

Wednesday, 16 November 2011

## Altona Mining Limited (AOH)

### We have lift off in Finland

- Altona Mining is on schedule for initial production at its 100 percent owned underground Outokumpu copper mine in Finland. Production is scheduled for the first quarter of CY12 with mill commissioning in January 2012.
- Altona Mining acquired the Kylylahti deposit in 2005 and conducted exploration and feasibility studies over the ensuing three years. In 2010, it acquired a process plant at Luikonlahti. The project will produce copper, gold and zinc concentrates at a rate of 8,000 tonnes per annum copper; 8,400 ounces per annum gold and 1,600 tonnes per annum zinc. Mine life is eight and a half years.  
  
The estimated C1 Cash Cost (as per the results of the Definitive Feasibility Study (DFS)) is US\$1.33/pound with a total capex of €36 million.
- Cash flow generated from Finland will be directed towards exploration and the progression of the Mount Isa copper project with the main focus on the Little Eva deposit.
- The Roseby project has a JORC resource of 177 million tonnes grading 0.6 percent copper and 0.06 grams per tonne gold and the DFS has target production of 30,000 tonnes per annum copper from Little Eva as Stage One. Beyond that, Stage Two will look at an expansion of 45,000 tonnes per annum with ore sourced from other satellite deposits.
- The DFS is expected to be complete in April 2012 with both Environmental and mining Lease permits and approvals now being progressed.
- Drilling is continuing on the Mount Roseby project area but due to the early onset of the wet season a resource upgrade is not expected until December.
- Presently, Altona Mining has \$50 million of cash on hand and \$2.5 million in listed investments and a US\$20 million credit facility with Credit Suisse.

### In Brief

#### Recommendations

Rating:	Hold
Risk:	High
Share Price:	<b>\$0.28</b>
Price Target:	\$0.45

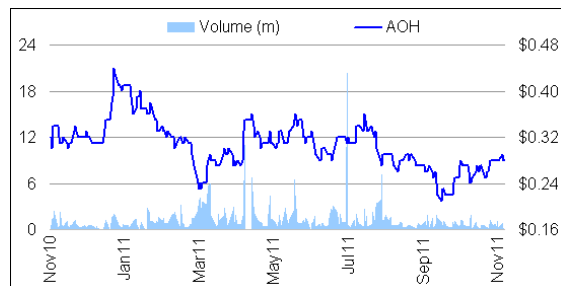
#### Snapshot

Monthly Turnover	\$3.6m
Market Cap	\$143m
Shares Issued	518.7m
52-Week High	\$0.45
52-Week Low	\$0.21
Sector	Materials

#### Business Description

Altona Mining Limited (AOH) is a minerals exploration and development company. The company currently focuses on copper assets in Finland and Queensland, Australia.

#### 12-Month Price and Volume



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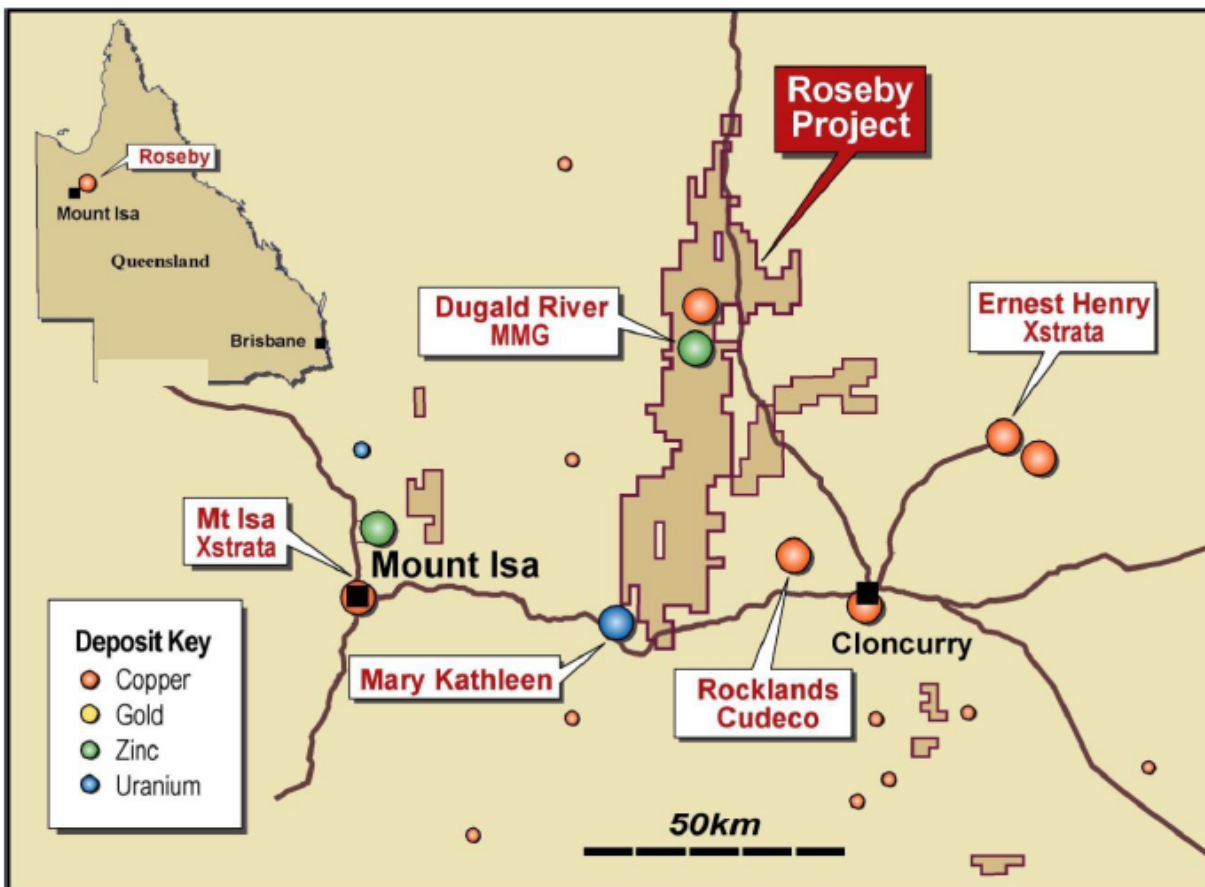
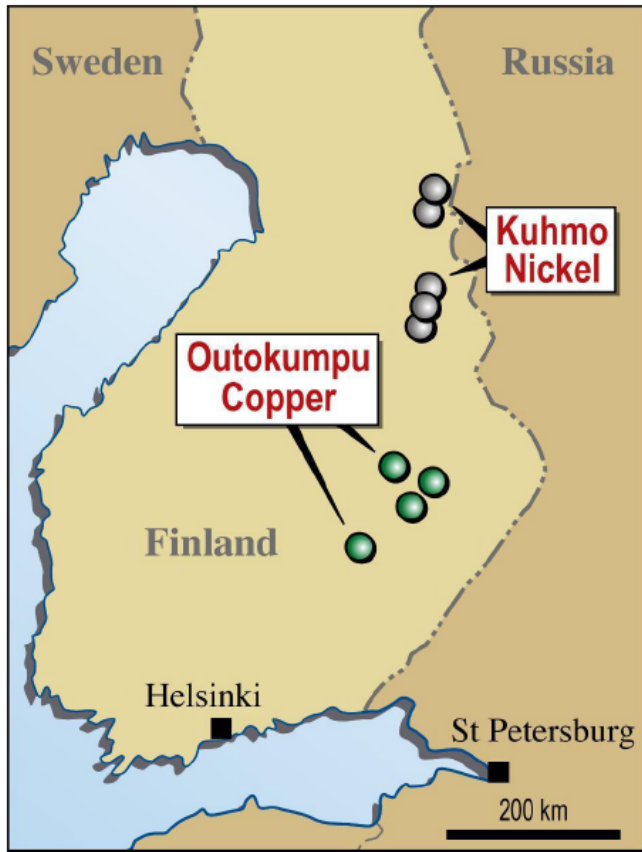
**Disclosure:** The author owns no shares in AOH.

#### Recommendations

**Buy:** The stock's total return is expected to increase by at least 10-15 percent from the current share price over the next 12 months.

**Hold:** The stock's total return is expected to trade within a range of  $\pm 10-15$  percent from the current share price over the next 12 months.

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# Roseby Resource Estimates

DEPOSIT	STATUS	TOTAL			CONTAINED METAL		MEASURED			INDICATED			INFERRED		
		Tonnes	Grade		Copper	Gold	Tonnes	Grade		Tonne	Grade		Tonnes	Grade	
		million	Cu %	Au g/t	tonnes	ounces	million	Cu %	Au g/t	million	Cu %	Au g/t	million	Cu %	Au g/t
<b>COPPER ONLY DEPOSITS</b>															
Blackard	A	46.3	0.63		291,000		26.3	0.64		17.9	0.63		2.1	0.58	
Legend	A	6.1	0.60		37,000								6.1	0.60	
Longamundi	A	10.4	0.66		69,000								10.4	0.66	
Great Southern	A	6.0	0.61		37,000								6.0	0.61	
Scanlan	A	19.6	0.68		133,000					15.4	0.65		4.2	0.80	
Charlie Brown	A	0.7	0.40		3,000								0.7	0.40	
Caroline	A	3.6	0.53		19,000								3.6	0.53	
Sub-total	A	92.7	0.64		589,000		26.3	0.64		33.2	0.63		33.2	0.63	
<b>COPPER-GOLD DEPOSITS</b>															
Little Eva	B	74.7	0.52	0.09	388,000	205,000	27.0	0.61	0.09	15.9	0.51	0.09	31.9	0.59	0.08
Ivy Ann	C	4.0	0.72	0.12	29,000	15,000							4.0	0.72	0.12
Lady Clayre	A	3.7	0.88	0.51	33,000	61,000							3.7	0.88	0.51
Bedford	A	1.8	0.93	0.24	16,000	14,000							1.8	0.93	0.24
Sub-total		84.2	0.55	0.11	466,000	296,000	27.0	0.61	0.09	15.9	0.51	0.09	41.4	0.64	0.13
<b>TOTAL</b>		<b>176.9</b>	<b>0.60</b>	<b>0.06</b>	<b>1,055,000</b>	<b>296,000</b>	<b>53.3</b>	<b>0.62</b>	<b>0.05</b>	<b>49.1</b>	<b>0.60</b>	<b>0.03</b>	<b>74.5</b>	<b>0.64</b>	<b>0.07</b>

A - Estimates made by McDonald Speijers and disclosed in ASX release dated 26 July 2011. Note that gold grades for native copper mineralisation have been set at zero as grades estimated are at detection limits and any implied gold content is an artifact of the resource modelling process.

B - Estimates made by Altona and reported in ASX release dated 26 July 2011.

C - Estimates made by Altona and disclosed in ASX release dated 20 January 2006.

Refer to ASX release 11 January 2010

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# Kylylahti Resources & Reserves

	Tonnes (m)	Cu (%)	Co (%)	Ni (%)	Zn (%)	Au (g/t)
<b>RESOURCES</b>						
Measured	0.62	1.35	0.27	0.17	0.47	0.60
Indicated	7.47	1.25	0.24	0.20	0.54	0.70
Inferred	0.31	0.97	0.24	0.18	0.70	0.57
<b>Total</b>	<b>8.40</b>	<b>1.25</b>	<b>0.24</b>	<b>0.20</b>	<b>0.54</b>	<b>0.68</b>
<b>Contained metal (t)</b>		<b>105,000</b>	<b>20,160</b>	<b>16,800</b>	<b>45,360</b>	<b>183,560oz</b>
<b>RESERVES</b>						
Probable	4.34	1.56	0.29	0.17	0.58	0.65
<b>Contained metal (t)</b>		<b>67,850</b>	<b>12,600</b>	<b>6,200</b>	<b>25,200</b>	<b>90,800oz</b>

(See ASX release of 23 July 2010 and 2 August 2010 for details of estimation)

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# Kuhmo Mineral Resources



Location	Classification	Tonnes Million	Ni %	Cu %	Co %	Pt g/t	Pd g/t
Vaara	Indicated	2.62	0.49	0.04	0.01	0.11	0.28
	Inferred	0.14	0.45	0.04	0.01	0.10	0.24
	Total	2.76	0.49	0.04	0.01	0.11	0.27
Peura-aho	Indicated	0.40	0.63	0.29	0.04	0.28	0.62
	Inferred	0.09	0.48	0.23	0.03	0.21	0.42
	Total	0.49	0.60	0.27	0.04	0.27	0.58
Hietaharju	Indicated	0.85	0.85	0.44	0.06	0.53	1.25
	Inferred	0.24	0.59	0.27	0.04	0.34	0.89
	Total	1.09	0.80	0.40	0.05	0.49	1.17
Sika-aho	Inferred	0.17	0.66	0.01	n/a	n/a	n/a
Arola	Inferred	1.50	0.46	n/a	n/a	n/a	n/a
<b>Total</b>		<b>6.01</b>	<b>0.55</b>	<b>Contained nickel 33,200 tonnes</b>			

*Note: For more details see Resource estimate from Vulcan Resources Limited released to the ASX on 23 October 2009.*

# E.L. & C. Baillieu Stockbroking Ltd

## Altona Mining Limited (AOH)

<b>Analyst:</b>	Ray Chantry	<b>Recommendations:</b>	
<b>Date:</b>	16 Nov 2011	<b>Rating:</b>	Hold
<b>Share Price: (\$A)</b>	\$0.28	<b>Risk:</b>	High
<b>Issued Shares:</b>	518.7m	<b>Valuation:</b>	
<b>Market Cap:</b>	\$143m	<b>Price Target</b>	\$0.45

### Ratio Analysis

Year End: June 30	2011 (A)	2012 (E)	2013 (E)	2014 (E)
EV/EBITDA				
EBITDA Margin (%)		-64.3%	30.2%	35.9%
OCF ¢				
PCF ¢				
Basic EPS ¢	0.0	0.0	0.0	0.0
Adjusted EPS ¢	0.0	0.0	0.0	0.0
EPS Growth	N/A	N/A	N/A	21.2%
P/E Ratio (x)	N/A	N/A	N/A	N/A
DPS ¢				
Yield (%)	%	%	%	%
Franking (%)				

### Financial Performance (\$m)

Year End: June 30	2011 (A)	2012 (E)	2013 (E)	2014 (E)
Sales Revenue	0.0	11.8	68.1	69.4
Operating Costs	11.2	19.4	47.5	44.5
<b>EBITDA</b>	<b>-11.2</b>	<b>-7.6</b>	<b>20.6</b>	<b>24.9</b>
D&A	0.0	1.4	6.8	6.8
<b>EBIT</b>	<b>-11.2</b>	<b>-8.9</b>	<b>13.8</b>	<b>18.1</b>
Net Interest	-1.0	0.1	1.4	0.3
<b>Pre-Tax Profit</b>	<b>-12.2</b>	<b>-8.9</b>	<b>15.2</b>	<b>18.5</b>
Tax	0.0	-2.3	4.0	4.8
Associates				
Outside Equity Int.	0.0	0.0	0.0	0.0
<b>Reported NPAT</b>	<b>-12.2</b>	<b>-6.6</b>	<b>11.3</b>	<b>13.7</b>
Significant Items	0.0	0.0	0.0	0.0
<b>Adjusted Profit</b>	<b>-12.2</b>	<b>-6.6</b>	<b>11.3</b>	<b>13.7</b>

### Cash Flow (\$m)

Year End: June 30	2011 (A)	2012 (E)	2013 (E)	2014 (E)
Cash Receipts	0.0	11.7	67.4	68.7
Cash Payments	-11.2	-19.4	-47.5	-44.5
Other	-1.0	2.5	-1.9	-3.8
<b>Operating Cash Flow</b>	<b>-12.2</b>	<b>-5.2</b>	<b>18.0</b>	<b>20.4</b>
Capital Expenditure	-30.5	1.0	14.0	12.2
Other	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-30.5</b>	<b>1.0</b>	<b>14.0</b>	<b>12.2</b>
Proceeds from Issues	68.0	0.0	0.0	6.7
Net Borrowings	12.9	0.0	-10.0	-10.0
Dividends				
Other	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>80.9</b>	<b>0.0</b>	<b>-10.0</b>	<b>-3.3</b>
<b>Net Change in Cash</b>	<b>38.3</b>	<b>-4.2</b>	<b>22.0</b>	<b>29.3</b>
<b>Cash at Start of Year</b>	<b>18.6</b>	<b>56.8</b>	<b>52.6</b>	<b>74.7</b>
Exchange Rate Adj.				
<b>Cash at End of Year</b>	<b>56.8</b>	<b>52.6</b>	<b>74.7</b>	<b>104.0</b>

### Recommendations

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### Balance Sheet (\$m)

Year End: June 30	2011 (A)	2012 (E)	2013 (E)	2014 (E)
Cash	56.8	52.6	74.7	104.0
PPE	25.0	40.7	37.9	35.2
Exploration, Research & Development	26.0	8.0	-10.0	-26.2
Other Assets	7.5	6.5	11.2	11.3
<b>Total Assets</b>	<b>115.3</b>	<b>107.8</b>	<b>113.7</b>	<b>124.3</b>
Debt	0.0	0.0	0.0	0.0
Other Liabilities	8.4	10.3	8.4	9.7
<b>Total Liabilities</b>	<b>8.4</b>	<b>10.3</b>	<b>8.4</b>	<b>9.7</b>
Net Debt / (Cash)	56.8	52.6	84.7	104.0
Gearing (Net Debt / Equity)	53.2%	54.0%	80.4%	90.8%
Gearing (ND / ND + Equity)	34.7%	35.0%	44.6%	47.6%
<b>Total Equity</b>	<b>106.9</b>	<b>97.5</b>	<b>105.3</b>	<b>114.5</b>

### Key Assumptions (\$m)

Year End:	Jun	2011 (A)	2012 (E)	2013 (E)	2014 (E)
<b>Spot Prices</b>					
Copper	\$US/lb	3.70	3.92	3.74	3.55
Cobalt	\$US/lb	19.00	16.00	14.52	13.75
<b>Exchange Rate</b>	<b>\$A/\$US</b>	<b>0.98</b>	<b>1.01</b>	<b>0.95</b>	<b>0.90</b>

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