

**Altona Mining Ltd (AOH.ASX, A\$0.22/sh, Mkt Cap A\$112m) – Little Eva resource grows to >100Mt.  
BUY (PT A\$0.80/sh)**

**Events:**

- Resource upgrade at Little Eva deposit within the Roseby Project, Queensland.

**Details:**

- AOH have released a further resource upgrade at the priority Little Eva deposit, located within the Roseby Project in Mt Isa, Queensland. The resource at Little Eva is now **108Mt at 0.52% Cu and 0.09g/t Au for 564kt of contained copper and 305koz Au**. This resource follows a major drilling program completed throughout 2011 at Little Eva which included almost 25,000m of RC and DD drilling. The global Roseby resource now sits at an impressive 210Mt at 0.6% Cu and 0.06g/t Au for 1.2Mt of contained copper and 395koz Au.

**Analysis:**

- **Resource underwrites planned 30-35ktpa Cu operation at Roseby:** The final resource upgrade at Little Eva to >100Mt will be now fed into a DFS expected Q2 2012 which will focus on a 5-6Mtpa, ~30-35ktpa Cu operation commencing in FY14 with processing via conventional flotation. We expect the mining reserve at Little Eva, which will be estimated as part of the DFS process, to come out at 50-60Mt (63% of the current resource is classified as M&I) which will translate to a 10 year mine life at 5-6Mtpa. Little Eva will be a large open pit with the current resource drilled to depths of 300m, widths of 400m and strike of 1.3km. It is clearly apparent that AOH's drilling program and revised approach to exploration at Little Eva (i.e. bulk tonnage, low grade, centralised operation) has been highly successful in 2011 – the resource has grown >230% from 30Mt at the start of the year.
- **Satellite drill results look promising:** The Company is now shifting focus to drilling at some of the other regional Roseby deposits such as Lady Clayre, Ivy Ann and Blackard which have the potential to act as additional satellite feed to the centralised Little Eva processing facility. Results to date have impressed, with Ivy Ann in particular displaying plenty of promise with higher grades (e.g. 2m @ 19% Cu as part of 13m @ 3.4% Cu) and expected to have the current resource of 4Mt @ 0.7% Cu upgraded in early 2012. Whilst the DFS to be released in Q2 2012 will focus on ore being sourced solely from Little Eva, we believe that these regional satellites will provide additional feed with the potential to extend mine life and maximise throughput at the plant.

**Recommendation:**

- **We continue to rate AOH a BUY with a price target of A\$0.80/sh.**
- We believe the stock will be re-rated as first production is achieved at the Company's other project, Outokumpu, in Finland early next year. Commissioning is expected in January and once fully ramped up the operation is expected to produce ~8ktpa Cu, ~8kozpa Au and ~2ktpa Zn at cash costs of ~US\$1.30/lb.
- News flow over the coming 6 months is expected to be significant and will include: first production at Outokumpu; re-estimation of Roseby satellite resources; detailed ramp-up schedule at Outokumpu; Roseby DFS; and Xstrata option exercise/lapse.
- With a near term producing asset at Outokumpu and leverage to one of Australia's largest undeveloped copper resources at Roseby (global resources total 210Mt @ 0.6% Cu for 1.2Mt contained Cu), AOH is emerging as the next ASX listed mid tier 40-50ktpa Cu producer across two stable jurisdictions (Finland and Australia) with sufficient cash reserves of ~\$45m to get to the position of positive cash flow from Outokumpu mid next year. Development financing will be required in H2 2012 for Roseby.

Regards,

**Mark Hinsley**  
Equity Research Sales