Research as a Service

Horizon Minerals Ltd

Update Report

Resources - Gold

Digging and dealing

Horizon Minerals Limited (ASX:HRZ) is an emerging junior gold producer with 1.8moz of gold resources located around the Kalgoorlie and Coolgardie regions of Western Australia. HRZ has released its June 2025 quarterly report which provides a progress update on mining, exploration and development activities. Revenue of $33.0m was generated from gold sales at Boorara with another $1.52m received as an early release from the Phillips Find JV. Operating cash flow was -$1.85m, which is an improvement on the prior quarter (-$7.48m) and shows the ongoing inflection towards positive cash flow from the ramp up at Boorara. With mining now at a steady state level, and haulage and processing rates expected to further ramp up, we continue to expect an inflection towards positive cash flow in the September 2025 quarter. HRZ also announced an acquisition of tenements that sit within 10km of the Black Swan mill which offer exploration upside potential and a clear pathway to monetise the existing or any future resources. Post the quarterly update, we have made several adjustments to our modelling which has resulted in an incremental increase in our valuation to $0.175/share from $0.169/share which is a premium of 249% to the current share price.

Business model

HRZ has a history of exploring, acquiring, divesting and periodically producing gold under toll treatment agreements which has generated cash flow to fund the company's operations and reduce its reliance on external equity funding. As detailed in the initiation report, HRZ has made a concerted shift in the company's strategy towards becoming a standalone producer after the acquisitions of GSR and POS in CY24. Post the acquisitions, HRZ highlighted the potential to refurbish and restart the Black Swan plant to produce gold. HRZ has highlighted a target to produce at a throughput rate of between 1.0-1.5mpta with an aspiration to produce up to ~100kozpa for five years.

The news: Quarterly report and an acquisition

In late July, HRZ released its June 2025 quarterly report which has provided updates on mining activities at Boorara and the Phillips Find JV alongside detailing progress on exploration plans (30km of drilling at Burbanks) and Black Swan refurbishment workstreams. From a financial perspective, the quarter was in-line with expectations of being around break even, with an overall cash burn of -$1.33m vs -$13.17m in the prior quarter.

At Boorara, mining rates achieved a steady state (~300kt/qtr) whilst haulage and processing rates continued to ramp up to ~224kt from 72kt. Revenue of $33m was generated, up from $5m in the prior quarter. Going forward, we expect mining to conclude in early CY26 with processing to continue through to 2Q26, noting that to meet contracting commitments, haulage and processing rates will have to continue to increase closer to 300kt/qtr, which should drive positive cash-flow generation from Boorara in FY26.

At the Phillips Find JV, processing was lower than we expected, however, we consider this a timing consideration with the remaining ~135kt of ore to be processed by October 2025. HRZ received an early payment of $1.52m from the JV during the quarter.

In early August, HRZ announced the acquisition of a package of tenements that sit within 10km of the Black Swan plant. The tenements host a JORC compliant inferred resource of 20koz with significant exploration upside potential. The deal has strategic value to HRZ given the close proximity to the Black Swan mill which offers a clear pathway to monetise ounces.

Valuation increased to $0.175/share

Post the June 2025 quarterly update, we have made several incremental changes to our modelling and rolled forward by a quarter. As a result of these adjustments, we have increased our valuation of HRZ to $0.175/share from $0.169/share on a fully diluted basis, which is a premium of 249% to the current share price.

11 August 2025

Share Details

ASX code	HRZ
Share price (8-Aug)	$0.050
Market capitalisation	$144.4M
Shares on issue	2,889M
Net Cash (30-Jun-25)	PF $27.1M
Free float	~79.26%
Avg daily volume (12 mths)	4.9M

Share Performance (12 months)

Upside Case

- Gold price continues to rise
- Black Swan Plant capable of producing at throughput rates above 1.5mpta
- Exploration expands existing resources or uncovers new discoveries that can positively impact the Black Swan mine plan

Downside Case

- Gold price experiences a material correction
- Technical challenges affecting the scale or ability to refurb Black Swan
- Resource definition drilling downgrades resources that are key to the Black Swan mine plan

Board of Directors

Ashok Parekh	Non-Executive Chairman
Grant Haywood	Managing Director/CEO
Warrant Hallen	Non-Executive Director
Rob Waugh	Non-Executive Director

RaaS Initiation Report

Horizon Minerals RaaS Initiation 6 June 2025

RaaS Stock Take Webinar Link

Horizon Minerals RaaS Stock Take Webinar

Company Contact

Grant Haywood (MD/CEO) +61 (08) 9386 9534
admin@horizonminerals.com.au

RaaS Contact

Joshua Baker* +61 405 784 516
joshua.baker@raasgroup.com

***Analyst holds shares**

Digging

On the 31st July, Horizon Minerals Limited (ASX:HRZ) released its June 2025 quarterly activities and cash-flow reports which provided an update on the company's activities, notably mining performance at Boorara and the Phillips Find JV. The update also touched on progress at the Black Swan project (no change to our view or timeline) and exploration, with 30km of drilling started at Burbanks. HRZ ended the period with $15.7m in cash and another $18.2m (gross) to be received from tranche two of the placement resulting in a pro-forma cash position of $32.8m. Debt has reduced to $5.7m after Nebari converted part of the outstanding loan.

At Boorara, gold sales of 6.5koz were made at a price of A$5,104/oz generating $32.9m in revenue. On a cash-flow basis, $27.5m in receipts were received with operating cash flows of -$1.85m vs -$7.48m in the prior quarter. We note HRZ received an early cash release of $1.52m from the Phillips Find JV which is under the investing section of the cash-flow statement. Combing operating and investing cash flows, this brings quarterly cash flow to -$1.33m vs -$13.17m in the prior quarter, which demonstrates the improving financial outcomes during the ramp up in mining and processing rates, and is in-line with our prior expectations of the June quarter being roughly cash-flow even as part of the inflection towards positive cash flows in FY26.

As we'll detail later in the update, with mining rates are at a steady state and with expectations of a continued ramp up in haulage and processing rates, we continue to expect the inflection towards positive cash flow in the September quarter with all the cash flow from Boorara to be realised in FY26.

Boorara

In the quarter, 298kt of ore grading 0.95gpt was mined with 221kt grading 0.94gpt hauled and 228kt grading 0.91gpt processed. These metrics compare favourably to the prior quarter and demonstrate the continued ramp up at Boorara. Based on the current mining rates and with ~634kt left in the mine plan, we expected mining to conclude in early CY26. Given the deadline to complete haulage and processing under the agreement with Norton, this implies that haulage and processing rates will have to increase closer towards 300kt/qtr to complete processing under the agreement in Q2 FY26.

Exhibit 1: Boorara Gold Project

Boorara Gold Project

HORIZON MINERALS

	UoM	Jul-Sep Qtr. 1	Oct-Dec Qtr. 2	Jan-Mar Qtr. 3	Apr-Jun Qtr. 4	FY25 YTD
MINING & HAULAGE						
Mined						
Ore Mined	tonnes	-	112,212	195,727	298,042	605,981
Mined Grade [est.]	gr/t	-	*0.838*	*0.954*	*0.952*	*0.932*
Gold Mined	oz	-	3,024	6,005	9,125	18,154
Hauled						
Ore Hauled	tonnes	-	27,936	72,354	221,299	321,589
Hauled Grade [est.]	gr/t	-	*0.798*	*0.880*	*0.936*	*0.911*
Gold Hauled	oz	-	717	2,047	6,659	9,423
PROCESSING & REVENUE						
Milled						
Ore Milled	tonnes	-	6,242	71,744	227,661	305,647
Milled Grade	gr/t	-	*0.798*	*0.842*	*0.907*	*0.889*
Contained Gold	oz	-	160	1,941	6,636	8,737
Sales						
Gold Produced	oz	-	-	1,163	6,446	7,609
Average Price	A$/oz	-	-	4,256	5,104	*4,975*
Revenue	$AM	-	-	4.9	33	37.9

Source: Company release, July 2025

In-line with the commentary and expectations in our prior note from 19 June, the table better demonstrates the lag in haulage and processing compared to mining rates in the initial ramp up which has delayed ramp up on cash-flow generation compared to initial expectations. With 606kt of ~1.24mt mined already and only 306kt processed, this has resulted in project costs being essentially more front ended with cash-flow generation now more back ended into FY26, with the current September quarter likely to show the step towards positive cash-flow generation from the project.

With more processing shifted into FY26, this increases our estimate of the go forward net post-tax cash flow from the project to $51m from $46m. The increase is largely a function of more ounces produced in the period (40.5koz vs 39.7koz produced) in addition to a marginal uplift in the Q3 FY25 gold price assumption to A$5,000/oz vs A$4,500/oz. Going forward, we think outperformance of our modelled output will come from a higher gold price as since our initiation report, the gold price has persisted above A$5,000/oz against our long-term gold price assumption of A$4,500/oz.

Phillips Find JV

Mining reached a steady state, however, processed tonnes of 18.7kt was lower than we expected and we consider this a timing consideration, otherwise operations are expected to track in-line with prior modelling. The residual ~135kt from the mine plan are expected to be processed by October 2025 to complete the tolling campaign at the Phillips Find JV.

Upon conclusion of the JV by October 2025, we currently expect the operation to produce total post tax cash flows of $8.5m vs $7.0m previously with the increase driven by the higher gold price realised to date and an increase in our assumed gold price over the remainder of the operational period. In-line with Boorara, we include a marginal uplift in the 3Q25 gold price assumption to A$5,000/oz vs A$4,500/oz. During the quarter, HRZ received an early cash out of $1.52m thus the net cash to HRZ is expected to be $7.0m in FY26.

Dealing

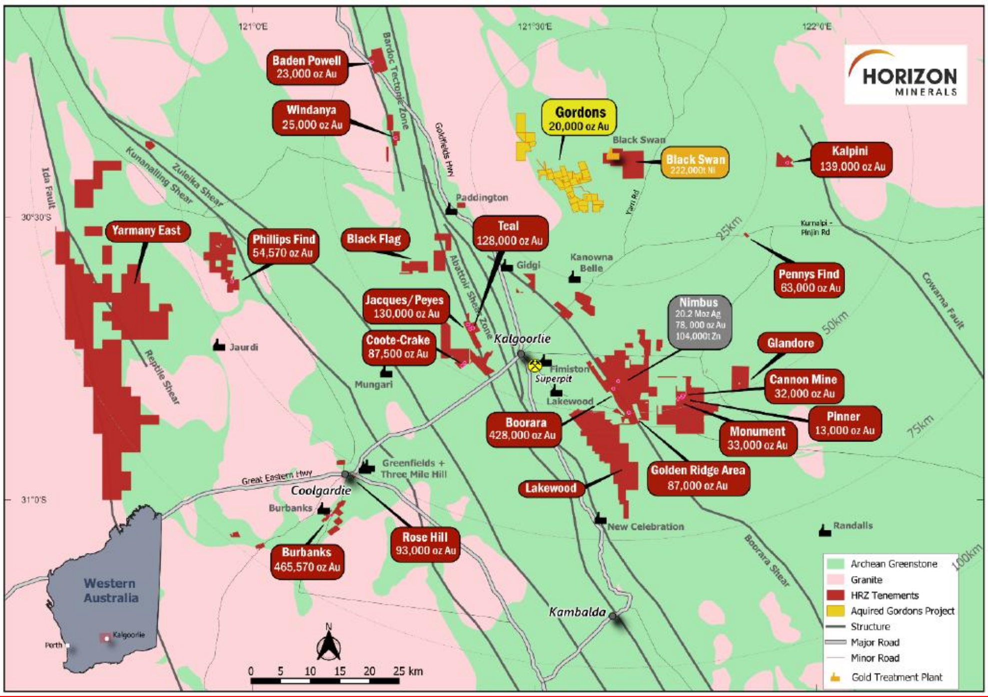
On the 5th August, HRZ announced the acquisition of a tenement package from Yandal Resources Ltd (ASX:YRL) which are located within ~10km of the Black Swan mill and represent the first deal in consolidating gold assets within the general vicinity of Black Swan.

The tenement package comprises 34 tenements (mix of mining, prospecting and exploration licence) covering 77km^2 in two separate contiguous sections. This includes the Gordons Dam deposit which hosts a JORC compliant inferred resource of 365kt at 1.68gpt for 19.8koz based on a 1.0gpt cut-off (693kt at 1.24gpt for 27.7koz using a 0.5gpt cut-off). This deposit remains open down plunge/strike and sits within a mining licence. More advanced targets that offer exploration upside potential include Star of Gordon, Malone and Zoehrer.

HRZ is paying a total consideration of $2.81m comprising a refundable deposit of $0.2m in cash and deferred consideration of $1.0m in cash and $1.61m in shares which is payable upon completion of the deal. The share component is issued at a 10% discount to the Volume-Weighted Average Price (VWAP) of the 15 days prior to execution of the Tenement Sale Agreement (TSA). The shares won't be subject to escrow whilst HRZ can elect to pay the share component in cash. Completion of the deal is expected within the September 2025 quarter and is subject to typical conditions such as regulatory approvals, ministerial consent for tenement transfer, provision of all project information and any other required third-party agreements.

Whilst the headline deal price to defined ounces within the project is in-line with deal values on transactions of this type, we view the acquisition as attractive due to the strategic value it offers HRZ. The project has attractive exploration upside potential that can be further tested with a focused operator such as HRZ (was non-core for YRL) whilst the close proximity to the Black Swan mill offers a clear pathway to monetise existing and any future defined gold resources.

Exhibit 2: HRZ tenement maps including acquired tenements



Source: Company release, August 2025

Valuation

Post the June 2025 quarterly update, we have made several incremental adjustments to our modelling and with that our valuation for HRZ. The key factors driving changes to the model and valuation are from updating the mining and processing schedules for Boorara and the Phillips Find JV as detailed earlier in the note, a lift in our gold price assumption for 3Q25 to A$5,000/oz from A$4,500/oz, and the quarterly roll forward of the valuations for Boorara, Phillips Find JV and Black Swan. This increases our valuation for HRZ to ~$509m (from ~$493m) or $0.175/share (from $0.169/share) which is a premium of 249% to the current share price of $0.050/share.

Exhibit 3: NAV summary

	A$m	A$/sh	*Notes*
Boorara OS	50.9	0.017	*From 3Q25, post-tax, undiscounted given current yr*
Philips JV	7.0	0.002	*Paid out 3Q25, post-tax, undiscounted, adj for early payout*
Black Swan Refurb	306.5	0.105	*Post-tax NPV, incl debt funding & tax losses*
Gold Resource	107.4	0.037	*$85/oz On residual 1.26moz*
BS Nickel Resource	16.7	0.006	*10% of POS22 NPV*
Mt Thirsty	2.0	0.001	*Mcap of JV partner*
Nimbus	11.8	0.004	*A$0.90/oz AgEq peers discounted by 67%*
Regional Exploration	0.0	0.000	*N/A at this stage*
Investments	1.6	0.001	
Corporate G&A	-22.4	-0.008	*1yr fwd incl exploration, interest & C&M*
Cash	32.8	0.011	
Debt	-5.7	-0.002	
Total	508.7	0.175	
Variance to SP		249%	

Source: RaaS estimates

Exhibit 4: Financial Summary

HORIZON MINERALS LIMITED		HRZ		
YEAR END		Dec		
NAV	A$mn	509		
SHARE PRICE	A$cps	0.050	*Last close*	7-Aug
MARKET CAP	A$mn	144		
ORDINARY SHARES Fd	M	2,889		
OPTIONS & RIGHTS	M	69		

nm = not meaningful
na = not applicable

PROFIT & LOSS	A$000s	2024	2025E	2026E	2027E
Revenue		0	39,622	181,106	146,360
Cost of sales		0	(26,425)	(108,456)	(68,301)
Gross Profit		**0**	**13,197**	**72,650**	**78,059**
Other revenue		0	0	0	0
Other income		6,936	324	630	2,140
Exploration		(1,197)	(1,902)	(12,358)	(13,000)
Finance costs		(1,691)	(1,449)	(680)	(4,519)
Impairment		(419)	0	0	0
Other expenses		(7,086)	(7,528)	(9,090)	(23,089)
EBIT		(1,767)	4,091	51,832	44,110
Profit before tax		**(3,457)**	**2,642**	**51,151**	**39,591**
Taxes		0	0	(13,212)	(12,584)
NPAT Reported		**(3,457)**	**2,642**	**37,939**	**27,007**
Underlying Adjustments		(4,260)	1,309	0	0
NPAT Underlying		**802**	**1,333**	**37,939**	**27,007**
CASHFLOW	A$000s	2024	2025E	2026E	2027E
Operational Cash Flow		**(4,365)**	**(15,905)**	**50,532**	**34,495**
Net Interest		143	208	143	324
Tax Expense		(75)	(89)	(6,606)	(12,898)
Other		0	0	0	0
Net Operating Cashflow		**(4,296)**	**(15,785)**	**44,069**	**21,921**
Exploration		(1,969)	(2,282)	0	0
PP&E		(857)	(555)	(44,679)	(27,340)
Capitalised Mining		0	(5,993)	(14,577)	(53,743)
Net Asset Sales/Other		6,574	3,270	0	0
Net Investing Cashflow		**3,748**	**(5,560)**	**(59,256)**	**(81,082)**
Dividends Paid		0	0	0	0
Net Debt Drawdown		0	0	30,644	26,023
Equity Issues/(Buyback)		0	33,670	17,108	0
Other		0	(867)	(746)	(4,585)
Net Financing Cashflow		**0**	**32,803**	**47,006**	**21,438**
Net Change in Cash		**(548)**	**11,457**	**31,818**	**(37,723)**
BALANCE SHEET	A$000s	2,024	2025E	2026E	2027E
Cash & Equivalents		4,290	15,748	47,566	9,843
Inventories		0	(3,662)	0	0
Total Assets		**58,931**	**83,129**	**174,811**	**211,246**
Debt		8,195	7,235	37,879	66,511
Total Liabilities		**37,089**	**16,078**	**49,155**	**84,610**
Total Net Assets/Equity		**21,842**	**67,051**	**125,656**	**126,635**
Net Cash/(Debt)		(3,905)	8,512	9,687	(56,667)

PRODUCTION METRICS		2024	2025E	2026E	2027E
Gold	koz	0.0	8.1	37.4	39.0
Other		0.0	0.0	0.0	0.0
TOTAL	**koz**	**0.0**	**8.1**	**37.4**	**39.0**
Product Revenue	A$mn	0.0	39.6	172.6	175.6
AISC	A$mn	0.0	(20.5)	(108.5)	(107.0)
Ave Price Realised	A$/oz	0.0	4,900.3	4,611.8	4,500.0
AISC	A$/oz	0.0	-2,535.2	-2,898.2	-2,742.6
Margin		**0.0**	**2,365.1**	**1,713.6**	**1,757.4**

COMMODITY ASSUMPTIONS			2024	2025E	2026E	2027E
Realised gold price		US$/oz	2,078	2,831	2,925	2,925
Realised gold price		A$/oz	3,170	4,374	4,500	4,500
Exchange Rate		A$:US$	0.6556	0.6472	0.6500	0.6500
RESOURCES						
			Measured	Indicated	Inferred	Total
Kal Gold	Tonnes (Mt)		1.31	15.74	13.66	30.71
	Grade (gpt)		1.34	1.85	1.85	1.83
	Ounces (koz)		56.3	935.1	811.4	1802.8
Nimbus	Tonnes (Mt)		3.62	3.18	5.28	12.08
	Grade (AgEq gpt)		143.5	93.2	61.5	94.4
	Ounces (Moz)		16.7	9.5	10.4	36.7
Nickel	Tonnes (Mt)		1.48	20.10	15.20	36.78
	Grade (NiEq%)		0.84%	0.98%	1.03%	1.00%
	Tonnes (NiEq kt)		13.2	148.6	142.0	345.7

PRODUCTION		2024	2025E	2026E	2027E
Kal Gold	Mined Tonnes (Mt)	0.0	605.9	673.0	1,075.0
	Processed Tonnes (Mt)	0.0	305.6	972.8	825.0
	Grade (gpt)	0.00	0.89	1.29	1.63
	Recovery	0.0%	92.5%	92.5%	90.0%
	Ounces (koz)	0.0	8.1	37.4	39.0

EQUITY VALUATION		Low	Base	High
Gold price (A$)		3,615	4,500	5,462
Black Swan		136.2	306.5	491.6
Toll & Ore Sale		40.3	57.9	60.7
Residual Gold Resource		85.9	107.4	102.0
Other Assets		23.8	32.2	48.9
Corporate G&A		-22.4	-22.4	-22.4
Net Cash		27.1	27.1	27.1
Total		290.9	508.7	707.8
Per Share		0.101	0.176	0.245
Shares on Issue Fd	2,889 mn			

RATIO ANALYSIS		2024	2025E	2026E	2027E
Shares Outstanding (WAV)	M	714	1,801	2,889	2,913
EPS Stat		(0.48)	0.15	1.31	0.93
EPS Adj	cps	0.11	0.07	1.31	0.93
PER	x	44.5x	na	3.8x	5.4x
OCFPS	cps	(0.61)	(0.88)	1.75	1.18
CFR	x	na	na	2.9x	4.2x
BVPS	cps	na	na	na	na
Price/Book	x	na	na	na	na
ROE	%	-16%	4%	30%	21%
ROA	%	-6%	3%	22%	13%
Gross Profit/share	Acps	6.6	3.7	25.1	26.8
EBITDA	A$M	2.5	(14.0)	54.1	58.9
EBITDA Ratio	%	na	-35.3%	29.9%	40.2%

Source: Company data, RaaS Research estimates for 2025F-2027F

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

BR SECURITIES AUSTRALIA PTY LTD; ABN 92 168 734 530; AFSL 456663

Effective Date: 26th March 2024

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Research Group Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as who we are, our services, how we transact with you, how we are paid, and complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 www.brsecuritiesaustralia.com.au

RaaS:. c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities.

How are we paid?

RaaS earns fees for producing research reports about companies we like, and/or producing a financial model as well. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report. Sometimes we write reports using our own initiative.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service, you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Horizon Minerals Ltd and prepared and issued by RaaS Research Group Pty Ltd, trading as Research as a Service. RaaS Research Group has been paid a fee, in the form of a monthly retainer, by Horizon Minerals to prepare this report. RaaS Research Group does not engage in capital raisings, nor does it engage in share broking or provide investor relations services. RaaS Research Group's only source of income is the fees it is paid for its research services. RaaS Research Group's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Research Group and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Research Group at the time of publication. RaaS Research Group provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Research Group in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Research Group has no obligation to update the opinion unless RaaS Research Group is currently contracted to provide such an updated opinion. RaaS Research Group does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than $50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Research Group does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Research Group shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Research Group limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.