



The Deloitte Western Australian Index 2018

Diggers & Dealers Special Edition

A review of Western Australian companies
listed on the Australian Securities Exchange

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01

Executive summary

Welcome to the 2018 Diggers & Dealers edition of the Deloitte WA Index. This year the market capitalisation of Western Australian listed entities in the WA Index increased 26.8% to close at AU\$193.5 billion.

2018 has seen a renewed optimism for global growth leading to strong pricing gains across many of our locally important commodities. Domestic and global share market indices also performed well, delivering sound returns for investors.

We are extremely pleased to report the Deloitte WA Index increased 26.8% this year, a significant out-performance over the broader All Ordinaries Index, and achieving an aggregate value of AU\$193.5 billion at 30 June 2018. To put this into perspective, the WA Index has not been above AU\$190.0 billion since back in May 2011.

Whether this is proof that previously incomprehensible economic and political decisions don't necessarily lead to catastrophic outcomes for the world economy, or just a realisation that global uncertainty is here to stay, the *'let's just get on with it'* response this year has allowed many Western Australian companies to prosper.

Commodity price appreciation in key energy-linked commodities such as LNG, crude oil, and thermal coal really stood out this year thanks to growing energy demand throughout China and Asia, and the continued focus toward cleaner energy solutions.

Battery metals and rare earths also showed strong momentum on the excitement surrounding battery storage demand, the expanding electric vehicle market, renewables, and our hunger for more and more consumer technology.

With the availability of technology and data in our everyday lives growing at exponential rates and the urbanisation of the global population expected to gain pace over the coming years, it's hard to see this longing for tech-led convenience showing signs of dissipating.

Not surprisingly, numerous companies in the WA Index with ties to these commodities and industries have delivered exceptional returns for shareholders this year and these companies are well represented across our Deloitte WA Index high growth awards list for 2018.

Global indices generally responded well to global economic conditions

The **S&P 500** accomplished the most notable increase, improving by 12% and achieving a record high in late January following rising interest rates, employment growth and improved consumer confidence. Such economic conditions were made possible by higher corporate earnings arising from US corporate tax cuts, while the Trump administration's trade wars with China exerted downward pressure on returns towards the end of the period.

The **Nikkei 225** rose 11%, reaching its highest level since 1996 on the back of strong corporate earnings and the weakness of the yen against the dollar. Improved investor sentiment across global markets accelerated the return of foreign investment to the market, while the continuity of Prime Minister Shinzo Abe's economic policies further aided the Nikkei in setting multiple new milestones across the period.

The **All Ordinaries** gained 9% in the year, with Australia's record 27th year of expansion largely driven by rising commodity prices, near-record high exports to China, and strong US growth. Investors were enticed back into the market following increased confidence in the local market as gains were primarily driven by the mining sector.

The **FTSE 100** saw an increase of 4% amid a ravenous global appetite for equities. The strengthened sterling and political uncertainties following Brexit kept returns modest, while most of the gains realised earlier were eroded by escalating trade tensions between the US and China.

Deloitte WA Index highlights

At the Diggers & Dealers conference on 6-8 August 2018, Deloitte is co-hosting an event with the Gold Industry Group on 7 August to explore four fundamentals that are critical for mining organisations to unlock the next level of opportunity and growth – Digital Mining; Innovation in Mining; Future of Work and the Image of Mining – all interlinked, leading to and strengthening the other. We refer to the interconnectivity between these four as the “Mining Matrix”.

In anticipation of some healthy discussion led by a panel of industry experts at the event, we have asked our panellists some questions in advance to get to know a little more about them and provoke some initial commentary on how they see mining in the future.

Deloitte WA Index high growth awards 2018

We will also recognise the top three movers in the WA Index top 20 in terms of market capitalisation growth for the year ended 30 June 2018.

These are:

- **Emeco Holdings Limited**
Increasing its market capitalisation by 341% from AU\$253m to AU\$1,113m
- **Lynas Corporation Limited**
Increasing its market capitalisation by 302% from AU\$386m to AU\$1,550m
- **Pilbara Minerals Limited**
Increasing its market capitalisation by 169% from AU\$557m to AU\$1,500m.

We also recognise the three largest movers of the WA Index top 100 in terms of market capitalisation growth, for the year ended 30 June 2018.

These are:

- **Tungsten Mining NL**
Increasing its market capitalisation by 3,141% from AU\$10m to AU\$320m
- **Australian Mines Limited**
Increasing its market capitalisation by 643% from AU\$32m to AU\$238m
- **European Lithium Limited**
Increasing its market capitalisation by 469% from AU\$20m to AU\$115m.

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As this 2018 Diggers & Dealers special edition of the Deloitte WA Index goes to print we could not let the occasion pass without paying tribute to John Langford.

John was a long-time partner of Deloitte and after his retirement from the practice in 2003, he remained a close friend and confidant of the firm.

Also considered to be the heart and soul of the annual Diggers & Dealers forum, John was a vocal and passionate advocate of the mining industry and unwavering in his view of Kalgoorlie being the heart of that industry.

Often known as the event at which more deals are done than any other mining conference, John can rest proud in the knowledge that he has contributed to the success of many of the companies in the Deloitte WA Index (past, present and future), as many of these companies will have benefited from the world stage Diggers & Dealers provided, allowing them to showcase their burgeoning projects and/or consummate a company defining deal.

John you will be missed, but won't be forgotten. Rest in Peace.

02

Deloitte WA Index top movers 2018

At Diggers & Dealers, we traditionally acknowledge WA resource companies that have delivered exceptional growth in market capitalisation during the year.

This year mining and mining services companies in the WA Index performed well across the board. Naturally, commodity price increases experienced across our key commodities assisted in this as did heightened global demand and capacity requirements.

Remarkably, Emeco Holdings Limited, having featuring as a top mover in the 2017 WA index has again delivered outstanding growth performance and has made it in to our top movers list for a second consecutive year.

A number of acquisitions, coupled with improved equipment utilisation has helped Emeco enhance its earnings and propel itself into the WA Index Top 20. A great achievement.

We are pleased to profile those companies that have significantly outperformed their WA peers during the year.

Not surprisingly, the majority of the companies profiled this year are benefiting from, or are positioned to benefit from, the rising battery technology and electric vehicle industry and the corresponding increased demand expected over coming years.

TOP 20 – The largest three movers

(% increase in market capitalisation in the top 20 companies by market capitalisation for the 12 months ended 30 June 2018)

WA Index ranking	ASX	Name	MKT CAP (AU\$M) 30 Jun 2018	MKT CAP (AU\$M) 30 Jun 2017	Change in year (%)
19	EHL	Emeco Holdings Limited	1,113	253	340%
13	LYC	Lynas Corporation Limited	1,550	386	301%
14	PLS	Pilbara Minerals Limited	1,500	557	169%

Source: Capital IQ and ASX

TOP 100 – The largest three movers

(% increase in market capitalisation in the top 100 companies by market capitalisation for the 12 months ended 30 June 2018)

WA Index ranking	ASX	Name	MKT CAP (AU\$M) 30 Jun 2018	MKT CAP (AU\$M) 30 Jun 2017	Change in year (%)
45	TGN	Tungsten Mining NL	320	10	3,141%
56	AUZ	Australian Mines Ltd.	238	32	643%
100	EUR	European Lithium Limited	114	20	469%

Source: Capital IQ and ASX

Top movers within the Top 20

Emeco Holdings Limited

Emeco Holdings Limited (Emeco) increased its market capitalisation by 340.5% from AU\$253m to AU\$1,113m during the year ended 30 June 2018, and was ranked 18th in the Deloitte WA Index and was the largest mover in the top 20 by market capitalisation.

Background

Emeco is an independent mining equipment rental supplier and services major resource projects with its global fleet of machinery. With its major operations based across Australia, Emeco provides mining companies with tailored fleets of maintained, best-in-class equipment to the go line to support onsite production schedules. Emeco has recently focused on using big data to drive smarter mining via its proprietary fleet management and mining technology platform, which is used to measure and stream fleet payload performance, dig rates, operational efficiency and machine utilisation in real time.

Operational overview

Multiple acquisitions across the financial year ended 30 June 2018 has seen Emeco retain its position as a top-three mover within the top 100 by market capitalisation, as the mining equipment rental supplier seeks to position itself to benefit from an upturn in the commodities and infrastructures construction cycles.

Emeco's first major purchase for the financial year came in November 2017 with the acquisition of Western Australian counterpart Force Equipment. The acquisition, for an enterprise value of AU\$69.8m, added 179 high quality and low hour machines to Emeco's fleet, strengthening Emeco's position in the Western Australian market through both improving its maintenance capabilities and diversifying its customer base.

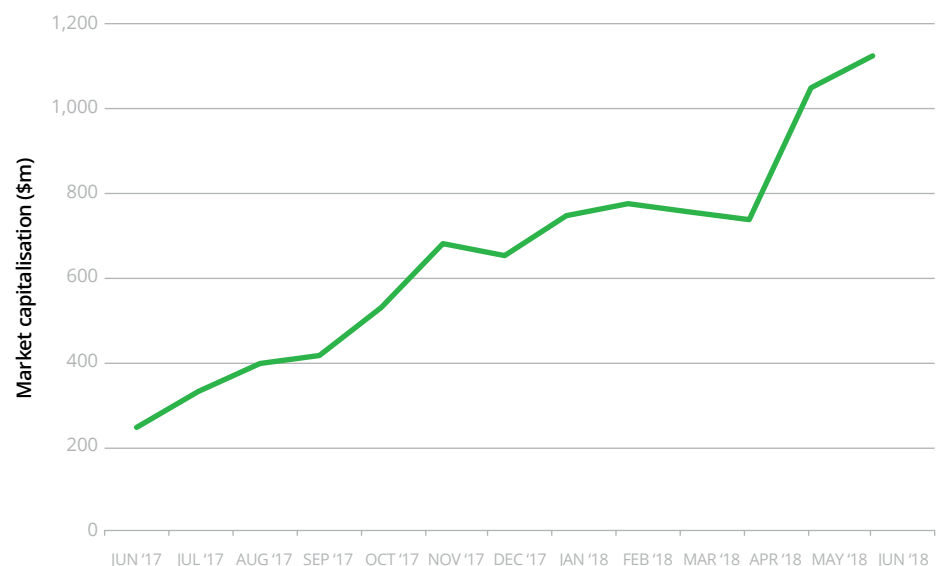
In April 2018, Emeco announced its acquisition of mining equipment rental provider Matilda Equipment.

The deal provided Emeco with a niche equipment rental business, with a fleet size of 83 low-hour pieces of equipment. The preceding capital raising was met with strong enthusiasm by existing shareholders, with the 1-for-7.8 rights issue raising AU\$90 million. With an implied acquisition multiple of 3.3x, based on Matilda's Q3 annualised EBITDA, the acquisition provided a complementary business model and more importantly a channel for sustaining Emeco's ongoing ancillary equipment capital expenditure requirements.

A stronger balance sheet and increased earnings, in conjunction with improving rental market conditions, has seen multiple corporate credit rating upgrades for Emeco across the financial year ended 30 June 2018. The benefits of Emeco's transactional activity contributed to Fitch's upgrade of Emeco's Long-Term Issuer Default Rating to 'B' in May 2018, on the back of 'improving financial performance and its recent acquisitions' and up from a rating of 'CCC' at the beginning of the financial year.

Going forward

Emeco looks set to continue its focus on deleveraging, having committed to a revised goal debt to operating EBITDA ratio of 1.5X by FY20. This target is combined with its ambition to become the world's leading provider of rental equipment. The growth of Emeco's fleet has played a pivotal role in pursuing this strategy, and with five acquisitions in the past three years, any further transactional activity in the coming financial year likely won't come as a surprise.



Top movers within the Top 20

Lynas Corporation Limited

Lynas Corporation Limited increased its market capitalisation by 301.5% from AU\$386m to AU\$1,550m during the year ended 30 June 2018 – the second largest mover in the Deloitte WA Index by market capitalisation – to finish the financial year ranked at 13th on the Index.

Background

Lynas Corporation Limited (Lynas) is a producer of rare earth oxides, and its cornerstone resource at Mt Weld in Laverton, WA is widely acknowledged as one of the world's highest grade rare earth mines. Through its separating and processing facility in Malaysia, Lynas supplies its rare earth products to customers in Japan, China, Vietnam, South Korea, Europe and North America.

Operational overview

A financial year in which rare earth prices surged, in line with a significant uptick in customer demand, saw Lynas' share price increase 122%, from \$1.05 to \$2.33. The market was impressed by a return to operating profit in FY18, as well as strong top-line and operating cash flow growth.

With much of the global demand from rare earth metals coming from China, Beijing's clamping down on unclean energy sources has had favourable outcomes for Lynas. The resulting clean energy boom spurred demand for the rare earths that form part of the magnets within electric vehicles and wind turbines.

To service burgeoning demand for resources, Lynas announced during the December 2017 quarter its Lynas NEXT project. The project involves a \$35m investment in increasing production capacity, along with improvements to plant reliability and recoveries, generating more value from product mix, and increasing engagement with customers.

In addition to the share price gains, the value of the company was further boosted through substantial conversion of convertible notes and bonds.

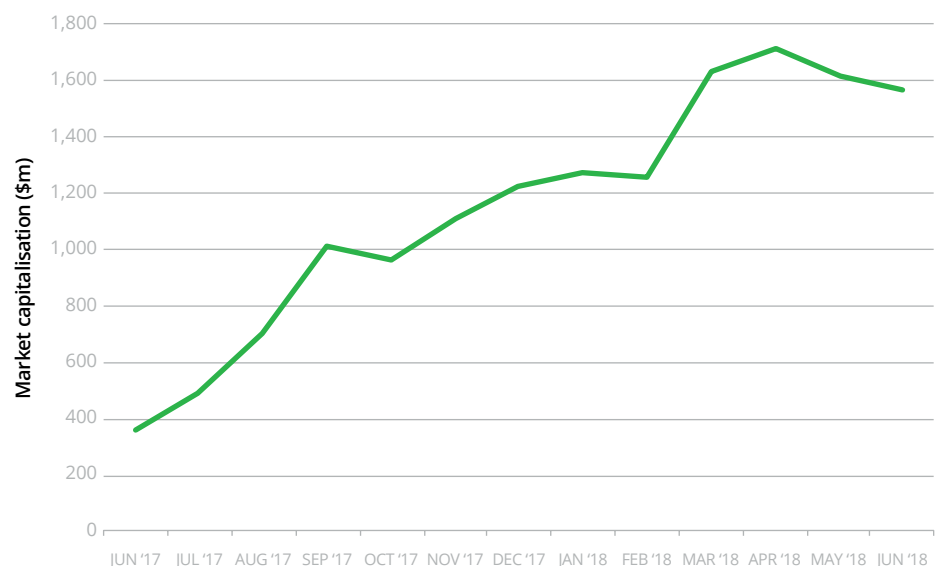
The execution of this finance strategy has improved the company's balance sheet, something Lynas was keen to achieve as it prepares to undertake Lynas NEXT.

Going forward

Hopes are high for rare earth metal producers who are anticipated to be beneficiaries of wind farms and electric vehicles, which are gaining prominence. Through investment in new power generation, it is projected that markets for such products will grow significantly faster than global GDP in coming years. Lynas' position as a high-quality neodymium and praseodymium producer bodes well for capitalising on this growing demand.

Lynas has taken proactive steps to exploit the opportunities within the rare earth sector.

The blueprint for this is in Lynas NEXT – the company is creating the productive capacity to meet increased demand from a volume perspective. The NEXT project is expected to operational efficiencies and customer value lending further support for positive sentiment surrounding Lynas going forward.



Top movers within the Top 20

Pilbara Minerals Limited

Pilbara Minerals Limited increased its market capitalisation by 169.2% from \$557.3m to \$1,500m during the year ended 30 June 2018, and was ranked 14th in the Deloitte WA Index and the third largest mover in the top 20 by market capitalisation.

Background

Budding lithium and tantalum producer Pilbara Minerals is dedicated to developing its 100% owned Pilgangoora Lithium-Tantalum Project. The project is one of the world's largest deposits of lithium-tantalum resources and is located in our own backyard in the Pilbara region of Western Australia.

Operational overview

Pilbara Minerals market capitalisation more than tripled in the six months to December 2017, largely attributable to the share price soaring 202.7% during the period. Although prices dipped in the second half of the year, Pilbara's share price ended FY18 135.1% higher than the close of the previous year.

The climbing share price came off the back of multiple operational accomplishments made by Pilbara Minerals. The award of milestone contracts related to plant construction, civil earthworks, camp expansion, camp services, open pit mining services and site power at the Pilgangoora site evidenced Pilbara Minerals' ambition to attaining first sale of concentrate in the early stages of the new financial year.

Offtake agreements signed during the period showed this goal is achievable, and boosted investor confidence as the company is positioned to take full advantage of the booming lithium raw material market. An offtake agreement with Great Wall Motor Company ensures Pilbara Minerals the sale of up to 150,000tpa of stage 2 offtake, while existing agreements with Ganfeng Lithium already underpin sales of up to 300,000tpa.

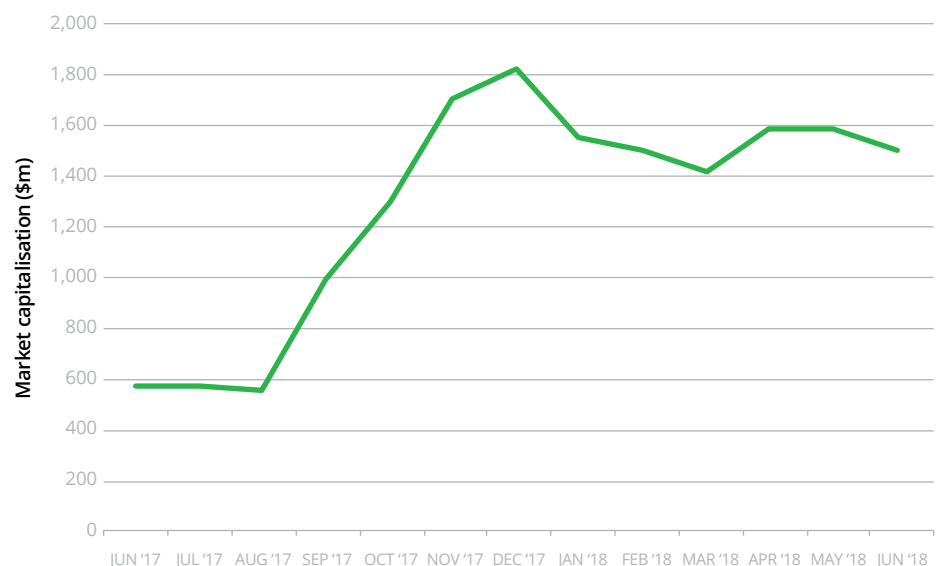
The early months of 2018 saw a Mine Gate Sale Agreement finalised with Atlas Iron, including a minimum sale of 1.0Mt of run-of-mine lithium-tantalum off the back of a two-year offtake agreement with Global Advanced Metals for tantalite concentrate.

Investor confidence in Pilbara Minerals is warranted as additional drilling results announced at the end of 2017 reiterated the Pilgangoora deposits world-class magnitude, and the works approval received from the Department of Water and Environmental Regulation ensured construction of processing facilities could be completed. A prosperous year has left the Pilgangoora project poised to take the lithium-tantalum market by storm, with the future looking very promising for Pilbara Minerals.

Going forward

In the new financial year, Pilbara Minerals aims to bring the first and continued sales of lithium-tantalum concentrate, with sales contracts already in place for early stages of production.

With production on foot, Pilbara Minerals will be in a position to capitalise on the widely anticipated shortfall of lithium in global markets over the next decade. Holding one of the world's largest deposits, the Pilgangoora project will be the cornerstone of future operations. The project boasts a mine life of greater than 40 years and enormous production potential, which will allow the company to take full advantage of rising demand for the commodity stemming largely from applications such as rechargeable battery technology and electric vehicles.



Top movers within the Top 100

Tungsten Mining NL

Tungsten Mining NL increased its market capitalisation by 3,141.1% from AU\$4m to AU\$320m during the year ended 30 June 2018, and was ranked 44th in the Deloitte WA Index and the top mover in the top 100 by market capitalisation.

Background

Tungsten Mining NL (Tungsten Mining) is an emerging tungsten developer with three advanced projects underway across Western Australia - the Mt Mulgine Project in Murchison, the Big Hill Project in Pilbara and the Kilba Project in Ashburton.

Operational overview

As a growing tungsten explorer and developer, Tungsten Mining has had an exciting year alongside a dramatic surge in the price of tungsten, increasing over 50% from 30 June 2017.

Early in the year, Tungsten Mining announced it had received the required state and federal environmental approvals relating to the Mt Mulgine Tungsten project, as well as the purchase of a modular processing plant. These early developments reinforced the company's intention and ability to meet its goal of first concentrate production in late 2018. The processing plant has nameplate capacity of 30 tonnes per hour with increased capacity potential, which has allowed the company to progress towards the production phase in a period of booming tungsten prices.

As the share price began to soar, a non-binding memorandum of understanding (MoU) was executed with Xiamen Tungsten Co Ltd (XTC) in the late stages of 2017, further boosting investor intrigue. The MoU signified a non-binding agreement of cooperation between Tungsten Mining and the major Chinese tungsten producer in relation to future sales and technical support, to enhance produced concentrate grades and recovery rates at the Mt Mulgine mine.

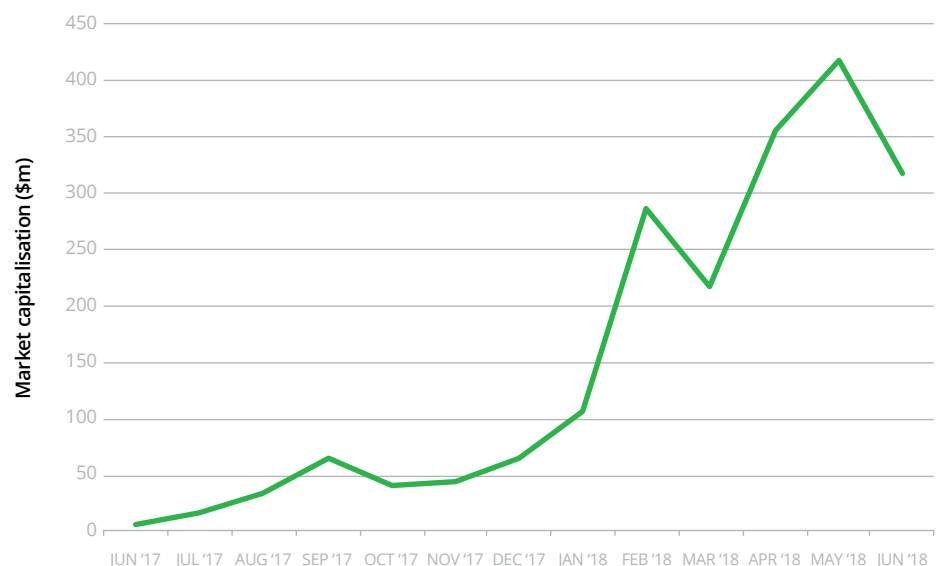
Following on from this news, in early 2018 the company entered into an agreement with Vital Metals Ltd for the acquisition of 100% of the Watershed Tungsten Project. Purchased for \$15m cash and located 130km north of Cairns, the project is a development-ready opportunity with mining leases and environmental authority granted, providing Tungsten Mining with a significant asset to complement the existing Mt Mulgine project.

Growth in market capitalisation over the past 12 months is also attributable to multiple successful capital raisings throughout the year. \$13.87m was raised through an entitlement offer at the end of 2017, and in recent months, \$47m was raised as the company accepted oversubscriptions of an initial \$20m placement.

The triumph of these capital raisings is relatively easy to grasp, with recent drilling results indicating new tungsten-molybdenum mineralisation at Mt Mulgine, while the operational achievements detailed above and the bolstered tungsten price provided investors with evidence of the company's future success.

Going forward

Tungsten Mining's near term goals largely focus on low capital start up production from the Mt Mulgine mine in late 2018. The company plans to use recently raised funds to develop the Mt Mulgine mine into large-scale mining operations, while simultaneously capitalising on opportunities in the market not dissimilar to the recent purchase of the Watershed Tungsten Project. Investor excitement is warranted as Tungsten Mining begins the new financial year with a portfolio of development-ready assets, poised and ready to take to the rising tungsten market.



Top movers within the Top 100

Australian Mines Limited

Australian Mines Limited (Australian Mines) increased its market capitalisation by 642.6% from AU\$32m to AU\$238m during the year ended 30 June 2018, and was ranked 55th in the Deloitte WA Index and the second largest mover in the top 100 by market capitalisation.

Background

Australian Mines is a diversified metals explorer pursuing a dominant position in the production and supply of battery and technology metals to global markets.

The Perth-based explorer is focused on developing its world-class cobalt-scandium-nickel projects in Australia, and is well positioned to benefit from the global shift to cleaner, more sustainable energy products.

Operational overview

An astounding October saw Australian Mines' share price surge by more than 600%, prompting two separate price and volume queries from the ASX.

Following ambiguity as to the exact force behind the unprecedented increase, managing director Benjamin Bell credited early October's trading activity to an Analyst report on another mineral resource developer, purportedly indicating a noteworthy undervaluation of Australia Mines' stock.

Given the inherent project similarities, the price disparity created an arbitrage situation whereby investors were able to gain exposure to the cobalt-nickel market via Australian Mines at a material discount to its peers.

In reaching a record market capitalisation of AU\$155 million towards the end of October, further growth in Australia Mines' share price was attributed to the breaching of the AU\$100m market capitalisation threshold, which had previously prevented interest from UK investment funds buying into the diversified metals miner.

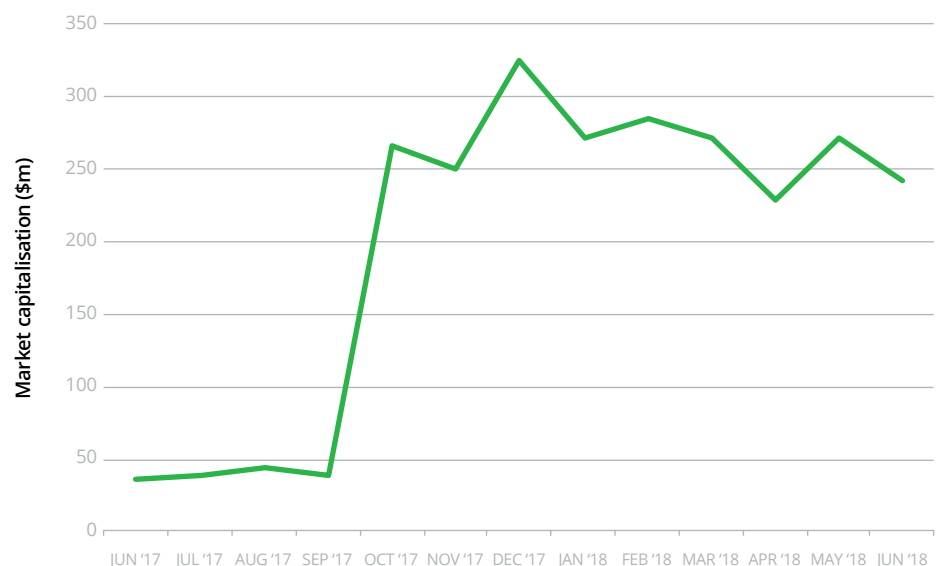
Australian Mines' eventful financial year continued in February 2018, on the back of signing an off-take agreement with leading global electric vehicle battery manufacturer SK Innovation for nickel and cobalt from the Sconi project.

Described as a "landmark occasion for Australia Mines (Limited) and its shareholders", the commodity supply agreement will see 100% of expected cobalt and nickel production supplied to SK Innovation for an initial seven year period, with an option exercisable by the South Korean battery manufacturer to extend the agreement for a further six years.

Going forward

The financial year ended 30 June 2018 saw the commencement of Australian Mine's 50,000 metre Mineral Resource expansion drilling program at the Sconi-Cobalt-Scandium Project in northern Queensland.

The program has been designed to increase the overall tonnage of the project's existing mineral resource, and to confirm high-grade zones of cobalt and nickel mineralisation identified within the overall deposit, allowing Australian Mines to further optimise its proposed production from Sconi to capitalise on buoyant commodity price trends.



Top movers within the Top 100

European Lithium Limited

European Lithium Limited increased its market capitalisation by 469.3% from AU\$20m to AU\$115m during the year ended 30 June 2018, and was ranked 99th in the Deloitte WA Index and the third largest mover in the top 100 by market capitalisation.

Background

European Lithium is a mining exploration and development company focused on the development of its 100% owned Wolfsberg Lithium Project located in Austria, which is currently undergoing a definite feasibility study.

Operational overview

European Lithium Limited's share price more than quintupled during the year to close at \$0.21 at 30 June 2018. Growth largely stemmed from hydrometallurgical test results confirming that spodumene concentrate from Wolfsberg can be successfully processed to battery grade lithium carbonate.

Most of the growth in share price occurred in two weeks across November and December 2017, which coincided with the announcement that a pre-feasibility study will begin.

At this time, European Lithium also completed a placement to sophisticated and professional investors which raised AU\$5m through the issue at \$0.225 per share. Funding raised was used to support the pre-feasibility study and ongoing drilling program at Zone 2 of the Wolfsberg to understand the nature, size and value of deposits in Zone 2. Current JORC resource of 10.98 million tonnes grading 1% lithium oxide is based off Zone 1 alone, with the drilling program in Zone 2 preliminary results indicating Zone 2 may mirror Zone 1 in composition and size.

Investor exposure grew during the period thanks to the dual listing on the Vienna Stock Exchange in October 2017,⁶¹ allowing Austrian institutions and private wealth clients a seat at the table.

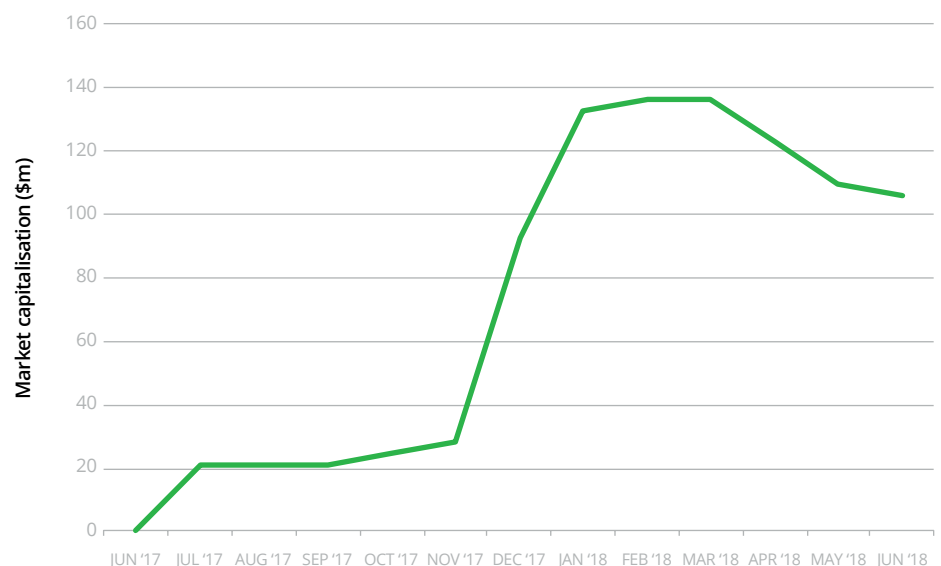
Hype surrounding forecasted lithium demand largely stemmed from increased usage of the commodity in the electric vehicle sector, forcing European Lithium's Wolfsberg project into the forefront of investor's minds.

With mine construction planned for Q1 2019 and first production in 2020, the company is well positioned to reap the benefits of increased demand for lithium carbonate.

Going forward

The Wolfsberg project definite feasibility study is planned for completion at the end of 2018. Analysts are expecting the study to include a substantial increase in the overall measured and indicated resource volume to over 10m tonnes.

Rapidly increasing lithium demand, expected increases in resource deposits and confirmed project feasibility at the Wolfsberg project paints an interesting and exciting future for European Lithium, with the company likely to be one of first suppliers to European battery mega factories.





03 Commodities and precious metals

2018 was strong year for commodity markets, with gains reported across all our commodities surveyed. Asia's relentless thirst for energy drove energy related commodities higher, and the story across the board talks to ongoing global industrialisation, battery technology and a rising electric vehicle market, as well as broader consumer technologies demand growth.

Name	30 June 2018	30 June 2017	Movement	12m (%)
LME-Copper Grade A Cash U\$/MT	6,625	5,927	698.00	11.8%
LME-Nickel Cash U\$/MT	14,823	9,347	5,476.00	58.6%
LME-Aluminium 99.7% Cash U\$/MT	2,154	1,914	240	12.5%
Gold Bullion LBM U\$/Troy Ounce	1,251	1,243	7.7	0.6%
Steel Iron ore Fe62% AUS CIF China U\$/T	65	65	0.5	0.8%
Premium Coking Coal CIF AUS U\$/MT	197	145	52.0	35.9%
Coal ICE gC Newc. Near Month U\$/MT	114	81	33.0	40.7%
Uranium UxC-Ux U3O8 Spot U\$/LB	23	20	3.0	14.9%
Crude Oil BFO M1 Europe FOB \$/BBI	79	48	-31.7	66.4%
Liquid Natural Gas LNG Asia \$/mmbtu	10	5.5	4.8	87.3%
LME-Cobalt Cash (US\$/t)	77,550	59,792	17,758.0	29.7%

The star player for the year was Liquefied Natural Gas (LNG), indicative of an expanding energy sector eager to engage the shift to cleaner sources.

LNG saw a price increase of 87.3% across the period on the back of China's regulatory shift away from coal to alternative energy sources, and with long term demand anticipated to continue at 5% from 2022-30, few would argue that the growth in the price of LNG has ended. China outpaced Japan to become the largest importer of natural gas, with purchases to the value of \$34.9 million through May 2018.

Australia's own LNG production is expected to surge with the ramp-up of Chevron's US\$34 billion Wheatstone project, and the arrival of expected production from the Inpex Corporation's Ichthys project.

Crude Oil increased 66.4% following significant production cuts by OPEC, in conjunction with increased demand from Asia. May 2018 saw crude oil production reach a 13-month low - the result of declining Venezuelan production whilst Nigeria was also met with significant unplanned production decreases. Royal Dutch Shell's Nigerian venture declared force majeure on Bonny Light crude exports, resulting in the crude oil price hitting the US\$80/barrel mark for the first time since 2014.

Burgeoning infrastructure building programs across Asia, particularly in India, sent the prices of coal skyrocketing. Population growth and economic development throughout the entire region is placing stringent demand on coal (both thermal and coking). This is transpiring at the same time as China has announced a crackdown on unclean energy, with a number of new emissions standards which firms operating in the energy sector are forced to comply with. Despite this, demand continues to surge in China, who currently draw three-quarters of their energy needs from coal, and are still favouring this cheap source of energy.

Asian demand for coal is again illustrated by extensive queues off Newcastle Port as producers battle to meet Asia's thirst for high-quality thermal coal.

Uranium broke out of a three-year downtrend during the period, improving by 14.9% having benefited from a number of high-profile supply cuts by major uranium producers Cameco and Kazatomprom on the back of unsustainably low prices. Speculation of price hikes arising from the rebalancing of supply and demand aided uranium's price growth across the period, along with rising demand and dependency on nuclear energy as many countries transition to more sustainable forms of energy production.

Copper enjoyed another fruitful year, particularly during the first half of the year. Demand has been strong, driven in part by electric vehicle (EV) production as well as wider acceptance of copper as piping for water transport, as the industry moves away from lead to a cleaner option.

With nickel comprising the most important commodity by mass within lithium batteries, a financial year in which great strides were taken in lithium battery popularity saw nickel become the darling-metal. Prices consistently increased, finishing 58.6% up for the year at US\$14,823/MT. The sector is expected to expand in coming years and decades with electric vehicles and energy storage to generate significant demand.

Further gains in price towards the tail-end of the financial year were spurred by the halting of production at Ambatovy Mine in Madagascar – the largest nickel mine in the world – due to cyclone activity hitting the region.

Near-decade highs of \$94,800/t for Cobalt were reached in March 2018 as the price steadily increased from July, however the last few months of the year saw prices cool off.

As with Nickel and Copper, the growing industries of wind farms and electric vehicles put upward influence on the Cobalt price – nearly half of the global Cobalt produced ended up with battery makers. Supply has begun to catch up to growing demand however, with large players such as Glencore and ERG boosting output, such that concerns have begun to be raised around potential surpluses in coming years. These concerns brought a negative impact on the price towards the tail end of the year.

Aluminium enjoyed another positive year, increasing by 12.5% to US\$2,154 per tonne. Part of this is due to a rise in input costs to production, including alumina, caustic soda, petroleum coke and coal tar pitch. Geopolitics have also played a hand, with US sanctions on Russian giant UC Rusal stunting their output – and global supply by extension – pushing prices further higher on the back of strong global demand.

The old stalwart for safehaven investing – gold – is a tale of two halves. Steady increases were seen throughout the early part of the year, before cooling off during the second half. Perceived escalations in trade tensions between the United States and China made the precious metal a more attractive safe-haven as the price reached levels not seen since mid-2016.

A rally from the US dollar that began in early February placed downward pressure on the gold price and the stronger greenback, in conjunction with positive US-Chinese sentiments during this period, saw gold close flat at \$1,251 an ounce.

Despite several fluctuations in the iron ore price during FY18, from a year-on-year perspective the price remained flat, increasing only 0.8%, and closing at \$65 per tonne. Prices were performing well for the most part of the year, before the market turned bearish in March amidst Chinese ports accumulating record stockpile levels of ore, and global steel production cooling off.

The star player for the year was Liquefied Natural Gas, indicative of an expanding energy sector eager to engage the shift to cleaner sources

04

Lifting our game

From the 'BBQ test' to technological advancements in the sector, four panelist from the Deloitte/Gold Industry Group event at Diggers and Dealers share a little about themselves and their thoughts on the future of the industry and how mining companies can reach the next level.



Kate Sommerville
Vice President, Mining
Gold Fields



Stuart Tonkin
Chief Executive Officer
Northern Star Resources



Julie Harrison
Partner, Consulting
Deloitte



Warrick Hazeldine
Managing Director
Cannings Purple



Stuart and Kate, let's start with why you decided to pursue a career in mining? How did that come about?

ST: I had no immediate exposure to mining. It all came about following a trip to Kalgoorlie during high school, visiting operating mines and WASM (WA School of Mines). This sparked my interest in attending school of mines. I finished school and started with a scholarship with Elton contractors and never looked back. Education was the key — early engagement with the industry through the education programs really did it for me.

KS: My friends came back from vacation work having had fun on an adventure. Sounded good to me. I like doing things that are useful to society and making a difference and mining has allowed that. When I first finished study I really wanted to go to Africa and make a difference, 25 years on and I'm doing that!



Working in the industry requires resilience on so many levels. What has helped you maintain your longevity and what helps keep you engaged?

KS: Knowing that mining offers everyone involved the ability to make a living whether educated or not keeps me engaged. Knowing that I'm helping people attaining paid work, especially in developing countries, gives me a real purpose. I stay resilient through the boom/bust cycles with sport, meditation and motivational speaking. When I give a talk I have to reflect on what im passionate about to motivate others — you need to believe in what you do.

ST: Resilience — absolutely. Mining is not for the faint hearted! Being a self-starter and wanting to influence an outcome really helps. That is, you need to have a care factor — run toward the challenges, not away from them. Surrounding yourself with the right people and attitudes is also important. Overall, the variety, challenges and opportunities keep me here, I'm not running out of interesting things to do!



Julie and Warrick, in your advisor roles you engage across a number of industries in the WA market. What is it about working with the mining industry that you would characterise as unique or different; and what do you like most about working with this sector?

JH: I enjoy the practical and pragmatic nature of the miners. Always manage to find a way to make things happen. The industry is great at crisis management, but perhaps not so good at planning. From a human capital perspective, the industry is still doing headcount planning based on history, not really doing things differently. Large miners are starting to shift their thinking but the broader industry also needs to respond. Workforce planning is increasingly important for the future.

WH: The genuineness of the people you work with. Everyone is well educated and passionate and care a lot about what they do. The uniqueness of the industry also comes from people's approach to innovation and willingness to try new things. WA is running some of the biggest and most efficient mines in the world and we are still always striving to innovate and improve.



Our theme for Diggers & Dealers 2018 looks at a selection of key industry trends from the Deloitte Tracking the Trends 2018 publication. In particular, exploring topics such as the image of mining, and the future of work.

In your view, is the industry doing enough to support its image, and what needs to change, and are we proactive enough around planning for the future of work?

WH: We could do a lot more as an industry. A good place to start would be with a grass-roots approach as it's concerning that trust in the corporate voice is at an all-time low. Start with education. Countries like Japan do this well. For example, the education by major trading houses of steel making and the uses of steel to students. We need to build an image where people at social functions are saying how proud they are to work for a company or industry that gives more to the community than it takes. It's the 'BBQ test'. Greater workforce engagement and a greater sense of pride about their employment would help to improve image. Lastly, "Educate don't isolate" – continue to educate negative groups by engaging in meaningful discussions.

JH: Not enough time is being spent on shaping the work of the future. Critical people issues need to be addressed — impacts on roles and how to manage transitions. I'm not saying fewer roles, just different roles. Reskilling is important and thinking about alternative approaches to work — such as the portfolio career, working for several organisations at once. We need to better plan for what roles will be most impacted and what can be done now to ready for this. This comes back to education in planning for new skill requirements.



In contrast to the previous question, what do you feel the industry is really good at? Where do you see mining as leading by example, or best in class?

JH: I'm impressed by how the industry has a unique ability to deliver. For example, if a target is set, it's rarely missed.

WH: Without doubt, driving the innovation agenda. It's top of mind. We are seeing a lot of great innovations in the bulk commodities and underground operations, particularly innovative approaches to mining. The industry is leading not following. We have a good ecosystem (industry, education, legal, advisors), all the people who go to market well as a collective. It's important to get this right. This is aided by the comradery gained from going to Diggers & Dealers each year.



Technology is being leveraged across all sorts of areas in mining nowadays. What are some of your favourite examples of where and how technology is revolutionising the industry?

ST: I see the technology focus being different depending where you are in the world. Developed vs undeveloped nations shows a different spectrum of what's important. It comes down to what solution suits someone's acceptable level of risk and cost management requirements. The ability to remove hazards and improving human safety is key. Remote control and auto guidance technologies in particular can improve safety by removing personnel from harm's way, for example remote bogging capabilities.

KS: Social media (Facebook etc) because it can connect everybody and is especially important for mental health when living and/or working remotely. My husband recently had to queue up for the phone on site to call me which is something we haven't had to do in a long time! Social media and the internet really allows people to stay connected. In terms of making a difference for mining operations, collision avoidance technology, efficiency from automated trucks, remote loading and fatigue management tools all come to mind.



Association with the mining industry gives rise to travelling to unique and memorable destinations. What have been your most memorable trips and why?

JH: That's a tough one, there's been so many interesting places. Mongolia, Paris, Guinea in West Africa, Canada, Singapore and lots of the Pilbara. Hard to go past four and a half months in Paris for obvious reasons. The project there was incredibly fun. Mongolia was also interesting particularly setting up HR policy and procedures at a time of massive change in the country.

KS: Riding ski-doods in Yellowknife in Northern Canada at -34 degrees. I also love South America, Peru is amazing. Anything where you're at altitude and need to take in an amazing drive to get there. For me, it's also about the people you meet, having real experiences. Driving from Leonora to Kalgoorlie in wildflower season is beautiful. Going 3km underground in South Africa with a cage full of miners — it's the things you read about in books, but I get to do it which is great.

WH: Pilanesberg in South Africa. Taking fund managers from around the world to a third world platinum mine. This had a big impact on the mind and perspectives of those who attended. Also Koolan Island where we attended a smoking ceremony with traditional owners. This was a very humbling experience. Going many kilometres underground at Broken Hill is also memorable.

ST: The highlight for me is spending time in Egypt setting up the Sukari Hill underground mine. This was the first modern underground mine developed in Egypt since the second world war.



Looking forward, what are the greatest challenges the industry will have to face over the next five years?

KS: We have to deliver on our commitments, in particular capital utilisation, delivering to shareholders, and maintaining trust in the industry. Skills is again going to be a challenge. There's a risk of not being able to upskill the workforce, and the need to collaborate more as an industry and protect the social licence to operate. There's also so much going on in technology space, we need to figure out what is going to be meaningful and useful.

JH: The impact of automation including artificial intelligence, robotic process automation and data. This is having a significant impact on the industry. Also, social licence to operate and the interplay between this and automation as organisations make choices over

which roles they should or shouldn't automate. Just because you can automate a role doesn't mean you should. Tough decisions will need to be made, particularly for residential based mines. There is still a need to support the local community through roles being available through education and reskilling. Also mining organisations have been through considerable transformation. Out of down turn we are already seeing people chasing bigger pay. We need to manage the boom/bust cycle better and as an industry we need to be smart around collaborating on training, on-boarding and safety protocol to create industry efficiency.

ST: People. Attracting talent. It starts with schools, university, STEM study etc. There's approximately 10–15% skilled workers in the industry, with the remainder blue collar. The perception that mining isn't clean is a challenge. Also acceptance from markets that underground effort is incremental. Necessity to go underground is paramount, but skills and risk appetite are not there. Increased complexity, cost, and capital requirements to explore needs to be expected and accepted.

WH: Trust — we need to win trust, once it's lost it's very hard to claw back. The threat of Government impost is also important here. Also, shareholder activism via special interest groups is a threat and the need to use digital and social media to engage with stakeholders is vital as everyone has a voice now. Industry needs to be active 24/7 and be nimble in response. And the labour shortage as market sentiments turn, having access to the required quality and quantity of labour, will be a challenge.



Lastly, the best part about attending a Diggers & Dealers conference in Kalgoorlie?

WH: The comradery. Diggers and Dealers is the annual catch-up with people from all around the globe in a relaxed Kalgoorlie environment. Some people liken it to a religious experience! It's a "go to" destination, not a "go through" location.

KS: My morning networking runs! It's a great opportunity to catch up with people I haven't seen in a while.

ST: The chance to hear all the new and emerging stories. Great to learn about what others are up to. Also, the chance to reconnect with the local industry network. After studying at WASM in Kalgoorlie, it feels like home again.

JH: Not sure yet, it's my first time! I'm excited to have a look around and get involved. Everyone always talks about it.

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WA's Top 100 listed companies

As at 30 June 2018

This year	Last year	ASX	Long company name	Mkt Cap 30 Jun 18	Mkt Cap 30 Jun 17	Last Price (Mth)	High Price (Yr)	Low Price (Yr)	EPS (PoAb)
1	1	WES	Wesfarmers Limited	55,966.34	45,489.66	49.36	49.86	40.00	1.33
2	2	WPL	Woodside Petroleum Ltd.	33,195.93	25,163.83	35.46	35.80	28.16	1.22
3	4	S32	South32 Limited	18,487.91	14,001.60	3.61	4.07	2.66	0.22
4	3	FMG	Fortescue Metals Group Limited	13,664.18	16,233.20	4.39	6.07	4.18	0.50
5	5	ILU	Iluka Resources Ltd.	4,709.85	3,630.46	11.18	12.20	8.37	(0.41)
6	6	NST	Northern Star Resources Limited	4,449.10	2,852.38	7.26	7.28	4.22	0.32
7	10	IGO	Independence Group NL	3,016.77	1,848.25	5.14	5.74	2.97	(0.00)
8	7	MIN	Mineral Resources Ltd	2,996.83	2,032.53	16.01	22.14	10.28	1.20
9	9	RRL	Regis Resources Limited	2,582.67	1,893.86	5.12	5.23	3.54	0.33
10	8	BWP	BWP Trust	2,087.75	1,914.30	3.25	3.35	2.82	0.40
11	15	SAR	Saracen Mineral Holdings Limited	1,791.44	948.34	2.19	2.31	1.10	0.07
12	11	NVT	Navitas Limited	1,590.36	1,737.62	4.44	5.64	4.17	0.14
13	32	LYC	Lynas Corporation Limited	1,550.36	386.16	2.34	2.96	1.00	0.03
14	25	PLS	Pilbara Minerals Limited	1,499.94	557.28	0.87	1.25	0.35	(0.01)
15	17	SFR	Sandfire Resources NL	1,450.78	891.67	9.16	10.04	5.43	0.64
16	12	MND	Monadelphous Group Limited	1,415.98	1,312.86	15.06	19.81	13.35	0.71
17	14	SWM	Seven West Media Limited	1,266.53	1,078.06	0.84	0.92	0.47	(0.44)
18	19	GXY	Galaxy Resources Limited	1,240.75	659.59	3.03	4.54	1.60	0.00
19	43	EHL	Emeco Holdings Limited	1,113.06	252.66	0.38	0.41	0.11	(0.07)
20	23	WSA	Western Areas Limited	971.14	574.51	3.56	3.93	2.06	0.08
21	18	RSG	Resolute Mining Limited	945.38	877.01	1.28	1.35	0.95	0.15
22	13	AHG	Automotive Holdings Group Limited	945.13	1,110.94	2.85	3.87	2.68	0.17
23	N/A	JMS	Jupiter Mines Ltd	750.11	-	0.39	0.43	0.33	0.04
24	16	WGX	Westgold Resources Limited	671.75	926.81	1.85	2.14	1.42	0.01
25	24	ASL	Ausdrill Ltd.	664.63	573.03	1.84	3.04	1.69	0.16
26	N/A	NCZ	New Century Resources Limited	660.20	-	1.31	1.65	0.31	(0.34)
27	20	ASB	Austral Ltd.	652.60	639.53	1.86	1.97	1.50	0.09
28	22	GOR	Gold Road Resources Limited	649.35	584.41	0.74	0.85	0.61	(0.01)
29	21	PPC	Peet Limited	646.77	585.53	1.32	1.54	1.15	0.10
30	49	NWH	NRW Holdings Limited	628.20	207.55	1.70	1.73	0.61	0.10
31	30	DCN	Dacian Gold Limited	586.66	399.43	2.85	3.20	1.84	(0.07)
32	29	MLX	Metals X Limited	489.71	408.26	0.80	1.23	0.67	(0.05)

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33	34	MGX	Mount Gibson Iron Limited	477.00	361.87	0.44	0.48	0.32	0.08
34	56	SEH	Sino Gas & Energy Holdings Ltd.	476.74	181.78	0.23	0.26	0.07	(0.00)
35	50	MAH	MacMahon Holdings Ltd.	460.53	195.72	0.22	0.26	0.17	0.01
36	28	CWP	Cedar Woods Properties Ltd.	458.02	411.03	5.76	6.64	4.81	0.58
37	38	IMD	Imdex Limited	456.52	277.43	1.24	1.40	0.67	0.07
38	N/A	BNL	Big Star Energy Limited	447.51	-	0.01	0.02	0.01	(0.15)
39	36	PRU	Perseus Mining Limited	444.98	299.63	0.43	0.51	0.27	(0.06)
40	45	AVB	Avanco Resources Limited	431.58	230.95	0.17	0.18	0.07	0.00
41	52	ATS	Australis Oil and Gas Limited	411.28	190.20	0.46	0.46	0.18	(0.00)
42	72	AGO	Atlas Iron Limited	399.02	138.92	0.04	0.05	0.01	0.00
43	47	BSE	Base Resources Limited	332.63	211.54	0.30	0.35	0.23	0.05
44	37	LNG	Liquefied Natural Gas Limited	330.68	284.70	0.58	0.78	0.36	(0.06)
45	31	MLD	MACA Limited	321.61	386.67	1.20	2.30	1.11	0.11
46	395	TGN	Tungsten Mining NL	320.44	9.89	0.51	0.82	0.03	(0.01)
47	33	TBR	Tribune Resources Ltd	317.52	364.02	6.35	8.50	6.00	0.75
48	92	PAN	Panoramic Resources Limited	304.79	94.28	0.62	0.67	0.21	(0.02)
49	44	SLR	Silver Lake Resources Limited	302.37	236.74	0.60	0.65	0.32	(0.01)
50	39	AFG	Australian Finance Group Ltd.	301.81	276.03	1.41	1.95	1.22	0.20
51	111	PDN	Paladin Energy Ltd	299.75	80.50	0.18	0.26	0.11	(0.27)
52	48	BCK	Brockman Mining Limited	290.48	209.88	0.05	0.05	0.01	(0.00)
53	N/A	CVL	Civmec Limited	280.76	-	-	0	0	0.03761
54	59	WAF	West African Resources, Ltd.	262.51	171.91	0.38	0.48	0.29	(0.04)
55	55	FRI	Finbar Group Limited	253.62	184.01	0.95	1.10	0.79	0.03
56	40	PEA	Pacific Energy Ltd.	253.06	271.41	0.59	0.73	0.50	0.04
57	206	AUZ	Australian Mines Ltd.	238.32	32.09	0.09	0.16	0.01	(0.00)
58	N/A	PNR	Pantoro Limited	236.81	-	0.30	0.38	0.18	0.02
59	98	TAW	Tawana Resources NL	236.04	86.21	0.42	0.58	0.18	(0.02)
60	61	HOM	Homeloans Ltd.	227.19	169.29	0.57	0.67	0.42	0.06
61	125	KRL	Kangaroo Resources Limited	226.67	65.17	0.07	0.08	0.02	(0.00)
62	127	AGY	Argosy Minerals Limited	220.44	63.13	0.24	0.48	0.06	(0.01)
63	136	MRM	MMA Offshore Limited	218.81	57.83	0.26	0.32	0.16	(0.17)
64	62	GCY	Gascoyne Resources Limited	215.18	164.07	0.50	0.62	0.39	(0.00)
65	46	GNG	GR Engineering Services Limited	213.10	225.00	1.39	1.64	1.03	0.08
66	58	CII	CI Resources Limited	202.27	173.37	1.75	1.90	1.50	0.19

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67	60	EZL	Euroz Ltd.	196.24	169.89	1.25	1.29	1.00	0.12
68	150	AVZ	AVZ Minerals Limited	196.19	51.61	0.11	0.37	0.04	(0.00)
69	70	PNC	Pioneer Credit Limited	194.61	142.47	3.17	3.78	2.34	0.26
70	57	RND	RAND Mining Ltd.	192.10	180.45	2.70	3.20	1.50	0.32
71	64	CCV	Cash Converters International Limited	191.10	155.31	0.31	0.42	0.30	0.04
72	78	LYL	Lycopodium Ltd.	184.76	125.16	4.65	5.63	3.17	0.31
73	89	SFC	Schaffer Corp. Ltd.	183.39	98.04	13.25	13.86	6.80	1.05
74	90	SFX	Sheffield Resources Limited	179.76	96.12	0.79	0.94	0.41	(0.03)
75	110	CVN	Carnarvon Petroleum Limited	178.48	81.21	0.15	0.18	0.07	(0.00)
76	53	DNK	Danakali Limited	178.07	187.63	0.68	0.80	0.56	(0.03)
77	75	FND	Finders Resources Limited	177.47	131.30	0.23	0.27	0.13	0.06
78	63	DCG	Decmil Group Limited.	168.60	159.71	0.97	1.45	0.76	(0.19)
79	94	SXE	Southern Cross Electrical Engineering Limited	165.44	92.47	0.72	0.84	0.56	0.03
80	67	NMT	Neometals Limited	162.22	147.45	0.30	0.51	0.26	0.00
81	54	CDV	Cardinal Resources Limited	160.63	185.53	0.43	0.75	0.40	(0.10)
82	77	GCS	Global Construction Services Limited	157.75	126.32	0.71	0.95	0.53	0.06
83	79	WIC	Westoz Investment Company Limited	152.38	123.84	1.17	1.22	0.91	0.19
84	68	MOY	Millennium Minerals Limited.	150.47	144.47	0.19	0.26	0.14	(0.01)
85	102	SRG	SRG Limited	148.80	83.39	1.83	2.06	1.20	0.09
86	118	AMN	Agrimin Limited	147.69	72.59	0.94	1.02	0.47	(0.01)
87	69	FWD	Fleetwood Corp. Ltd.	138.99	144.05	2.27	3.30	1.72	0.01
88	80	TLG	Talga Resources Limited	138.85	121.45	0.68	0.92	0.48	(0.04)
89	141	BRU	Buru Energy Limited	136.10	56.10	0.32	0.40	0.16	(0.02)
90	156	ZEN	Zenith Energy Limited	133.29	49.49	0.95	1.00	0.46	0.11
91	74	BRN	Brainchip Holdings Ltd	127.93	135.71	0.13	0.29	0.11	(0.02)
92	42	88E	88 Energy Limited	127.83	264.90	0.02	0.05	0.02	(0.00)
93	86	DRM	Doray Minerals Limited	127.39	108.91	0.31	0.36	0.16	(0.13)
94	149	EAR	Echo Resources Limited	127.06	52.99	0.26	0.41	0.10	(0.10)
95	93	LOM	Lucapa Diamond Company Limited	125.85	94.13	0.28	0.34	0.20	(0.01)
96	226	LEG	Legend Mining Ltd.	124.71	28.62	0.06	0.07	0.01	(0.00)
97	169	BGS	Birimian Limited	123.35	43.71	0.54	0.84	0.26	(0.02)
98	82	ALK	Alkane Resources Limited	116.40	118.73	0.23	0.41	0.22	0.02
99	161	BOE	Boss Resources Limited	114.93	48.49	0.07	0.07	0.04	(0.01)
100	106	SFG	Seafarms Group Limited	114.78	83.07	0.08	0.10	0.05	(0.01)

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Compilation of the Deloitte WA Index

The monthly Deloitte WA Index is compiled from publicly available information provided by the ASX and Capital IQ on the market capitalisation of each Western Australian listed company.

A company is included as a Western Australian company where its registered office is listed in Western Australia, regardless of whether the company is dual listed. The information on Western Australian listed companies is extracted and then summarised to provide a cumulative market capitalisation figure for all Western Australian listed companies.

The base period of the Deloitte WA Index is May 2000 and for the purposes of the Index the month of May 2000 is given a notional value of one. All subsequent monthly cumulative market capitalisation totals are divided by the May 2000 total to then obtain a relative movement.

Please note that if a company has been suspended or delisted during a particular period no data will be included for that month and all subsequent months until the company is re-listed or the suspension lifted. Historical information regarding the company's market capitalisation will continue to be included in the calculation of the Index.

Earnings per share (EPS) is a basic calculation, i.e. net profit divided by weighted average number of shares.

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