

## HUNTING FOR GOLD AND COPPER IN THE PERUVIAN HIGHLANDS

### Investment Highlights

**Inca Minerals Limited (ICG) is systematically exploring its Chanape Project in Peru, which is already proven to be prospective for near-surface gold mineralisation and deeper, larger tonnage porphyry copper potential. The next 9 months is likely to be make-or-break period for ICG as it approaches decision time to exercise its option to acquire the Project for US\$3m. Any sniff of a sizeable porphyry copper target that is within reach or above the valley floor and possibly has an overlying gold footprint, will be well received and could likely lead to a significant farm-in and/or joint venture with a Tier 1 resources company.**

With a market capitalisation of c\$5m, the market seems to be ascribing very little value to the option that ICG has to acquire the asset. Whilst we acknowledge that Chanape is an early-stage exploration story that requires additional expenditure of cA\$5.8m to fulfil its obligations under its acquisition agreement, we believe that the presence of a mineralised system over an extensive area of tenure is undeniable. Clearly, the missing puzzle piece is the size, continuity and tenor of grade of the mineralised system, which is being addressed by the phases of exploration drilling that ICG has conducted or planned.

The primary focus for ICG is the exploration and evaluation of its Peruvian projects and in particular, the Company's flagship Chanape Project. Exploration was re-initiated in July 2015 at Chanape after a period of some nine months whilst ICG awaited approval of its semi-detailed Environmental Impact Assessment drill permit (sdEIA) from Peruvian authorities. The sdEIA permit allows up to 22,500m of drilling and approximately 60 drill platforms on the Chanape project area. Additionally, ICG continues to receive unsolicited interest from major diversified mining companies, which somewhat confirms the importance of Chanape's standout exploration results and its potential as a dual-resource project hosting a near-surface copper, gold and silver resource, as well as deeper porphyry and porphyry-related copper-molybdenum-silver±gold mineralisation.

The Company's past exploration efforts have delivered and refined new and highly prospective drill targets including very high grades of gold, silver and lead in channel sampling in the summit and southern areas of Chanape (e.g; peak values of two-metre channel samples included 12.65g/t gold, 746g/t silver and 14.95% lead), and a new breccia with peak values from rock chip sampling including 5.5% copper, 2.2g/t gold and 51.1g/t silver. The 2015 drill campaign is well underway with the initial drilling continuing to target the multiple precious-metal rich breccia pipes and the induced polarisation (IP) chargeability anomalies that point to significant copper porphyry potential, underlying these breccias.

Assay results from the current drilling program have been mixed, but continue to show promise. Best intercepts include: 2m @ 10.74g/t gold and 34.1g/t silver from 59m; 3m @ 3.45g/t gold and 60.03g/t silver from 35m; and 68m @ 1.98% copper, 0.84g/t gold and 42.90g/t silver from 234m. We expect that the drilling on the near-surface gold-silver mineralisation should be of sufficient density to scope out the quantity of exploitable mineralisation for publication in the March 2016 quarter. However, we think that the copper porphyry potential is where the real value creation lies for ICG. Accordingly, we rate the stock a Speculative Buy; characterised by a high-risk, high-reward investment scenario based on the probability of exploration success.

10 December 2015

12mth Rating **SPECULATIVE BUY**

Price	A\$	0.005
RIC: <b>ICG.AX</b>		BBG: <b>ICG AU</b>
Shares o/s	m	1,076.78
Free Float	%	62
Market Cap.	A\$m	5.38
Net Debt (Cash)	A\$m	(1.8)
Net Debt/Equity	%	N/A
3m Av. D. T'over	A\$m	0.03
52wk High/Low	A\$	0.023/0.005

**Analyst:** Rob Brierley  
**Phone:** 08 9263 1611  
**Email:** rbrierley@psl.com.au

***Disclosure:** Patersons Securities acted as Underwriter and Lead Manager to a combined Entitlement Issue and Share Placement that raised \$3.0m at \$0.01 per share in July 2015. It received a fee for this service.*

***An investment in this company should be considered speculative and note assumptions employed are contingent on broader market conditions remaining buoyant. These can change at short notice. Recommendations are current at the time of publication.***

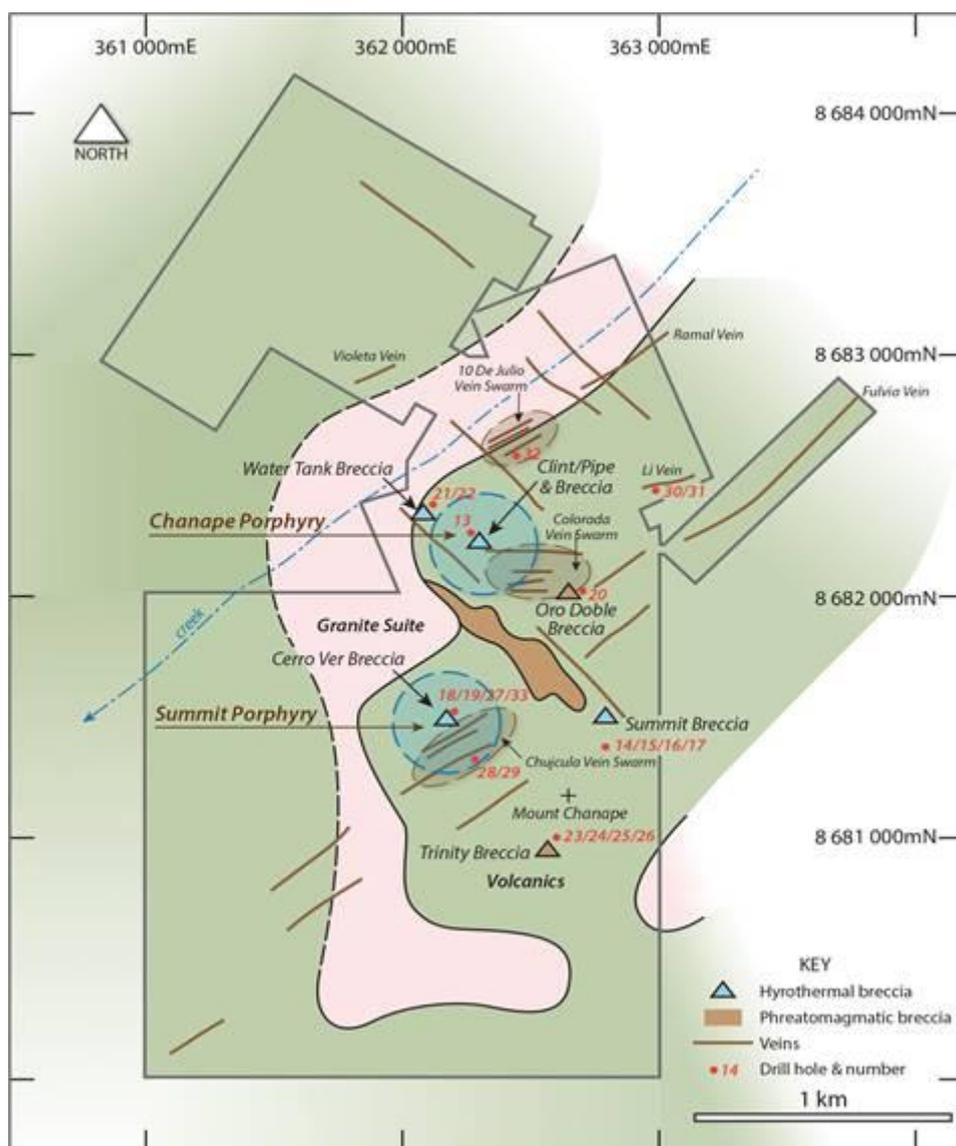
### 12 Month Share Price Performance



## SUMMARY

We rate Inca Minerals (ICG) as a Speculative Buy. ICG’s flagship ‘Chanape’ tenements in Peru are proximal to significant porphyry discoveries and present as a potential high tonnage copper-molybdenum-silver±gold porphyry target. Additional targets include near-surface gold, silver, zinc, and lead mineralisation in the form of veins and breccia formations. The Company is currently in the final stages of an initial dual shallow and deep-hole diamond exploration program aimed at identifying the extent and grade of mineralisation for both the Chanape porphyry targets and the many shallower gold bearing breccia pipes. Recent drill results are encouraging and indicate mineralisation trends conducive with known copper (Cu) porphyry progressions. The coming months will unveil whether ICG’s tenements hold an economic resource with the potential for Joint Venture collaboration with a global mining house.

Figure 1: Chanape Project Key Targets



Source: Inca Minerals Limited.

## CORPORATE

ICG has 1,076.8m ordinary shares with no current share options on issue.

As at 30 September 2015, ICG had just over \$3m in cash. It raised \$2.15m in a 1 for 3 entitlement issue, and \$0.85m in a share placement, both finalised in July 2015, with a \$1.3m further investment from global mining

private equity house Resource Capital Funds occurring in August 2015.. It is estimated that the Company's current cash balance will be approximately \$1.8m, budgeting a \$400k per month expenditure on the current single-rig diamond drilling program and corporate overhead expenditure.

## POTENTIAL FOR JOINT VENTURE

We believe that ICG's focus in the near term should be the engagement of a Joint Venture partner to provide the funds necessary to drill out its Chanape tenements and, in 2016, exercise the Company's option to acquire 100% ownership rights to the project from the concession owner. ICG has reported receiving significant interest in a collaboration agreement in the last 12 months from several tier 1 mining firms, but has not yet been able to secure a deal.

We are confident ICG can reach an agreement based upon the strong drilling results and external interest received thus far. Should ICG be unable to broker a deal, capital raising in future may prove increasingly difficult as plunging commodity prices and further dilution affects investor appetite.

## CHANAPE PORPHYRY PROJECT

Chanape is located approximately 90km east of Lima, Peru, in the Miocene Porphyry Belt. Exploration was re-initiated in July 2015 after a period of some nine months whilst ICG awaited approval of its semi-detailed Environmental Impact Assessment drill permit (sdEIA) from Peruvian authorities. The sdEIA permit allows up to 22,500m of drilling and approximately 60 drill platforms on the Chanape project area. A total of approximately 3,000m of drilling had been completed at time of writing. ICG continues to receive unsolicited interest from major diversified mining companies, and the significant investment of respected private equity house RCF somewhat confirms the importance of Chanape and its potential as a dual-resource project hosting near-surface copper, gold and silver mineralisation as well as deeper porphyry copper-molybdenum-silver±gold mineralisation. Possible tungsten prospectivity was also found through core resampling in Breccia Pipe 8 with 1.22% WO<sub>3</sub> from 54m.

Diamond drilling continues to target near surface veins and breccia formations, as well as deeper Induced Polarisation (IP) chargeability anomalies.

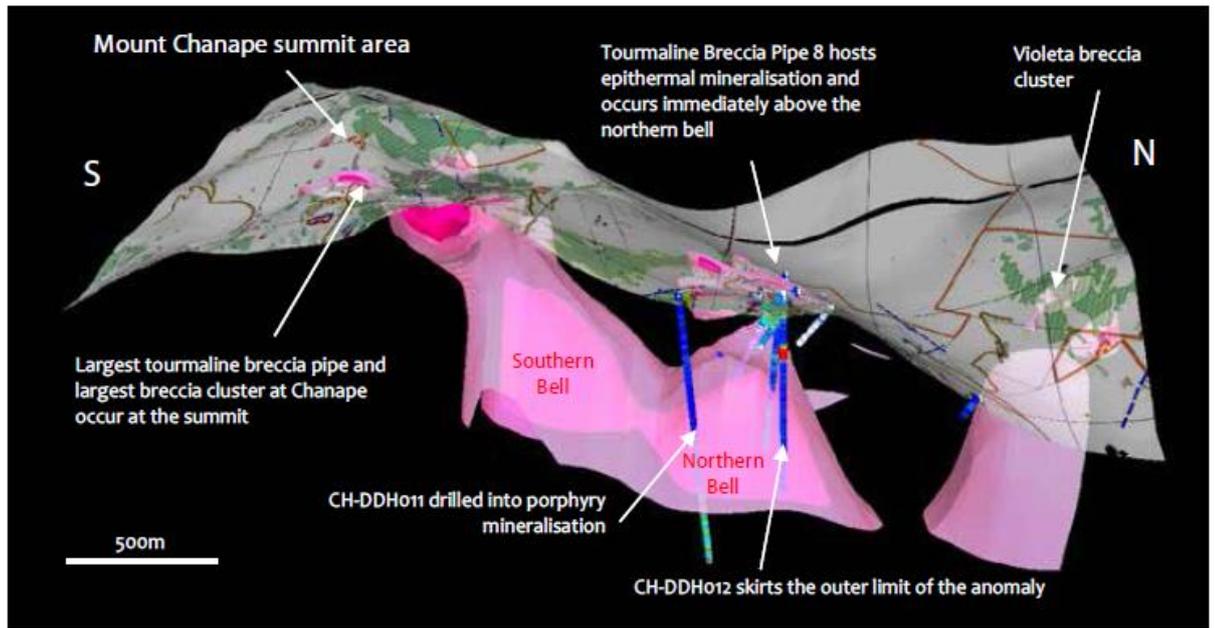
We understand that the current deep hole, CH-DDH033, is testing for Cu mineralisation associated with the Summit Porphyry. After the hole is completed, drilling will be temporarily suspended for the Christmas and New Year's break. Should ICG find copper mineralisation, the assay results which will come afterwards, could well be a very welcomed Christmas gift for existing and possible new shareholders.

## CHANAPE "LOOK ALIKE"

Located 30km NE of Chanape is the Toromocho Cu-Mo-Ag porphyry mine, operated by Chinalco. With a Life of Mine of over thirty years, Toromocho contains 2.15 billion tonnes of ore at c0.5% Cu Eq. In 2007, it was sold for \$750m after 51,000m of drilling. It has grown from c655Mt to c2,150Mt since that time.

Like Toromocho, Chanape is a Cu-Mo-Ag porphyry system and has multiple phases of mineralisation. Should drilling continue to prove positive and a possible JORC compliant Exploration Target can be followed up by resource announcements, then the re-rate potential of the project and ICG looks highly likely.

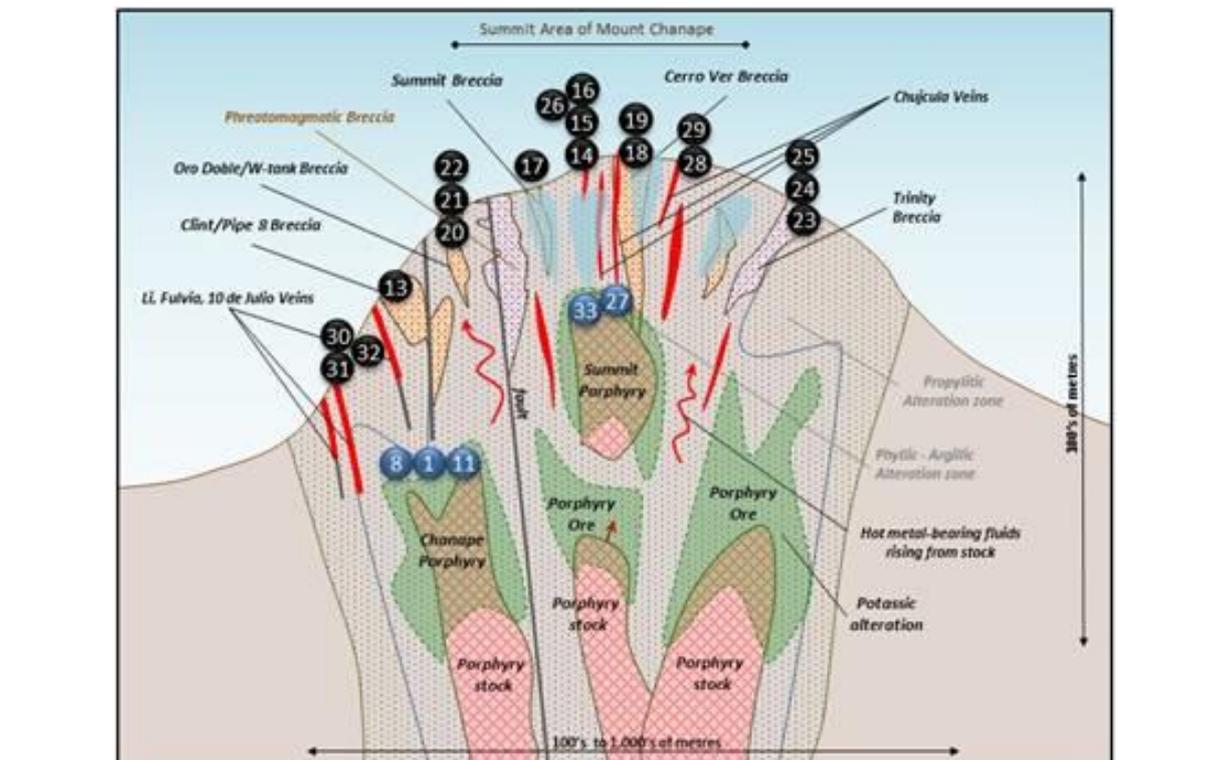
Figure 2: Chanape Chargeability Anomaly



Source: Inca Minerals Limited.

The figure below illustrates the occurrence of near surface breccia and vein formations exhibiting Au+Ag±Zn±Pb mineralisation at potentially economic grades. Below these are the porphyry targets “Chanape” and “Summit” that pose as high tonnage copper-molybdenum-silver±gold targets.

Figure 3: Chanape Geology Model



Source: Inca Minerals Limited.

The Company is in its fourth year of a 5-year mining assignment agreement with the concession owner of Chanape.

ICG has the right to acquire 100% of the project for in exchange for an expenditure commitment including cash, shares and a royalty. As at 30 June 2015 the Group has met all of its obligations in respect of the agreement and all future exploration commitments are payable at the Group's discretion and dependent upon the Group acquiring the exclusive rights to the mining concessions. The key terms of the agreement pertaining to the Chanape project are set out below.

The principal terms and conditions of the 5-year mining assignment agreement are as follows:

- Payment of US\$1,500,000 by US\$25,000 per month for five years ( $\pm$ \$1,150,000 paid to date)
- Payment of US\$3,000,000 at the expiry of the five years
- The issue of US\$500,000 of shares in Inca (one year after company listing) – completed
- Royalty payment of US\$20 per ounce Au equivalent
- Drilling expense commitment of US\$3,600,000 over five years ( $\pm$ \$2,500,000 current expenditure (budgeting \$600,000 post annual report drilling expenditure))
- Inca has the right to purchase the project (100% transfer of concessions) at any time
- Inca has a right to withdraw at any time (no separation penalty)
- Remaining cash considerations: US\$3.3M (A\$4.5M) to obtain 100% of Chanape
- Remaining drill expenditure obligations: US\$1M (A\$1.3M) (assuming 2015 obligation will be met)

The Company's past exploration efforts have delivered and refined new and highly prospective drill targets including very high grades of gold, silver and lead in channel sampling in the summit and southern areas of Chanape (e.g; peak values of two-metre channel samples include 12.65g/t gold, 746g/t silver and 14.95% lead – refer ASX announcement 22 October 2014), and a new breccia with peak values from rock chip sampling including 5.5% copper, 2.2g/t gold and 51.1g/t silver (refer ASX announcement 22 October 2014).

Significant recent drilling results for Chanape are shown in Figure 4 :

Figure 4: Recent Drilling by ICG

Drill Hole Number	Project area	Hole Parameters			Target	Noteworthy Intervals/Intersections
		Depth	Azimuth	Dip		
CH-DDH013	Breccia 8 Area	330.00	225	58	Clint Breccia	68m @ 1.98% Cu, 0.84g/t Au, 42.90g/t Ag from 234m, including 26m @ 2.24% Cu, 0.91g/t Au, 41.79g/t Ag corresponding to Clint Breccia
CH-DDH014	Summit	109.10	170	45	Gold vein	6m @ 0.94g/t Au, 45.42g/t Ag, 1.11% Pb from 26m corresponding to zone of phyllic alteration
CH-DDH015	Summit	96.70	170	60	Gold vein	7m @ 0.80g/t Au, 28.39g/t Ag, 0.79% Pb from 34m corresponding to zone of phyllic alteration
CH-DDH016	Summit	60.00	192	45	Gold vein	No significant mineralisation
CH-DDH017	Summit	335.15	350	45	Summit Breccia	63m @ 0.24g/t Au from 183m and 71m @ 7.93g/t Ag from 175m corresponding to tBx and margins; 129m @ 0.3% Zn from 60m corresponding to silicified volcanics
CH-DDH018	North Summit	163.50	180	50	Cerro Ver Breccia, Chujula Vein 1	33m @ 0.26% Zn from 27m; 61m @ 0.46g/t Au, including 15m @ 0.95g/t Au from 97m and 22m @ 10.73g/t Ag from 97m
CH-DDH019	North Summit	318.00	180	75	Cerro Ver Breccia, Chujula Vein 1	61m @ 0.13g/t Au from 140m, multiple zones of broad low grade Ag, Cu, Pb, Zn, 3m @ 10.83g/t Au, 17.1g/t Ag, 0.28% Cu from 288m including 2m @ 15.8g/t Au
CH-DDH020	Breccia 8 Area	250.00	210	60	Oro Doble Breccia	218m @ 0.34g/t Au from 13m including 100m @ 0.43g/t Au from 13m
CH-DDH021	Breccia 8 Area	214.50	120	60	Water Tank Breccia	No significant mineralisation other than broad +0.5% Zn - indicative of high levels of porphyry system
CH-DDH022	Breccia 8 Area	153.00	300	60	Water Tank Breccia	No significant mineralisation other than broad +0.5% Zn - indicative of high levels of porphyry system
CH-DDH023	South Summit	190.50	360	50	Trinity Breccia	No significant mineralisation
CH-DDH024	South Summit	178.50	240	50	Trinity Breccia	No significant mineralisation
CH-DDH025	South Summit	198.40	240	50	Trinity Breccia	No significant mineralisation
CH-DDH026	Summit	141.00	360	45	Gold vein	27m at 0.27g/t Au from 86m THIS ANNOUNCEMENT
CH-DDH027	North Summit	800.00	155	80	Summit Porphyry and Chujula Veins	78m @ 0.15g/t Au from 38m and multiple zones of Au, Ag, Cu mineralisation associated with the new Summit Porphyry and Chujula veins
CH-DDH028	Summit	120.00	145	45	Gold vein	3m @ 3.45g/t Au and 60.03g/t Ag from 35m including 2m @ 5.11g/t Au, 89.00g/t Ag, 0.53% Cu and 0.76% Pb from 36m, intersects Chujula Vein III; 8.995g/t Au, 136.7g/t Ag and 74% Cu
CH-DDH029	Summit	85.50	180	45	Gold vein	Chujula Vein III extends from DDH028 into DDH029 with notable mineralisation of 1m at 5.04g/t Au, 185.8g/t Ag, .26% Cu at 37m, 1m at 1.01g/t Au, 12.3g/t Ag, .73% Pb, .69% Zn at 55m, and 1m at 1.81g/t Au, 26.3g/t Ag from 59m
CH-DDH030	North East Area	87.00	4	45	Li Vein	2m at 10.74g/t Au, 34.1g/t Ag from 59m and Au+Ag+Cu+Pb mineralisation for 1m at 29m and Au+Ag+Pb+Zn mineralisation for 1m at 67m
CH-DDH031	North East Area	219.60	52	45	Li Vein	1m at 1.84g/t Au, 98.6g/t, .45% Pb, .94% Zn from 27m
CH-DDH032	Old Mines Area	220.00	333	45	10 De Julio Vein	10.34m of semi-massive to massive sulphide mineralisation from 91.66m De Julio Vein
CH-DDH033	South Summit	950.00	335	86	Summit Porphyry	Drilling ongoing
<i>Metres drilled in campaign</i>		<b>5220.45</b>				

Source: Inca Minerals Limited, Patersons Securities.

Figure 5 details relevant historical drilling at Chanape conducted by ICG and the previous owner 'High Ridge':

Figure 5: Historical Drilling at Chanape

Drill Hole Number	Project area	Hole Parameters			Noteworthy Intervals/Intersections	Company
		Depth	Azimuth	Dip		
CH-001	Chanape Area Veins (Historical)				97.5m from 47m at .5g/t Au and 3.42g/t Ag	High Ridge
CH-002	Chanape Area Veins (Historical)				103.31m from .14m at 1.3g/t Au, 17g/t Ag and .1% Cu	High Ridge
CH-003	Chanape Area Veins (Historical)				101.3m from 0m at 1.4g/t Au, 42g/t Ag and .16% Cu	High Ridge
CH-004	Chanape Area Veins (Historical)				116m from 0m at 1.3g/t Au, 21g/t Ag and .12% Cu	High Ridge
CH-005	Chanape Area Veins (Historical)				33.65m from 34.7m at .3g/t Au, 19g/t Ag	High Ridge
CH-006	Chanape Area Veins (Historical)				9.05m from 23.95m at .6g/t Au and 13g/t Ag	High Ridge
CH-009	Chanape Area Veins (Historical)				167.35m from 12.3m at .8g/t Au and 17g/t Ag	High Ridge
CH-012	Chanape Area Veins (Historical)				297.45m from 5.15m at .8g/t Au and 6g/t Ag	High Ridge
CH-DDH-001	Breccia Pipe 8 (Discovery Hole)	600	N/A	Vertical	108m from 0m at 2g/t Au, 41g/t Ag and .21% Cu	Inca Minerals
CH-DDH-001	Chanape Porphyry	600	N/A	Vertical	237m from 363m at .13% Cu and 111ppm Mo	Inca Minerals
CH-DDH-002	Au+Ag Chanape Breccia	150			150m from 0m at .5g/t Au and 4g/t Ag	Inca Minerals
CH-DDH-003	Au+Ag Chanape Breccia	200			65m from 0m at .6g/t Au and 5g/t Ag	Inca Minerals
CH-DDH-006	Breccia Pipe 8	115	30	40	74m from 31m at .9g/t Au, 14g/t Ag, .25% Cu and 9ppm Mo	Inca Minerals
CH-DDH-007	Breccia Pipe 8	130	30	55	81m from 32m at 1g/t Au, 16g/t Ag, .25% Cu and 16ppm Mo	Inca Minerals
CH-DDH-008	Chanape Porphyry	729	120	50	89.9m from 639m at .03% Cu and 9ppm Mo	Inca Minerals
CH-DDH-011	Chanape Porphyry	1049	332	80	280.15m from 767m at .33% Cu and 85ppm Mo	Inca Minerals
CH-DDH-012	Breccia Pipe 8	660	45	80	65m from 0m at .9g/t Au, 25g/t Ag, .2% Cu and 11ppm Mo	Inca Minerals
CH-DDH-012	Lower Tourmaline Breccia	660	45	80	53m from 155m at .6g/t Au, 43g/t Ag, 2.33% Cu and 49ppm Mo	Inca Minerals

Source: Inca Minerals Limited, Patersons Securities.

## OTHER PROJECTS

### Moquegua – Peru

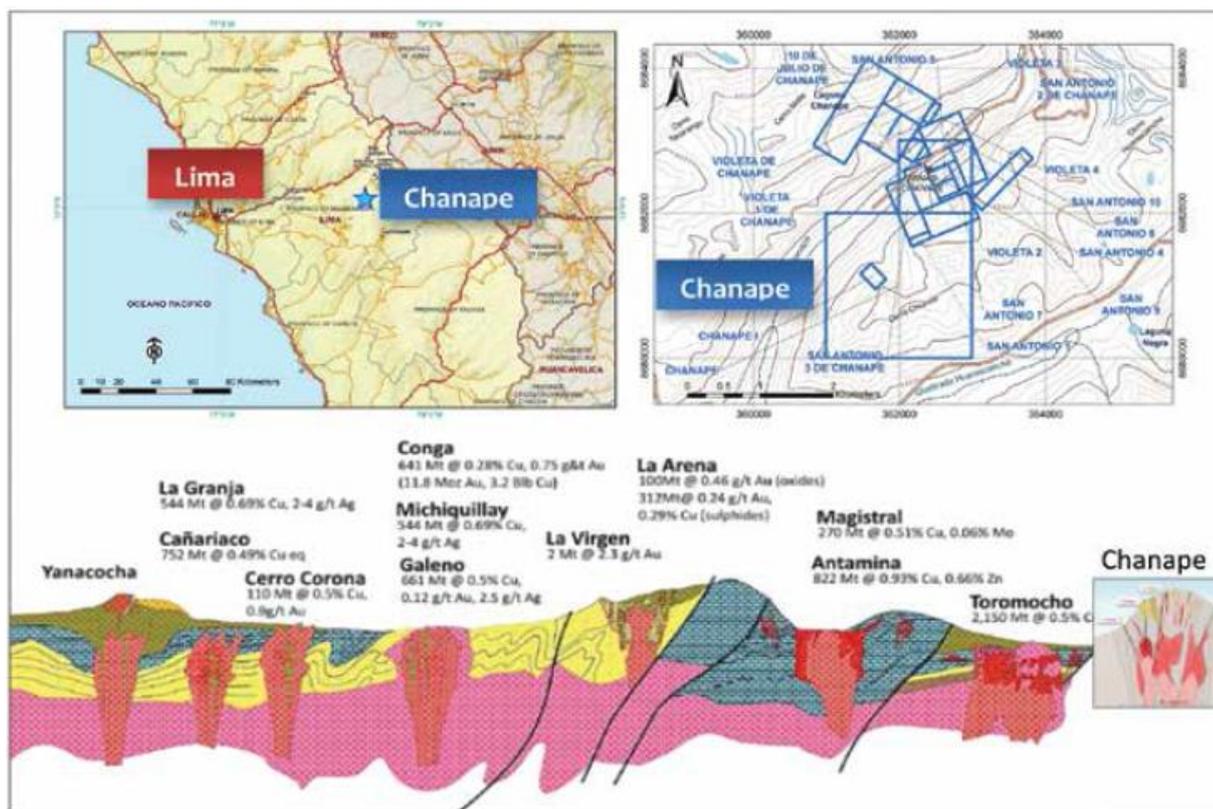
ICG has 100% concessional ownership of the three Moquegua prospects Jose Alonso, Agua Blanco, and Oscar Alberto. Moquegua is centred approximately 60km south east of Arequipa, within the Palaeocene Southern Peru Copper Porphyry Belt. The annual production from this Cu-belt is 16Mt (57% of Peru's Cu production).

### Dingo Range - Western Australia

Located approximately 200kms East of Leinster, Dingo Range is a project covering a significant portion of the Dingo Range Greenstone Belt and is prospective for nickel and gold. The project comprises five tenements and Inca holds all relevant rights and permissions. In recent years the Mt Fisher Greenstone Belt has risen to prominence through the progressive development of Rox Resources' Mount Fisher Nickel Project. The Company is currently defending a plaint lodged over certain Dingo Range exploration licences.

## PROVEN PORPHYRIES NEAR CHANAPE

Figure 6: Significant Peruvian Porphyry Deposits



Source: Inca Minerals Limited.

Chanape is located 30km NE of Chinalco's 'Toromocho' 1.4Bt Cu-Ag-Mo porphyry mine which has recently commenced production and contains a reserve of 1.526 billion tonnes of ore with an average copper grade of 0.48%, molybdenum of 0.019% and an average grade of silver of 6.88 grams per ton.

Nyrstar's Coricancha Au-Ag-Zn-Pb mine is located 15km NW of Chanape. It was recently sold to Great Panther Silver Limited for up to \$12 million plus \$5 million in promised exploration expenditure.

## RISKS

**Financing** – ICG was sitting on approximately \$3m at the end of the September quarter minus costs for the December quarter drilling at the Chanape summit (estimated at approx. \$1,200,000). ICG is racing against the clock to prove up the existence of an economic copper porphyry below the demonstrated near-surface Au/Ag breccia and vein formations. Should the Company do this successfully using the current round of financing, it will drastically improve its chances of securing a JV partner to help pay for follow-up drilling and assist with the costs of exercising the right for 100% ownership of the Chanape concessions. Should the Company be unable to prove-up the resource, raising money will become increasingly more difficult due to high degrees of dilution and additional scepticism from potential investors.

**Grade and Depth of Potential Deposit** – Judging from the drilling already performed at the Chanape project, it seems likely that ICG are sitting on some form of Cu porphyry formation. The depth of mineralisation and Cu grade will be the deciding factors in determining whether the project will be of interest to potential JV partners. A grade of 0.5% Cu, plus molybdenum, coupled with a starting depth for porphyry mineralisation of not more than 200m below surface are the minimum requirements needed to ensure the attractiveness of the project to outside parties.

**Commodity Prices** – Price fluctuation of relevant commodities including gold, silver, copper, and molybdenum will continue to affect the project's economic viability. At present, the project's value as a potential resource is marginal.

**Metallurgy** – The project's ore has not yet undergone metallurgical test work to gauge optimal recovery methods. ICG will likely switch focus to these processes should current exploration indicate the resource to be viable.

**Permits** – Permitting permissions remain for the Chanape project. Should the company realise a resource as a result of exploration, feasibility and mining permissions will need to be granted through Peruvian governing bodies. The Company has so far been successful in its application for drilling permits, though we note the significant delays already encountered.

**Foreign Exchange** – Fluctuation in foreign exchange rates between the Australian Dollar and Peruvian Nuevo Ssol against the United States Dollar has the potential to add volatility to future cash flows.

## DIRECTORS AND MANAGEMENT

### ROSS BROWN B.Sc (Hons), M.Aus.IMM.

#### Managing Director

Mr Brown is a geologist with over 30 years' experience in mineral exploration in Australia, Asia, Africa and South America, having worked in a broad range of commodities, including gold, base metals, uranium, phosphate and diamonds. Mr Brown is skilled in recognising the commercial potential of exploration projects, and has a proven record of bringing technical-based exploration concepts and projects to market.

Mr Brown was the co-founder and Managing Director of Urcaguay Pty Ltd, the Company's fully owned subsidiary and he became the Company's Managing Director after its takeover of Urcaguay. As at 30 June 2015, and in addition to his position with the Company, Mr Brown remains a Director of Urcaguay and the Company's other subsidiary companies. Mr Brown has been a member of AusIMM since 1988, and is also a member of GSA, SEG and AICD.

### JUSTIN WALAWSKI BBus.,P.Grad.Dip., PhD, FCPA, MAICD

#### Director and Company Secretary

In addition to his position with Inca, Mr Walawski is also a Director and Company Secretary of Inca's subsidiary companies, Chairman of FAB Industries Pty Ltd (a private equity investment company) and Facilitator for the AICD's Company Directors course in areas of financial literacy and financial strategy.

Mr Walawski has previously held positions as Chairman, Deputy Chairman and Chief Executive of the North West Iron Ore Alliance, Chief Executive of the Association of Mining & Exploration Companies, Chairman of Special Olympics Australia (WA) and Director of CPA Australia (WA). In the previous 3 years Mr Walawski has been a director of IFS Construction Services Limited (appointed 31 August 2012 to present). Mr Walawski is a Fellow of CPA Australia, a Member of the AICD and holds undergraduate, post-graduate and doctoral degrees in accounting/auditing.

### GARETH LLOYD B.Sc (Hons)

#### Director

As at 30 June 2015, in addition to his position with Inca, Mr Lloyd was also a Director of Inca's subsidiary companies. Mr Lloyd has over 30 years' experience with mining and exploration companies and brings considerable technical, commercial and capital raising expertise to the Company. A mining engineer by training, he has operating experience in gold, base metals and coal throughout Australia, South Africa and the United Kingdom.

Mr Lloyd is a part owner of the Element group, a Perth-based boutique advisory and funds management group focused on the resources sector through which Mr Lloyd provides strategic advice and fund raising services to both listed and unlisted companies using equity and mezzanine instruments.

Prior to establishing Element in 2008, Mr Lloyd was an Associate Director at the Rothschild Group where he helped establish the Golden Arrow Funds I and II, the latter fund becoming the ASX-listed LinQ Resources Fund. In the previous 3 years, Mr Lloyd has not been a director of any other ASX listed companies.



1300 582 256

patersons@psl.com.au

www.psl.com.au

## Research

Rob Brierley - Head of Research  
Hira Sakrani - Research Assistant

Phone: (+61 8) 9263 1611  
Phone: (+61 3) 9242 4052

Email: rbrierley@psl.com.au  
Email: hsakrani@psl.com.au

## Strategy & Economics

Tony Farnham - Economist  
Andrew Quin - Research Strategy Coordinator  
Kien Trinh - Senior Quantitative Analyst

Phone: (+61 2) 9258 8973  
Phone: (+61 8) 9263 1152  
Phone: (+61 3) 9242 4027

Email: tfarnham@psl.com.au  
Email: aquin@psl.com.au  
Email: ktrinh@psl.com.au

## Commodities

Jason Chesters - Analyst  
Simon Tonkin - Senior Analyst  
Matthew Trivett - Analyst

Phone: (+61 8) 9263 1144  
Phone: (+61 8) 9225 2816  
Phone: (+61 7) 3737 8053

Email: jchesters@psl.com.au  
Email: stonkin@psl.com.au  
Email: mtrivett@psl.com.au

## Industrials

Martyn Jacobs - Analyst  
Conor O'Prey - Analyst  
Jon Scholtz - Analyst

Phone: (+61 3) 9242 4172  
Phone: (+61 2) 8238 6214  
Phone: (+61 8) 9225 2836

Email: mjacobs@psl.com.au  
Email: coprey@psl.com.au  
Email: jscholtz@psl.com.au

## Institutional Dealing

Dan Bahen  
Michael Brindal  
Artie Damaa  
Paul Doherty  
Chris Kelly  
Stuart Murray  
Jeremy Nugara  
George Ogilvie  
Phil Schofield  
Josh Welch  
Sandy Wylie

Phone: (+61 8) 9263 1274  
Phone: (+61 8) 9263 1186  
Phone: (+61 2) 8238 6215  
Phone: (+61 3) 8803 0108  
Phone: (+61 3) 9242 4078  
Phone: (+61 2) 8238 6210  
Phone: (+61 3) 8803 0166  
Phone: (+61 8) 9263 1627  
Phone: (+61 2) 8238 6223  
Phone: (+61 8) 9263 1668  
Phone: (+61 8) 9263 1232

Email: dbahen@psl.com.au  
Email: mbrindal@psl.com.au  
Email: adamaa@psl.com.au  
Email: pdoherthy@psl.com.au  
Email: ckelly@psl.com.au  
Email: smurray@psl.com.au  
Email: jnugara@psl.com.au  
Email: gogilvie@psl.com.au  
Email: pschofield@psl.com.au  
Email: jwelch@psl.com.au  
Email: swylie@psl.com.au

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