

Altona Mining

(AOH.AX / AOH AT)

Rating	OUTPERFORM* [V]
Price (03 Oct 13, A\$)	0.14
Target price (A\$)	0.28 [†]
Market cap. (A\$m)	77.17
Yr avg. mthly trading (A\$m)	2
Last month's trading (A\$m)	3
Projected return:	
Capital gain (%)	93.1
Dividend yield (net %)	—
Total return (%)	93.1
52-week price range	0.30 - 0.12

* Stock ratings are relative to the relevant country benchmark.

[†]Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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FORECAST INCREASE

Earnings up on new house commodity prices

- Credit Suisse has released its quarterly commodities review, updating commodity, FX assumptions and outlook. Please see the full report, [Commodities Forecasts: The Long and Winding Road](#).
- CS has retained its view that copper mine-through-refined supply expansion growth will steadily eclipse demand; however, the transition may not become evident until 1H14, later than previous expectations. This year's apparent tightness owes much to the way Chinese smelters/refiners have reacted to growing supplies of concentrates. Stocks have been accumulated, forcing up TCRCs at a critical point in the negotiation season; ultimately these inventories will be converted into refined metal. Shortages of scrap have also contributed to stronger demand; we expect this relative strength to be more modest in 2014. CS assumption changes are shown below.
- CS still expects copper prices to be US\$1,000/t cheaper this time next year. No changes have been made to Gold or AUDUSD forecasts.

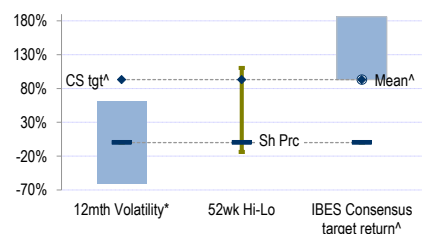
Figure 1: AUDUSD and copper price forecast changes

		2013					2014					2015				
		MarQ	JunQ	SepQ	DecQ	CY13	MarQ	JunQ	SepQ	DecQ	CY14	MarQ	JunQ	SepQ	DecQ	CY15
Cu	N	3.60	3.25	3.20	3.35	3.35	3.20	3.05	2.95	2.85	3.00	3.05	3.05	3.05	3.05	3.05
	O	3.60	3.25	3.20	3.10	3.30	3.00	2.85	2.75	2.70	2.80	3.05	3.05	3.05	3.05	3.05
	Δ	0%	0%	0%	8%	2%	7%	7%	7%	6%	7%	0%	0%	0%	0%	0%
AUD		1.04	0.97	0.94	0.92	0.97	0.91	0.89	0.88	0.87	0.89	0.87	0.86	0.86	0.85	0.86
Au		1630	1410	1310	1250	1400	1220	1190	1150	1150	1178	1200	1200	1200	1200	1200

Source: CS Commodities Research. Change (Δ), New (N), Old (O). Cu rounded to nearest 5c/lb

- Earnings changes reflect our new pricing assumptions and FY13 result actuals. TP/rating unchanged.

Share price performance



Performance Over	1M	3M	12M
Absolute (%)	-3.3	—	-49.1
Relative (%)	-4.1	-8.1	-67.1

Relative performance versus S&P ASX 200. See Reference Appendix for a description of the chart. Source: Credit Suisse estimates, * Consensus, mean range from Thomson Reuters.

Financial and valuation metrics

Year	06/13A	06/14E	06/15E	06/16E
Revenue (A\$m)	66.1	74.9	68.9	82.8
EBITDA (A\$m)	11.4	16.0	18.8	23.0
EBIT (A\$m)	1.3	8.9	12.5	16.4
Net income (A\$m)	12.6	9.0	12.3	37.2
EPS (CS adj.) (Ac)	2.36	1.68	2.29	6.93
Change from previous EPS (%)	n.a.	n.m	495.0	44.8
Consensus EPS (Ac)	n.a.	-0.10	0.40	4.80
EPS growth (%)	153.1	-28.7	35.9	203.1
P/E (x)	6.1	8.6	6.3	2.1
Dividend (Ac)	—	—	—	—
Dividend yield (%)	—	—	—	—
P/B (x)	0.74	0.68	0.61	0.47
Net debt/equity (%)	23.8	17.6	15.8	4.6

Source: Company data, ASX, Credit Suisse estimates, * Adj. for goodwill, notional interest and unusual items. Relative P/E against ASX/S&P200 based on pre GW in AUD. Company PE calculation is based on displayed EPS Currency

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Figure 2: AOH financial summary

Altona Mining Limited (AOH) Year ending 30 Jun

Share Price: A\$0.15		3/10/2013 18:06
Rating	OUTPERFORM	
Target Price	A\$	0.28
vs Share price	%	93.10
DCF	A\$	0.29

Altona Mining Limited (Altona) is a minerals exploration and development company, focusing primarily on copper opportunities. Altona has assets in Queensland, Australia (Roseby Copper Project) and Finland (Outokumpu Copper Project).

Profit & Loss	06/12A	06/13A	06/14E	06/15E	06/16E
Sales revenue	0.3	66.1	74.9	68.9	82.8
EBITDA	(20.9)	11.4	16.0	18.8	23.0
Depr. & Amort.	(0.2)	(10.2)	(7.1)	(6.2)	(6.6)
EBIT	(21.1)	1.3	8.9	12.5	16.4
Associates	0.0	0.0	0.0	0.0	0.0
Net interest Exp.	(2.0)	(0.7)	(0.2)	(0.2)	(0.1)
Other	0.0	0.0	0.0	0.0	0.0
Profit before tax	(23.1)	0.6	8.7	12.3	16.3
Income tax	(0.0)	12.1	0.4	(0.1)	20.9
Profit after tax	(23.1)	12.6	9.0	12.3	37.2
Minorities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Preferred dividends	0.0	0.0	0.0	0.0	0.0
Associates & Other	0.0	0.0	0.0	0.0	0.0
Normalised NPAT	(23.1)	12.6	9.0	12.3	37.2
Unusual item after tax	(1.9)	0.0	0.0	0.0	0.0
Reported NPAT	(25.0)	12.6	9.0	12.3	37.2

Balance Sheet	06/12A	06/13A	06/14E	06/15E	06/16E
Cash & equivalents					
Inventories	0.9	2.7	5.3	5.1	6.2
Receivables	3.8	5.1	4.3	4.1	5.0
Other current assets	26.9	28.0	23.4	22.4	33.5
Current assets	31.6	35.8	33.0	31.7	44.7
Property, plant & equip.	59.7	77.6	92.3	105.7	119.0
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	23.2	30.9	30.9	30.9	30.9
Non-current assets	82.9	108.5	123.3	136.6	149.9
Total assets	114.5	144.4	156.3	168.3	194.6
Payables	6.8	10.6	7.1	6.8	8.3
Interest bearing debt	22.0	24.7	19.8	19.8	7.5
Other liabilities	4.0	5.3	16.6	16.6	16.6
Total liabilities	32.8	40.6	43.5	43.2	32.4
Net assets	81.7	103.8	112.8	125.1	162.3
Ordinary equity	81.7	103.8	112.8	125.1	162.3
Minority interests	0.0	0.0	0.0	0.0	0.0
Preferred capital	0.0	0.0	0.0	0.0	0.0
Total shareholder funds	81.7	103.8	112.8	125.1	162.3
Net debt	22.0	24.7	19.8	19.8	7.5

Cashflow	06/12A	06/13A	06/14E	06/15E	06/16E
EBIT	-21.1	1.3	8.9	12.5	16.4
Net interest	0.8	-0.2	-1.1	-0.8	-0.6
Depr & Amort	0.2	10.2	7.1	6.2	6.6
Tax paid	0.0	0.0	12.1	0.3	10.4
Working capital	1.6	0.6	-5.3	0.1	-0.5
Other	-0.5	12.4	1.4	1.4	1.4
Operating cashflow	-19.1	24.3	23.2	19.8	33.7
Capex	-30.2	-20.4	-21.9	-19.6	-19.9
Capex - expansionary	-30.2	-18.1	0.0	-2.3	-14.1
Capex - maintenance	0.0	-2.3	-21.9	-17.2	-5.9
Acquisitions & Invest	0.1	-5.9	-1.4	-1.4	-1.4
Asset sale proceeds	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Investing cashflow	-30.1	-26.4	-23.3	-20.9	-21.3
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised	0.0	0.0	0.0	0.0	0.0
Net borrowings	19.4	-0.4	-4.8	0.0	-12.3
Other	-0.5	0.0	0.0	0.0	0.0
Financing cashflow	18.9	-0.4	-4.8	0.0	-12.3
Total cashflow	-30.2	-2.4	-4.9	-1.2	0.0
Adjustments	-1.2	1.8	0.0	0.0	0.0
Net change in cash	-31.5	-0.6	-4.9	-1.2	0.0

Source: Company data, Credit Suisse estimates

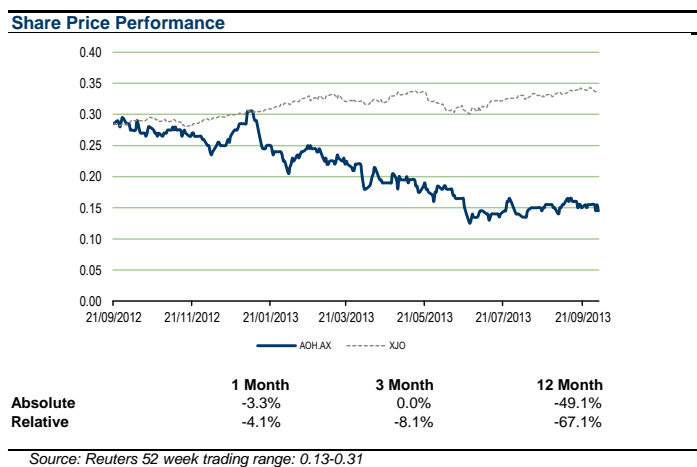
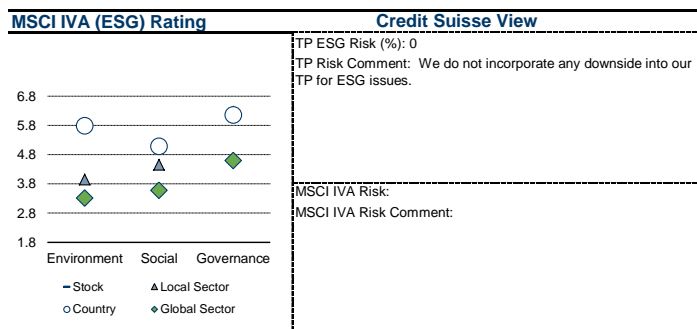
In AUDmn, unless otherwise stated

Earnings		06/12A	06/13A	06/14E	06/15E	06/16E
Equiv. FPO (period avg.)	mn	520.0	535.9	537.0	537.0	537.0
EPS (Normalised)	c	-4.4	2.4	1.7	2.3	6.9
EPS Growth	%		153.1	-28.7	35.9	203.1
EBITDA Margin	%	-6,129.9	17.3	21.4	27.2	27.7
DPS	c	0.0	0.0	0.0	0.0	0.0
Payout	%	0.0	0.0	0.0	0.0	0.0
Franking	%	0.0	0.0	0.0	0.0	0.0
Free CFPS	c	-3.7	4.1	0.3	0.5	5.2
Effective tax rate	%	0.0	-2,174.6	-4.1	0.6	-128.8

Valuation		06/12A	06/13A	06/14E	06/15E	06/16E
P/E	x	-3.3	6.1	8.6	6.3	2.1
EV/EBIT	x	-4.7	80.3	10.9	7.7	5.2
EV/EBITDA	x	-4.7	8.9	6.1	5.2	3.7
Dividend Yield	%	0.0	0.0	0.0	0.0	0.0
FCF Yield	%	-25.3	28.4	1.7	3.2	35.7
Price to Book	x	0.9	0.7	0.7	0.6	0.5

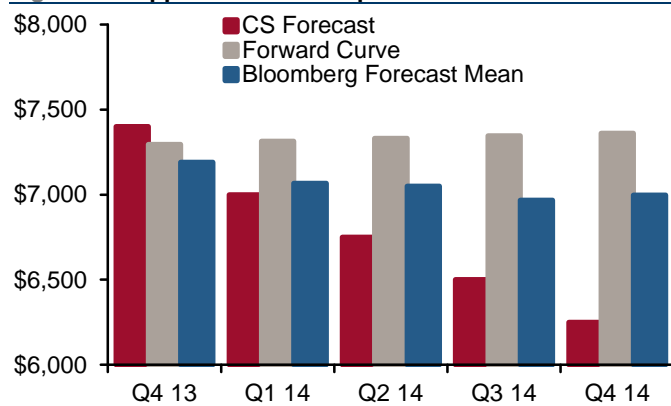
Returns		06/12A	06/13A	06/14E	06/15E	06/16E
Return on Equity	%	-28.3	12.2	8.0	9.8	22.9
Profit Margin	%	-6,779.8	19.1	12.1	17.8	44.9
Asset Turnover	x	0.0	0.5	0.5	0.4	0.4
Equity Multiplier	x	1.4	1.4	1.4	1.3	1.2
Return on Assets	%	-20.2	8.8	5.8	7.3	19.1
Return on Invested Cap.	%	-20.2	27.0	7.2	8.9	22.6

Gearing		06/12A	06/13A	06/14E	06/15E	06/16E
Net Debt to Net debt + Equity	%	21.2	19.2	14.9	13.7	4.4
Net Debt to EBITDA	x	n.m	2.2	1.2	1.1	0.3
Int Cover (EBITDA/Net Int.)	x	-10.4	16.0	89.9	94.3	223.6
Int Cover (EBIT/Net Int.)	x	-10.5	1.8	49.8	63.1	159.1
Capex to Sales	%	8,845.7	30.9	29.2	28.4	24.1
Capex to Depreciation	%	15,311.7	201.2	306.2	314.8	301.0



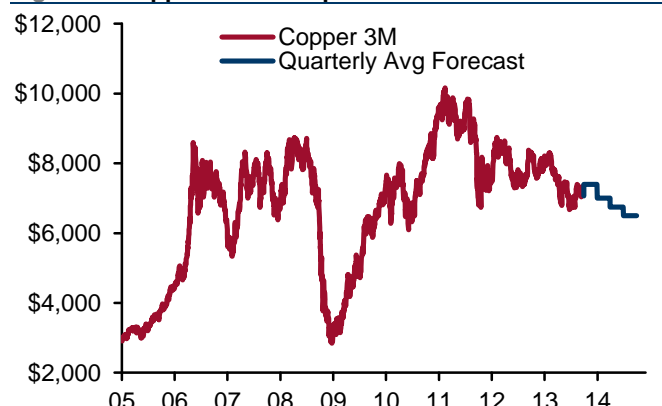
Credit Suisse commodities review

Figure 3: Copper forecast comparison



Source: Bloomberg, Credit Suisse Commodities Research

Figure 4: Copper historical price and forecast



Source: Bloomberg, Credit Suisse Commodities Research

Figure 5: Credit Suisse forecast copper prices

US\$ per metric tonne, long-term prices based on 2011 real prices, conversion to US¢/lb rounded to nearest 0.05

			1Q-13	2Q-13f	3Q-13f	4Q-13f	2013f	1Q-14f	2Q-14f	3Q-14f	4Q-14f	2014f	2015f	2016f	LT
LME copper 3M	New	US\$/t	7,958	7,200	7,070	7,400	7,407	7,000	6,750	6,500	6,250	6,625	6,750	7,250	6,600
	New	US\$/lb	3.60	3.25	3.20	3.35	3.35	3.20	3.05	2.95	2.85	3.00	3.05	3.30	3.00
	Old	US\$/t	7,958	7,200	7,000	6,800	7,240	6,600	6,300	6,100	5,900	6,225	6,750	7,250	6,600

Source: Credit Suisse Commodities Research. Note US\$/lb copper prices rounded to the nearest 5c/lb.

Earnings changes

Figure 6: Earnings changes

		FY13			FY14			FY15		
		Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Outokumpu revenue	A\$m	69	69	0%	69	72	5%	65	67	3%
Other revenue (incl. Hedging)	A\$m	1	3	-338%	2	3	87%	3	2	-29%
Total Revenue	A\$m	70	66	-6%	70	75	7%	68	69	2%
Outokumpu EBITDA	A\$m	31	31	0%	23	24	3%	25	27	11%
Other EBITDA	A\$m	-	-	-	-	-	-	-	-	-
Corporate	A\$m	10	7	-27%	7	9	34%	7	9	34%
Exploration	A\$m	12	11	-3%	1	1	9%	1	1	0%
EBITDA	A\$m	10	11	11%	16	16	-3%	19	19	-3%
Depreciation & Amortisation	A\$m	12	10	-14%	17	7	-57%	16	6	-61%
EBIT	A\$m	-	2	2	0	9	102	3	13	3
Net Interest	A\$m	1	1	-30%	0	0	-42%	0	0	141%
NPBT	A\$m	-	3	122%	-	0	2307%	4	12	231%
Taxation	A\$m	-	14	15%	0	0	-208%	2	0	-95%
Minorities	A\$m	-	-	-	-	-	-	-	-	-
Share of net profit from associate	A\$m	-	-	-	-	-	-	-	-	-
NPAT (operating)	A\$m	12	13	9%	1	9	1353%	2	12	503%
EPS (operating)	A\$/sh	0.02	0.02	8%	0.00	0.02	1337%	0.00	0.02	495%

Source: Company data, Credit Suisse estimates

Reference Appendix

Our new “Total return forecast in perspective” chart helps visualize Credit Suisse and consensus views of a company’s 12-month return within the context of forecasting risks and its historical trading pattern:

12mth Volatility is calculated as the annualised standard deviation of weekly total return series over the past 12 months. It illustrates variability of stock returns; in other words, risk. The way to think about it is that one would rather take 10% forecast return from a stock that has 20% volatility, than from the stock that has 40% volatility. The shaded area shows the one standard deviation range based on past 12 months volatility. In statistical terms, once you make a number of brave assumptions, there is a 68% probability that the share price will end up inside that range in 12 months time.

52wk Hi-Lo is maximum and minimum daily closing price over the past 52 weeks. It is often handy to know the price momentum especially when the stock is trading close to its highs and lows: Is the stock trading close to its peak? Is the momentum against the stock?

*Consensus is IBES consensus supplied by Thomson Reuters. IBES is a survey of sell side research analysts, collecting a few dozen data points such as EPS, DPS, Sales, Target Price, ROE and so on. *Mean is the average of target returns, while the shaded area around the mean represents the range of estimates from the lowest to the highest estimate. This aids visualisation of a number of important factors such as: the range of analyst estimates; where Credit Suisse’s estimates on this stock sit relative to consensus; and where the share price is relative to consensus mean and consensus range target.

Target return is calculated as capital gain plus forecast dividend yield (net) over the next 12 months. For “CS tgt” we have used Credit Suisse’s target price and Credit Suisse forecast for 12-month forward dividend, grossed up for franking. For the consensus mean and range, we have used consensus target price and consensus dividend forecasts for 12 month forward.

Companies Mentioned (Price as of 03-Oct-2013)

Altona Mining Limited (AOH.AX, A\$0.14, OUTPERFORM[V], TP A\$0.28)

Disclosure Appendix

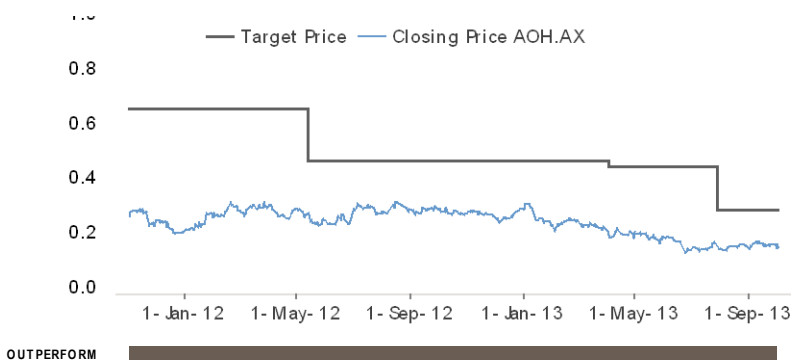
Important Global Disclosures

I, Michael Slifirski, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Altona Mining Limited (AOH.AX)

AOH.AX	Closing Price	Target Price	
Date	(A\$)	(A\$)	Rating
03-Nov-11	0.26	0.65	O *
14-May-12	0.27	0.46	
03-Apr-13	0.19	0.44	
29-Jul-13	0.15	0.28	

* Asterisk signifies initiation or assumption of coverage.



The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; Australia, New Zealand are, and prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.

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Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

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Global Ratings Distribution

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Neutral/Hold*	40%	(48% banking clients)
Underperform/Sell*	15%	(39% banking clients)
Restricted	3%	

*For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

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Price Target: (12 months) for Altona Mining Limited (AOH.AX)

Method: Our A\$0.28/share Target Price for Altona Mining Limited is set using a \$0.29 NPV based on probable scenarios for their two Copper projects in Finland (Outokumpu) and Australia (Roseby). House commodity (LT Copper price of US\$3.00/lb) and house FX (LT AUDUSD 0.85) are the main assumptions which underpin our base cash flows. We risk-weight Roseby at 50%.

Risk: Risks to our \$0.28/share Target Price for Altona Mining Limited include, but are not limited to: Currency risk, commodity pricing risk, commissioning and permitting risk, political risk and operational risks. Delays or changes to these assumptions may materially affect our valuation and Target Price.

Please refer to the firm's disclosure website at <https://rave.credit-suisse.com/disclosures> for the definitions of abbreviations typically used in the target price method and risk sections.

See the *Companies Mentioned* section for full company names

The subject company (AOH.AX) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

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Credit Suisse provided non-investment banking services to the subject company (AOH.AX) within the past 12 months

Credit Suisse has received investment banking related compensation from the subject company (AOH.AX) within the past 12 months

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (AOH.AX) within the next 3 months.

Credit Suisse has received compensation for products and services other than investment banking services from the subject company (AOH.AX) within the past 12 months

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