

Tuesday, 25 October 2011

## Altona Mining Limited (AOH)

## In Brief

### On schedule for production early next year

- Altona Mining released its First quarter FY12 results Tuesday. Focus was on its **Outukumpu project in Finland** which involves developing a mine at Kylylahti and refurbishing a mill at Luikonlahti. Luikonlahti is 80 percent complete while the mine development is around four to five weeks behind schedule but is not expected to materially impact production ramp up. All mining equipment has been ordered and will be delivered to site by year end. First ore is expected in November 2011. All approvals have been received for operations to commence although the company is seeking an amendment to its Environmental Permit to allow for a potential mill expansion of 450,000 tonnes per annum (tpa).
- A study has been completed on a 45 percent increase in mill capacity to 800,000 tpa with an indicative capex of around €5 million.
- Altona Mining's second project is at **Roseby in Queensland** where a Definitive Feasibility Study (DFS) is progressing. The base case for Roseby is a five to six million tonne per annum open pit copper and gold mine and mill. Study completion is due in the second quarter of 2012. As part of the DFS, there is a significant drill program underway at Little Eva with a resource upgrade scheduled for next month. The company is also looking at a possible expansion option which could source satellite ore within trucking distance of Little Eva. The resource for Little Eva is 74.7 million tonnes grading 0.52 percent copper (380,000 tonnes of contained copper) and 0.1 grams per tonne gold (205,000 ounces of contained gold). The Roseby global resource is 177 million tonnes grading 0.6 percent copper and 0.06 grams per tonne gold.
- During the quarter, Altona Mining drew down 50 percent (US\$10 million) of its debt facility and retained \$17 million in cash as at 30 September 2011. It is fully funded through the Finland construction and ramp up and for the completion of its DFS on Roseby.

### Recommendations

Rating:	Hold
Risk:	High
Share Price:	<b>\$0.26</b>
Price Target:	\$0.44

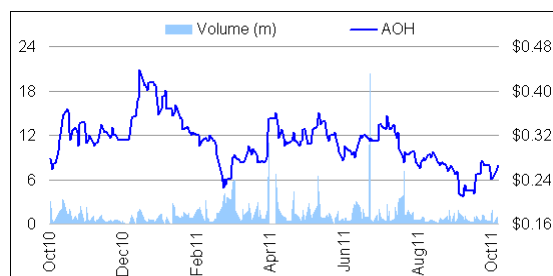
### Snapshot

Monthly Turnover	\$4.2m
Market Cap	\$137m
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



**Analyst Name** – Ray Chantry  
03 9602 9219 [rchantry@baillieu.com.au](mailto:rchantry@baillieu.com.au)

**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.

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

## The three stages of the Roseby DFS

1. **Definitive Feasibility Study (DFS)** on the Little Eva deposit which has a resource upgrade imminent.
2. **Expansion Study** – investigate mining and processing of satellite deposits, both sulphide and supergene native copper.
3. **Oxide study** – especially the supergene oxide cap at Blackard.

## Infrastructure Base Case

- **Power** via an HV power line delivering grid power from Mount Isa to the Dugald River project; an 8 kilometre extension line would be required.
  - **Water.** De-watering would be sufficient for the initial production period with long term requirements via a pipeline from Lake Julius.
  - **Transport.** Concentrate is to be moved via truck to a Cloncurry rail storage and load out facility. It will then be moved by rail to Townsville for port storage prior to vessel load out. A logistics study has commenced.
- Altona Mining is an interesting copper company with a potential game changer in Roseby. At present, we value the copper in the ground via a direct equity comparison rather than project modelling. Note that Xstrata has an option to purchase 51 percent of the project by 30 June 2012. The price to be agreed upon or fair market value is yet to be determined by an Independent Expert. Xstrata may also earn 51 percent of an area beneath and around the defined resources by spending \$15 million or by completing a feasibility study by 30 June 2012.

As at 30 September, Xstrata has spent \$7.7 million and significant resources are being directed to identify more sulphide ore at Little Eva.

## Copper and Gold deposits – Resources

Project	Copper resource	Gold Resource
Ivy Anne	4mt at 0.72% Cu	0.12gpt Au
Lady Clayre	3.7mt at 0.88% Cu	0.51gpt Au
Bedford	1.8mt at 0.93% Cu	0.24gpt Au
Blackard (Cu only)	46.3mt at 0.63% Cu	

## Finland – Hedging over five years

Copper	5,504t	€5,574/t
Gold	14,099oz	€1,190/oz
Zinc	2,093t	€1,473/t

# E.L. & C. Baillieu Stockbroking Ltd

## Altona Mining Limited (AOH)

<b>Analyst:</b>	Ray Chantry	<b>Recommendations:</b>	
<b>Date:</b>	26 Oct 2011	<b>Rating:</b>	Hold
<b>Share Price: (\$A)</b>	\$0.26	<b>Risk:</b>	High
<b>Issued Shares:</b>	518.7m	<b>Valuation:</b>	
<b>Market Cap:</b>	\$137m	<b>Price Target:</b>	\$0.44

### Key Assumptions (\$m)

Year End:	Jun	2011 (A)	2012 (E)	2013 (E)	2014 (E)
<b>Spot Prices</b>					
Copper	\$US/lb	3.70	3.93	3.75	3.55
Cobalt	\$US/lb	19.00	16.50	15.46	14.62
<b>Exchange Rate</b>	\$A/\$US	0.97	1.00	0.95	0.90

### Financial Performance (\$m)

Year End: June 30	2011 (A)	2012 (E)	2013 (E)	2014 (E)
Sales Revenue	0.0	7.3	68.2	69.2
Operating Costs	11.2	15.0	42.6	42.5
<b>EBITDA</b>	<b>-11.2</b>	<b>-7.7</b>	<b>25.6</b>	<b>26.8</b>
D&A	0.0	1.4	6.8	6.8
<b>EBIT</b>	<b>-11.2</b>	<b>-9.0</b>	<b>18.9</b>	<b>20.0</b>
Net Interest	-1.0	-2.1	-0.7	-1.8
<b>Pre-tax Profit</b>	<b>-12.2</b>	<b>-11.2</b>	<b>18.1</b>	<b>18.2</b>
Tax	0.0	-2.9	4.7	4.7
Associates				
Outside Equity Int.	0.0	0.0	0.0	0.0
<b>Reported NPAT</b>	<b>-12.2</b>	<b>-8.3</b>	<b>13.4</b>	<b>13.5</b>
Significant Items	0.0	0.0	0.0	0.0
<b>Adjusted Profit</b>	<b>-12.2</b>	<b>-8.3</b>	<b>13.4</b>	<b>13.5</b>

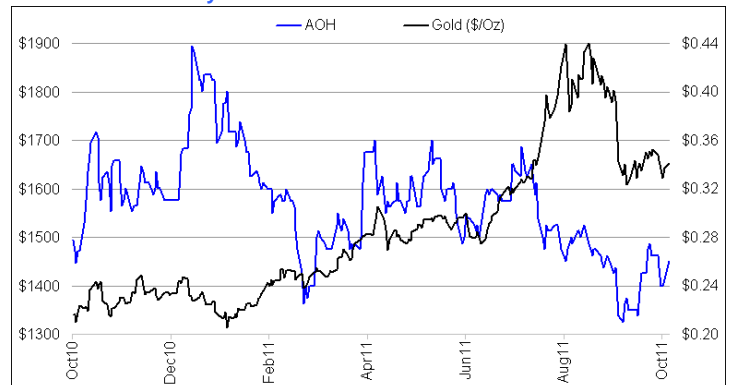
### Production

Year End: June 30	2011 (A)	2012 (E)	2013 (E)	2014 (E)
Copper (tonnes)	0	850	7,776	7,932
Gold (oz)	0	1,055	9,114	9,297

### Cash Flow (\$m)

Year End: June 30	2011 (A)	2012 (E)	2013 (E)	2014 (E)
Cash Receipts	0.0	7.3	67.5	68.5
Cash Payments	-11.2	-15.0	-42.6	-42.5
Other	-1.0	0.9	-4.8	-5.8
<b>Operating Cash Flow</b>	<b>-12.2</b>	<b>-6.9</b>	<b>20.2</b>	<b>20.2</b>
Capital Expenditure	-30.5	-3.5	9.5	8.2
Other	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-30.5</b>	<b>-3.5</b>	<b>9.5</b>	<b>8.2</b>
Proceeds from Issues	68.0	0.0	0.0	6.7
Net Borrowings	12.9	20.0	-10.0	-10.0
Dividends				
Other	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>80.9</b>	<b>20.0</b>	<b>-10.0</b>	<b>-3.3</b>
<b>Net Change in Cash</b>	<b>38.3</b>	<b>9.6</b>	<b>19.7</b>	<b>25.1</b>
<b>Cash at start of period</b>	<b>18.6</b>	<b>56.8</b>	<b>66.4</b>	<b>86.1</b>
Exchange Rate Adj.				
<b>Cash at End of Year</b>	<b>56.8</b>	<b>66.4</b>	<b>86.1</b>	<b>111.2</b>

### AOH vs Commodity Price



### 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.

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

## Disclaimer

---

This document has been prepared and issued by:  
E.L. & C. Baillieu Stockbroking Ltd  
ABN 74 006 519 393  
AFS Licence No. 245421  
Participant of ASX Group  
Participant of NSX

### Analysts' stock ratings are defined as follows:

**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.

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

### Disclosure of potential interest and disclaimer:

E.L. & C. Baillieu Stockbroking Ltd (**Baillieu**) and/or its associates may receive commissions, calculated at normal client rates, from transactions involving securities of the companies mentioned herein and may hold interests in securities of the companies mentioned herein from time to time. Your adviser will earn a commission of up to 50% of any brokerage resulting from any transactions you may undertake as a result of this advice.

This advice is issued on the basis that:

- a) in preparing the advice, Baillieu did not consider whether the advice is appropriate in light of the particular investment needs, objectives and financial situation of the investor(s) or prospective investor(s); and
- b) before making an investment decision on the basis of the advice contained herein, the investor(s) or prospective investor(s) need to consider whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances.

When we provide advice to you, it is based on the information you have provided to us about your personal circumstances, financial objectives and needs. If you wish to rely on our advice, it is important that you inform us of any changes to your personal investment needs, objectives and financial circumstances.

If you do not provide us with the relevant information (including updated information) regarding your investment needs, objectives and financial circumstances, our advice may be based on inaccurate information, and you will need to consider whether the advice is suitable to you given your personal investment needs, objectives and financial circumstances. Please do not hesitate to contact our offices if you need to update your information held with us. Please be assured that we keep your information strictly confidential.

No representation, warranty or undertaking is given or made in relation to the accuracy of information contained in this advice, such advice being based solely on public information which has not been verified by E.L. & C. Baillieu Stockbroking Ltd.

Save for any statutory liability that cannot be excluded, E. L. & C. Baillieu Stockbroking Ltd and its employees and agents shall not be liable (whether in negligence or otherwise) for any error or inaccuracy in, or omission from, this advice or any resulting loss suffered by the recipient or any other person.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgement at its original date of publication and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

E.L. & C. Baillieu Stockbroking Ltd assumes no obligation to update this advice or correct any inaccuracy which may become apparent after it is given.

Authors of company comments may hold shares in companies mentioned.

## Contact Details

---

E.L. & C. Baillieu Stockbroking Ltd  
ABN 74 006 519 393  
Website: [www.baillieu.com.au](http://www.baillieu.com.au)

### Melbourne

Level 26, 360 Collins Street, Melbourne VIC 3000  
PO Box 48, Collins Street West, Melbourne VIC 8007  
Ph (03) **9602 9222** Fax (03) **9602 2350**  
Email: [baillieu@baillieu.com.au](mailto:baillieu@baillieu.com.au)

### Sydney

Level 18, 1 Alfred Street, Sydney NSW 2000  
PO Box R1797, Royal Exchange NSW 1225  
Ph (02) **9250 8900** Fax (02) **9247 4092**  
Email: [sydney@baillieu.com.au](mailto:sydney@baillieu.com.au)

### Bendigo

Cnr Bridge & Baxter Streets, Bendigo VIC 3550  
PO Box 40, Bendigo VIC 3550  
Ph (03) **5443 7966** Fax (03) **5442 4728**  
Email: [bendigo@baillieu.com.au](mailto:bendigo@baillieu.com.au)

### Newcastle

Level 1, 120 Darby Street, Cooks Hill NSW 2300  
PO Box 111, The Junction NSW 2291  
Ph (02) **4925 2330** Fax (02) **4929 1954**  
Email: [newcastle@baillieu.com.au](mailto:newcastle@baillieu.com.au)

### Perth

Level 10, 191 St Georges Terrace, Perth WA 6000  
PO Box 7662, Cloisters Square, Perth WA 6850  
Ph (08) **6141 9450** Fax (08) **6141 9499**  
Email: [perth@baillieu.com.au](mailto:perth@baillieu.com.au)