27th June 2016

Hon Robyn McSweeney MLC
Chair, Legislation Committee
Legislative Council, Parliament House
West Perth WA 6005

Email: lclc@parliament.wa.gov.au

Dear Chair

RE: Pilbara Ports Assets (Disposal) Bill 2015

I refer to previous submissions and the appearance before the Standing Committee on Legislation on Friday 13 May 2016.

Since that time, the Association of Mining and Exploration Companies (AMEC) and the Users of Utah Point Bulk Handling Facility note that additional information has been provided to the Committee by Treasury and the Pilbara Ports Authority following Questions on Notice.

In response to those submissions, AMEC provides points of clarification in the **attached** documents for the information and consideration of the Committee in drafting its final report to Parliament.

Yours sincerely

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SUBMISSION TO STANDING COMMITTEE ON LEGISLATION RE PILBARA PORTS ASSETS (DISPOSAL) BILL 2015
27 JUNE 2016

AMEC and the Users (being Atlas Iron Limited, Mineral Resources Limited and Consolidated Minerals Pty Ltd) refer to all of the written submissions and answers to questions on notice lodged by Treasury and Pilbara Ports Authority (PPA) since AMEC and the Users appeared before the Western Australian Legislative Council Standing Committee on Legislation (the Standing Committee) on 13th May 2016.

As a result of the review of the Bill by the Standing Committee, a large volume of information regarding the financial performance of Utah Point Bulk Handling Facility (**UPBHF**) has now become available and disclosed by Treasury and the PPA.

Notwithstanding this large amount of information, AMEC and the Users consider there to be only three differences of opinion on facts concerning the financial status and performance of UPBHF between Government, and AMEC and the Users which materially impact the rates that should be charged for the use of the facility.

1. Appropriate Capital Base of Utah Point

The Capital Base of the UPBHF is critical to understanding the financial performance of the facility and is the starting point for calculating Return on Assets.

Treasury and Pilbara Ports Authority (**PPA**) have confirmed that the total construction cost of the UPBHF was $315 million[1] and PPA has confirmed that its Return on Assets analysis of UPBHF is based on a Capital Base of $315 million (as depreciated) on a standalone basis[2].

PPA has also confirmed that the Return on Assets analysis produced by Incenta Economic Consulting and Houston Kemp Economists in their independent reviews of the UPBHF charges is based on a Capital Base of $315 million (as depreciated) on a standalone basis[3]. It

[1] Page 14 of Detailed Response to AMEC Submissions, Department of Treasury, 31 May 2016 (the "Detailed Response to AMEC").
[2] Page 8 of Detailed Response to AMEC.
[3] Pages 4, 5 and 10 of the Standing Committee on Legislation, Pilbara Port Assets (Disposal) Bill 2015 transcript of evidence taken at Perth, 18 May 2016. Since the Rate of Return analysis of the independent reviews was performed on the Utah Point Capital Base on a standalone basis, AMEC and the Users view that the PPA Return on Assets is misleading is no longer relevant to the Utah Point debate.

should be noted that Treasury and PPA seek to justify their charges and returns as reasonable based on the conclusions of these independent reviews.

AMEC and the Users agree that the total construction cost for the UPBHF was $315 million. However, it is clear from information disclosed through the Standing Committee process, that PPA only funded $235 million. The balance of $79 million was funded by a $70 million non-refundable contribution from BHP Billiton to PPA and a $9 million non-refundable contribution from Atlas Iron.[4]

AMEC and the Users agree with Treasury that the BHP Billiton non-refundable contribution to PPA of $70 million was not a gift:

- As set out on pages 6 and 16 of the AMEC Addendum to the Standing Committee dated 11 May 2016, PPA has received $139 million of "Contributions and Gifts" in the 8 years ended 30 June 2015. This amount included a $70 million contribution from BHP Billiton to the construction of the UPBHF to secure priority exports over the UPBHF of up to 6 million tonnes per annum (**Mtpa**)[5].
- This 6 Mtpa allocation was a "use or lose it" allocation and only applicable for the first several years of operation of the UPBHF when it was likely that the junior miners would not be in a position to fully utilise the nameplate capacity of the facility – this allocation has now expired.
- PPA booked the contribution to its Profit and Loss account in the year ended 30 June 2009 as "funds contributed by users for the construction of Utah Point Berth"[6]
- During Utah Point's initial years of operation, BHP Billiton elected not to use this allocation and, by late 2012, its contribution was settled as a condition of the negotiations for the Deed of Arrangement and Restatement (Harriet Point Agreement) in August 2012[7]
- There are no residual rights to use Utah Point as a result of the above settlement[8].

AMEC and the Users can see absolutely ***no*** justification for PPA earning a return on costs it did not fund nor take any risk on. This position is supported by a review of pricing regimes of a number of regulated assets both in Australia and overseas. By way of example, AMEC and the Users highlight the current Access Arrangements for Western Power[9], a publicly available document. The tables on page 24 of this document set out the calculation of the Capital Base for both Transmission and Distribution, which are used along with the allowed Weighted Average Cost of Capital (or Target Rate of Return) to derive allowed customer pricing. It is clear that the Capital Base is increased for "new facilities investment (***net of capital contributions and asset disposals***)"[emphasis added].

[4] Page 8 of AMEC Addendum to the Western Australian Legislative Council Standing Committee on Legislation, 11 May 2016. Atlas Iron made acceleration payments direct to PPA`s contractors. Atlas has provided PPA with copies of invoices evidencing $8m payments made by Atlas to the Goodline-ECM JV and continues to review its records in respect of other amounts.

[5] Page 11 of Detailed Response to AMEC.

[6] Page 64 of Port Hedland Port Authority 2009 Annual Report.

[7] Page 11 of Detailed Response to AMEC.

[8] Page 7 of the Standing Committee on Legislation, Pilbara Port Assets (Disposal) Bill 2015 transcript of evidence taken at Perth Wednesday, 18 May 2016.

[9] Amended Proposed Revisions to the Access Arrangement for the Western Power Network, November 2012.

In other words, capital contributions are ***not*** included in the Capital Base for subsequent use in calculating allowed customer pricing for Western Power.

As a result, AMEC and the Users are of the opinion that the Return on Assets calculated by Incenta and Houston Kemp (on which Treasury and PPA seek to justify their charges and rate of returns as reasonable) are materially understated and any conclusion drawn from them is therefore fundamentally flawed.

Treasury and PPA argue that a standard definition used for calculating Return on Assets is as defined by the CFA Institute as : Net Income / Average Total Assets. AMEC and the Users agree that this is the standard definition. However, when this definition is being used specifically to justify that charges and returns are reasonable by reference to an Asset Base which contains material third party capital contributions, the standard definition leads to a misleading result.

AMEC and the Users have used a Capital Base of $235 million (as depreciated) in its Return on Assets on the UPBHF and discounted cash flow analysis and submits this is the correct and more appropriate Capital Base to be used to determine the real Return on Assets.

2. Appropriate Target Rate of Return for Utah Point

The Target Rate of Return for the UPBHF is also a critical component to understanding and calculating the financial performance of the facility.

AMEC and the Users agree with Treasury's statement that market and valuation practice is to set a Rate of Return reflective of the risk to cash flows ***at the point of investment***[10].
To this end, Treasury has confirmed that the original UPBHF business case dated October 2006 adopted discount rates ranging from 10% to 12%[11].

AMEC and the Users are of the opinion that the Rate of Return range included in the original business case of 10 % to 12% is relatively high having regard to the Commonwealth Guidelines that set 12% as the ***highest*** Rate of Return warranted for a high risk asset[12].

In 2013, PPA was apparently requested by Treasury to make a 12% Rate of Return and this was used when it calculated the $2.98/tonne charge that was included in the Multi-user Agreements for the UPBHF.

In April 2015, Incenta Economic Consulting concluded that a Rate of Return range of 10.77% and 12.65%, with a mid-point of 11.71%, for the UPBHF was consistent with commercial benchmarks[13].

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[10] Page 21 of Detailed Response to AMEC.
[11] Page 10 of Detailed Response to AMEC.
[12] Page 11 of Commonwealth Competitive Neutrality Complaints Office, Rate of Return Issues, December 1998.
[13] Page 33 of Incenta Economic Consulting Review of Port Authority's Determination of Prices for Utah Point, April 2015.

The Treasurer has verbally stated to AMEC and the Users that he required a 12% Rate of Return to account for the risk of the UPBHF versus a 6% Rate of Return for what he considered to be a low risk asset, such as Western Power.

It now seems that Treasury consider a 12% Rate of Return is materially insufficient, but fail to disclose what it considers to be reasonable.

In any event, AMEC and the Users are of the opinion that 10% to 12% was an appropriate Target Rate of Return ***at the point of investment*** and conservatively used 12% in the Return on Assets and discounted cash flow analysis.

3. Appropriate allocation of overall PPA Overhead to Utah Point

AMEC and the Users note that total PPA Overheads for the 9 months ended 31 March 2016 were $37 million of which $12 million (31.6%) has been allocated to Utah Point principally based on Utah Point revenue as a percentage of total PPA revenue [14].

AMEC and the Users note that total PHPA Overheads for the Financial Year ended 30 June 2015 were $31 million of which $13 million (41.3%) was allocated to Utah Point principally based on Utah Point revenue as a percentage of total PPA revenue[15].

AMEC and the Users find it difficult to comprehend how allocating between 31.6% and 41.3% of total PPA Overheads (which include all corporate overheads to run the ports of Port Hedland, Dampier, Ashburton, and Anketell) to the UPBHF is reasonable when the tonnage throughput over the UPBHF accounts for circa 2% of the total throughput through the various Ports operated and managed by PPA.

That said:

- AMEC and the Users understand that, for management accounting purposes, organisations must find relatively simple methods of allocating overheads to specific projects and businesses, as the cost of a more sophisticated and accurate apportionment methodology outweighs the benefits; and

- What is critical to understanding the financial performance of the UPBHF, is not how much of the PPA Overhead has been allocated to the UPBHF for management accounting purposes, but how much the total PPA Overhead increased as a direct result of operating the UPBHF.

Unfortunately, PPA's analysis of apportioned total PPA Overheads does not shed any light on this point. However, statements made by PPA to the Standing Committee on 18 May 2016 offer some insight:

- *Hon Ken Travers: so when you lose Utah Point – when Utah Point is sold if the bill is passed – will you reduce your overheads across the authority by 31 per cent.*

[14] Standing Committee on Legislation, Transcript of Evidence, 18 May 2016.
[15] Standing Committee on Legislation, Transcript of Evidence, 18 May 2016.

- *Mr Johnson: I do not believe so. If you, for arguments sake, have a general counsel employed, I am not sure I can reduce his time by 31 per cent. Let me go the other way round. We have seen, as a result of the amalgamation, efficiencies and we have been able to capture those efficiencies based on both the additional volume and the additional critical mass. Losing Utah Point obviously would take us backward a step from the overhead cost, but I do not believe we would be able to significantly reduce to the tune of 30-odd per cent what the cost is.*

Since PPA does not believe it will be able to reduce total PPA Overheads by 31% if and when it sells the UPBHF, it is unlikely that total PPA Overheads increased by 31% as a direct result of the UPBHF.

Accordingly, AMEC and the Users are of the opinion that the additional Overheads PPA incurred as a direct result of the UPBHF were considerably less than the amounts apportioned by PPA to that facility for management accounting purposes.

AMEC and the Users have used $3 million per year in its Return on Assets and discounted cash flow analysis, which it believes to be reasonable. However, AMEC and the Users note that the discounted cash flow analysis presented below is not particularly sensitive to the amount of total PPA Overheads apportioned to the UPBHF.

Utah Point Discounted Cash Flow Analysis

Appendix 2 to this submission sets out AMEC and the Users discounted cash flow analysis of the UPBHF as extracted from AMEC Addendum to the Standing Committee, 11 May 2016.

AMEC and the Users are aware of Treasury's proposed amendments to this analysis as set out on pages 31, 32 and 33 of the Detailed Response to AMEC Submissions, Department of Treasury, 31 May 2016. AMEC and the Users do not agree with Treasury's proposed changes in respect of BHP Billiton contribution and apportionment of total PPA Overheads, and the remaining proposed adjustments are not material to the overall result. As such, none of Treasury's proposed changes have been adopted by AMEC and the Users in their analysis.

As can be seen in Appendix 2, PPA will have materially recovered its $235 million UPBHF Capital Base plus a 12% reward for risk by the end of the Financial Year ended 30 June 2016. ***<u>As such, there is a compelling case to materially reduce charges from 1 July 2016 onwards.</u>***

Appendix 2 to this letter sets out AMEC and the Users discounted cash flow modelling of the UPBHF as per **Appendix 1**, except total apportioned PPA Overheads have been increased by 300% from $3 million to $9 million per year.

As can be seen in Appendix 2, PPA will have recovered its $235 million UPBHF Capital Base plus a 12% reward for risk by end of the Financial Year ended 30 June 2017, assuming that FY17 throughput is consistent with FY16 (even with the $2.50/tonne reduction remaining in place post 1 July 2016).

In such circumstances, AMEC and the Users therefore submit there is a very sound argument that the UPBHF should now properly be considered a low risk asset and therefore (using the Treasurer's own rationale) warrants a Rate of Return closer to 6%.

Importantly irrespective of whether the Rate of Return being 6 or 12% or somewhere in between, irrespective of the purchase price paid for the UPBHF by a private operator, it is essential that Government mandates that the incoming operator is only permitted to levy charges that result in no more than a maximum 12% Rate of Return on the originally invested Capital Base of $235 million for the UPBHF.

Non-compliance with the Port Authorities Act

All entities controlling and operating Ports in Western Australia are required (*and should be directed by Government*) to adhere to section 30(1)(b) and section 30(2)(aa) of the *Port Authorities Act* which is to:

1. use the facility to encourage and facilitate the development of trade and commerce generally for the economic benefit of the State [s.30(1)(b)]; and

2. exploit fixed assets for profit ***so long as the proper performance of its duty under (1) is not affected*** [s.30(2)(aa)].

To give effect to its statutory duty, the PPA must be directed by the Minister for Transport to levy charges which give a ***reasonable Rate of Return*** when such return is calculated correctly having regard to:

3. the correct Capital Base for the UPBHF (being $235 million as set out above); and
4. other costs being allocated to the UPBHF on a fair and reasonable basis.

Even post privatisation, the UPBHF should properly be considered a facility that is owned by the PPA and only leased to private enterprise.

As such, it is essential that the incoming operator be required to levy charges that continue to comply with the Port Authorities Act.

Treasury has advised[16] that the UPBHF has generated the following for the PPA on an Earnings Before Interest, Tax, Depreciation & Amortisation (**EBITDA**) and Earnings Before Interest & Tax (**EBIT**) basis:

Year ending 30 June	2013	2014	2015	2016 (forecast)	AMEC/Users Notes
EBITDA	43.9%	62.8%	61.5%	54.3%	• includes between 31% and 46% of PPA total overheads

[16] Page 31 of Detailed Response to AMEC.

					• 2016 profits includes charges reduced by \$2.50/tonne
EBIT	23.5%	51.5%	50.5%	39.7%	• uses Capital Base of \$305 million for depreciation • includes between 31% and 46% of PPA total overheads • 2016 profits includes charges reduced by \$2.50/tonne

Given the above table of EBIT and EBITDA returns, AMEC and the Users do not consider the charges being levied for use of the UPBHF (even when reduced by \$2.50/tonne) conform to the requirements of the Port Authorities Act.

For a Government owned facility whose statutory function is to facilitate trade over and above the making of profit to be making in excess of 50% EBITDA returns and 40% EBIT returns (with inflated allocation overheads and on an inflated Capital Base and *even then that is on revenue derived from charges that PPA and Treasury propose to increase by \$2.50/tonne from 1 July 2016*) while junior miners such as Consolidated Minerals are being forced to place their mine onto care and maintenance is unacceptable. Given prevailing iron ore prices, the fact that Atlas and MRL are struggling to cover cash costs let alone accounting costs is also unacceptable.

Correct charges from 1 July 2016 necessary to comply with the Port Authorities Act

As noted above, AMEC and the Users do not consider that the UPBHF can properly be considered a high risk asset on the basis that it has generated sufficient free cash flow over the past 5 years to have at least fully repaid the capital invested. On the Treasurer's own reasoning, a Rate of Return of far less than 12% is reasonable.

However, if PPA and Government insist on making a 12% Rate of Return on ***invested capital*** then AMEC and the Users' consider reasonable and appropriate charges for the use of the UPBHF effective from 1 July 2016 should be ***\$3.17/tonne*** [*See Note 3 of Appendix 1*].

Repercussions of no Government Intervention

The UPBHF has been a success for the Government. It has generated the following benefits for the State of Western Australia:

- Circa ***90,000,000 tonnes exported*** since commissioning: tonnes and royalties on those tonnes that would not have been exported but for the juniors and the UPBHF

- An average of over ***10,000 direct and indirect West Australians employed*** as a result of the mining operations of the users, whose trade has been facilitated by the UPBHF

- An average ***<u>$1.3 billion per year in direct economic activity</u>*** within the State of Western Australia as a result of expenditure by the users of the UPBHF

- Over ***<u>$5.2 billion per year in indirect economic activity</u>*** within the State of Western Australia as a result of expenditure by the users of the UPBHF

Under instruction from Treasury, PPA proposes to charge the users $6.42/tonne to use Utah Point from 1 July 2016. This will generate fee revenue of $136 million on the current 21.3Mtpa exported over the UPBHF.

Given prevailing iron ore prices, it is possible that Atlas and MRL will be forced to cease exporting if the UPBHF charges remain at $6.42/tonne.

On the basis of the available evidence, AMEC and the Users consider $3.17/tonne to be a fair and reasonable charge:

- it will generate the PPA/Government $67.5 million in revenue and see Government make a 12% return on the actual capital investment.

- Importantly, it will continue to facilitate the trade of the current Users, protect future junior miners and, most importantly, protect the significant benefits to the State the junior mining industry delivers each year to the State as outlined above.

- The difference in revenue to Government between the PPA proposed charges and those calculated by AMEC and the Users as being fair and equitable and giving effect to the PPA's statutory duty is $68 million per annum.

- This is not an insignificant amount however it puts at risk far greater and perpetual social and economic benefits: namely over $1.3 billion in direct expenditure each year, $5.2 billion in indirect expenditure each year and over 10,000 jobs for Western Australians.

Appendix 1

NOTE 1: Reasonable Rate of Return on Utah Point:

- Treasury has confirmed that at the time of making its investment decision in Utah Point, the business case was modelled on a ***10% and 12% Rate of Return***.

- Incenta Economic Consulting (a report commissioned by Treasury in April 2015) stated that a discount rate range of ***10.77% and 12.65%, with a midpoint of 11.71%***, was consistent with commercial benchmarks for an asset such as Utah Point.

- In March 2016, the Treasurer verbally stated to the Users of Utah Point that a reasonable rate of return on a "safe" asset such as Western Power is 6% and on a "high risk" asset such as ***Utah Point it is 12%***.

- Using PPA and Treasury disclosed financial information, the Users have demonstrated that the PPA has generated sufficient cash flow from charge levied at Utah Point to have at least fully repaid the capital actually invested by Government in Utah Point.

- The Users consider there is a very sound argument that Utah Point is now a low risk asset and warrants a Rate of Return closer to 6% but a Rate of Return between 6 and 12% will be acceptable to achieve an outcome.

NOTE 2: Appropriate allocation of charges to Utah Point:

- Since FY2013, the PPA has essentially allocated the vast majority of its overhead costs to the UPBHF using a revenue contribution model; that is the proportion of total PPA overheads (which now includes the ports of Dampier and Port Hedland) to be assigned as a cost of operating the UPBHF is that proportion that the revenue generated by UPBHF bears to the total revenue generated by the PPA.

- Historically, (as disclosed in evidence presented to the Standing Committee) this has resulted in the percentage of total PPA overheads allocated as a cost of operating the UPBHF being as follows:
    - FY2013: 37%
    - FY2014: 46%
    - FY2015: 32%

- This is notwithstanding the tonnages exported over the UPBHF represent, at an absolute maximum, less than 5% of the total tonnages exported through PPA ports.

All quoted financial information has been disclosed by either PPA or Treasury during the course of the Standing Committee review

Note 3: Calculation of $3.17/tonne charge to be applicable post 1 July 2016

The $3.17/tonne has been calculated as follows:

(a) Variable Costs: $1.54/tonne

PPA disclosed actual operating costs year to date as at March 2016. These have been extrapolated to annual costs by dividing by 9 (on account of 9 months to end of March) and multiplying by 12, then converted to a "per tonne" basis by dividing by 21.3million tonnes forecast by PPA to be exported by the users over Utah Point during FY2016.

Variable cost per tonne is:

• Operations	$0.36/tonne
• Utilities	$0.42/tonne
• Staff Housing	$0.09/tonne
• Maintenance	$0.67/tonne
Total:	**$1.54/tonne**

(b) Fixed Costs: $1.63/Tonne

(i) Reasonable allocation of overall PPA overhead (see Note 2 of appendix)
$3 million/annum, assuming 21.3Mtpa, requires a charge of: **$0.14/tonne**

(ii) Reasonable Return on appropriate Capital Base:
Total Capital Cost of Utah Point was $314.5M (as disclosed by PPA)
Minus

- $9 million was non-refundable contribution by Atlas and
- $70 million non-refundable contribution by BHPB

Equals
$235 million actually invested by PPA/Government at Utah Point

- Straight line depreciation of $235 million over 20 years divided by 21.3Mtpa is *$0.55/tonne*
- 12% return on depreciated Capital Base of $167.4 million is *$0.94/tonne*

Cost per tonne to account for straight line depreciation and to provide a 12% (*see Note 1 of appendix*) return on the correct UPBHF Capital Base of $235 million, assuming 21.3Mtpa, requires **$1.49/tonne**

Appendix 2 – Discounted Free Cash Flow Analysis as extracted from AMEC Addendum to the Standing Committee, 11 May 2016

Discounted Free Cash Flow Analysis

Utah Point ($'000)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Financial Year ended 30 June		9 months						
Data source	Actual	Estimate	Estimate	Actual	Actual	Actual	Forecast	Forecast
Target Rate of Return (pre-tax nominal) (%)	12.0%							
Period	0	1	2	3	4	5	6	7
Discount Factor	1.000	0.945	0.844	0.753	0.673	0.601	0.536	0.479
Cash Flow								
Utah Point Construction Cost	(315,000)							
Less Atlas Non-refundable Contribution	9,000							
Less BHPB Non-refundable Contribution	70,000							
EBITDA	-	13,735	32,676	42,090	95,071	94,293	67,924	67,924
Free Cash Flow	(235,000)	13,735	32,676	42,090	95,071	94,293	67,924	67,924
Cumulative Free Cash Flow	**(235,000)**	**(221,265)**	**(188,589)**	**(146,499)**	**(51,428)**	**42,865**	**110,789**	**178,713**
Discounted Free Cash Flow	(235,000)	12,978	27,568	31,705	63,942	56,624	36,419	32,517
Cumulative Discounted Free Cash Flow	**(235,000)**	**(222,022)**	**(194,454)**	**(162,748)**	**(98,807)**	**(42,183)**	**(5,764)**	**26,753**

Appendix 2.1 – Financial metrics consistent with Appendix 2, as extracted from AMEC Addendum to the Standing Committee, 11 May 2016

Utah Point ($'000) Financial Year ended 30 June Data source	Definition	FY11 9 months Estimate	FY12 Estimate	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Forecast
Return on Asset rates							
Return on Assets (%)	EBIT / Op. Assets at Written Down Value	2.1%	9.5%	14.5%	42.3%	44.6%	32.4%
Cum. Av. Return on Assets (%)		2.1%	5.8%	8.7%	17.1%	22.6%	27.5%
Cash Return on Assets (%)	EBITDA / Op. Assets at Cost	5.8%	13.9%	17.9%	40.5%	40.1%	28.9%
Cum. Av. Cash Return on Assets (%)		5.8%	9.9%	12.6%	19.5%	23.6%	26.3%
Other profitability metrics:							
EBITDA Margin (%)	EBITDA / Revenue	44.5%	49.3%	57.6%	71.6%	68.6%	65.5%
EBIT Margin (%)	EBIT / Revenue	8.4%	26.9%	37.3%	60.3%	57.7%	51.1%

Appendix 3 – Discounted Free Cash Flow Analysis in Appendix 2 with $9 million per year of apportioned total PPA Overheads

Discounted Free Cash Flow Analysis

Utah Point ($'000)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Financial Year ended 30 June		9 months						
Data source	Actual	Estimate	Estimate	Actual	Actual	Actual	Forecast	Forecast
Target Rate of Return (pre-tax nominal) (%)	12.0%							
Period	0	1	2	3	4	5	6	7
Discount Factor	1.000	0.945	0.844	0.753	0.673	0.601	0.536	0.479
Cash Flow								
Utah Point Construction Cost	315,000							
Less Atlas Non-refundable Contribution	(9,000)							
Less BHPB Non-refundable Contribution	(70,000)							
EBITDA	-	13,735	32,676	42,090	95,071	94,293	67,924	67,924
Additional Overheads (increased to $9m per year)	-	-	-	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Free Cash Flow	(235,000)	13,735	32,676	36,090	89,071	88,293	61,924	61,924
Cumulative Free Cash Flow	**(235,000)**	**(221,265)**	**(188,589)**	**(152,499)**	**(63,428)**	**24,865**	**86,789**	**148,713**
Discounted Free Cash Flow	(235,000)	12,978	27,568	27,186	59,906	53,021	33,202	29,644
Cumulative Discounted Free Cash Flow	**(235,000)**	**(222,022)**	**(194,454)**	**(167,268)**	**(107,362)**	**(54,341)**	**(21,139)**	**8,505**