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US$238.5M (A$329M[1]) CLONCURRY PROJECT JOINT VENTURE: AGREEMENT SIGNED

- **Formal agreements finalised between Altona and SRIG**
- **SRIG to contribute US$213.53 million cash**
- **Altona to contribute the Cloncurry Project and US$25 million cash**
- **Altona cash on hand exceeds its cash contribution**
- **Cloncurry Project fully funded with approximately A$329 million cash**
- **SRIG to hold 66% and Altona to hold 34% of the joint venture company**
- **Altona's 34% interest equates to 15,000 tonnes copper equivalent production**
- **Regulatory approvals and satisfaction of conditions prior to closing by 31 October 2016**

Altona Mining Limited ("Altona" or "the Company" - http://www.commodity-tv.net/c/mid,3159,Companies_und_Projects/?v=286622) is pleased to announce that it has concluded negotiations on binding agreements with Sichuan Railway Investment Group ("SRIG") to create a joint venture to build a new copper-gold mine at Altona's Cloncurry Project located in north-west Queensland. A joint venture company, Roseby Copper Pty Ltd ("JVCo") will hold the Cloncurry Project.

Agreements finalised

Since executing a Framework Agreement in June 2015 SRIG has completed extensive due diligence including diamond drilling, metallurgical testwork and technical, legal and financial reviews. The positive outcome of the due diligence has allowed the parties to finalise the relevant agreements.

Some of the commercial terms of the agreements differ from the Framework Agreement. Altona's cash contribution is reduced from US$38 million to US$25 million and Altona's equity in the JVCo is reduced from 40% to 34%. SRIG's cash contribution of US$213.53 million is essentially unchanged from US$ 214.5 million while its JVCo equity has increased from 60% to 66%. Funds are now contributed in a single tranche at closing. The term of the Performance Guarantee of U$2 million provided by SRIG on signing the Framework Agreement is to be extended to 1 October 2016.

Altona can meet its obligation to contribute US$25 million from it's A$42.8 million cash balance at 30 April 2016. Expenditure under an agreed work programme will be offset against this obligation. Expenditure to date is estimated at A$2.3 million.

The parties have executed a Variation Deed to the Framework Agreement which reflects the amended terms. The Variation Deed refers to the agreed form of the Subscription Deed, Shareholder Agreement and Temporary Management Agreements ("Formal Agreements"). These agreements are described more fully in the attachment.

[1] AUD:USD of 0.725 used through this release

The amended Framework Agreement with the Formal Agreements will now be submitted for Chinese regulatory approval. On receipt of Chinese regulatory approvals SRIG and Altona will execute the Subscription Deed.

Closure of the transaction is then dependent on satisfaction of the conditions precedent set out in the attachments. The Shareholder Agreement and Temporary Management Agreement will be signed as part of closing. Closure is targeted for 31 October 2016 and the indicative timetable is:

Approval of Sichuan Government and SASAC:	September 2016
SRIG to execute the Subscription Deed before:	1 October 2016
Satisfaction of all conditions precedent and closing:	31 October 2016

Imminent Project Development

The parties intend to develop a 7 million tonne per annum open-pit mine and flotation plant capable of producing 39,000 tonnes per annum copper and 17,000 ounces gold over an initial mine life of 11 years (see the Definitive Feasibility Study announced by Altona on 13 March 2014).

JVCo will own the Cloncurry Project and have US$238.53 million in cash at closing which equates to A$329 million at AUD:USD of 0.725. The cash exceeds the previous estimate for capital costs of A$294 million (including A$18 million contingency). It is expected that the ultimate capital costs will be materially lower given the current depressed market for mining construction.

Altona will be the manager of the JVCo for a period of 3 months from establishment of the JVCo after which time the JVCo will have in place its own management. Altona will undertake this function on a commercial basis.

Altona's 34% equity share of annual production from the Cloncurry Project equates to approximately 13,000 tonnes of copper and 5,780 ounces of gold (15,000 tonnes of copper equivalent production), representing significant potential cash flow attributable to Altona.

Commentary

Altona's Managing Director Dr Alistair Cowden said:

"*We are delighted to announce the finalisation of binding agreements for this major partnership with SRIG on the Cloncurry Project.*

"This financing structure delivers higher and more immediate returns to Altona shareholders compared to conventional debt/equity mining project financing structure. We have chosen to dilute at the project level, not at the company level. Altona avoids large dilutive equity raisings, debt, debt service taking precedence over shareholder dividends, mandatory hedging which caps the copper price upside and bank covenants limiting the ability to grow."

"On closing of the transaction, the project will be fully funded to production. The joint venture company will have approximately A$329 million in cash plus the Cloncurry Project.

"The project is significant for Queensland bringing approximately 300 construction jobs and when in production it will sustain approximately 280 new direct jobs.

"Altona's 34% interest will equate to approximately 15,000 tonnes of copper equivalent production which will generate significant cashflow for Altona.

Altona has been advised by Gilbert + Tobin and Hartleys Limited.

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About SRIG

SRIG was established in 2009, is based in Chengdu in south-western China and is 100% owned by the Sichuan provincial government. The group's principal businesses are in the road, bridge and rail construction and management sectors. SRIG had total assets of US$26.8 billion in 2014 and revenues over US$6 billion. It has more than 20,000 employees. SRIG has signalled its intention to diversify into mining with the recent purchase for US$78.3 million of a 60% interest in a copper development project in Eritrea by a subsidiary company.

SRIG has 24 operating subsidiaries including SRBG, listed in Shanghai which operates toll roads, bridges and hydropower stations. It has a market capitalisation of US$3 billion. CCXI, a Moody's company, rated SRIG as AA+ with a stable outlook for a 2016 bond issue. CCXI has noted SRIG's expertise, highlighting that SRIG was the first Chinese enterprise to secure an overseas bridge construction contract (Norway).

About Altona

Altona Mining Limited is an ASX listed company focussed on the Cloncurry Project in Queensland, Australia. The Project has Mineral Resources containing some 1.65 million tonnes of copper and 0.41 million ounces of gold. The first development envisaged is the 7 million tonnes per annum Little Eva open pit copper-gold mine and concentrator. Altona has completed a Framework Agreement with Sichuan Railway Investment Group to fully fund and develop Little Eva. Little Eva is permitted with proposed annual production[(1)] of 38,800 tonnes of copper and 17,200 ounces of gold for a minimum of 11 years. A Definitive Feasibility Study was published in March 2014.

[1]*Refer to the ASX release 'Cost Review Delivers Major Upgrade to Little Eva' dated 13 March 2014 which outlines information in relation to this production target and forecast financial information derived from this production target. The release is available to be viewed at www.altonamining.com or www.asx.com.au. The Company confirms that all the material assumptions underpinning the production target and the forecast financial information derived from the production target referred to in the above-mentioned release continue to apply and have not materially changed.*

Competent Persons Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Alistair Cowden, BSc (Hons), PhD, MAusIMM, MAIG. Dr Cowden is a full time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Cowden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Copper equivalence

When used, copper equivalent refers to copper in concentrate produced, or planned to be produced. It does not refer to metal contained within insitu resources, reserves or drill results. The copper equivalent grade is calculated by factoring the copper grade by revenue from all metals (NSR) being copper, gold and silver.

Attachment: Material terms of the Formal Agreements and Variation Deed

Variation Deed to Framework Agreement

The Agreement is between JVCo, Altona and SRIG and is to set out the terms and conditions upon which the parties agree to vary the Cloncurry Framework Agreement which was initially entered into by the parties on 25 June 2015. The key terms of the Agreement are as follows:

1. Execution of Formal Documents
   The parties are now required to execute the Subscription Deed by 1 October 2016 (or such later date as agreed).

2. Drop dead date
   The transaction has a drop dead date of 31 October 2016.

3. Subscription amounts
   The subscription amounts of Altona and SRIG have been varied such that Altona will subscribe for US$25,000,000.00 cash and US$85,000,000.00 in assets and SRIG will subscribe for US$213,529,412.00 worth of shares in JVCo.

4. Due diligence
   The parties confirm that the due diligence review and confirmatory drilling programme have been completed and SRIG is satisfied to proceed with the transactions.

5. Performance Guarantee
   SRIG has agreed to replace its performance guarantee such that the guarantee remains valid until 1 October 2016 (drop dead date).

Subscription Deed

The Subscription Deed is to be between JVCo, Roseby Copper (South) Pty Ltd ("RCSPL"), Altona, a special purpose vehicle of SRIG ("SPV") and SRIG and is to set out the terms and conditions upon which JVCo agrees to issue shares to Altona and SPV. The key terms of the Subscription Deed are as follows:

1. Conditions precedent
   Closing is subject to a number of conditions precedent being satisfied or waived on or before 31 October 2016 (or such later date as agreed). Failure to satisfy or waive all of the conditions precedent on or before 31 October 2016 gives a right of termination to the parties.

   Key conditions precedent are:

   - Granting of application to amend the Environmental Authority for the Little Eva development
   - Transfer of 50% of certain Mining Licences from RCSPL to JVCo
   - Consent to the transfer of certain Exploration Permits for Minerals and the assumption by JVCo of 3rd party agreements that effect certain tenements

2. Conduct prior to Closing
   Between the date of the Subscription Deed and the Closing Date, except as expressly contemplated by the Subscription Deed or consented to by SRIG, Altona must ensure that the business of JVCo is conducted in the ordinary course. This is intended to restrict any asset disposals, mergers, changes in share capital, entering into or terminating any material contract or otherwise engaging in any activity which materially alters the position of JVCo.

3. Conversion and Subscription
   After satisfaction or waiver of the last of the conditions precedent JVCo must convert all debt owed by JVCo to Altona, to shares. Subject to the conversion of JVCo debts, JVCo must issue to each of Altona and SPV the shares they are subscribing for in return for the payment by Altona and SPV of US$25,000,000.00 and US$213,529,412.00 respectively.

4. Agreed Budget
   JVCo has been and will continue to conduct exploration and development activities in the period between signing the variation to the Framework Agreement and Closing. The agreed budget is US$2,850,000, of which approximately A$2,300,000 has been spent to 31 March 2016. These exploration activities have been agreed between the parties and are to be carried out in accordance with the programme and budget attached to the Subscription Deed. These activities are to be sole funded by Altona, with such expenditure being credited to Altona's obligation to subscribe cash on Closing.

5. JVCo Indemnities
   Each party is providing the other with mutual indemnities against any liabilities suffered or incurred arising out of any breach of or default under the Subscription Deed.

6. Tax indemnity
   Altona indemnifies SPV and SRIG against, and must pay to SPV or SRIG the amount of, any Tax or Duty payable by an Altona Group Company to the extent it relates to any period, act, transaction or event up to and including Closing.

7. Termination
   Any party may terminate the Subscription Deed at any time prior to Closing if the other commits a material breach of the Subscription Deed which is not remedied. SRIG may terminate the Subscription Deed at any time prior to Closing where an act, omission or disclosure by Altona or JVCo has a material adverse effect on the value of the Project or JVCo.

8. Guarantee
   SRIG is guaranteeing the performance of SPV.

Shareholders' Agreement

The Shareholders' Agreement is between JVCo, Altona and a Hong Kong Special Purpose Vehicle ("SPV") wholly owned by SRIG and is to govern the development of the operations of JVCo and the Project. The key terms of the Shareholders' Agreement are as follows:

1. Subscription
   Altona must subscribe for US$25,000,000.00 and SPV must subscribe for US$213,529,412.00 worth of shares in JVCo.

2. Board
   SPV and Altona have the right to appoint 3 and 2 representatives respectively as Directors of JVCo, with SPV having the right to appoint the Chairman. No Directors fees are payable but the parties can agree that JVCo will pay fees where the director fulfils an executive role. Directors must meet at least twice every year. The unanimous vote of the Board is required in order for JVCo to issue securities, make a decision to mine, approve a programme and budget, sell an asset or surrender a Tenement, borrow funds or take any material decision.

   If the Directors do not vote unanimously on any of the matters set out above then any Shareholder may refer the dispute to a Panel, consisting of the chairman of directors of each of the Shareholders, for resolution.

3. Temporary Management Agreement
   With effect from the Commencement Date and for a period of up to 3 months thereafter unless the parties agree to extend, JVCo appoints Altona as the first manager to manage the operations in accordance with the Temporary Management Agreement.

4. Phase-out of Manager and appointment of JVCo personnel
   The parties intend for JVCo to create its own management capacity and this includes the hiring of qualified and internationally experienced people for key management roles. SPV has the right to nominate a CFO, senior operational or technical officer and two accountants and Altona has the initial right to recommend for appointment a general manager to JVCo but if the nominee is not acceptable then there is a prescribed process which for all practical purposes, requires both partners to agree on the nominee for that positions.

5. Contributions and Cash Calls
   Unless otherwise agreed between the Shareholders, if expenditure exceeds the subscription monies, each Shareholder is liable to contribute to the Approved Programmes and Budgets in proportion to their respective shareholding. All cash calls will be by way of equity contributions or Shareholder loan. If a party cannot meet its commitment to the other, a Shareholder can lend the shortfall to the JVCo by way of an interest bearing loan or failing that, the money can be borrowed from a financier. Where there is surplus cash in a year, 50% will be applied to shareholder loans with the balance being used to pay shareholders a dividend.

6. Default
   Certain actions by a Shareholder constitute an event of default but the failure of a Shareholder to meet a cash call is not an event of default.

An event of default gives the non-defaulting Shareholder an option to acquire all of the defaulting party's shares for a small discount to its cash equivalent value, less any amounts owing by the defaulting Shareholder to JVCo.

7. Dispute resolution
   Resolution of disputes is by way of amicable settlement failing which the dispute is referable by either party to the Hong Kong International Arbitration Centre for final determination.

8. Assignment
   There is a general restriction on assignment by Shareholders. Shareholders may, however, assign their shares to a related body corporate without consent.

9. Right of First Refusal
   Any attempt to sell, assign, transfer, and part with possession or otherwise deal with all or any of its shares is subject to a 45 day right of first refusal.

Temporary Management Agreement

The Temporary Management Agreement between JVCo and Altona is to set out the terms and conditions upon which Altona is to be appointed as an interim manager of JVCo's activities ("Manager"). The key terms of the Temporary Management Agreement are as follows:

1. Appointment of Manager
   The Manager is appointed with effect from the Commencement Date and is to terminate up to 3 months after the Commencement Date unless agreed otherwise.

2. Phase-out of Manager
   Altona, in recognition of the intention of JVCo and Shareholders to phase-out the role of the Manager, agrees to provide all reasonable assistance to assist with this phase-out.

3. Function of Manager
   The Manager is responsible for the overall management of JVCo and its operations. It is responsible to the Board, however it has authority for day to day operations.

4. Manager's authority and specific powers
   The Manager has authority to act as is reasonably required to conduct the operations. JVCo is bound by all acts of the Manager and indemnifies the Manager for all costs and liabilities incurred by the Manager.

5. Payments to the Manager
   The Manager may charge JVCo for all direct costs and expenditures incurred in the conduct of operations. The Manager is to be paid a fee of 15% of the direct costs incurred in respect of the operations.

6. Programmes and Budgets
   The Manager must prepare and submit to the Board for approval a programme and budget from the end of the term of the Temporary Management Agreement to 30 June of the financial year in

which termination occurred. The Manager may also prepare a supplementary or revised programme and budget for the Board.

7. No assignment
   No party may assign, transfer or deal with its rights and obligations under the Shareholders Agreement without the prior written consent of the other party.