%	3.0	3.0	0.0%
Received Price	US\$/dmu	5.7	5.0	5.0	0.0%	4.5	4.5	-0.3%	4.2	4.1	-0.4%
AUD	US\$/A\$	0.72	0.70	0.68	-2.2%	0.71	0.70	-1.7%	0.73	0.70	-3.5%
ZAR	Rand/US\$	14.2	14.1	14.5	3.0%	14.2	14.6	2.8%	14.1	14.6	3.8%
<b>Tshipi Revenue (49.9%)</b>	<b>A\$m</b>	<b>497.9</b>	<b>392.5</b>	<b>407.3</b>	<b>3.8%</b>	<b>342.9</b>	<b>347.9</b>	<b>1.4%</b>	<b>313.3</b>	<b>323.6</b>	<b>3.3%</b>
	ZARm	5079.4	3880.0	4053.0	4.5%	3467.6	3555.6	2.5%	3199.5	3307.7	3.4%
<b>Tshipi Cash Costs (49.9%)</b>	<b>A\$m</b>	<b>-236.4</b>	<b>-215.3</b>	<b>-217.5</b>	<b>1.0%</b>	<b>-210.6</b>	<b>-209.6</b>	<b>-0.5%</b>	<b>-206.2</b>	<b>-206.5</b>	<b>0.1%</b>
	ZARm	-2411.8	-2128.1	-2164.1	1.7%	-2129.3	-2142.2	0.6%	-2106.0	-2110.5	0.2%
	ZAR/t	-1412.0	-1412.5	-1415.1	0.2%	-1421.0	-1429.6	0.6%	-1405.4	-1408.4	0.2%
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Tshipi, 100%, EBITDA	A\$m	522.9	355.2	380.4	7.1%	265.2	277.1	4.5%	214.5	234.7	9.4%
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<b>Tshipi, 100%, Cash dist</b>	<b>ZARm</b>	<b>3,224</b>	<b>2,496</b>	<b>2,689</b>	<b>7.7%</b>	<b>1,581</b>	<b>1,673</b>	<b>5.8%</b>	<b>1,276</b>	<b>1,405</b>	<b>10.1%</b>
Tshipi, 100%, EBITDA	ZARm	5345.9	3510.8	3785.5	7.8%	2681.9	2832.4	5.6%	2191.3	2399.1	9.5%
Tshipi, 100%, EBITDA	US\$	376.9	248.8	260.6	4.7%	188.8	194.0	2.7%	155.7	164.3	5.5%
<b>Tshipi NPAT (49.9%)</b>	<b>A\$m</b>	<b>189.5</b>	<b>122.6</b>	<b>131.6</b>	<b>7.4%</b>	<b>90.3</b>	<b>94.5</b>	<b>4.7%</b>	<b>72.1</b>	<b>79.3</b>	<b>10.0%</b>
payout		83%	103%	103%	-0.4%	87%	87%	0.0%	87%	87%	0.0%
<b>DPS</b>		<b>0.075</b>	<b>0.055</b>	<b>0.0575</b>	<b>4.5%</b>	<b>0.030</b>	<b>0.030</b>	<b>0.0%</b>	<b>0.025</b>	<b>0.025</b>	<b>0.0%</b>

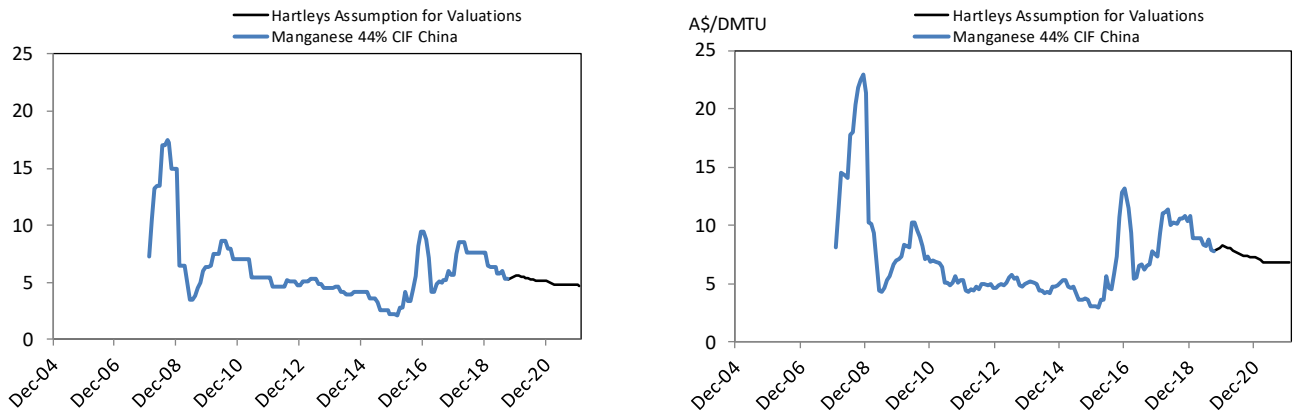
Source: Hartleys Estimates

**Fig. 3: Key assumptions and risks for valuation**

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Mine life	Low	High	We assume a long mine life. The mining right expires in 2040 but we assume it is extended.
Discount rate	Moderate	Upside	We assume a discount rate of 10%, real.
FX	Moderate	Meaningful	We assume that the Rand appreciates modestly in near term, and then depreciates again.
Selling prices fall from current prices	Moderate	Most significant	We assume manganese selling prices retrace but remain well above cash costs.
Project interest	Low	Modest	We assume JMS retains its 49.9% interest in Tshipi.
<i>Conclusion</i>		<i>We believe our assumptions around manganese selling prices are the most important for our valuation.</i>	

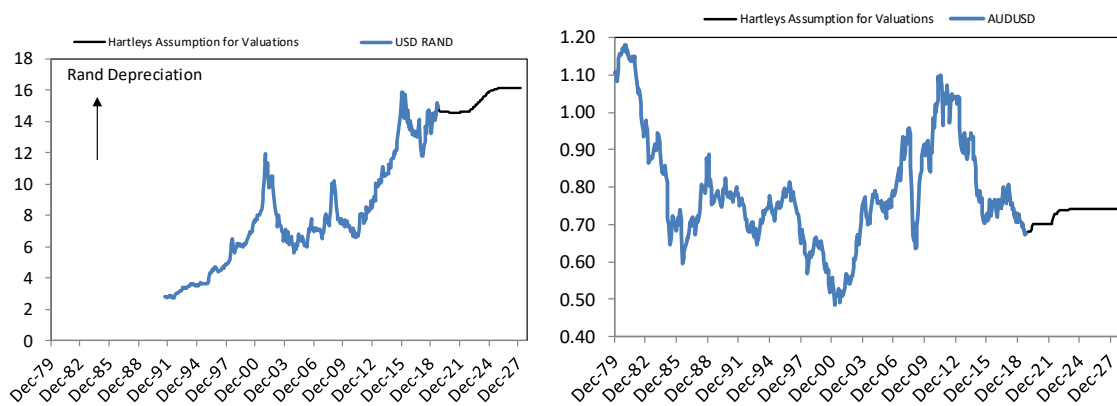
Source: Hartleys

**Fig. 4: Manganese Price Assumptions**



Source: Asian Metal, Hartleys estimates

**Fig. 5: FX Assumptions**



Source: Iress, Hartleys estimates

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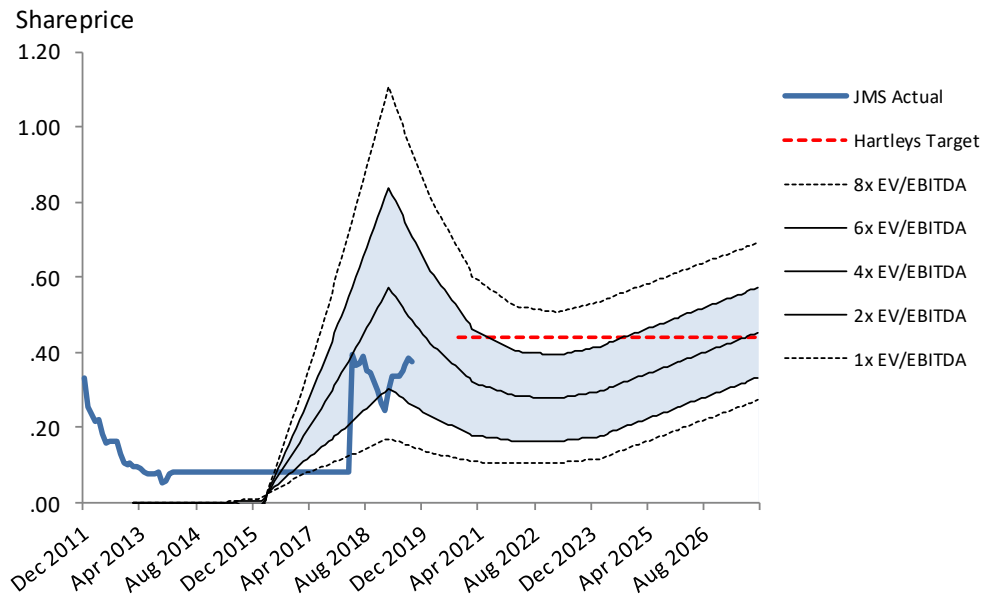
## PRICE TARGET

We have a twelve month price target of 44cps (unchanged from 44cps previous).

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case valuation	70%	\$0.45	\$0.41
NPV spot valuation	8%	\$0.63	\$0.61
4x EV/EBITDA	5%	\$0.37	\$0.30
10x EV/EBITDA	5%	\$0.87	\$0.69
Dividend yield 7.0% base case	10%	\$0.82	\$0.43
Dividend yield 7.0% spot prices	2%	\$0.57	\$0.57
<b>Risk weighted composite</b>		<b>\$0.52</b>	
<b>12 Months Price Target</b>		<b>\$0.44</b>	
Shareprice - Last		\$0.3750	
<b>12 mth total return</b>		<b>32%</b>	

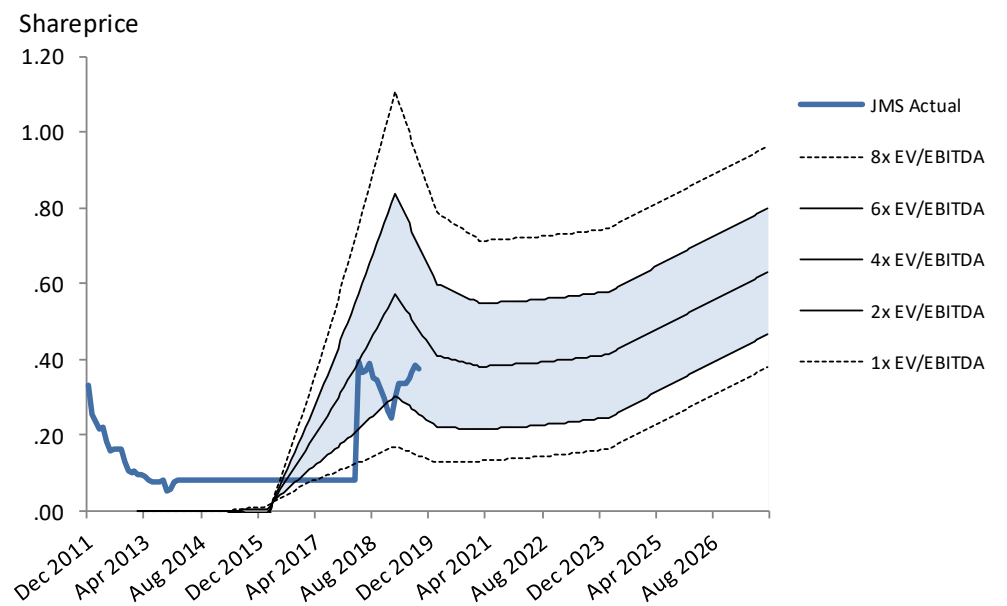
Source: Hartleys Research Estimates

**Fig. 6: Using Hartleys base case commodity forecasts**



Source: Hartleys Estimates, IRESS

**Fig. 7: Using spot commodity prices**



Source: Hartleys Estimates, IRESS

# HARTLEYS CORPORATE DIRECTORY

## Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
John Macdonald	Resources Analyst	+61 8 9268 3020
Paul Howard	Resources Analyst	+61 8 9268 3045
Aiden Bradley	Research Analyst	+61 8 9268 2876
Oliver Stevens	Research Analyst	+61 8 9268 2879
Michael Scantlebury	Junior Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

## Corporate Finance

Dale Bryan	Director & Head of Corp Fin.	+61 8 9268 2829
Richard Simpson	Director	+61 8 9268 2824
Ben Crossing	Director	+61 8 9268 3047
Ben Wale	Director	+61 8 9268 3055
Stephen Kite	Director	+61 8 9268 3050
Scott Weir	Director	+61 8 9268 2821
Scott Stephens	Associate Director	+61 8 9268 2819
Rhys Simpson	Associate Director	+61 8 9268 2851
Michael Brown	Executive	+61 8 9268 2822

## Registered Office

### Level 6, 141 St Georges Tce Postal Address:

Perth WA 6000	GPO Box 2777
Australia	Perth WA 6001
PH:+61 8 9268 2888	FX: +61 8 9268 2800
www.hartleys.com.au	info@hartleys.com.au

*Note: personal email addresses of company employees are structured in the following manner: firstname.lastname@hartleys.com.au*

## 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	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.
Buy	

## Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Digby Gilmour	+61 8 9268 2814
Jayne Walsh	+61 8 9268 2828
Veronika Tkacova	+61 8 9268 2836

## Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Matthew Parker	+61 8 9268 2826
Charlie Ransom	+61 8 9268 2868
Heath Ryan	+61 8 9268 3053
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Samuel Williams	+61 8 9268 3041

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