

14 Feb 2017

Share Price	\$0.145
Valuation	\$0.34
Price Target (12 month)	\$0.27

Brief Business Description:
Copper explorer and developer

Hartleys Brief Investment Conclusion
Cu-Au developer focused on the Cloncurry Copper Project in Queensland. Finalisation of JV and financing agreement in process.

Chairman & MD
Kevin Maloney (Chairman)
Alistair Cowden (Managing Director)

Top Shareholders

Perpetual Limited	14.8%
Matchpoint Investment Management	9.8%
Tulla Resources Group Pty Ltd	6.6%

Company Address
Level 1, 2 Kings Park Road
West Perth, WA 6005

Issued Capital	545m
- fully diluted	545m
Market Cap	A\$79m
- fully diluted	A\$79m
Cash (31 Dec 16)	A\$39m
Debt (31 Dec 16)	A\$0m
EV	A\$40m

	Prelim. (A\$m)	FY19e	FY20e	FY18e
Prod (kt Cu equiv)	0	12.0	12.0	
Op Cash Flw (A\$m)	-5	57	56	
Norm NPAT (A\$m)	-4	34	33	
CF/Share (cps)	-0.9	10.4	10.2	
EPS (cps)	-0.6	6.2	6.0	
P/E	0.0	2.4	2.4	

	Mt	Cu %	Au g/t
Resources (kt)	288	0.58	0.04
Reserves (kt)	86	0.50	0.07

ALTONA MINING LIMITED (AOH)

SASAC approval granted

AOH has been advised by the Sichuan Railway Investment Group (SRIG) that approval has been received from SASAC for SRIG to go ahead with the investment of US\$214M in the Cloncurry Copper Project, currently owned by AOH.

SRIG still needs Sichuan provincial government approval and Australian FIRB approval, but SASAC (State owned Assets Supervision and Administration Commission) was the major hurdle. The remaining approval processes should follow, allowing deal completion within the next few months. AOH has extended the closing date of the agreement to June 2017. The deal has been in the works since mid-2015.

Under the agreement SRIG will invest US\$214M (A\$282M) cash, and AOH AOH will invest US\$25M (A\$33M) cash, into a JV company in which AOH will hold 34%, and SRIG 66%. The JV will be fully funded into production with a cash position of A\$314M covering the pre-production capex requirement of A\$294M for the Cloncurry project, according to the 2014 DFS estimate.

Cash up front – no dilution, no debt

Cash funding means AOH will avoid equity dilution and debt costs. Effectively AOH's undiluted, pre-developed project value is preserved through the JV agreement and is converted to a fully funded 34% interest.

AOH will initially operate the JV. SRIG is a provincial government owned industrial conglomerate with plans to diversify into mining. The copper concentrate from Cloncurry will be available for sale to independent smelters.

Cloncurry - +30ktpa Cu in concs, US\$1.75/lb C1 cost.

AOH's 34% share of production is estimated to average 12ktpa Cu equivalent over a 12 year project life. There are opportunities for higher output in early years, and for extension of the project life through exploration. The JV will also review the Cloncurry DFS in light of more competitive contractor rates, and the influence of infrastructure now built for Dugald River.

Hartleys estimate a post deal value for AOH of 36cps, using consensus copper price forecast of US\$2.75/lb. Operating (C1) costs of US\$1.75/lb and total (C3) costs of US\$2.00/lb are forecast.

LME copper passed US\$2.75/lb this week for the first time since mid-2015. Cloncurry is expected to come in mid-cost curve.

Focus to switch to project delivery.

The AOH/SRIG agreement is an unusual one in the context of Australian mine development. Deal execution risk is now low, leaving project execution as the main controllable risk. A residual discount to valuation may persist until the AOH/SRIG JV proves to be an efficient development vehicle, or until the upside potential of the district's copper endowment is brought into focus. Hartleys' Net Asset Valuation of AOH is 34 cps and the 12 month target share price is 27cps.



John Macdonald
Resource analyst
Ph: +61 8 9268 3020
E: john.macdonald@hartleys.com.au

SUMMARY MODEL

Altona Mining Limited								
AOH								
Market Information								
Share price		\$0.15						
Market Capitalisation		\$73m						
Net cash (debt)		\$42m						
Issued Capital (fully diluted)		545m						
EV		\$37m						
Valuation		\$0.34						
12 month price target		\$0.27						
Profit & Loss								
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Net Revenue	ASM				95	94	93	93
Forward sales	ASM							
Total Costs	ASM				-38	-38	-38	-39
EBITDA	ASM	-5	-5	-5	57	56	55	54
- margin					60%	60%	59%	58%
Depreciation/Amort	ASM				-9	-9	-10	-10
EBIT	ASM	-5	-5	-5	48	47	45	44
Net Interest	ASM							
Pre-Tax Profit	ASM	-5	-5	-5	48	47	45	44
Tax Expense	ASM				2	-14	-14	-13
NPAT	ASM	-5	-5	-4	34	33	32	31
Abnormal Items	ASM							
Reported Profit	ASM	-5	-5	-4	34	33	32	31
Balance Sheet								
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Cash	ASM	37	96	47	66	88	105	115
Other Current Assets	ASM	0	0	0	0	0	0	0
Total Current Assets	ASM	38	97	47	66	89	105	116
Property, Plant & Equip.	ASM		49	94	101	96	91	86
Investments/other	ASM	15						
Total Non-Curr. Assets	ASM	15	49	94	101	96	91	86
Total Assets	ASM	53	146	141	167	185	196	201
Short Term Borrowings	ASM							
Other	ASM	1	1	1	1	1	1	1
Total Curr. Liabilities	ASM	1	1	1	1	1	1	1
Long Term Borrowings	ASM							
Other	ASM	0	0	0	0	0	0	0
Total Non-Curr. Liabil.	ASM	0	0	0	0	0	0	0
Total Liabilities	ASM	1	1	1	1	1	1	1
Net Assets	ASM	52	145	140	166	184	195	200
Cashflow								
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Operating Cashflow	ASM	-5	-5	-5	57	56	55	54
Income Tax Paid	ASM							
Exploration, evaluation	ASM							
Interest & Other	ASM							
Operating Activities	ASM	-5	-5	-5	57	56	55	54
Property, Plant & Equip.	ASM		64	-44	-16	-5	-5	-5
Exploration	ASM							
Asset sales	ASM							
Investments	ASM							
Investment Activities	ASM		64	-44	-16	-5	-5	-5
Borrowings	ASM							
Equity	ASM							
Financing Activities	ASM							
Net Cash Change	ASM	-5	59	-49	41	51	50	50
Shares								
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
Ordinary Shares - End	M	545	545	545	545	545	545	545
Ratio Analysis								
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
GCFPS	A¢	-0.9	-0.9	-0.9	10.4	10.2	10.1	9.9
CFR	X				1.4	1.4	1.4	1.5
EPS	A¢	-0.9	-0.9	-0.6	6.2	6.0	5.8	5.8
PER	X				2.4	2.4	2.5	2.6
DPS	%	na	na	na	na	na	na	na
Yield	%	na	na	na	na	na	na	na
Interest Cover	x				-	-	-	-
ROCE	%	-33%	-10%	-5%	48%	49%	49%	51%
ROE	%	-10%	-3%	-4%	29%	29%	23%	22%
Gearing	%							
Debt/Equity								
*All values fully diluted unless otherwise stated								
Share Price Valuation (NAV)								
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23
100% Cloncurry after tax 8% DR	ASM	180						0.33
Exploration		18						0.03
Corporate overheads		-35						-0.06
Net cash (debt)		4						0.01
Tax benefit/liability		18						0.03
Option holder value								
Total		185						0.34
Directors								
Kevin Maloney (Chairman)								
Alistair Cowden (Managing Director)								
Paul Hallam (Non-Exec Director)								
Steve Scudamore (Non-Exec Director)								
Company Information								
Level 1, 2 Kings Park Road								
West Perth, WA 6005								
+61 8 9485 2929								
www.altonamining.com.au								
Top Shareholders								
							m shares	%
Perpetual Limited							81	15
Matchpoint Investment Management							53	10
Tulla Resources Group Pty Ltd							36	7
Production Summary								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Cloncurry throughput	Mt		7.00	7.00	7.00	7.00		
Mined Cu grade	%Cu		0.50	0.50	0.50	0.50		
Combined Recovery & Payability		0.93	0.93	0.93	0.93	0.93		
Payable copper in concs	kt		32	32	32	32		
Payable gold in concs	koz		13	13	13	13		
Cu equiv	kt		35	35	35	35		
Mine Life	yr		11.3	10.3	9.3	8.3		
Inventory tonnes	Mt	86.0	79.0	72.0	65.0	58.0		
Inventory grade	%Cu	0.5	0.5	0.5	0.5	0.5		
AOH 34% share								
Payable copper in concs	kt		11.0	11.0	11.0	11.0		
Payable gold in concs	koz		4.5	4.5	4.5	4.5		
Cu equiv	kt		12.0	12.0	12.0	11.9		
Costs								
		Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Cloncurry								
Cost / milled tonne pre royalty	A\$/t		21	22	22	22		
EBITDA / tonne milled ore	A\$/t		17	16	16	15		
Cash costs incl. royalty	A\$/lb Cu		2.28	2.30	2.30	2.31		
Cu equiv. cash cost	US\$/lb		1.74	1.78	1.79	1.80		
	A\$/lb Cu		2.10	2.12	2.12	2.14		
	US\$/lb		1.74	1.84	1.85	1.87		
+ depre & amortn	A\$/lb Cu		2.65	2.51	2.53	2.56		
	US\$/lb		2.02	1.93	1.97	2.00		
Price Assumptions								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
AUDUSD		0.760	0.763	0.772	0.778	0.780		
Copper	US\$/lb	2.88	2.75	2.75	2.75	2.75		
	A\$/lb	3.78	3.60	3.56	3.54	3.53		
Gold	US\$/oz	1375	1275	1250	1250	1200		
	A\$/oz	1809	1671	1619	1608	1538		
Sensitivity Analysis								
		Valuation			FY20 NPAT			
Base Case		0.34			33.6			
	Sens	-10%	+10%	Sens	-10%	+10%		
US Cu price +/-10%	23%	0.26	0.42	19%	27.3	40.0		
US Au price +/-10%	1%	0.34	0.34	2%	33.0	34.3		
AUDUSD +/- 10%	21%	0.27	0.41	19%	27.3	40.0		
Production +/-10%	6%	0.32	0.36	12%	29.6	37.7		
Operating Costs +/-10%	20%	0.27	0.41	13%	29.3	38.0		
Unpaid Capital								
Expiry year			No. (M)	\$M	Avg ex.	% ord		
30-Jun-18			8		1.5%			
Total			8		1.5%			
Reserves & Resources June '16								
	Mt	%Cu	g/t Au	kt Cu	ozs Au			
Cloncurry Cu RESOURCE	288.3	0.6	0.04	1,667	371			
Measured	64.1	0.6	0.05	404				
Indicated	98.0	0.6	0.05	539				
Inferred	124.8	0.6	0.04	711				
INCLUDES TOTAL RESERVE	86.0	0.5	0.07	430	203			
Little Eva	53.4	0.6	0.09	311				
Turkey Creek	11.3	0.5		52				
Ivy Ann	3.5	0.6	0.08	21				
Lady Clay	1.0	0.6	0.27	6				
Bedford	1.4	0.9	0.20	12				
Stockpile	15.4	0.2	0.06	28				
Hartleys model June '16								
	Mt	%Cu	kt Cu	g/t Au				
TOTAL CLONCURRY INVENTORY	86.0	0.5	430	0.08	207			

AOH and SRIG will form an incorporated JV to manage the Cloncurry Copper Project. AOH has initial responsibility for management appointments and project implementation.

VALUATION

AOH is valued assuming 34% ownership of an incorporated JV with SRIG. The Cloncurry project is valued according to the base assumptions outlined in AOH's 2014 feasibility study. The Little Eva pit comprises 72% of project reserves. An average waste:ore ratio of 2:1, earth movement costs ranging from A\$6.20 to \$7.30/bcm (ore and waste), and unit treatment + G&A costs of A\$9.50/t ore are assumed. Project start-up is projected in 2019, with initial capex of A\$260M. Concentrate freight to an offshore smelter, TCRCs of US\$98/t concs and 9c/lb Cu, 97% payability for both copper and gold.

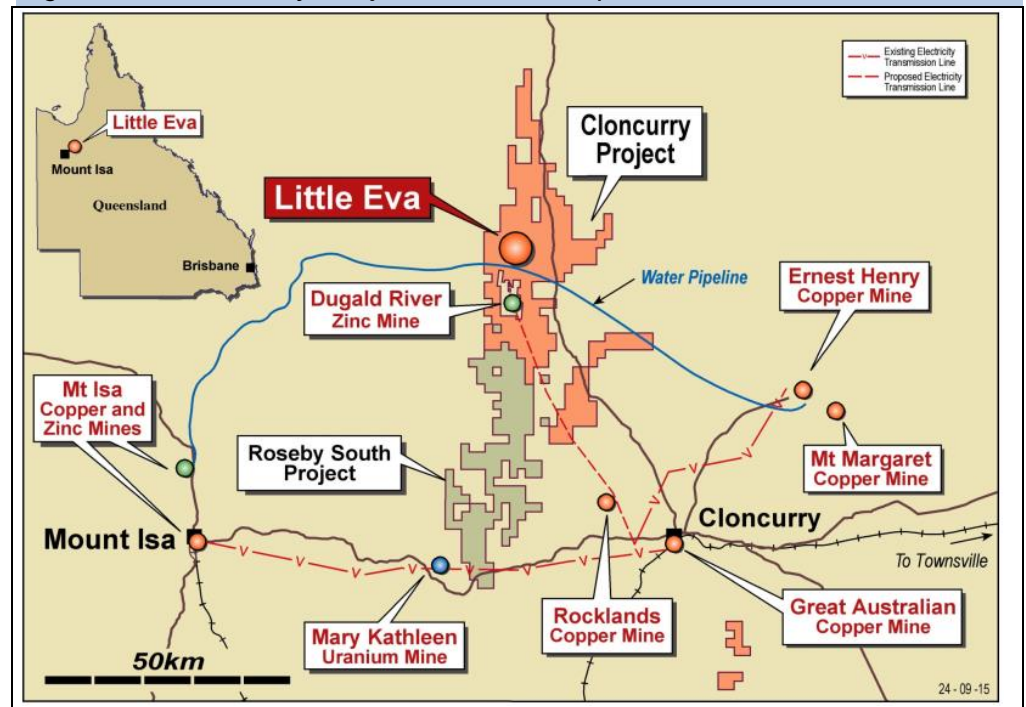
Cash flows are discounted at 8%, real and after tax.

PRICE TARGET

AOH and SRIG will jointly manage the project under the incorporated JV. AOH directors have experience building and managing copper operations in Northern Europe. SRIG has limited experience in mining project construction and management, and AOH will nominate the majority of the initial JV management committee. Long term, AOH's interests in the JV are protected by veto rights over major JV investment decisions.

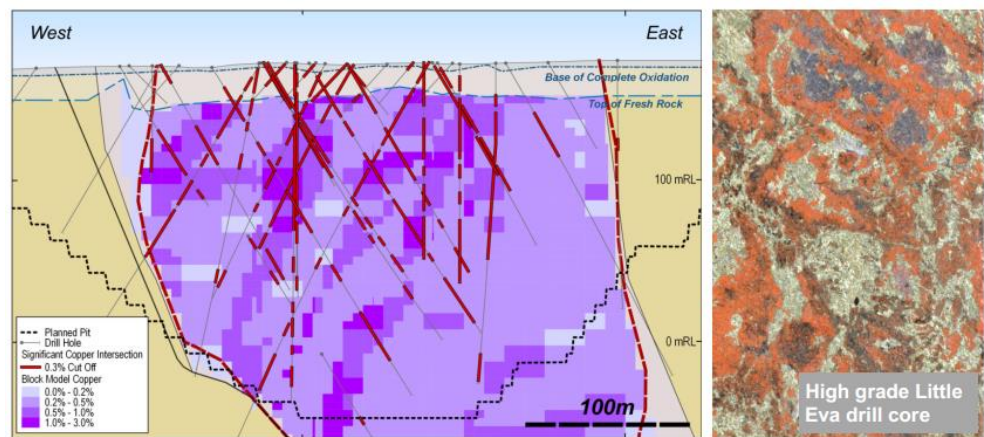
Many successful mining projects have been operated under incorporated JVs around the World. Alignment of objectives and financial support capacity usually underwrites success. AOH and SRIG will need to continue to establish trust and common goals. A 20% discount is applied to the estimated NAV, to reflect AOH's minority status in the incorporated JV.

Fig. 1: Cloncurry Project location map



Source: AOH

Fig. 2: Little Eva cross section and AOH slide comments.



- Large bulk IOCG style deposit similar to Ernest Henry
- Reserves of 75Mt at 0.5% copper, 0.1g/t gold
- Turkey Creek will add 10Mt (2 years)

Source: AOH

RISKS

Fig. 3: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Project funding (66% JV partner)	Low	High	Altona is assumed close the joint venture arrangement whereby SRIG acquires 66% of the Cloncurry project. Deal failure would see AOH seek alternate debt and equity financing which may be more expensive.
Project costs	Medium	Medium	Hartleys' valuation relies on cost estimates from AOH's 2014 feasibility study. In particular, capital cost estimates may vary from FS estimates.
Exploration upside	High	Low	Less than 10% of the valuation comes from exploration potential, or material outside reserves.
JV function	Medium	High	The incorporated JV will be managed by committee comprising proportionate AOH and SRIG appointees. AOH will have veto rights over major investment decisions.

Conclusion

Project risks are tolerable and balanced by opportunities for adding value. JV management will need to be watched.

Source: Hartleys Research

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
John Macdonald	Resources Analyst	+61 8 9268 3020
Paul Howard	Resources Analyst	+61 8 9268 3045
Aiden Bradley	Research Analyst	+61 8 9268 2876
Michael Scantlebury	Junior Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

Corporate Finance

Dale Bryan	Director & Head of Corp Fin.	+61 8 9268 2829
Richard Simpson	Director	+61 8 9268 2824
Paul Fryer	Director	+61 8 9268 2819
Ben Wale	Associate Director	+61 8 9268 3055
Ben Crossing	Associate Director	+61 8 9268 3047
Stephen Kite	Associate Director	+61 8 9268 3050
Scott Weir	Associate Director	+61 8 9268 2821
Rhys Simpson	Manager	+61 8 9268 2851

Registered Office

Level 6, 141 St Georges Tce Postal Address:

PerthWA 6000 GPO Box 2777
Australia Perth WA 6001
PH:+61 8 9268 2888 FX: +61 8 9268 2800
www.hartleys.com.au info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:firstname_lastname@hartleys.com.au

Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Chris Chong	+61 8 9268 2817
Digby Gilmour	+61 8 9268 2814
Cooper Rogers	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Charlie Ransom	+61 8 9268 2868
Mark Sandford	+61 8 9268 3066
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruy	+61 8 9268 2855
Samuel Williams	+61 8 9268 3041
Jayme Walsh	+61 8 9268 2828