

# Hot Chili Limited

HCH : ASX

**SPECULATIVE BUY**

Target: \$0.85↓

Luke Smith

+61 3 8688 9136

luke.smith@canaccord.com.au

## COMPANY STATISTICS

Share Price	\$0.42
Valuation	\$0.85
12 Month Range	\$0.38-\$0.74
Market Cap (post placement)	\$136m
Enterprise Value (est. post placement)	\$111m
Issued Shares (post placement)	323m
Options (various)	73m
Cash (est. post placement)	\$25m
Debt (post placement)	Nil

## Major Shareholders

Kalgoorlie Auto Services	18.5%
Taurus Fund Management	14.6%
Lundin Mining	7.3%
CAP SA (Port Finance)	5.5%
Exploration Capital Partners (affiliate of Sprott)	5.0%

## EARNINGS SUMMARY:

Jun Yr End	2013e	2014e	2015e
Cu in Concentrate (t)	0	0	0
C1 Costs (US\$/lb)	n/a	n/a	n/a
Copper Price (US\$/lb)	\$3.38	\$3.35	\$3.20
EBITDA (A\$m)	-18.1	-15.1	-31.0
EV/EBITDA	nm	nm	nm
NPAT (A\$m)	-17.6	-14.0	-27.6
EPS (A\$)	-\$0.07	-\$0.04	-\$0.03
PER	-6.3x	-10.3x	-12.6x

## SHARE PRICE PERFORMANCE:



Source: Capital IQ

## COMPANY DESCRIPTION

Hot Chili is an ASX-listed Australian company that acquires and develops projects in Chile. Two of the company's projects are at an advanced stage with exploration and resource drilling being undertaken.

## Mining & Metals: Base Metals

# PRODUCTORA CONTINUES TO FIRM

## Investment Perspective

Hot Chili Limited (HCH) is a copper exploration and development company that has moved rapidly from explorer to defining a sizeable resource at its Productora Copper Project in Chile. HCH continues to release drill results with excellent copper grades and widths from Productora, with the results expected to lead to a resource increase in late 2013. HCH is targeting a 300 Mt open pit resource and in parallel complete a PFS for the development of an 11 Mtpa operation over ~20 years producing 60ktpa of copper in concentrate.

HCH recently announced a capital raising of A\$11.7m at 45c. Strong support for the Placement has been shown from Chilean resources major and project partner CAP S.A., with representative Mr Roberto de Andraca appointed to the HCH board. We maintain our SPECULATIVE BUY rating.

## Investment Highlights

- Capital raising of A\$11.7m provides sufficient capital for the ongoing 100,000m drill programme and PFS, due for completion in 2H'13.
- Productora remains open at depth over a strike length of approximately 7.5 km with a further 2 km of strike extensions. Furthermore, a number of recent drill results from the eastern flank of the central resource have been very encouraging. They include 15m @ 2% Cu and 0.5g/t Au, and 102m @ 1.2% Cu Eq, in an area which was previously considered a waste zone in the scoping study. Results such as these have the potential to lower the strip ratio in the impending PFS.
- HCH has also recently signed a Letter of Intent (LOI) with a local copper processing facility owned by Empresa Nacional de Minería (ENAMI). The LOI is in regards to negotiating an agreement for ENAMI to process oxide ores from Productora. ENAMI's local oxide processing facility is only 15kms from Productora and would be an additional benefit for the project economics. Oxide ore was not considered in the scoping study.
- The Productora Copper Project is well located at low altitude (< 1,000m elevation) and close to major infrastructure including road and rail. It is 60 km to the east of the Huasco port, controlled by CAP/CMP, HCH's project partner. We consider the location, project partners and availability of infrastructure as key competitive advantages for HCH.

## Maintain SPECULATIVE BUY rating & Target Price \$0.85

Our fully diluted price target has been revised to A\$0.85 (previously \$1.00) reflecting the capital raising and a lower share price used for development funding. Our target is based on a 12 month forward NPV (8%) of HCH's Productora Copper Project and includes a forecast future equity capital raising in FY15 and an updated CG copper price deck. We maintain our SPECULATIVE BUY rating.

**FINANCIAL SUMMARY**

Hot Chili Limited

HCH: ASX

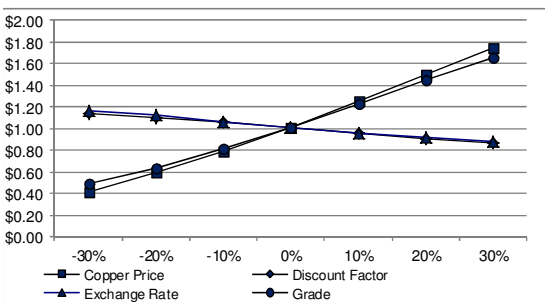
Date: 11/07/2013  
Year End: June

Market Information	Unit	Amount
Share Price	A\$	0.42
Market Capitalisation	A\$m	135.9
Enterprise Value	A\$m	110.6
12 Month Hi-Lo	A\$	0.38-0.74
Issued Capital	m	323.5
Options	m	77.9
Fully Diluted	m	401.4

Valuation	Method	A\$m	A\$/share
Productora	NPV @ 8%	443.1	0.45
Exploration	Estimate	15.0	0.02
Los Mantos	Estimate	10.0	0.01
Chile Norte	Estimate	5.0	0.01
		-	-
		-	-
Options		34.7	0.04
Cash	Estimate	25.3	0.03
Future Equity Raised		340.0	0.34
Less: Corporate & Overheads		(34.8)	(0.04)
<b>Total NAV/ Price Target</b>		<b>838.3</b>	<b>0.85</b>
Price to NAV			0.49

Assumptions	2013e	2014e	2015e	2016e
Copper Price (US\$/lb)	3.38	3.35	3.20	3.03
Copper Price (US\$/t)	7,441	7,385	7,055	6,669
A\$:US\$ FX rate	1.03	0.98	0.93	0.88

**Valuation Sensitivity**



Production Metrics	2013e	2014e	2015e	2016e
<b>Productora</b>				
Throughput (Mt)	0.0	0.0	0.0	0.0
Head Grade (% Cu)	0.00%	0.00%	0.00%	0.00%
Cu in Concentrate (t)	0	0	0	0
C1 Costs (US\$/lb)	n/a	n/a	n/a	n/a

Resources & Reserves	Mt	Grade	Cu Metal
<b>Central Area Resource</b> Indicated	70.6	0.6%	420,000
(15% of deposit footprint) Inferred	94.6	0.5%	500,000
<b>Total</b>	<b>165.2</b>	<b>0.6%</b>	<b>920,000</b>

<b>Mineralisation target</b>	300.0	0.6%	1,800,000
<b>Reserve target</b>	210.0	0.6%	1,260,000

**Directors & Management**

Murray Black	Chairman
Christian Easterday	Managing Director
Geoff Laing	Executive Director
Allan Trench	Non-Executive Director
Michael Anderson	Non-Executive Director

Substantial Shareholders	Shares (m)	%
Kalgoorlie Auto Services	53.0	16.4%
Taurus Fund Management	40.7	12.6%
Lundin Mining	27.1	8.4%
CAP S.A. (Port Finance)	16.0	4.9%
Exploration Capital Partners	14.7	4.6%

Source: HCH & Canaccord Genuity estimates

**Company Description**

Hot Chili is an Australian company that has assembled a portfolio of copper projects in the iron-oxide-copper-gold belt of the Chilean coastal range. Its flagship project is the Productora project at an advanced stage with exploration and resource drilling ongoing.

Profit & Loss (A\$m)	2012a	2013e	2014e	2015e	2016e
<b>Revenue</b>	0.8	0.0	0.0	0.0	0.0
Operating Costs	2.7	0.0	0.0	0.0	0.0
Royalties	0.0	0.0	0.0	0.0	0.0
Corporate & Overheads	0.6	6.0	4.9	20.6	5.8
Exploration (Expensed)	0.5	12.2	10.2	10.4	21.2
<b>EBITDA</b>	-2.9	-18.1	-15.1	-31.0	-27.0
Depreciation	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	-2.9	-18.1	-15.1	-31.0	-27.0
Net Interest	0.0	0.5	1.1	3.4	-14.5
Tax	0.0	0.0	0.0	0.0	0.0
<b>NPAT</b>	-2.9	-17.6	-14.0	-27.6	-41.5
Abnormals	0.0	0.0	0.0	0.0	0.0
<b>NPAT (reported)</b>	-2.9	-17.6	-14.0	-27.6	-41.5

Cash Flow (A\$m)	2012a	2013e	2014e	2015e	2016e
<b>Cash Flow (A\$m)</b>					
Cash Receipts	0.0	0.0	0.0	0.0	0.0
Cash paid to suppliers	-2.4	-3.7	-4.0	-4.0	-5.5
Tax Paid	0.0	0.0	0.0	0.0	0.0
<b>Operating Cash Flow</b>	<b>-2.3</b>	<b>-3.7</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-5.5</b>
Exploration and Evalua	-14.9	-24.3	-20.0	-20.0	-20.0
Capex	-0.2	-3.4	0.0	-164.9	-576.6
Other	0.0	-7.7	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-15.1</b>	<b>-35.4</b>	<b>-20.0</b>	<b>-184.9</b>	<b>-596.6</b>
Debt Drawdown (repay)	0.0	0.0	0.0	100.0	400.0
Share Capital	30.3	44.5	16.6	329.8	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Financing Expenses	-1.0	-1.8	0.3	-13.1	10.1
Other	0.0	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>29.3</b>	<b>42.7</b>	<b>16.9</b>	<b>416.7</b>	<b>410.1</b>
Opening Cash	4.2	16.9	19.6	12.5	240.3
Increase / (Decrease)	11.9	3.6	-7.1	227.8	-192.0
FX Impact	0.8	-0.8	0.0	0.0	0.0
<b>Closing Cash</b>	<b>16.9</b>	<b>19.6</b>	<b>12.5</b>	<b>240.3</b>	<b>48.3</b>

Balance Sheet (A\$m)	2012a	2013e	2014e	2015e	2016e
<b>Balance Sheet (A\$m)</b>					
Cash	16.9	19.6	12.5	240.3	48.3
Other current assets	0.0	0.0	0.0	0.0	0.0
<b>Current Assets</b>	<b>16.9</b>	<b>19.6</b>	<b>12.5</b>	<b>240.3</b>	<b>48.3</b>
Property, Plant & Equip	0.3	11.4	11.4	176.3	752.9
Exploration & Develop.	15.8	28.0	38.0	48.0	48.0
Other Non-current Asses	0.0	2.5	3.5	17.6	0.0
Payables	0.4	0.0	0.0	0.0	0.0
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	100.0	500.0
Other Liabilities	0.0	2.0	3.2	17.9	26.4
<b>Net Assets</b>	<b>32.6</b>	<b>59.5</b>	<b>62.1</b>	<b>364.3</b>	<b>322.8</b>
Shareholders Funds	48.6	93.1	109.7	439.5	439.5
Reserves	0.7	0.7	0.7	0.7	0.7
Retained Earnings	-16.7	-34.3	-48.3	-76.0	-117.4
<b>Total Equity</b>	<b>32.6</b>	<b>59.5</b>	<b>62.1</b>	<b>364.3</b>	<b>322.8</b>

Ratios & Multiples	2012a	2013e	2014e	2015e	2016e
<b>Ratios &amp; Multiples</b>					
EBITDA Margin	nm	nm	nm	nm	nm
EV/EBITDA	nm	nm	nm	nm	nm
Op. Cashflow/Share	-\$0.01	-\$0.01	-\$0.01	\$0.00	-\$0.01
P/CF	-31.9x	-33.4x	-36.5x	-103.7x	-75.4x
EPS	-\$0.02	-\$0.07	-\$0.04	-\$0.03	-\$0.04
EPS Growth	nm	nm	nm	nm	nm
PER	-25.7x	-6.3x	-10.3x	-12.6x	-10.0x
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	0%	0%	0%	0%	0%
ROE	-9%	-30%	-23%	-8%	-13%
ROIC	-6%	-19%	-14%	-6%	-3%
Debt/Equity	0%	0%	0%	27%	155%
Net Interest Cover	nm	nm	nm	nm	nm
Book Value/share	\$0.18	\$0.20	\$0.18	\$0.37	\$0.33
Price/Book Value	2.3x	2.1x	2.4x	1.1x	1.3x

## EXPLORATION UPDATE

### PRODUCTORA PROJECT, CHILE (100%)

HCH has 4 drill rigs on site at Productora, currently completing a 100,000m drill program aimed at delivering a significant resource increase and upgrade towards the end of 2013. Assay results from the drill program have been announced to market on a regular basis and are likely to continue over the next couple of months.

Additional excellent results recently announced include:

- 22m @ 1.5% Cu and 0.4g/t Au (2.1% Cu eq.) from 171m downhole, and
- 32m @ 1.2% Cu and 0.2g/t Au (1.5% Cu eq.) from 75m downhole

#### Mineral Resources

The most recent resource was February 2013. The announced resource was a significant upgrade and increase over the previous one. The mineral resources estimated at Productora are summarised below.

**Table 1: Productora JORC Mineral Resource (Feb. 2013)**

Category	Tonnes	Cu	Au	Mo	Cu Eq.	Copper	Gold	Mo	Cu Eq.
Indicated	70.6 Mt	0.6%	0.1 g/t	140 g/t	0.8%	420,000 t	260,000 oz	10,000 t	560,000 t
Inferred	94.6 Mt	0.5%	0.1 g/t	126 g/t	0.7%	500,000 t	310,000 oz	12,000 t	670,000 t
Total I+I	165.2 Mt	0.6%	0.1 g/t	132 g/t	0.7%	920,000 t	570,000 oz	22,000 t	1,230,000 t

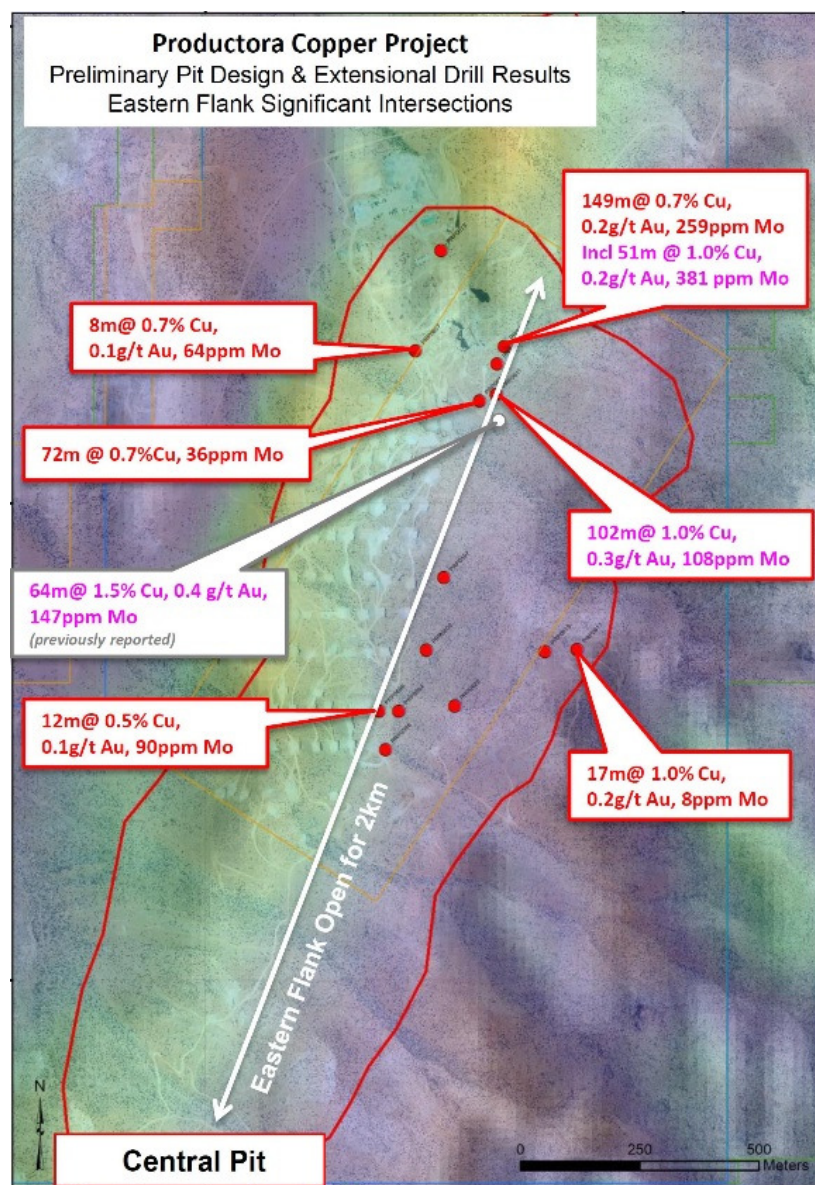
Source: HCH Copper Equivalent Formula= Cu % + Mo(ppm)x0.0009 + Au(ppm)x0.7808 Price Assumptions- Cu US\$1.60/lb, Mo US\$15/lb, Au US\$850/oz

The next resource upgrade and increase is expected late in 2013.

#### Eastern Flank Upside

HCH has recently announced drill results from the eastern flank of the current Central Pit design. These results with encouraging copper hits could have a material effect on not on the resource but also the strip ratio for the Central pit. The eastern flank zone was previously considered waste material in the scoping study. Further drilling is required to confirm the copper mineralisation in this area; however the early signs are positive.

Figure 1: Preliminary pit design and extensional drill results from Eastern Flank



Source: Hot Chili Limited

### Oxide Copper Potential

The current Productora resource includes 14Mt @ 0.6% Cu and 0.1g/t gold of oxide material. To date the oxide material has not been considered in the development plans and is currently not included in the Preliminary Feasibility work. However HCH has recently signed a Letter of Intent (LOI) with a local copper processing facility owned by Empresa Nacional de Minería (ENAMI). The LOI is in regards to negotiating an agreement for ENAMI to process oxide ores from Productora. ENAMI's local oxide processing facility is only 15kms from Productora therefore providing a significant opportunity for both HCH and ENAMI.

Should HCH secure an agreement which allows them to process the oxide ore at ENAMI's facility this would almost certainly provide a significant economic benefit to the Productora project as a whole. The Oxide ore based on current pit designs has to be mined yet only stockpiled and not processed. This is due to the current studies very much focussing on the sulphide ore, which is the vast majority of the existing resource. The PFS is considering a copper sulphide processing scenario only that would produce a copper concentrate and not be able to treat the oxide ore.

## INVESTMENT RISKS

Hot Chili Limited is exposed to a number of risks including:

- **Geological risk:** the actual characteristic of an ore deposit may differ significantly from initial interpretations.
  - **Resource risk:** All resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
  - **Capital cost and operational cost risk:** an increase in capital costs and operating costs will reduce the profitability and free cash generation of the project.
  - **Commodity price and exchange rate risk:** As with all mining and mineral exploration companies, commodity price and exchange rate risk should also be considered.
  - **Management and labour risk:** an experienced and skilled management team is essential to the successful development and operation of the project.
-



**APPENDIX: IMPORTANT DISCLOSURES**

**Analyst Certification:**

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

**Site Visit:**

An analyst has not visited the company's material operations in Chile.

**Distribution of Ratings:  
Global Stock Ratings  
(as of 28 March 2013)**

Rating	Coverage Universe		IB Clients
	#	%	
Buy	583	58.2%	34.0%
Speculative Buy	60	6.0%	55.0%
Hold	308	30.8%	13.0%
Sell	50	5.0%	6.0%
	1004*	100.0%	

\*Total includes stocks that are Under Review

**Canaccord Genuity Ratings System:**

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

**Risk Qualifier:**

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

**Canaccord Genuity Research Disclosures as of 11 July 2013**

Company	Disclosure
Hot Chili Limited	7
1	The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided the following services to the relevant issuer: A. investment banking services. B. non-investment banking securities-related services. C. non-securities related services.
2	In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
3	In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
4	Canaccord Genuity acts as corporate broker for the relevant issuer and/or Canaccord Genuity or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
5	Canaccord Genuity or one or more of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
6	In the past 12 months, Canaccord Genuity, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
7	Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
8	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.
9	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases.
10	Those persons identified as the author(s) of this research, or any individual involved in the preparation of this research, have purchased/received shares in the relevant issuer prior to a public offering of those shares, and such person's name and details are disclosed above.
11	A partner, director, officer, employee or agent of Canaccord Genuity or its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the relevant issuer and/or one of its subsidiaries, and such person's name is disclosed above.
12	As of the month end immediately preceding the date of publication of this research, or the prior month end if publication is within 10 days following a month end, Canaccord Genuity or its affiliated companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the research (as disclosed above).
13	As of the month end immediately preceding the date of publication of this research, or the prior month end if publication is within 10 days following a month end, the relevant issuer owned 1% or more of any class of the total issued share capital in Canaccord Genuity or any of its affiliated companies.
14	Other specific disclosures as described above.

"Canaccord Genuity" is the business name used by certain wholly owned subsidiaries of Canaccord Financial Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, Canaccord Genuity Corp., and Canaccord Genuity (Australia) Limited, an affiliated company that is 50%-owned by Canaccord Financial Inc.

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in Boston, New York, San Francisco and Houston a US broker-dealer with principal offices located in New York or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London and Edinburgh (UK), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

In the event that this is compendium research (covering six or more relevant issuers), Canaccord Genuity and its affiliated companies may choose to provide by reference specific disclosures of the subject companies or its policies and procedures regarding the dissemination of research. To access this material or for more information, please refer to <http://disclosures.canaccordgenuity.com/EN/Pages/default.aspx> or send a request to Canaccord Genuity Corp. Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2 or [disclosures@canaccordgenuity.com](mailto:disclosures@canaccordgenuity.com).

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in New York, Boston, San Francisco and Houston, or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London (UK) and Dublin (Ireland), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

Canaccord Genuity and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the issuer that is the subject of this research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Genuity or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of research. This research has been prepared in accordance with Canaccord Genuity's policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Canaccord Genuity's judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Genuity's salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

This research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this research may not be eligible for sale in some jurisdictions. This research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this research.

**For Canadian Residents:**

This research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this research and its dissemination in Canada. Canadian clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular province or territory.

**For United States Residents:**

Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this research and its dissemination in the United States. This research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analyst(s) preparing this report that are not employed by Canaccord Genuity Inc. are resident outside the United States and are not associated persons or employees of any US regulated broker-dealer. Such analyst(s) may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

**For United Kingdom and European Residents:**

This research is distributed in the United Kingdom and elsewhere Europe, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Conduct Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or elsewhere in Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

**For Jersey, Guernsey and Isle of Man Residents:**

This research is sent to you by Canaccord Genuity Wealth (International) Limited (CGWI) for information purposes and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This research has been produced by an affiliate of CGWI for circulation to its institutional clients and also CGWI. Its contents have been approved by CGWI and we are providing it to you on the basis that we believe it to be of interest to you. This statement should be read in conjunction with your client agreement, CGWI's current terms of business and the other disclosures and disclaimers contained within this research. If you are in any doubt, you should consult your financial adviser.

CGWI is licensed and regulated by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Supervision Commission. CGWI is registered in Guernsey and is a wholly owned subsidiary of Canaccord Financial Inc.

**For Australian Residents:**

This research is distributed in Australia by Canaccord Genuity (Australia) Limited ABN 19 075 071 466 holder of AFS Licence No 234666. To the extent that this research contains any advice, this is limited to general advice only. Recipients should take into account their own personal circumstances before making an investment decision. Clients wishing to effect any transactions in any financial products discussed in the research should do so through a qualified representative of Canaccord Genuity (Australia) Limited. Canaccord Genuity Wealth Management is a division of Canaccord Genuity (Australia) Limited.

**Additional information is available on request.**

Copyright © Canaccord Genuity Corp. 2013. – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited 2013. – Member LSE, authorized and regulated by the Financial Conduct Authority.

Copyright © Canaccord Genuity Inc. 2013. – Member FINRA/SIPC

Copyright © Canaccord Genuity (Australia) Limited 2013. – Authorized and regulated by ASIC.

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, Canaccord Genuity Inc. or Canaccord Financial Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.