



Rolek Resources Ltd (ASX:RLK)

5 March 2019

Manganese offers battery thematic exposure

Rolek Resources Limited (Rolek) represents an excellent opportunity to gain exposure to a growing global theme through a staged earn in to an advanced manganese project in a world class manganese province.

We put out a report in late October 2018, anticipating an IPO prior to the end of December 2018. The IPO has been delayed by market conditions and will now close as soon as the requisite funding has been raised prior to the end of March 2019.

There is excellent support for the capital raise from key stakeholders and the key bull points underpinning our speculative buy recommendation are:

JORC Resource achievable within first half after listing. Given that the fortunes of the junior explorers on the ASX are driven by sentiment and sentiment is underpinned by newsflow which provides information in the absence of cash producing assets which generate financial data to value the company. Our expectation that the Company will be able to achieve an initial JORC compliant resource estimation without the cost of further drilling would be strongly positive.

Management Team are experienced, with successful track records progressing exploration projects and building shareholder value.

Barramine Manganese Project is the core project and is an excellent asset in terms of geology, metallurgy and geology. This should convert into an easily mineable resource at a low cost, translating into good economic values for the project. \$7.2m has been spent on the project historically and a maiden Inferred Resource should be completed soon after listing.

Location & Jurisdiction: The Barramine Manganese project is around 70km north of the Woodie Woodie mine which is currently producing around 1m MT p.a. currently from very similar geology; and the projects are all in Western Australia, an excellent exploration and mining jurisdiction.

Asset Diversity: In addition to the manganese and iron ore rights to the Barramine Project, Rolek will have 5 additional project areas with a portfolio of strategic and base metals projects located in the Kimberley, Pilbara, Gascoyne and Murchison regions of Western Australia.

Enterprise value: Rolek has a low Enterprise Value of around \$4.4m with the seed funding and all funds raised under the Convertible Note at the same price as the Public offer. The Vendors and Promoters are escrowed for 2 years.

Manganese thematic: there has been a sustained increase in the Manganese price over the past two years on the back of a supply deficit and growing demand from:

1. The lack of a substitute for manganese in steel production;
2. New and growing demand from high-tech applications, particularly in respect of electric car batteries and electric storage batteries; and
3. Manganese has been added to the US list of Strategic Minerals and the fact that the bulk of the world's manganese reserves are in less stable mining jurisdictions than Australia.

Peer project values: The value of peer projects, and most particularly the market capitalization of Element 25, reduces the investment risk. There is limited exposure to an Australian Manganese story on the ASX.

CAUTION: *this is a speculative stock, as with all junior exploration companies and prospective investors are cautioned to familiarise themselves with the risks and details of the Company set out in its prospectus.*

<http://www.rolek.com.au/site/content/prospectus>

Share Price: A\$0.02

Recommendation

Speculative Buy

Risk Assessment

High

Resource:

Manganese

Mining Exploration

Wayne Osterberg

Advisor

wayne.osterberg@stateone.com.au

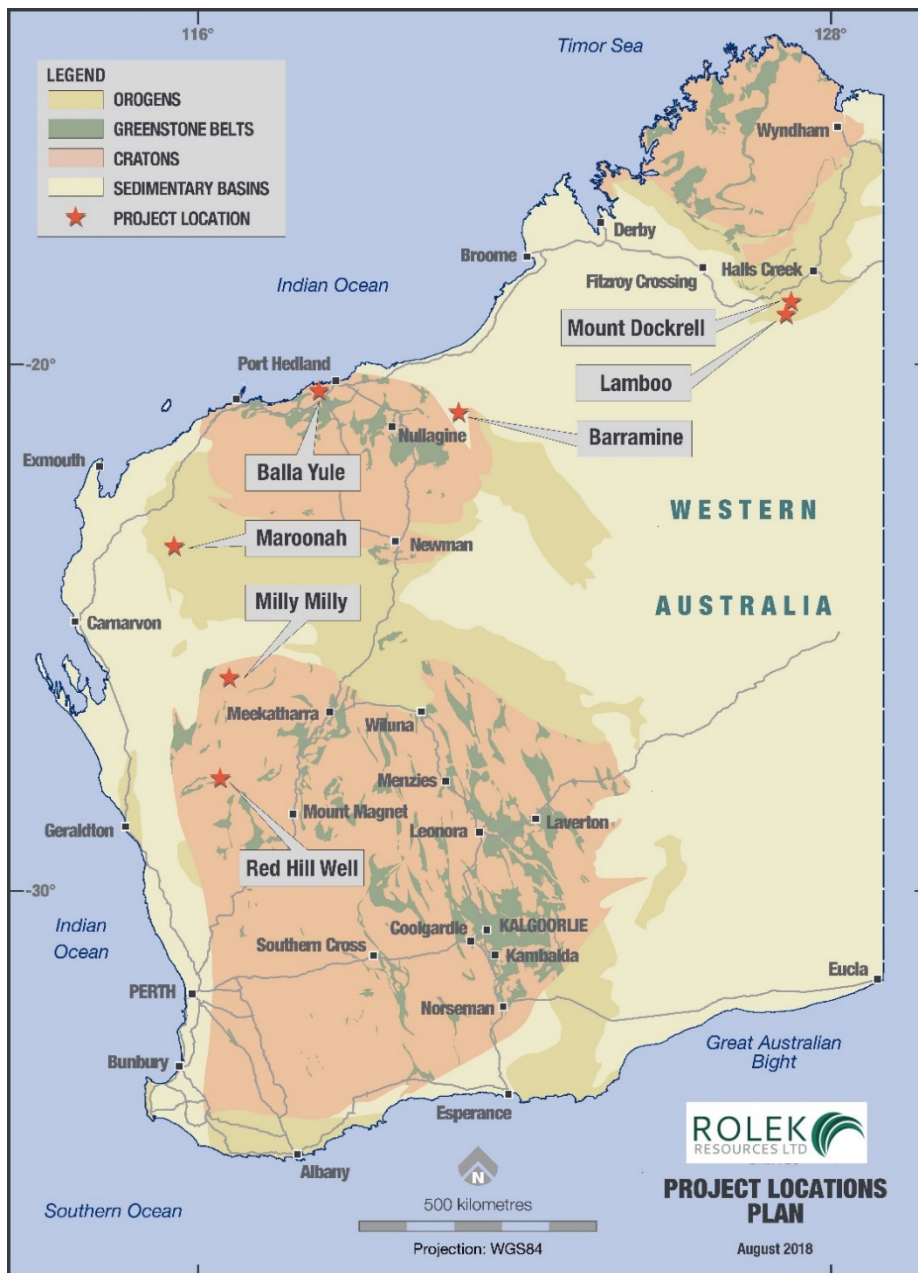
+61 08 9288 3318

Core project: Barramine Manganese Project

This is located in the world class Woodie Woodie Pilbara Manganese province. \$7.2m has been spent on exploration with >27,000m of drilling. There has been much work on the Project Geophysics, including Magnetics, EM and IP. An unclassified resource has been identified by SRK Consulting at Area 3 and 4 and it is believed this can be incorporated in resource estimation under JORC guidelines with no further drilling required.

There is potential for additional significant JORC compliant resources with additional drilling. Detailed beneficiation testing has been completed and included recovery of 40% Manganese Ore concentrate similar in quality to Woodie Woodie Product.

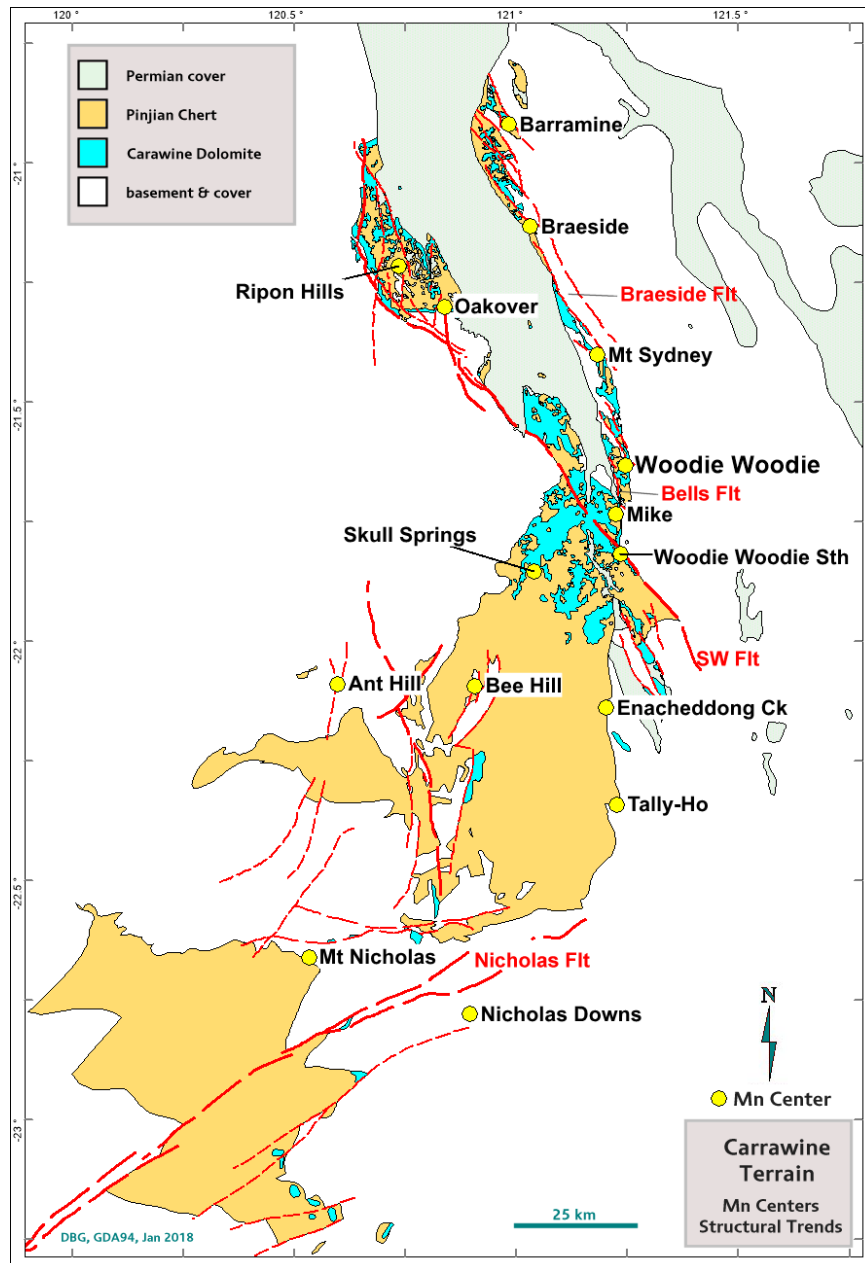
The Woodie Woodie ‘mine’ comprises around forty smaller deposits, producing high grade manganese from very similar geological structure.



Source - Company

Project Location

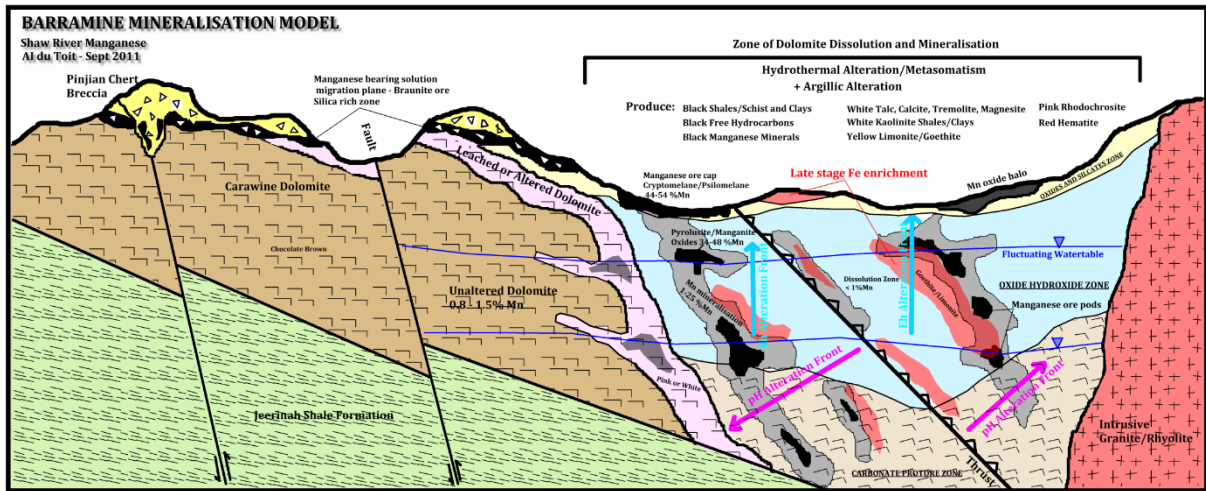
The project is in the Eastern Pilbara Manganese field – a world class Manganese province. Note there are a series of similarly oriented faults north of the SW fault extending from Woodie Woodie to Barramine and the increase fault intensity between Braeside and Barramine.



Source – Company

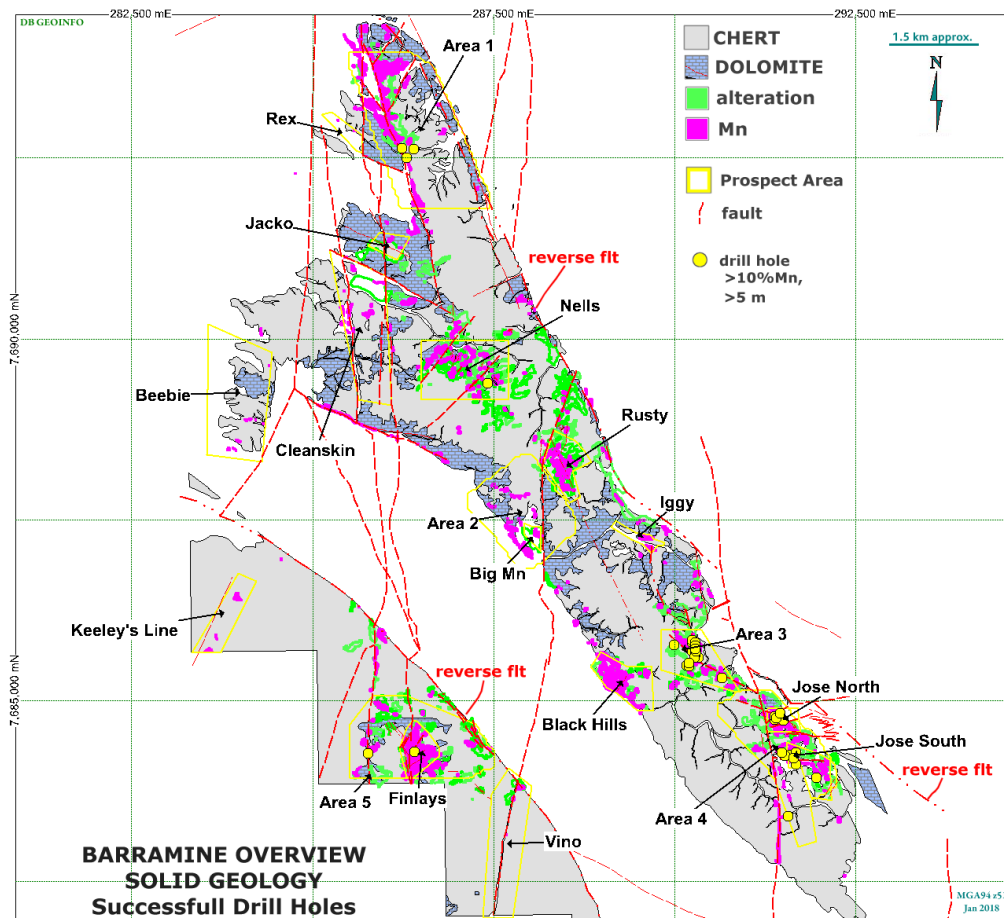
Project Geology

14km of prospective ground with strong soil anomalies correlate with major structures. Priority 2.5km long mineralised zone (Area 3 & 4) identified and partly drilled ~ 600m (Area 3 and 4 south), only 24% strike tested to date. There is scattered outcrop of high grade Cryptomelane cap over 400m. Rolek will target the remaining 1,900m with a conceptualized mineralised zone 50m wide, from 30-100m depths over possibly 50% of the area. Area 5 is also recommended for further investigation – BRC250 intersected 15m @ 20% Mn (composite).



Source – Company

There is a visible manganese alteration and argillic dissolution over the target strike length of around 2,500m. This has been partly drilled and only 25% of the strike has been tested to date. The remaining 1,900m of Areas 3 and 4 will be targeted with a conceptualised mineralised zone 50m wide, from 30-100m depths.



Source – Company

Significant results include:

- 27m at 20.3% manganese from 37m (BRC 290), including 10m at 31% manganese from 37m and 6m at 28.8% manganese from 67m
- 18m at 21.4% manganese from 73m (BRC 241), including 3m at 36.1% from 86m
- 8m at 22.4% manganese from 34m (BRC 169), including 2m at 36.2% from 36m
- 7m at 22.3% manganese from 37m (BRC 332), including 1m at 29.3% manganese from 40m
- 10m at 19.3% manganese from 91m (BRC 266), including 2m at 35.3% from 93m
- 10m at 19.4% manganese from 10m (BRC 318), including 6m at 23.6% from 12m.

Metallurgical Test Work

DMS test work indicates 20% Mn had-feed can produce 43% Mn. 10% Fe product. The Metallurgical test work was completed on 11 composite samples during 2010 with the aim of determining the potential for upgrading the material from Barramine. The beneficiation test work was conducted on RC drill samples taken from seven drill holes, spread of a representative sample of five prospects.

Other studies completed

- Mineralogy
- Native Title
- Rehabilitation

Board & Management

Mr Luke Innes (Chairman)

Luke Innes has 27 years' experience in the mining, minerals processing and power generation industry both in Australia and overseas. Within Australia he has held technical and managerial roles within the resources sector including gold, nickel and iron ore mining and minerals processing operations. These included Australia's largest iron ore and nickel operations. He has previously held a Non-Executive position within a public unlisted company as well as being a Non-Executive Director and Non-Executive Chairman of ASX listed Greater Pacific Gold.

Ian Stuart (Managing Director) - post Acquisition

Mr Stuart is a geologist by profession with experience in both the finance and mining industries. He holds an Honours degree in Geology, is a Fellow of the Financial Services Institute of Australasia and a member of the Australia Institute of Company Directors. Ian has extensive experience in capital markets and is conversant with public company governance and management across international jurisdiction and is Non-Executive Chairman of ASX listed Bryah Resources Ltd.

Mr Vincent Algar (Non-executive Director) – post Acquisition

Mr Algar is a geologist by profession with over 24 years' experience in the mining industry spanning underground and open cut mining operations, greenfields exploration, project development and mining services in Western Australia and Southern Africa. Mr Algar has worked on a wide range of commodities including base metals and uranium in Southern Africa as a consultant and analyst. Mr Algar has held previous roles as Managing Director and non-executive Director of ASX Listed Companies. Mr Algar is the current Managing Director of Australian Vanadium Ltd (since 2015) and is responsible for advancing the Company's High Grade Gabanintha deposit in WA and developing a vertical integration strategy to incorporate energy storage markets. Vincent is a member of the Australasian Institute of Mining and Metallurgy.

Understanding the Importance of Manganese

There are three core factors underpinning the manganese story currently:

1. There is no substitute for manganese in steel production;
2. New and growing demand from high-tech applications; and
3. The bulk of the world's manganese reserves are in less stable mining jurisdictions [South Africa (80%), Ukraine (10%)].

Manganese Uses & Markets

Manganese (Mn) is an abundant element in the earth's crust and is a critical raw material to many industries, particularly steel. The bulk of commercial production comes from South Africa, China, Australia, Brazil, India and Gabon. Many highly industrialised countries import 100% of their manganese requirements.

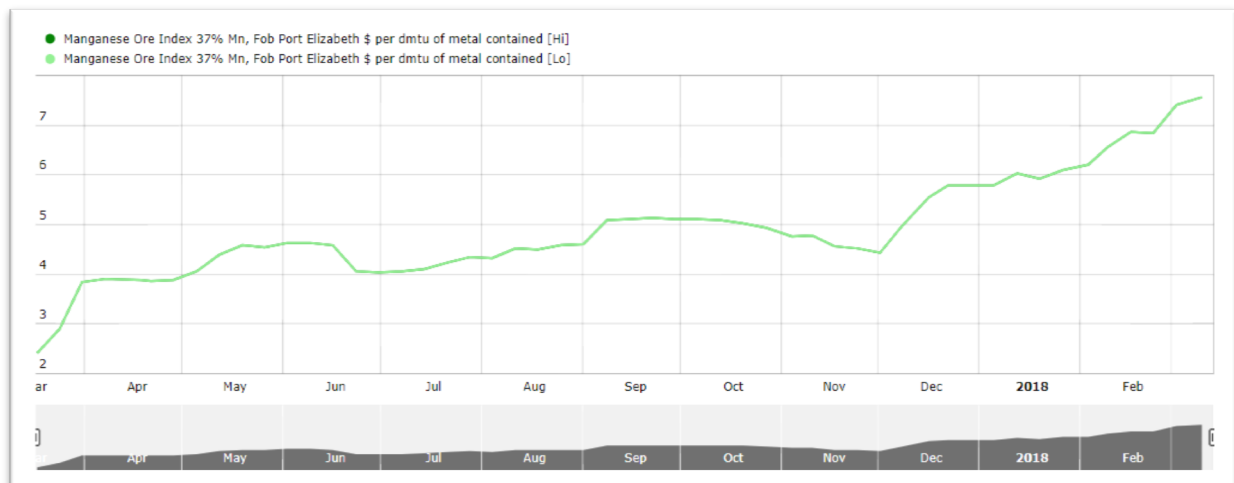
Steel production consumes around 90% of global manganese supply. The balance - around 10% of supply – is consumed in the production of high purity manganese products including Electrolytic Manganese Metal (EMM), Electrolytic Manganese Dioxide (EMD) and Manganese Sulphate.

According to the US Geological survey, South Africa currently has 80% of the world's reserves (200Mt), Ukraine 10% and Brazil. Australia is fourth with 91 Mt, followed by India (52 Mt), China (43 Mt), Gabon (22 Mt), Ghana (12 Mt) and Kazakhstan (5 Mt). Various other countries hold smaller amounts of manganese reserves, with the world total sitting at 690 Mt.

In terms of production South Africa generates 36% of world production, China 18%, Australia 17% (from three producers, South32 Groote Eylandt and Consmin Woodie Woodie and OM Holding Bootu Creek) and Gabon 11%.







There is anticipated to be a sustained increase in price with strong steel demand - there is no substitute for manganese in steel production - and supply currently in deficit. Given that Mn is a critical link in the lithium-ion battery supply chain and has recently (Feb 2018) been added to the US Strategic Minerals stockpile with cobalt, chrome and molybdenum – no manganese production in the US.

Manganese Ore Price



Source: IMNL 2018 / Company

Manganese added to US List of Critical Minerals on 16 February 2018

 Energy	 Technology	 Industrial	 Steel	 Batteries	 Research
HAFFNIUM	GERMANIUM	BERYLLIUM	MAGNESIUM	LITHIUM	HELIUM
RHENIUM	INDIUM	ZIRCONIUM	CHROMIUM	COBALT	RUBIDIUM
ANTALUM	GALLIUM	TUNGSTEN	TIN	ANTIMONY	CESIUM
JRANIUM	RARE EARTHS	ALUMINIUM	TELLURIUM	GRAPHITE	BISMUTH
		PGMs	MANGANESE		
		BARITE	VANADIUM		
		FLUORSPAR	NIOBIUM		
		ARSENIC			
		SCANDIUM			
		STRONTIUM			
		TITANIUM			
		POTASH			

Source – Company

New & Growing demand from high tech applications

Manganese is the cheapest solution for producers of battery technology. 1.

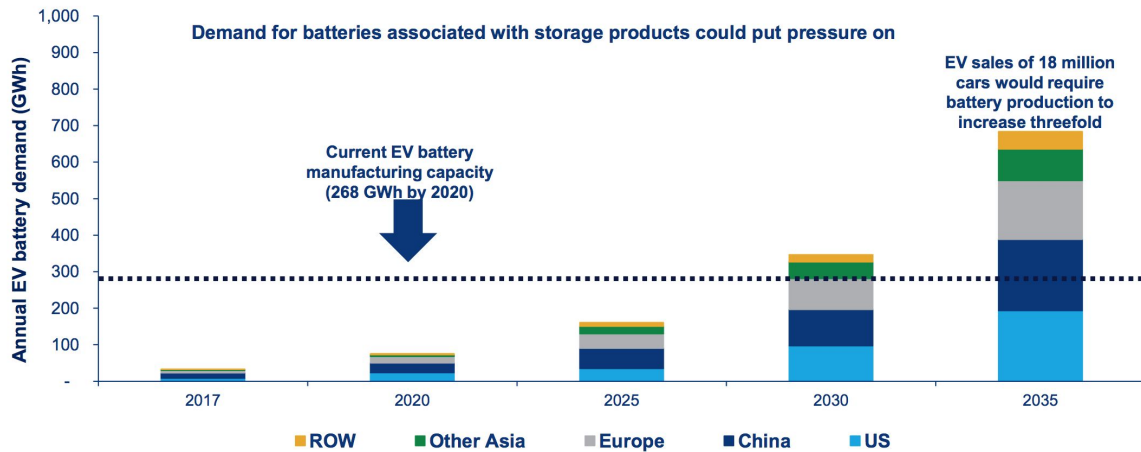
A notable function of manganese is in the storage and supply of electricity from batteries, including rechargeable lithium-ion batteries and non-rechargeable alkaline cells. Manganese demand is rapidly increasing in the swiftly expanding field of rechargeable electrical storage, which enables safe storage of high energy capacity – often recharged from renewable energy sources.

Demand for high purity manganese metal and high purity manganese sulphate is expected to increase dramatically in the foreseeable future, driven by growth in traditional end use markets but also a rapid expansion in electric vehicle production and grid storage devices capacity in Asia, Europe and North America. Nickel-Cobalt-Manganese (NMC) and Lithiated Manganese (LMO) battery cathode chemistries both contain significant amounts of manganese and are widely anticipated to be the dominant formulations in the rapidly growing market for electric vehicles and grid-storage.

The manufacturing processes and formulations for Li-ion batteries require reliable, high-purity sources of manganese and other battery raw materials to ensure that the batteries meet increasingly demanding performance, safety and durability standards. They also require precision in battery cell assembly, ensuring battery chemistry is free of impurities.

1. Moore Stephens report entitled “Manganese. Is it the forgotten battery mineral?”

Global EV battery demand



Source – Wood Mackenzie / Company

In addition to the increase in demand for manufacturing Li-ion batteries, strong demand is also expected from the traditional alkaline battery markets. Because of these factors, all three of the main high purity manganese products EMM, EMD and Manganese Sulphate are expected to grow strongly for the foreseeable future.

- A recent report identifies several key factors that will contribute to the direction of the manganese market;
- Whether manganese batteries become widely adopted;
- The speed at which manganese producers can meet demand increases from the battery sector;
- Whether larger players move into high purity manganese production and away from manganese alloys (which is currently profitable), and the speed this transition could occur;
- China’s ability to keep producing high purity manganese and the impact on supply of any further environmental regulation; and
- Whether the production process for high purity manganese can be more environmentally friendly and cost effective.

The report concludes by stating that the authors’, whilst they cannot predict which battery technology will dominate, are of the opinion that manganese’s role will be significant and, as such, will receive significant demand uplift as a result. ²

2. Moore Stephens report entitled “Manganese. Is it the forgotten battery mineral?”

Peer Stocks & Projects

There are several other projects and listed stocks that offer manganese specific exposure. These are summarised below to give a sense of the potential value uplift for Rolek to bring its Barramine project into production – nearby Woodie Woodie is currently producing around 1Mt a year.

	Company	Code	Mkt Cap (\$m)	Cash (\$m)	Resource/Grade	EV(\$M)	EV/ Resource
Manganese Producers	Consolidated Minerals	Private, Chinese owned. Last known resource Woodie Woodie 50.3Mt @ 31%					
	Jupiter Mines	ASX:JMS	617	112	460Mt @ 33%	505	1.1
	OM Holdings Limited	ASX:OMH	1,030		9.95Mt @22.4%. Bootu Creek only	1,740	
Battery Technology	Element 25	ASX:E25	15.1	2.1	180Mt @ 10%	13	0.1
	American Manganese Inc	TSX-V: AMY	23.7	1.5			
	Euro Manganese	ASX: EMN	23.3	9	27Mt @7.33%	14.3	
Exploration & Development	Byrah Resources	ASX:BYH	3.6	0.9		2.7	
	Pure Minerals	ASX: PMI	4.2	1.99	none	2.21	
	Rolek Resources Post Transaction as per Rolek Prospectus	ASX: RLK	8.9	4.5		4.4	
	Keras PLC	AIM: KRS	15	~1.5	14Mt @ 12.4%		

Source: Company / IRESS / State One

Manganese Producers

TMI - Woodie Woodie Project

Woodie Woodie was put on care and maintenance in February 2016 in the face of low manganese prices. As at December 2014 the mine had total reserves of 25.5Mt at 29.9% Mn; and a total Resource (including Ore Reserves) of 50.3 Mt at 31.4% Mn. The project is believed to be back in production at time of writing. It was purchased by Ningxia Tianyuan Manganese Industry Co (TMI) in November 2016 for an undisclosed price and was reopened in November 2017. It is believed to be shipping 1Mt / p.a. manganese ore through Port Headland.

Jupiter Mines (ASX: JMS)

Tshipi é Ntle Manganese Mining (Pty) Ltd (Tshipi) operates the Tshipi Borwa mine, an open pit manganese mine in the Kalahari Manganese Field (KMF) located in the Northern Cape of South Africa. Approximately 80% of world's known economic manganese resources are contained in the Kalahari manganese field in South Africa. The open-cut mining operation is located just north of Sishen and is adjacent to South 32's large open-cut Mamatwan mine that has been operating for decades. The Tshipi Mine exported 3.34 million tonnes of manganese ore in FY18 and production has been steadily growing over recent years. It has the flexibility to scale production between 3.0 - 3.6Mt/tpa.

OM Holdings Limited (ASX: OMH)

is a vertically integrated commodity player in the business of mining, smelting, trading and marketing of ores and ferro-alloys. It has a market cap of around A\$1bn. It mines manganese ore at two sites:

- Bootu Creek in the Northern Territory of Australia (producing up to 0.8m MT p.a. of ~36% Grade siliceous Manganese Ore); and
- Tshipi Borwa in South Africa, producing 3.6m MT p.a. (in ownership with Jupiter Mines through Tshipi é Ntle Manganese Mining (Pty) Ltd).

Battery Technology

Element 25 (ASX: E25)

Formerly Montezuma Mining has the Butcherbird deposit – Australia’s largest onshore manganese resource with large tonnage (around 180Mt of Manganese ore at low grade ~10%) of near surface manganese in seven deposits. It, like Rolek, has other projects in Australia focused on other commodities, but Butcherbird is its primary asset. Current market cap is approx. A\$16m. Essentially a tech play on propriety processing circuit to produce battery grade manganese.

American Manganese Inc (TSX-V: AMY)

A critical metal company focusing on recycling lithium-ion electric vehicle batteries. It has a market cap of around C\$23m.

Euro Manganese (ASX: EMN)

A private Canadian company focused on the development of a new high purity manganese production facility, based on the recycling of a tailings deposit located in the Czech Republic. manganese asset in Europe. It has a market cap of around \$24m.

Exploration & Development

Rolek Resources (ASX: RLK)

Development of the Barramine Manganese Project in the Pilbara WA, use of funds post transaction includes funding for Resource Estimation of a JORC compliant resource over mineralised areas as per Rolek Prospectus

Bryah Resources (ASX: BYH)

Has the option to purchase granted mining lease Horseshoe South Mine and Manganese Rights over neighbouring ground covering 154 km² means easy to re-commence mining operations. Recent rock chips - assayed up to 48% Mn. Indicated Mineral Resource of 437,000t @ 19.6% Mn defined in 2012 adjacent to M52/806 southern boundary. Untested on north side of the boundary on M52/806 (Bryah’s Mining lease).

Pure Minerals (ASX: PMI)

Battery Hub Manganese Project, Gascoyne province Western Australia - no drilled resource at present.

Keras plc (LSE AIM : KRS)

The Nayega Manganese Project in Togo West Africa, Keras state will generate cash flow for the Company within nine months of receipt of the Exploitation Permit. Nayega, in northern Togo, is 30km away from a main road which has in excess of 500,000t per annum back loading capacity and direct access to the regionally important deepwater port of Lome 600km away. KRS has a 36 % interest in Calidus Resources ASX: CAI.

Exploration Projects for Lithium/Tantalum, Nickel & Cobalt.

In addition to the Barramine Project, Rolek is acquiring five project areas in the Kimberley, Pilbara, Gascoyne and Murchison areas of Western Australia. These will be progressed with value added through exploration.

Mount Dockrell & Lamboo Project - Be, Ta, Li, Ni, Co

Located in the Kimberley, the Mount Dockrell and Lamboo licences cover a tin-tantalum mining field where alluvial tin was mined in the 1920s and 30s. The area is prospective for lithium with pegmatites reported in a known Sn, Ta, Nb mineralised field, with recorded occurrences of spodumene. Area is 289km².

Marroonah Beryl Project – Be

Beryl occurrences have been identified on the Marroonah Beryl Project near the Marroonah Homestead in the Gascoyne.

Red Hill Well Project - Li, Ta

Located 120km along the Mullewa-Yalgoo road to Pindar. The project has confirmed presence of beryl indicating the formation of volatile rich fluids and potential for Li-Ta mineralisation. There is evidence of pegmatite development and an obvious granite source

Milly Milly Project - Ni, Co

Located in the Murchison historical exploration in the 1960s including mapping and sampling identified layered gneiss, amphibolites and serpentine sequences. Gossan sampling has shown Ni-Co anomalies. The potential for sizable target areas with numerous nickel bearing serpentines has been identified from satellite imagery and anomalous existing Ni-Co-Cr soil samples.

Bella Yule Project Ni, Co

Located in the Pilbara close to Port Hedland the project is prospective for Ni and Co with historical drilling identifying mineralised of nickel and co. Prospectivity is supported by known komatiite and ultra-mafic rock associations with evidence of mineralisation within, the Scholl Shear Zone a favourable regional geological structure defined over a length of >250km. The project areas are prospective for strategic and base metals including beryllium, lithium tantalum nickel and cobalt.

Deal Structure

Rolek has entered into a share sale agreement to acquire all the issued shares in Rolhold Pty Ltd ("Rolhold"). Rolhold has entered into an option deed to acquire the entire issued share capital of Rolek Pty Ltd and (through its wholly owned subsidiary, Rolbar Pty Ltd) a deed of novation with Advino Resources Pty Ltd, which will result in Rolhold acquiring an aggregate interest in six granted mineral exploration licences and two pending applications for exploration licences throughout the Kimberley, Pilbara, Gascoyne and Murchison regions of Western Australia, which are prospective for, among other commodities, manganese, nickel, lithium and cobalt.

The Company intends to complete the Acquisition and re-comply with the ASX Listing Rules to gain re-quotations in Q4 2018.

Use of Funds & post listing plans

Allocation of funds (\$5m raised)	Year 1	Year 2
Exploration Costs		
Barramine Project	\$1,320,000	\$1,134,000
Mt Dockrell & Lamboo Project	\$90,000	\$100,000
Maroonah Project	\$30,000	\$30,000
Red Hill Well Project	\$40,000	\$40,000
Milly Milly Project	\$70,000	\$100,000
Balla Yule Project	\$30,000	\$50,000
Working Capital	\$1,399,084	
Costs assoc with the Public Offer & Acquisitions	\$646,916	
Total	\$5,080,000	

Source - Company

Rolek will compile the data collected during historical exploration programs to determine the effectiveness of the previous work and has allocated funds for exploration programs including:

1. Systematic assembly and assessment of existing data into 2D and 3D formats to allow full examination of previous results and to adequately plan for future exploration
2. Conduct further exploration drilling between Area 3 and Area 4 as well as resource drilling around previous intersections across the licence targeting both infill drilling on established prospects and testing new ones, with an initial program of 65 RC holes to depths of approximately 100-125m and 4-5 diamond holes to a depth of approximately 500m is anticipated
3. Conduct Scoping Study for small-scale operation and commence environmental, mining licence application and native title engagement.

Capital Structure

Rolek has lodged a prospectus to undertake a public offer of 250,000,000 shares at an issue price of \$0.02 per share to raise \$5,000,000. For every 5 shares subscribed for and issued, investors will receive 1 free attaching option, each with an exercise price of \$0.04 expiring 3 years from the date of issue. The proforma capital structure of the Company post the Acquisition and public offer is as follows

	Shares	Performance Shares	Options
Existing Securities	34,524,911		-
Options issued under seed raising (4c, 3 years)		-	30,000,000
Vendor Securities	122,500,000	50,000,000	
Public Offer (at \$0.02)	250,000,000		50,000,000
Convertible Notes (at \$0.02)	20,000,000		20,000,000
Great Sandy Shares	7,500,000		
Promoter Shares	10,000,000		
Facilitator Options	-		15,000,000
Total	444,524,911	50,000,000	115,000,000

Source - Company

It is anticipated that after the Acquisition and public offer the Company will have cash of around \$4.5m with an enterprise value of \$4.4m and a market capitalisation of around \$8.9m. Post listing only 280million shares will be publicly trading due to escrow provisions applied to the balance of the shares.

Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Mark Sullivan
Institutional Dealer
Phone: +61 2 9024 9134
msullivan@stateone.com.au

Thomas Tan
Equities Advisor
Phone: +61 2 9024 9131
ttan@stateone.com.au

Morris Levitzke
Equities Advisor
Phone: +61 8 9288 3315
mlevitzke@stateone.com.au

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Yitz Barber
Equities Advisor
Phone: +61 2 9024 9107
ybarber@stateone.com.au

Tammie Wong
Equities Advisor
Phone: +61 2 9024 9133
twong@stateone.com.au

Dawn Chia
Business Development Manager
Phone: +61 8 9288 3336
Dawn.Chia@stateone.com.au

David Zhang
Equities Advisor
Phone: +61 2 9024 9130
dzhang@stateone.com.au

David Brennan
Senior Investment Analyst
Phone: +61 2 9024 9142
dbrennan@stateone.com.au

Wayne Osterberg
Equities Advisor
Phone: +61 8 9288 3318
Wayne.Osterberg@stateone.com.au

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