

HOT CHILI LTD (HCH)

Deal values Productora at US\$60m or 13cps

Hot Chili has announced the sale of an additional 2.5% of the Productora project for US\$1.5m (look through project value US\$60m). The sale proceeds will be used to pay down some debt (~US\$10m). The Company has also announced that it is finalised new debt terms to have repayment extended by a year, such that it will be due in June 2017 (it was due in June this year).

CAP transaction to be renegotiated

This CAP transaction values Productora at US\$60m, whereas the May 2015 option deal with CAP valued the asset at US\$245-337m (US\$80-110m for 32.6%). Note, HCH was in a poor negotiating position for this deal given weak copper prices and the looming debt repayment.

The Company announced that the original CAP transaction is still valid, but the terms are being renegotiated (ie CAP seems unlikely to exercise the options on current terms). We had previously expected that Tranche 1 was due to expire at the end of this month based on delivery of the PFS, but we understand that some of the conditions were not triggered, and hence the expiry date is still undefined.

As a reminder, if the options were to be exercised, then HCH could be cash backed at ~16-26cps. Instead, based on the CAP transaction announced today (US\$60m), a similar sell down would mean the cash inflow for 30.1% would be an additional US\$18m, and after debt repayment, would leave HCH net cash of ~3cps.

If we had to speculate on a re-cut deal, we expect it would have a lower bottom end valuation than the old deal, but possibly the upper-end could remain to keep optionality value for HCH shareholders should copper prices rally significantly.

Re-cut deal likely to be put to shareholders

We expect that a re-cut deal with CAP will need to be put to shareholders, and hence HCH could be put into play during that period (ie if shareholders were to receive a better offer in that period then they may vote down the CAP proposal and a new acquirer could own a larger proportion of Productora without having to deal with CAP).

Hartleys estimates copper US\$4.00/lb for strong economics

On our copper price estimates, we estimate Productora would generate an average of ~US\$130m pa EBITDA, and based on capex of US\$725m, that means our valuation is low. However, using copper prices of US\$4.00/lb, we estimate EBITDA is closer to \$265m pa, and it becomes a very viable mine.

Maintain Neutral, but risk level moderating

Based on an 80% interest in Productora, US\$60m implies HCH is worth ~13cps, pre-tax, post debt repayment. We maintain our Neutral, given realising the value is not certain.

HCH is very leveraged to a significant rally in copper prices. While the consensus is only for a small price increase, we note that preliminary analysis suggest copper demand could accelerate considerably if electric vehicle penetration meets the expectations required for bullish lithium forecasts.

20 May 2016

| | |
|--------------------------------|---------|
| Share Price | \$0.098 |
| Valuation | \$0.09 |
| Price Target (12 month) | \$0.11 |

Brief Business Description:

Low grade, bulk tonne, Copper developer in Chile

Hartleys Brief Investment Conclusion

Marginal project but very large and hence leveraged to copper prices.

Chairman & MD

Murray Black (Chairman & Non-Exec Director)

Christian Easterday (Managing Director)

Top Shareholders

| | |
|--|-------|
| Kalgoorlie Auto Services (assoc M Black & C | 15.0% |
| Taurus Funds Mgt | 13.9% |
| Cap S.A. (Port Finance) | 14.8% |
| Megeve | 7.0% |
| Exploration Capital Partners (affil. Sprott) | 5.2% |
| Blue Spec Sondajes Chile (assoc M Black) | 5.2% |

Company Address

First Floor, 768 Canning Highway

Applecross, WA, 6153

Issued Capital 445.7m

- fully diluted 456.7m

Market Cap A\$43.7m

- fully diluted A\$44.8m

Cash (30 Jun 16e) A\$5.3m

Debt (31 Mar 16a) A\$13.2m

EV A\$51.6m

EV/Resource Cu eq lb A\$0.08/lb

EV/Reserve Cu eq lb A\$0.14/lb

| | Prelim. (A\$m) | FY17e | FY18e | FY19e |
|----------------------------|----------------|--------------|--------------|-------|
| Prod (kt Cu Eq) | 0.0 | 0.0 | 36.0 | |
| Op Cash Flw | -4.4 | -12.7 | 55.2 | |
| Norm NPAT | -9.1 | -26.6 | 23.7 | |
| CF/Share (cps) | -0.5 | -0.7 | 0.6 | |
| EPS (cps) | -0.7 | -1.0 | 0.8 | |
| P/E | -21.2 | -13.8 | 16.4 | |
| | Mt | grade | Cu Eq | |
| Resources (Mt CuEq) | 287 | 0.5% | 1.5 | |
| Reserves (Mt CuEq) | 167 | 0.5% | 0.8 | |


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SUMMARY MODEL

| Hot Chili Ltd HCH | | | | | | Share Price \$0.098 | Neutral |
|---|---------|-----------|-----------|-----------|-----------|----------------------------------|---------------------------------|
| Key Market Information | | | | | | | |
| Share Price | | | | | | \$0.098 | |
| Market Capitalisation - ordinary | | | | | | A\$44m | |
| Net Debt (cash) | | | | | | \$8m | |
| Market Capitalisation - fully diluted | | | | | | A\$45m | |
| EV | | | | | | A\$53m | |
| Issued Capital | | | | | | 445.7m | |
| Options (ITM) | | | | | | 11.0 | |
| Issued Capital (fully diluted inc. all options)* | | | | | | 456.7m | |
| Issued Capital (fully diluted inc. all options and new capital)* | | | | | | 3588.7m | |
| Valuation | | | | | | \$0.088 | |
| 12month price target | | | | | | \$0.112 | |
| P&L | | | | | | | |
| | Unit | 30 Jun 16 | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | |
| Net Revenue | A\$m | 0.0 | 0.0 | 0.0 | 153.1 | 319.9 | |
| Total Costs | A\$m | -3.6 | -3.6 | -3.6 | -82.1 | -157.4 | |
| EBITDA | A\$m | -3.6 | -3.6 | -3.6 | 71.0 | 162.5 | |
| - margin | | - | - | - | 46% | 51% | |
| Depreciation/Amort | A\$m | -0.1 | -4.7 | -13.9 | -25.7 | -28.8 | |
| EBIT | A\$m | -3.8 | -8.3 | -17.5 | 45.3 | 133.7 | |
| Net Interest | A\$m | -1.3 | -0.8 | -9.1 | -21.6 | -25.0 | |
| Norm. Pre-Tax Profit | A\$m | -5.1 | -9.1 | -26.6 | 23.7 | 108.7 | |
| Reported Tax Expense | A\$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Normalised NPAT | A\$m | -5.1 | -9.1 | -26.6 | 23.7 | 108.7 | |
| Abnormal Items | A\$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Reported Profit | A\$m | -5.1 | -9.1 | -26.6 | 23.7 | 108.7 | |
| Minority | A\$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Profit Attrib | A\$m | -5.1 | -9.1 | -26.6 | 23.7 | 108.7 | |
| Balance Sheet | | | | | | | |
| | Unit | 30 Jun 16 | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | |
| Cash | A\$m | 12.0 | 290.4 | 150.0 | 169.4 | 306.5 | |
| Other Current Assets | A\$m | 0.0 | 0.0 | 0.0 | 14.7 | 30.7 | |
| Total Current Assets | A\$m | 12.0 | 290.5 | 150.0 | 184.1 | 337.2 | |
| Property, Plant & Equip. | A\$m | 1.2 | 18.4 | 362.3 | 444.4 | 415.6 | |
| Exploration | A\$m | 76.5 | 61.6 | 61.6 | 64.6 | 68.6 | |
| Investments/other | A\$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Tot Non-Curr. Assets | A\$m | 77.7 | 80.0 | 423.9 | 509.0 | 484.3 | |
| Total Assets | A\$m | 89.7 | 370.5 | 573.9 | 693.1 | 821.5 | |
| Short Term Borrowings | A\$m | 0.0 | - | - | - | - | |
| Other | A\$m | 0.9 | 0.9 | 0.9 | 21.4 | 41.1 | |
| Total Curr. Liabilities | A\$m | 0.9 | 0.9 | 0.9 | 21.4 | 41.1 | |
| Long Term Borrowings | A\$m | 17.4 | 0.3 | 200.3 | 275.3 | 275.3 | |
| Other | A\$m | - | - | - | - | - | |
| Total Non-Curr. Liabil. | A\$m | 17.4 | 0.3 | 200.3 | 275.3 | 275.3 | |
| Total Liabilities | A\$m | 18.3 | 1.2 | 201.2 | 296.7 | 316.4 | |
| Net Assets | A\$m | 71.4 | 369.3 | 372.7 | 396.4 | 505.1 | |
| Net Debt | A\$m | 5.4 | -290.1 | 50.3 | 105.9 | -31.2 | |
| Cashflow | | | | | | | |
| | Unit | 30 Jun 16 | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | |
| EBITDA | A\$m | -3.6 | -3.6 | -3.6 | 71.0 | 162.5 | |
| chg in working capital | A\$m | -0.7 | 0.0 | 0.0 | 5.8 | 3.7 | |
| Operating Cashflow | A\$m | -4.3 | -3.6 | -3.6 | 76.8 | 166.1 | |
| Income Tax Paid | A\$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Interest & Other | A\$m | -1.3 | -0.8 | -9.1 | -21.6 | -25.0 | |
| Operating Activities | A\$m | -5.7 | -4.4 | -12.7 | 55.2 | 141.1 | |
| Property, Plant & Equip. | A\$m | 6.2 | -7.1 | -357.7 | -107.8 | 0.0 | |
| Exploration and Devel. | A\$m | 0.0 | 0.0 | 0.0 | -3.0 | -4.0 | |
| Other | A\$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Investment Activities | A\$m | 6.2 | -7.1 | -357.7 | -110.8 | -4.0 | |
| Borrowings | A\$m | 4.3 | -17.1 | 200.0 | 75.0 | 0.0 | |
| Equity or "tbc capital" | A\$m | 0.0 | 306.9 | 30.0 | 0.0 | 0.0 | |
| Dividends Paid | A\$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Financing Activities | A\$m | 4.3 | 289.9 | 230.0 | 75.0 | 0.0 | |
| Net Cashflow | A\$m | 4.9 | 278.4 | -140.4 | 19.4 | 137.1 | |
| Shares* | | | | | | | |
| | Unit | 30 Jun 16 | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | |
| Ordinary Shares - End | m | 398.5 | 3530.5 | 3959.0 | 3970.0 | 3970.0 | |
| Ordinary Shares - Weighted | m | 398.5 | 1964.5 | 3744.8 | 3964.5 | 3970.0 | |
| Diluted Shares - Weighted | m | 409.5 | 1975.5 | 3755.8 | 3970.0 | 3970.0 | |
| Ratio Analysis | | | | | | | |
| | Unit | 30 Jun 16 | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | |
| Cashflow Per Share | A\$ cps | -1.4 | -0.2 | -0.3 | 1.4 | 3.6 | |
| Cashflow Multiple | x | -6.9 | -43.7 | -28.8 | 7.0 | 2.8 | |
| Earnings Per Share | A\$ cps | -1.3 | -0.5 | -0.7 | 0.6 | 2.7 | |
| Price to Earnings Ratio | x | -7.7 | -21.2 | -13.8 | 16.4 | 3.6 | |
| Dividends Per Share | AUD | - | - | - | - | - | |
| Dividend Yield | % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Net Debt / Net Debt + Equity | % | 7% | -367% | 12% | 21% | -7% | |
| Interest Cover | X | na | na | na | 2.1 | 5.3 | |
| Return on Equity | % | na | na | na | 6% | 22% | |
| *tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained. Sources: IRESS, Company Information, Hartleys Research | | | | | | | |
| Directors | | | | | | Company Information | |
| Murray Black (Chairman & Non-Exec Director) | | | | | | First Floor, 783 Canning Highway | |
| Christian Easterday (Managing Director) | | | | | | Applecross, WA, 6153 | |
| Dr Allan Trench (Non-Exec Director) | | | | | | +61 8 9315 9009 | |
| Dr Michael Anderson (Non-Exec Director, Taurus Nom.) | | | | | | +61 8 9315 5004 | |
| Roberto Adriasola de Andraca (Non-Exec Director) | | | | | | www.hotchili.net.au/ | |
| Melanie L'eaighon (exec., alternate director for M Black) | | | | | | | |
| Top Shareholders | | | | | | m shares | % |
| Kalgoorlie Auto Services (assoc M Black & C Easterday) | | | | | | | 15.0% |
| Taurus Funds Mgt | | | | | | | 13.9% |
| Cap S.A. (Port Finance) | | | | | | | 14.8% |
| Megeve | | | | | | | 7.0% |
| Exploration Capital Partners (affil. Sprott) | | | | | | | 5.2% |
| Blue Spec Sondajes Chile (assoc M Black) | | | | | | | 5.2% |
| Reserves & Resources | | | | | | Mt | % Cu |
| TOTAL RESOURCE | | | | | | 287.0 | 0.46% |
| M&I | | | | | | 198.1 | 0.49% |
| Inferred | | | | | | 88.9 | 0.40% |
| Productora Resource | | | | | | 236.5 | 0.48% |
| M&I | | | | | | 182.0 | 0.50% |
| Inferred | | | | | | 54.5 | 0.42% |
| Productora Reserve | | | | | | 166.9 | 0.43% |
| - Transitional + oxide | | | | | | 44.6 | 0.44% |
| - Fresh | | | | | | 122.4 | 0.43% |
| Frontera Resource | | | | | | 50.5 | 0.37% |
| M&I | | | | | | 16.1 | 0.38% |
| Inferred | | | | | | 34.4 | 0.36% |
| Production Summary | | | | | | Unit | Jun 18 |
| Mill Throughput | | | | | | Mt | 8.9 |
| Mined grade | | | | | | Cu% | 0.5% |
| Mined grade | | | | | | g/t | 0.09 |
| Production - Copper | | | | | | Kt | 32.7 |
| Production - payable - Copper | | | | | | Kt | 31.5 |
| Production - payable - Gold | | | | | | (koz) | 13.9 |
| Production - payable - Molybdenum | | | | | | Mtbs | 1.3 |
| Cu Equiv | | | | | | Kt | 38.0 |
| Gold Equiv | | | | | | (koz) | 19.5 |
| M&I Resource Conversion | | | | | | % | 77.6% |
| Mine Life | | | | | | yr | 15.00 |
| Assumed inventory | | | | | | Mt | 222.8 |
| - grade Cu | | | | | | % | 0.5% |
| - grade Au | | | | | | g/t | 0.09 |
| Costs | | | | | | Unit | Jun 18 |
| Cost per milled tonne | | | | | | \$/t | 18.5 |
| EBITDA / tonne milled ore | | | | | | \$/t | 16.0 |
| Total Cash Costs | | | | | | \$/lb Cu eq | 2.07 |
| C1: Operating Cash Cost = (a) | | | | | | \$/lb Cu eq | 1.84 |
| (a) + Royalty = (b) | | | | | | \$/lb Cu eq | 1.98 |
| C2: (a) + depreciation & amortisation = (c) | | | | | | \$/lb Cu eq | 1.48 |
| (a) + actual cash for development = (d) | | | | | | \$/lb Cu eq | 4.64 |
| AISC: (c) + Royalty | | | | | | \$/lb Cu eq | 2.63 |
| (d) + Royalty | | | | | | \$/lb Cu eq | 4.78 |
| Price Assumptions | | | | | | Unit | Jun 18 |
| AUDUSD | | | | | | A\$/US\$ | 0.73 |
| Gold | | | | | | US\$/oz | 1242 |
| Copper | | | | | | US\$/lb | 2.77 |
| Molybdenum | | | | | | US\$/lb | 8.00 |
| Hedging | | | | | | Unit | Jun 18 |
| Hedges maturing? | | | | | | No | No |
| Sensitivity Analysis | | | | | | Valuation | FY20 NPAT |
| Base Case | | | | | | 0.08 | 108.7 |
| Spot Prices | | | | | | 0.01 (-94.1%) | 39.07 (-64.1%) |
| Spot USD/AUD 0.72, Gold \$1255/oz. | | | | | | | |
| AUDUSD +/-10% | | | | | | 0.07 / 0.11 (-21.4% / 26.2%) | 93.45 / 127.33 (-14.0% / 17.1%) |
| Gold +/-10% | | | | | | 0.09 / 0.08 (2.9% / -2.9%) | 110.74 / 106.65 (1.9% / -1.9%) |
| Production +/-10% | | | | | | 0.12 / 0.04 (47.9% / -47.9%) | 140.68 / 76.71 (29.4% / -29.4%) |
| Operating Costs +/-10% | | | | | | 0.08 / 0.09 (-8.9% / 8.9%) | 103.12 / 114.27 (-5.1% / 5.1%) |
| Unpaid Capital | | | | | | Unit | Jun 18 |
| Year Expires | | | | | | No. (m) | \$m |
| 30-Jun-16 | | | | | | 0.0 | 0.0 |
| 30-Jun-17 | | | | | | 0.0 | 0.0 |
| 30-Jun-18 | | | | | | 0.0 | 0.0 |
| 30-Jun-19 | | | | | | 11.0 | 0.0 |
| 30-Jun-20 | | | | | | 0.0 | 0.0 |
| TOTAL | | | | | | 11.0 | 0.0 |
| Share Price Valuation (NAV) | | | | | | Risked Est. A\$m | Est. A\$/share |
| 49% Productora (pre-tax NAV at disc. rate of 12%) | | | | | | 309 | 0.09 |
| Frontera | | | | | | 26 | 0.01 |
| Other Exploration | | | | | | 5 | 0.00 |
| Forwards (Debt) | | | | | | 0 | 0.00 |
| Corporate Overheads | | | | | | -15 | 0.00 |
| Net Cash (Debt) | | | | | | -8 | 0.00 |
| Tax (NPV future liability) | | | | | | 0 | 0.00 |
| Options & Other Equity | | | | | | 0 | 0.00 |
| Hedging | | | | | | 0 | 0.00 |
| Total | | | | | | 318 | 0.09 |
| Last Updated: 29/03/2016 | | | | | | | |

PRICE TARGET

Our price target has been increased to 11cps (from 9cps previously).

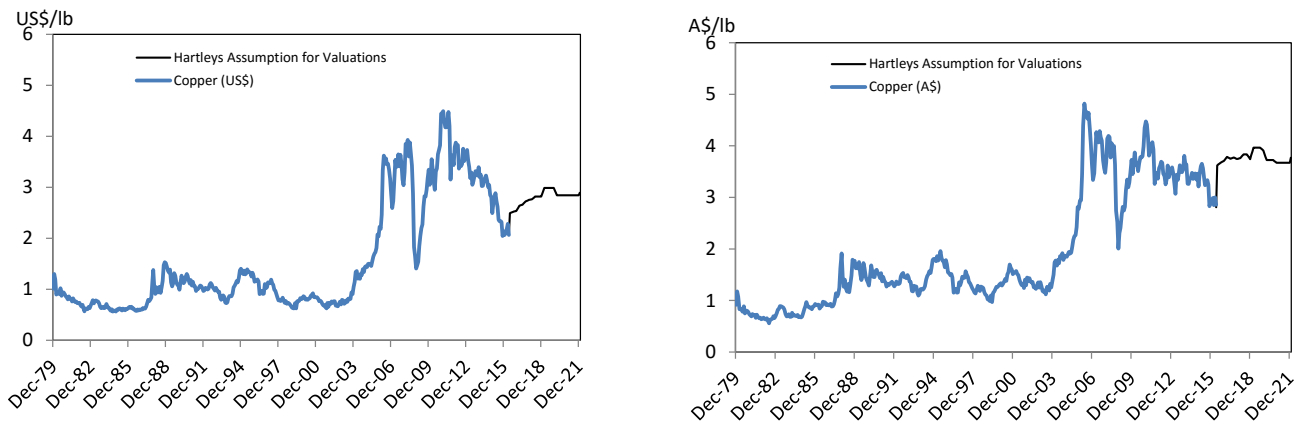
| HCH Price Target Methodology | Weighting | Spot | 12 mth out |
|--|-----------|---------------|------------|
| NPV base case | 25% | \$0.09 | \$0.10 |
| NPV at spot commodity and fx prices | 5% | \$0.01 | \$0.00 |
| NPV at copper US\$4.00/lb | 5% | \$0.14 | \$0.15 |
| Net cash if sell 30.1% at implied value of \$60m | 5% | \$0.03 | \$0.03 |
| HCH valuation based on Productora US\$60m | 60% | \$0.13 | \$0.13 |
| Net cash today | 0% | \$0.00 | \$0.00 |
| Risk weighted composite | | \$0.11 | |
| 12 Months Price Target | | \$0.11 | |
| Shareprice - Last | | \$0.098 | |
| 12 mth total return (% to 12mth target) | | 15% | |

Source: Hartleys Estimate

Fig. 1: Key Assumptions and Risks for valuation

| Assumption | Risk of not realising assumption | Downside risk to valuation if assumption is incorrect | Comment |
|--------------------------------|---|---|---|
| ~15 year mine life | Medium | Meaningful | We assume a longer mine life than the PFS, but it appears reasonable based on current resources |
| ~17mtpa processing | Upside/downside | Moderate | We assume a high throughput |
| Capex slightly higher than PFS | Low | Upside / downside | We assume capex slightly higher than the PFS |
| Debt/equity funding | High | Upside / downside | We assume the project is mostly equity funded. More debt funding would improve our valuation |
| Rising copper prices | High | High | Without rising copper prices the project has minimal value. |
| CAP deal is re-cut | High | High | We assume the CAP option agreement is not exercised |
| Exploration value | Moderate | Meaningful | We assume modest exploration value. |
| <i>Conclusion</i> | <i>Financing and copper prices are the largest risk to our valuation. We believe HCH is very high risk.</i> | | |

Source: Hartleys

Fig. 2: Commodity price assumptions

Source: Hartleys Estimates, IRESS

RISKS

A key downside risk is that if the CMP option were not exercised, it could undermine confidence in the project. The modest net debt position is another short term risk, although it can easily be repaid if CMP exercises the Tranche 1 option.

Other risks for HCH are similar to most developers: attaining capital for development studies and construction, the outcomes of more detailed studies, management key-man risk, relevant government approvals, political risk, commodity prices, commissioning success and the asset performance versus nameplate design.

Fig. 3: Productora Reserve

Appendix 4. Productora Project Ore Reserve Statement

| Ore Type | Reserve Category | Tonnage (Mt) | Grade | | | Contained Metal | | | Payable Metal | | |
|--------------|------------------|--------------|-------------|-------------|------------|-----------------|----------------|---------------------|-----------------|----------------|---------------------|
| | | | Cu (%) | Au (g/t) | Mo (ppm) | Copper (tonnes) | Gold (ounces) | Molybdenum (tonnes) | Copper (tonnes) | Gold (ounces) | Molybdenum (tonnes) |
| Oxide | Probable | 24.1 | 0.43 | 0.08 | 49 | 103,000 | 59,600 | 1,200 | 55,600 | | |
| Transitional | | 20.5 | 0.45 | 0.08 | 92 | 91,300 | 54,700 | 1,900 | 61,500 | 24,400 | 800 |
| Fresh | | 122.4 | 0.43 | 0.09 | 163 | 522,500 | 356,400 | 20,000 | 445,800 | 167,500 | 10,400 |
| Total | Probable | 166.9 | 0.43 | 0.09 | 138 | 716,800 | 470,700 | 23,100 | 562,900 | 191,900 | 11,200 |

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Note 2: Price assumptions: Cu price - US\$3.00/lb; Au price US\$1200/oz; Mo price US\$14.00/lb. Note 3: Mill average recovery for fresh Cu - 89%, Au - 52%, Mo - 53%. Mill average recovery for transitional; Cu 70%, Au - 50%, Mo - 46%. Heap Leach average recovery for oxide; Cu - 54%. Note 4: Payability factors for metal contained in concentrate: Cu - 96%; Au - 90%; Mo - 98%. Payability factor for Cu cathode - 100%.

Source: HCH,

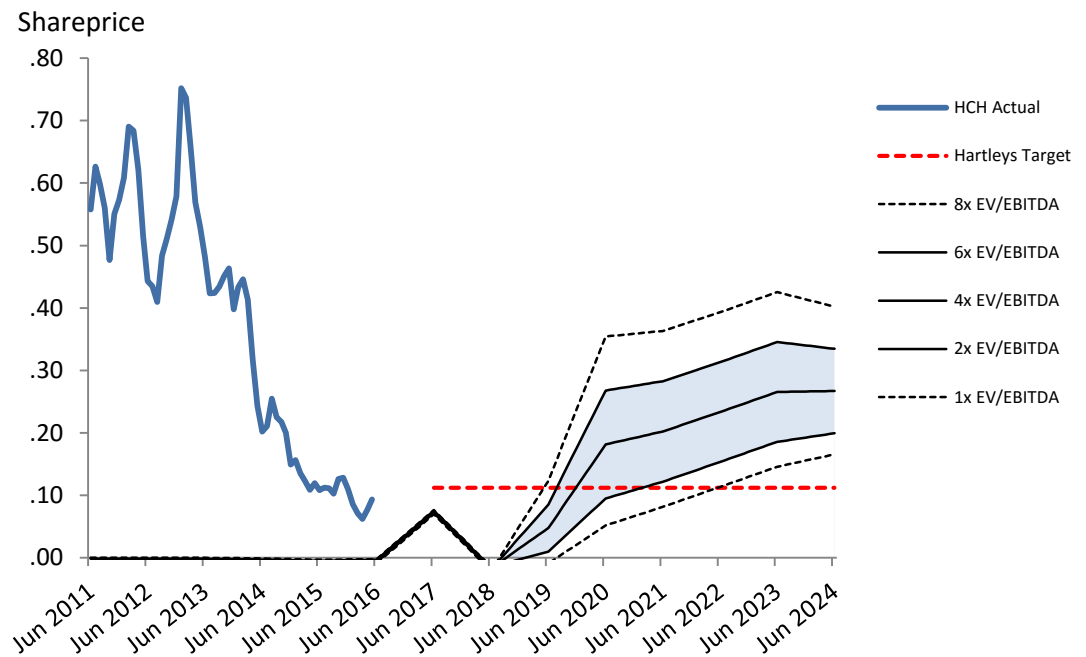
Fig. 4: Productora Company Estimated Financials

| PFS Financial Valuation (US\$M) | Copper price scenario | | |
|--|-----------------------|-----------|------------------------------|
| | Base | | Wood Mackenzie (2020 - 2030) |
| Copper price applied (US\$/lb) | 3.00 | 3.25 | 3.50 |
| Project Revenue | 4,300 | 4,600 | 5,000 |
| Operating costs | 2,500 | 2,500 | 2,500 |
| Royalties (CCHEN and SMT) | 82 | 99 | 120 |
| Sustaining capital (including capitalised waste) | 270 | 270 | 270 |
| Project Operating Cash Flow (pre-tax) | 1,800 | 2,200 | 2,500 |
| Pre-production capital expenditure | 725 | 725 | 725 |
| Corporate Tax | 190 | 270 | 350 |
| Project Cash flow (pre-tax) | 850 | 1,200 | 1,500 |
| Project Free Cash Flow | 610 | 820 | 1,000 |
| Pre-tax Project NPV (7% discount) | 360 | 560 | 760 |
| Project NPV (7% discount) | 220 | 360 | 500 |
| Project Pre-tax IRR (real) | 18% | 24% | 28% |
| Project After-tax IRR (real) | 15% | 19% | 23% |
| Payback Period (from Year 0) | 5.9 years | 5.3 years | 4.9 years |
| Payback Period (from start of production) | 3.9 years | 3.3 years | 2.9 years |

Source: HCH

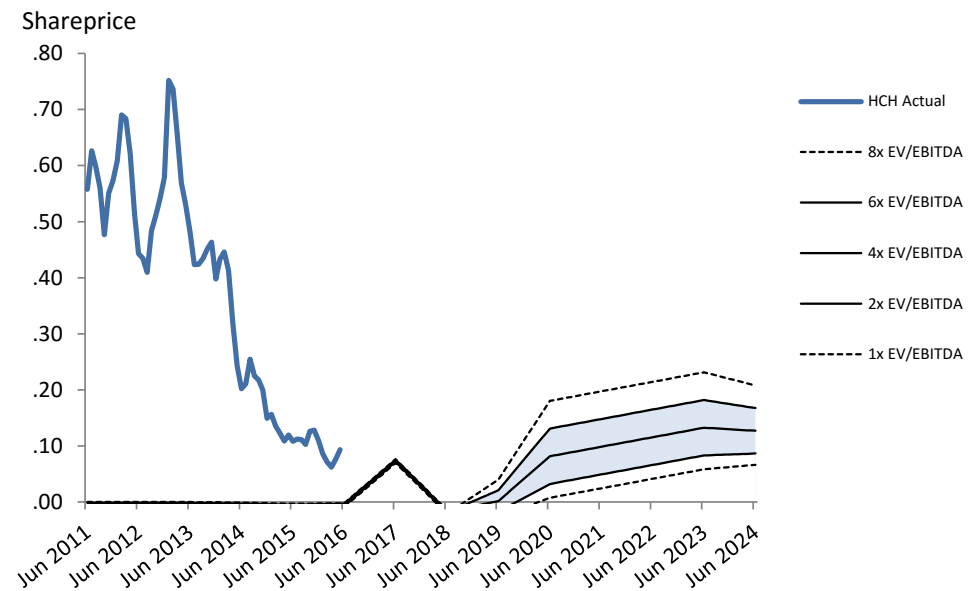
EV/EBITDA BANDS

Fig. 5: Using *Hartleys base case commodity forecasts*



Source: Hartleys Estimates, IRESS

Fig. 6: Using *spot commodity prices*



Source: Hartleys Estimates, IRESS

HARTLEYS CORPORATE DIRECTORY

Research

| | | |
|------------------|--------------------|-----------------|
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| Scott Williamson | Resources Analyst | +61 8 9268 3045 |
| Simon Andrew | Energy Analyst | +61 8 9268 3020 |
| Janine Bell | Research Assistant | +61 8 9268 2831 |

Corporate Finance

| | | |
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| Dale Bryan | Director & Head of Corp Fin. | +61 8 9268 2829 |
| Richard Simpson | Director | +61 8 9268 2824 |
| Paul Fryer | Director | +61 8 9268 2819 |
| Ben Wale | Associate Director | +61 8 9268 3055 |
| Ben Crossing | Associate Director | +61 8 9268 3047 |
| Stephen Kite | Associate Director | +61 8 9268 3050 |
| Scott Weir | Associate Director | +61 8 9268 2821 |
| Rhys Simpson | Manager | +61 8 9268 2851 |

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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 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. |

Institutional Sales

| | |
|--------------------|-----------------|
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| Chris Chong | +61 8 9268 2817 |
| Digby Gilmour | +61 8 9268 2814 |
| Veronika Tkacova | +61 8 9268 3053 |

Wealth Management

| | |
|--------------------|-----------------|
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| Bradley Booth | +61 8 9268 2873 |
| Adrian Brant | +61 8 9268 3065 |
| Nathan Bray | +61 8 9268 2874 |
| Sven Burrell | +61 8 9268 2847 |
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| Tony Chien | +61 8 9268 2850 |
| Tim Cottee | +61 8 9268 3064 |
| David Cross | +61 8 9268 2860 |
| Nicholas Draper | +61 8 9268 2883 |
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| Ben Fleay | +61 8 9268 2844 |
| James Gatti | +61 8 9268 3025 |
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| Andrew Gribble | +61 8 9268 2842 |
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