

## BEADELL RESOURCES LIMITED

### Company expects ~US\$92m free cash flow in 2H13

Beadell Resources Limited ("Beadell", "BDR", "Company") has released guidance for the next six months. The Company expects gold production of 120-130koz (186-197koz for CY13) at C1 cash costs of US\$435-485/oz (excluding royalties and iron ore credits). Capex is expected to be US\$17m and free cash flow (assuming a gold price of US\$1,330/oz) is expected to be US\$92m (versus net debt of ~\$US95m). The production guidance is broadly in-line with our estimates, but cash costs are lower and the 2H capex guidance is higher (see revisions below).

### Duckhead (~1oz/t) finally receives all approvals

BDR also announced today that it has received the final Duckhead approvals. Extensive pre-works have already been completed, and first Duckhead ore should be processed imminently. Note also, a new high grade parallel lode named Wing Lode has been discovered (intersected with two diamond holes including 10m @ 3.2g/t from 57m) immediately south of the Hangingwall Lode on the edge of the current pit design.

### Retain Buy

We retain our Buy recommendation. BDR should generate very good cash from Duckhead. Upcoming milestones include: Start of mining at Duckhead (imminent), RC exploration results from Tropicana (Australia) due shortly (drilling underway), and recommencement of iron ore sales (could be as early as August, or December at the latest, depending on whether BDR needs to wait for the port repairs or if it can use the public berth). We have a \$0.80 valuation based on a 14 year mine life.

Fig. 1: Earnings estimate changes

	Unit	31 Dec 12				31 Dec 13				31 Dec 14			
		Actual	Old	New	% chg	Old	New	% chg	Old	New	% chg		
Gold	koz	3.3	186.8	192.1	2.8%	194.2	193.5	-0.3%					
Gold eq	koz	3.3	192.4	195.1	1.4%	202.7	202.0	-0.3%					
<b>Net Revenue</b>	<b>A\$m</b>	<b>0.0</b>	<b>279.0</b>	<b>281.6</b>	<b>0.9%</b>	<b>300.8</b>	<b>299.8</b>	<b>-0.3%</b>					
<b>Total Cash Costs</b>	<b>A\$m</b>	<b>-29.4</b>	<b>-130.0</b>	<b>-124.9</b>	<b>-3.9%</b>	<b>-145.8</b>	<b>-145.3</b>	<b>-0.3%</b>					
- per oz	nm		-675.6	-640.0	-5.3%	-719.2	-719.1	0.0%					
EBITDA	A\$m	-29.4	149.0	156.7	5.2%	155.0	154.6	-0.3%					
- margin			53%	56%	4.2%	52%	52%	0.0%					
Depreciation/Amort	A\$m	0.0	-24.9	-25.9	3.8%	-26.8	-28.8	7.5%					
<b>EBIT</b>	<b>A\$m</b>	<b>-29.4</b>	<b>124.0</b>	<b>130.8</b>	<b>5.5%</b>	<b>128.2</b>	<b>125.8</b>	<b>-1.9%</b>					
Net Interest	A\$m	-15.8	-7.7	-7.8	1.4%	-1.1	-1.3	22.0%					
<b>Norm. Pre-Tax Profit</b>	<b>A\$m</b>	<b>-43.3</b>	<b>116.3</b>	<b>123.0</b>	<b>5.7%</b>	<b>127.2</b>	<b>124.5</b>	<b>-2.1%</b>					
Reported Tax Expense	A\$m	0.3	0.0	0.0		-14.0	-15.2	8.5%					
<b>Normalised NPAT</b>	<b>A\$m</b>	<b>-43.0</b>	<b>81.4</b>	<b>86.1</b>	<b>5.7%</b>	<b>89.0</b>	<b>87.1</b>	<b>-2.1%</b>					
Abnorm. / exploration	A\$m	0.0	19.9	21.9	10.1%	9.1	7.1	-22.0%					
Reported Profit	A\$m	-43.0	101.3	108.0	6.6%	98.1	94.2	-4.0%					
Minority	A\$m	0.0	0.0	0.0	nm	0.0	0.0	nm					
<b>Profit Attrib</b>	<b>A\$m</b>	<b>-43.0</b>	<b>101.3</b>	<b>108.0</b>	<b>6.6%</b>	<b>98.1</b>	<b>94.2</b>	<b>-4.0%</b>					

Source: Hartleys Research

Share Price	\$0.725
Valuation	\$0.80
Price Target (12 month)	\$0.89

#### Brief Business Description:

Low cost gold producer in Brazil (~200oz pa CY13). Large exploration holding at Tropicana.

#### Hartleys Brief Investment Conclusion

Significant premium possible given likely strong cash flow generation. Potential takeover target.

#### Chairman & MD

Craig Readhead (Non-Exec Chairman)  
Peter Bowler (MD)

#### Top Shareholders

Threadneedle	9.3%
Macquarie	5.0%
Management & Directors	4.0%

#### Company Address

Level 2, 16 Ord St,  
West Perth, WA, 6005

#### Issued Capital

788.3m  
- fully diluted 804.2m

#### Market Cap

A\$571.5m  
- fully diluted A\$583.0m

#### Cash (30 Jun 13a)

A\$37.8m

#### Debt (30 Jun 13a)

A\$142.8m

#### EV

A\$676.5m

#### EV/Resource Au

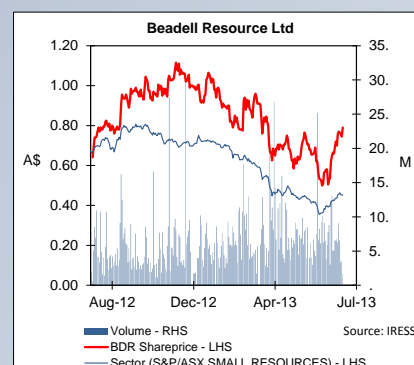
A\$132/oz

#### EV/Reserve Au

A\$375/oz

	Prelim. (A\$m)	CY12a	CY13e	CY14e
Prod (koz Au)	3.3	192.1	193.5	193.5
Op Cash Flw	-44.5	162.5	138.6	138.6
Norm NPAT	-43.0	86.1	87.1	87.1
CF/Share (cps)	-6.0	14.1	11.9	11.9
EPS (cps)	-5.8	14.5	12.6	12.6
P/E	-12.0	5.1	6.1	6.1

	Au
Resources (Moz)	5.1
Reserves (Moz)	1.8



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Beadell Resource Ltd BDR		Share Price \$0.725		29 July 2013 Buy	
<b>Key Market Information</b>					
Share Price		\$0.725			
Market Capitalisation - ordinary		A\$571m			
Net Debt (cash)		\$105m			
Market Capitalisation - fully diluted		A\$583m			
EV		A\$685m			
Issued Capital		788.3m			
Options		15.9			
Issued Capital (fully diluted inc. all options)		804.2m			
Issued Capital (fully diluted inc. all options and new capital)		804.2m			
Valuation		\$0.80			
12month price target		\$0.89			
<b>P&amp;L</b>					
	Unit	31 Dec 12	31 Dec 13	31 Dec 14	31 Dec 15
Net Revenue	A\$m	0.0	281.6	299.8	332.9
Total Cash Costs	A\$m	-29.4	-124.9	-145.3	-161.9
EBITDA	A\$m	-29.4	156.7	154.6	171.0
- margin		-	56%	52%	51%
Depreciation/Amort	A\$m	0.0	-25.9	-28.8	-31.2
EBIT	A\$m	-29.4	130.8	125.8	139.8
Net Interest	A\$m	-15.8	-7.8	-1.3	0.8
Norm. Pre-Tax Profit	A\$m	-43.3	123.0	124.5	140.6
Reported Tax Expense	A\$m	0.3	0.0	-15.2	-37.7
Normalised NPAT	A\$m	-43.0	86.1	87.1	98.5
Abnorm. / exploration	A\$m	0.0	21.9	7.1	-10.5
Reported Profit	A\$m	-43.0	108.0	94.2	88.0
Minority	A\$m	0.0	0.0	0.0	0.0
Profit Attrib	A\$m	-43.0	108.0	94.2	88.0
<b>Balance Sheet</b>					
	Unit	31 Dec 12	31 Dec 13	31 Dec 14	31 Dec 15
Cash	A\$m	5.4	69.7	163.1	239.3
Other Current Assets	A\$m	38.7	10.4	10.9	11.6
Total Current Assets	A\$m	44.1	80.1	174.1	250.9
Property, Plant & Equip.	A\$m	200.6	174.8	156.0	144.8
Exploration	A\$m	1.5	21.8	26.1	30.4
Investments/other	A\$m	0.6	0.6	0.6	0.6
Tot Non-Curr. Assets	A\$m	202.8	197.2	182.7	175.8
Total Assets	A\$m	246.9	277.3	356.8	426.7
Short Term Borrowings	A\$m	64.7	20.0	20.0	20.0
Other	A\$m	34.5	19.7	20.9	21.9
Total Curr. Liabilities	A\$m	99.2	39.7	40.9	41.9
Long Term Borrowings	A\$m	68.1	22.8	22.8	22.8
Other	A\$m	47.0	47.0	47.0	47.0
Total Non-Curr. Liabil.	A\$m	115.1	69.8	69.8	69.8
Total Liabilities	A\$m	214.3	109.6	110.8	111.7
Net Assets	A\$m	32.6	167.7	246.1	315.0
Net Debt	A\$m	127.5	-26.8	-120.3	-196.4
<b>Cashflow</b>					
	Unit	31 Dec 12	31 Dec 13	31 Dec 14	31 Dec 15
Operating Cashflow	A\$m	-29.0	170.3	155.2	171.3
Income Tax Paid	A\$m	0.3	0.0	-15.2	-37.7
Interest & Other	A\$m	-15.8	-7.8	-1.3	0.8
Operating Activities	A\$m	-44.5	162.5	138.6	134.4
Property, Plant & Equip.	A\$m	-115.7	0.0	-10.0	-20.0
Exploration and Devel.	A\$m	0.0	-35.3	-19.3	-19.3
Other	A\$m	2.8	0.0	0.0	0.0
Investment Activities	A\$m	-112.9	-35.3	-29.3	-39.3
Borrowings	A\$m	66.0	-90.0	0.0	0.0
Equity or "tbc capital"	A\$m	45.6	35.0	0.0	0.0
Dividends Paid	A\$m	0.0	-7.9	-15.9	-19.0
Financing Activities	A\$m	126.1	-62.9	-15.9	-19.0
Net Cashflow	A\$m	-31.3	64.3	93.5	76.1
<b>Shares</b>					
	Unit	31 Dec 12	31 Dec 13	31 Dec 14	31 Dec 15
Ordinary Shares - End	m	742.2	788.5	800.8	800.8
Ordinary Shares - Weighted	m	712.3	765.3	794.6	800.8
Diluted Shares - Weighted	m	712.3	779.5	802.6	802.6
<b>Ratio Analysis</b>					
	Unit	31 Dec 12	31 Dec 13	31 Dec 14	31 Dec 15
Cashflow Per Share	A\$ cps	-6.2	21.2	17.4	16.8
Cashflow Multiple	x	-11.6	3.4	4.2	4.3
Earnings Per Share	A\$ cps	-6.0	14.1	11.9	11.0
Price to Earnings Ratio	x	-12.0	5.1	6.1	6.6
Dividends Per Share	A\$ cps	-	2.0	2.0	2.7
Dividend Yield	%	0.0%	2.8%	2.8%	3.8%
Net Debt / Net Debt + Equity	%	80%	-19%	-96%	-166%
Interest Cover	X	na	16.7	94.2	na
Return on Equity	%	na	51%	35%	31%
<b>Directors</b>					
Craig Readhead (Non-Exec Chairman)			Level 2, 16 Ord St, West Perth, WA, 6005		
Peter Bowler (MD)			Tel: +61 8 9429 0800		
Robert Watkins (Executive Director - Geology)			Fax: +61 8 9481 3176		
Jim Jewel (Non-Executive Director)			Web: www.beadellresources.com.au		
Mike Donaldson (Non-Executive Director)					
Ross Kestel (Non-Executive Director)					
<b>Company Information</b>					
<b>Top Shareholders</b>					
Threadneedle		9.3%			
Macquarie		5.0%			
Management & Directors		4.0%			
<b>Reserves &amp; Resources</b>					
	Mt	g/t Au	Koz	Attrib.	
Tucano Resources	114	1.40	5,096	100%	
Measured	15	1.33	639	100%	
Indicated	44	1.58	2,214	100%	
Inferred	55	1.27	2,243	100%	
Other Resources	1	2.40	47		
TOTAL Resources	114	1.4	5,143		
Reserve	41	1.38	1,803	100%	
Iron Ore Resource (M + I + inf)	209.1	36.1%			
<b>Production Summary</b>					
	Unit	Dec 12	Dec 13	Dec 14	Dec 15
Mill Throughput	Mt	0.1	3.4	4.0	4.0
Mined grade	g/t	1.09	1.90	1.65	1.85
Combined Recovery & Payability	%	90.6%	91.4%	91.2%	91.2%
Gold	(koz)	3.3	192.1	193.5	217.1
Gold Equiv	(koz)	3.3	195.1	202.0	223.5
M&I Resource Conversion	%	18.5%	19.6%	19.2%	15.2%
Mine Life	yr	14.75	13.75	12.75	11.75
Iron Ore	Mt	0.0	0.2	0.5	0.5
<b>Costs</b>					
	Unit	Dec 12	Dec 13	Dec 14	Dec 15
Cost per milled tonne	\$/t	42.3	33.3	33.4	37.2
EBITDA / tonne milled ore	\$/t	- 279.6	45.6	38.6	42.8
Total cash cost per oz	\$/eq oz	8,805	640	719	724
C1: Operating Cash Cost = (a)	\$/eq oz	1,228	545	604	613
(a) + Royalty = (b)	\$/eq oz	1,332	578	638	646
C2: (a) + depreciation & am = (c)	\$/eq oz	1,228	678	747	752
(a) + actual development = (d)	\$/eq oz	35,083	726	749	789
C3: (c) + Royalty	\$/eq oz	1,332	711	780	785
(d) + Royalty	\$/eq oz	35,187	759	783	821
<b>Price Assumptions</b>					
	Unit	Dec 12	Dec 13	Dec 14	Dec 15
AUDBRL	BRL/AS	2.05	2.06	1.95	2.00
AUDUSD	US\$/AS	1.03	0.97	0.94	0.94
Gold	US\$/oz	1678	1397	1380	1380
Iron Ore received price	US\$/t	nm	37.5	34.1	27.4
<b>Hedging</b>					
	Unit	Dec 12	Dec 13	Dec 14	Dec 15
Hedges maturing?		No	Yes	Yes	Yes
<b>Sensitivity Analysis</b>					
	Valuation	FY14 NPAT			
Base Case	0.80	108.0			
Spot Prices	0.97 (20.7%)	118.1 (9.3%)			
Spot USD/AUD 0.93, Gold \$1327/oz, Small iron project US\$145/t.					
AUDUSD +/-10%	0.64 / 1.01 (-20.5% / 25.1%)	83.8 / 137.3 (-22.4% / 27.1%)			
Gold +/-10%	0.98 / 0.63 (21.6% / -21.6%)	135.3 / 80.7 (25.3% / -25.3%)			
Production +/-10%	1.01 / 0.60 (25.1% / -25.2%)	136.5 / 79.5 (26.4% / -26.4%)			
Operating Costs +/-10%	0.71 / 0.90 (-12.2% / 12.2%)	97.0 / 119.0 (-10.2% / 10.2%)			
<b>Unpaid Capital</b>					
Year Expires	No. (m)	\$m	Avg price	% ord	
31-Dec-13	1.8	0.2	0.12	0%	
31-Dec-14	12.3	3.2	0.26	2%	
31-Dec-15	0.0	0.0	0.00	0%	
31-Dec-16	0.0	0.0	0.00	0%	
TOTAL	14.1	3.5	0.24	2%	
<b>Share Price Valuation (NAV)</b>					
	Risked Est. A\$m	Est. A\$/share			
100% Tucano (pre-tax NAV at disc. rate of 8%)	695	0.86			
100% Small Scale Iron Ore (pre-tax NAV at disc. rate of 10%)	21	0.03			
100% Tucano Underground (pre-tax NAV at disc. rate of 14%)	71	0.09			
Joint Mining Agreement	23	0.03			
Other Exploration	100	0.12			
Forwards	0	0.00			
Corporate Overheads	-68	-0.08			
Net Cash (Debt)	-105	-0.13			
Tax (NPV future liability)	-121	-0.15			
Options & Other Equity	3	0.00			
Total	646	0.80			
Analyst: Trent Barnett					
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Sources: IRESS, Company Information, Hartleys Research					
Last Updated: 29/07/2013					

Fig. 1: Hartleys estimate changes

	Unit	31 Dec 12				31 Dec 13				31 Dec 14				31 Dec 15			
		Actual	Old	New	% chg	Old	New	% chg	Old	New	% chg	Old	New	% chg			
Gold	koz	3.3	186.8	192.1	2.8%	194.2	193.5	-0.3%	217.7	217.1	-0.3%						
Gold eq	koz	3.3	192.4	195.1	1.4%	202.7	202.0	-0.3%	224.0	223.5	-0.2%						
<b>Net Revenue</b>	<b>A\$m</b>	<b>0.0</b>	<b>279.0</b>	<b>281.6</b>	<b>0.9%</b>	<b>300.8</b>	<b>299.8</b>	<b>-0.3%</b>	<b>333.7</b>	<b>332.9</b>	<b>-0.2%</b>						
<b>Total Cash Costs</b>	<b>A\$m</b>	<b>-29.4</b>	<b>-130.0</b>	<b>-124.9</b>	<b>-3.9%</b>	<b>-145.8</b>	<b>-145.3</b>	<b>-0.3%</b>	<b>-162.3</b>	<b>-161.9</b>	<b>-0.3%</b>						
- per oz	nm		-675.6	-640.0	-5.3%	-719.2	-719.1	0.0%	-724.5	-724.3	0.0%						
EBITDA	A\$m	-29.4	149.0	156.7	5.2%	155.0	154.6	-0.3%	171.4	171.0	-0.2%						
- margin		-	53%	56%	4.2%	52%	52%	0.0%	51%	51%	0.0%						
Depreciation/Amort	A\$m	0.0	-24.9	-25.9	3.8%	-26.8	-28.8	7.5%	-29.2	-31.2	6.7%						
<b>EBIT</b>	<b>A\$m</b>	<b>-29.4</b>	<b>124.0</b>	<b>130.8</b>	<b>5.5%</b>	<b>128.2</b>	<b>125.8</b>	<b>-1.9%</b>	<b>142.2</b>	<b>139.8</b>	<b>-1.6%</b>						
Net Interest	A\$m	-15.8	-7.7	-7.8	1.4%	-1.1	-1.3	22.0%	1.1	0.8	-24.1%						
<b>Norm. Pre-Tax Profit</b>	<b>A\$m</b>	<b>-43.3</b>	<b>116.3</b>	<b>123.0</b>	<b>5.7%</b>	<b>127.2</b>	<b>124.5</b>	<b>-2.1%</b>	<b>143.2</b>	<b>140.6</b>	<b>-1.8%</b>						
Reported Tax Expense	A\$m	0.3	0.0	0.0		-14.0	-15.2	8.5%	-38.5	-37.7	-2.0%						
<b>Normalised NPAT</b>	<b>A\$m</b>	<b>-43.0</b>	<b>81.4</b>	<b>86.1</b>	<b>5.7%</b>	<b>89.0</b>	<b>87.1</b>	<b>-2.1%</b>	<b>100.3</b>	<b>98.5</b>	<b>-1.8%</b>						
Abnorm. / exploration	A\$m	0.0	19.9	21.9	10.1%	9.1	7.1	-22.0%	-10.5	-10.5	0.0%						
Reported Profit	A\$m	-43.0	101.3	108.0	6.6%	98.1	94.2	-4.0%	89.8	88.0	-2.0%						
Minority	A\$m	0.0	0.0	0.0	nm	0.0	0.0	nm	0.0	0.0	nm						
<b>Profit Attrib</b>	<b>A\$m</b>	<b>-43.0</b>	<b>101.3</b>	<b>108.0</b>	<b>6.6%</b>	<b>98.1</b>	<b>94.2</b>	<b>-4.0%</b>	<b>89.8</b>	<b>88.0</b>	<b>-2.0%</b>						
DPS	cps	0.00	2.0	2.0	0.0%	2.0	2.0	0.0%	2.8	2.7	-2.5%						
Capex & Dev	A\$m	-115.7	-19.3	-35.3	83.0%	-29.3	-29.3	0.0%	-39.3	-39.3	0.0%						
Net Debt (cash)	A\$m	127.5	-35.5	-26.8	-24.4%	-130.7	-120.3	-7.9%	-206.5	-196.4	-4.9%						
C1: Operating Cash Cost	/oz eq	1,228	573	545	-4.9%	604	604	-0.1%	613	613	-0.1%						
Total Cost / Oz	/oz eq	8,805	676	640	-5.3%	719	719	0.0%	725	724	0.0%						
Mill throughput	mt	0.1	3.4	3.4	0.3%	4.0	4.0	0.0%	4.0	4.0	0.0%						
Total cost/tonne milled	\$/t	42	35	33	-4.5%	34	33	-0.4%	37	37	-0.3%						

Source: Hartleys

## Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Fourteen year mine life	Low	Meaningful	Our model assumes a 14 year mine life for Tucano.
Tucano mill runs at 4.0mtpa from Mach 2014	Upside/downside	Moderate	It's likely the mill reaches that throughput earlier, but also there is some potential there are issues achieving the run-rate
Small scale iron ore production (0.5mtpa) at minimal operating costs	Low	Meaningful	We value the magnetic separation iron ore production at ~4cps.
Duckhead	Low	Meaningful	We assume additional ~80koz of gold produced from Duckhead.
Joint Operating Agreement signed	Low	Low	We assume a 15Mt of JOA, but the NPV for BDR is now quite low
Underground mine	Moderate to high	Low	We assume an underground operation in CY15 which displaces some of the open pit feed. The impact on our valuation is modest as we risk it by 50%.
Exploration value	Moderate	Meaningful	We assume \$100m of exploration value which includes potential for significant exploration success at Tropicana or Brazil (including near Duckhead).

## Conclusion

We believe the assumptions we have used have a moderate risk of not being achieved, which would have a low to meaningful impact on our valuation.

Source: Hartleys

## PRICE TARGET

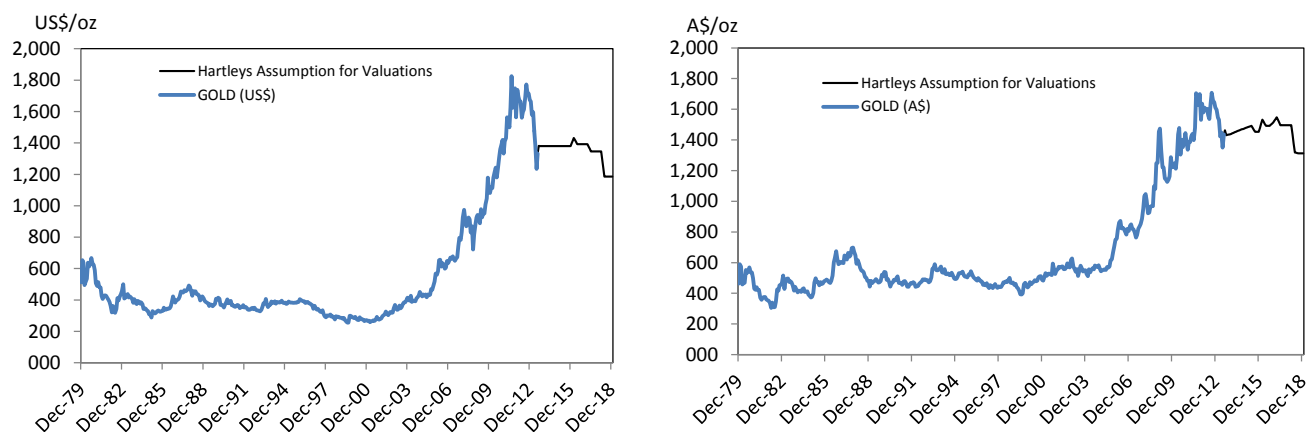
Our twelve month price target is \$0.89 (from \$0.91).

Fig. 2: Price Target Methodology

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	20.0%	\$0.80	\$0.89
NPV base case at spot commodity and fx prices	20.0%	\$0.97	\$1.06
NPV base case at discount rate of 6.0%	20.0%	\$0.90	\$0.97
12mth fwd Dividend Yield of 4.7%	20.0%	\$0.42	\$0.60
AUD gold price calls (2.3Moz over 12yrs, avg strike @A\$1162/oz)	20.0%	\$0.93	\$0.93
<b>Risk weighted composite</b>		<b>\$0.81</b>	
<b>12 Months Price Target</b>		<b>\$0.89</b>	
Shareprice - Last		\$0.725	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>26%</b>	

Source: Hartleys

Fig. 3: Gold



Source: Hartleys Estimates, IRESS

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## 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.

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