

AJM – hard rock lithium

Product in demand; good margins

Recommendation

BUY, High Risk

Price

5.8c

Valuation

12.1c

Commodity

Lithium

- **AJM’s focus now is its Pilgangoora spodumene project, in the Pilbara region. AJM is currently completing a feasibility study, building on the November 2012 scoping study. Beer & Co expects good results.**
- **AJM is simplifying its portfolio; it has effectively exited its iron ore and has prepared to list its Indonesia coal operations on the SGX.**
- **Our base case valuation of 12c/share assumes 25Mt of ore processed at a rate of 1.0Mt/yr, with capital costs of \$85m. Our cash cost estimate is in line with that for PLS.**
- **We assume that AJM’s Pilgangoora project sells only a single product; to be used in the battery segment.**

Snapshot

Market Cap	\$51.6m
Cash on hand (31 Dec 2015)	\$1.28m
Net Debt	(\$16.1m)
Shares on Issue	893m
52 Week High	7.3c
52 Week Low	0.9c
1 month / 6 month VWAP	5.4c / 4.4c

AJM completing Pilgangoora Feasibility Study

AJM announced the result of its scoping study on its Pilgangoora spodumene project in November 2012. AJM has been looking for an industry partner; in August 2015 announced the appointment of a General Manager for its Pilgangoora project, tasked with progressing the Mining Lease Applications and completing the Feasibility Study.

AJM announced an updated resources estimate, of 26Mt at 1.21% Li₂O, of which nearly 20Mt is indicated, and updated metallurgical testwork results in November 2015.

Beer & Co anticipates publication of the feasibility study in march or April 2016, with on-site construction from July and first project late in 2017.

AJM : daily share price v. value traded



Product in demand

Beer & Co expects AJM will produce a concentrate, grading about 7.5% Li₂O, which it will sell to battery producers in the Asia region. Underlying demand growth is strong and product prices are rising, with 7.5% concentrate recently selling for around US\$ 750/t, cif.

AJM originally listed as Haddington Resources (HDN.ASX) in January 2001. It produced tantalite from July 2001 until September 2005. Pilgangoora was acquired in November 2001.

AJM simplifying its portfolio

AJM has effectively exited its iron ore operations and has prepared to list its Indonesian Coal on the SGX, which will leave AJM focussed on Pilgangoora.

Following a change in management in December 2008, the company name was changed in November 2009.

Beer & Co risked valuation 12c/share

Beer & Co estimates that the capital cost to get into production will be about \$85m. We expect that AJM will be able to fund this through debt and equity as its Feasibility Study results will attract the required interest.

AJM has exited its 30% of the Mt Webber iron ore operations and is seeking to list its Indonesian coal on the SGX, to focus on Pilgangoora spodumene.

Beer & Co projects that AJM’s Pilgangoora project will ship 140kt/yr of 6.8% Li₂O concentrate, more in earlier years, at an all in cost of AUD 370/t, lower in early years.

A feasibility Study is expected soon.

Beer & Co conclusions

Beer & Co initiates research on AJM with a BUY, High Risk, recommendation.

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Altura Mining (AJM)

Introduction

Figure 1 shows the detail of Beer & Co's estimated valuation of AJM.

Figure 1 :Detail of Beer & Co's valuation of AJM

	discount rate = 12.0 %	risk :	30 June 2015		10-Dec-15	
			100%	Product	per share	
Pilgangoora Resources		70 %	\$ 224m	\$ 157m	9.4 c	9.8 c
franking credits		42 %	\$ 37m	\$ 16m	0.9 c	1.0 c
Pilgangoora Extensions		55 %	\$ 4m	\$ 2m	0.1 c	0.2 c
franking credits		33 %	\$ 1m	\$ 0m	0.0 c	0.0 c
Indonesian Coal		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c
Mininig Services		70 %	(\$ 2m)	(\$ 2m)	(0.1c)	(0.1c)
Philippines Coal		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c
Mt Webber Iron Ore		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c
Lithium Corp		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c
Corporate		100 %	(\$ 12m)	(\$ 12m)	(0.7c)	(0.7c)
Cash / Debt		100 %	(\$ 15m)	(\$ 15m)	(0.9c)	(0.4c)
Equity raisings		100 %	\$ 27m	\$ 27m	1.6 c	1.5 c
TOTAL			\$ 264m	\$ 174m	10.4 c	11.3 c
Shares on issue		837.7m	F P O shares	197.7m	Options	
		35.3m	2015 - 16	197.7m	Ops. Ex'd	
		593.6m	later	9.1m	Perf Rights	

Source : AJM quarterly reports, Beer & Co estimates

Figure 1 shows that while AJM has a spread of assets, all the value is in its Pilgangoora spodumene operations, with the other assets generally detracting from value. However, of these other assets :

- Mt Webber iron ore : AJM has a royalty of \$1/t when the FOB price is over AUD 95/t
 - Beer & Co does not expect iron ore prices to reach this level at any time, but at least it does not require any management time and attention;
- AJM has 11m shares in Lithium Corporation, a Nevada based company listed on Nasdaq's OTC bulletin board
 - While Beer & Co believe that this investment has a positive value, the value is trivial but the potential is significant as Tesla has stated that it wishes to maximise sourcing from USA for its battery Giga-factory
- AJM is attempting to list its Indonesian Coal operations on the Singapore Exchange (SGX)
 - AJM announced this intention in November 2014 and hopes to make its application to the SGX, which will result in a spin-out in early 2016
 - The operation accounts for the debt shown in Figure 1;
 - AJM's Indonesian Coal has been financially marginal
- AJM's mining services business was acquired in April 2007, and while it may have strategic value, it has struggled to generate a positive cashflow.
- Beer & Co does not give any value to exploration;

AJM's Philippine coal assets were acquired in February 2013. Philippines has 8 coal fired power station and plans to build a further 7. However, Beer & Co does not ascribe any value to this asset.

Beer & Co's risked, base case valuation of AJM is 12c/share.

This valuation is risked and allows for significant equity raisings to finance construction of AJM's Pilgangoora project.

The detail in Beer & Co's valuation shows that our valuation is totally dominated by AJM's Pilgangoora project.

While AJM has a large number of other operations, our estimated value, in total, is negative.

AJM is in the process of simplifying its portfolio to focus on the valuable Pilgangoora project.

AJM's Pilgangoora Spodumene Project - Description

Spodumene is a hard rock ore of Lithium. As shown in Figure 2, AJM's Pilgangoora project is in the Pilbara region, as shown in Figure 2.

AJM acquired the project in 2001 as a tantalite prospect.

Following the installation of new management in December 2008, AJM began geological work at Pilgangoora in 2009. After initial mapping and sampling, AJM reported drill results in August 2010 including :

- 51m at 1.72% Li₂O from 6m below surface;
- 5m at 1.60% from surface plus 30m at 1.71% Li₂O from 10m below surface; and
- 23m at 1.42% from surface.

AJM announced results of a scoping study on Pilgangoora on 19 November 2012, based on the October 2012 Resource estimate of 25.16Mt at 1.23% Li₂O. The company then began a search for a strategic partner.

In June 2015, AJM announced that, following a recent capital raising, that it would progress the Pilgangoora lithium project, highlighting the improvement in the fundamentals of the lithium market.

On 14 September 2015, AJM announced an updated Mineral Resource Estimate, to be compliant with the requirements of the JORC Code, 2012, as shown in Figure 3.

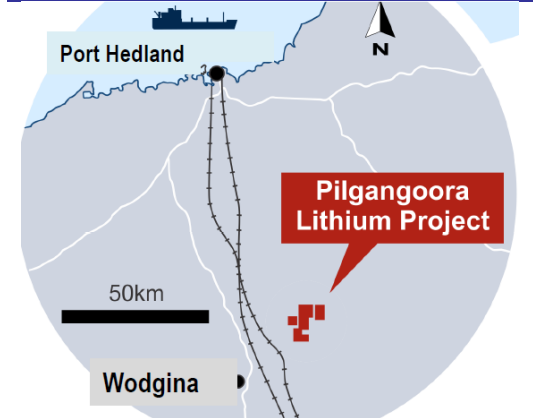
As shown in Figure 4, the mineralisation is contained in out-cropping, shallow dipping pegmatites

AJM's Pilgangoora project in the Pilbara region of WA, about 110km from Port Hedland.

AJM has reported wide, high Li₂O grade, intercepts, at and near surface.

AJM's Pilgangoora project has a JORC (2012) Resource estimate of 26Mt at 1.21% Li₂O,

Figure 2 : Pilgangoora, Pilbara, WA



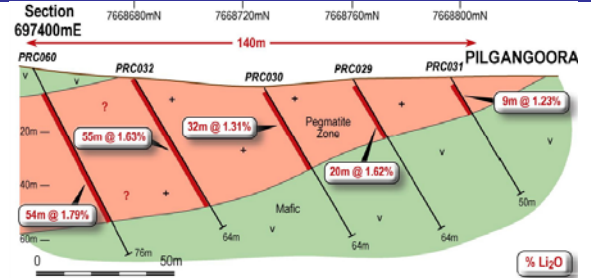
Source : AJM presentation, November 2015

Figure 3 : Pilgangoora Resources

Resources Category	cut-off		Li ₂ O	
	Li ₂ O		grade	contained
Measured	0.80 %	0 Mt		
Indicated	0.80 %	19.77 Mt	1.21 %	239,000 t
Inferred	0.80 %	6.29 Mt	1.20 %	76,000 t
TOTAL		26.06 Mt	1.21 %	315,000 t

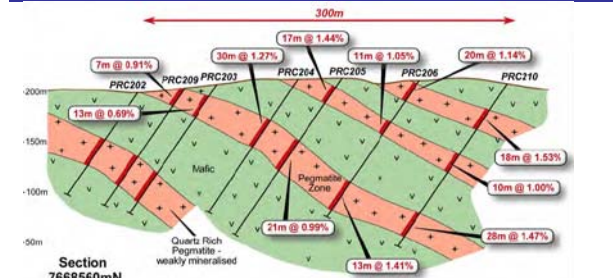
Source : AJM announcement to ASX, 14 September 2015

Figure 4a : Mineralisation at Pilgangoora



Source : AJM Presentation, November 2015

Figure 4b : Mineralisation at Pilgangoora



Source : AJM announcement to ASX, 8 May 2012

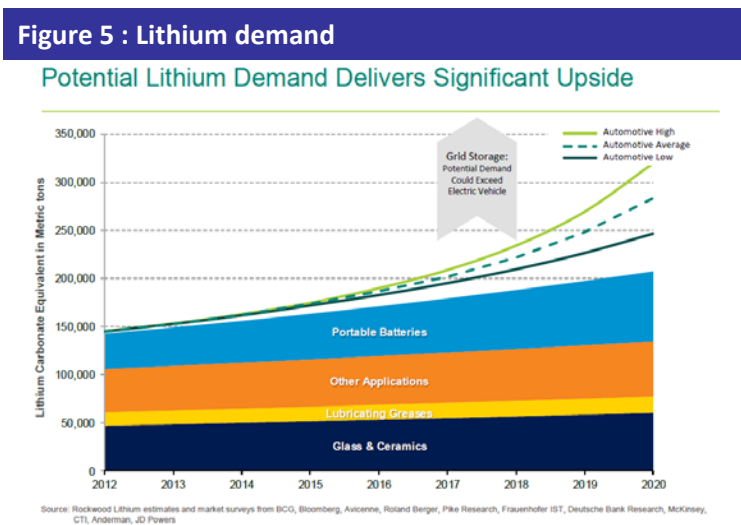
Lithium Market

Figure 5 shows that, for 2014 :

- The major use for lithium was in the production of glass / ceramic ware, which makes use of the almost zero co-efficient of expansion of Li_2O ; and
- By 2016, the dominant use is expected to be batteries for
 - Portable electronic devices, including phones and tablets, as well as power tools and related equipment;
 - electric vehicles, both battery electric and hybrid vehicles; and
 - off-grid electricity storage, in conjunction with renewable energy which has intermittent, rather than continuous or on-demand, generation.

Demand for lithium is expected to grow strongly for energy storage, with

- Battery electric and hybrid vehicles;
- Portable electronic devices and power tools; and
- Off grid electricity storage



Source : Albemarle presentation, September 2015

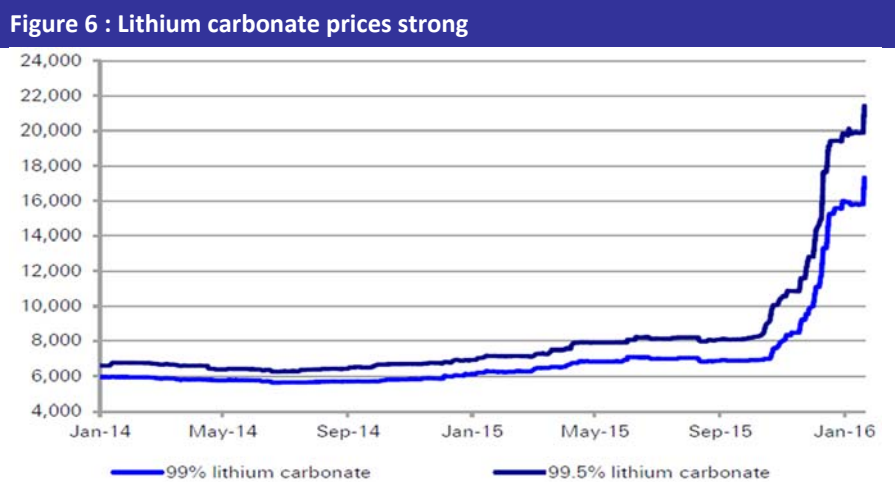
While the demand picture is good, supply is tight as

Demand is growing

- the expected surge in production from brines has been slower than expected;
- new generation lithium-ion battery technology, with higher energy densities, use Lithium-hydroxide (LiOH), rather than lithium carbonate (Li_2CO_3) as a feedstock, are best produced from spodumene while brines produce Li_2CO_3 .

Supply is tight

Figure 6 shows that, in contrast to other commodities, the price of Li_2CO_3 has been rising strongly, especially since October 2015.



Also, Chinese battery production has been set up based on spodumene feed, rather than brines, and the Greenbushes mine, a major source of feed, will not have product for third party manufacturers after 2017, when Albemarle has completed construction of its battery plant in China.

Figure 7 shows recent prices for spodumene concentrate.

Figure 7 : Strong prices for spodumene concentrate

USD /t	cif USA		cif Europe		cif Asia	
	High	Low	High	Low	High	Low
>7.5% Li ₂ O	772	854	740	790	725	775
5% Li ₂ O	463	496	450	500	350	410

Source : *Industrial Minerals*, February 2016

Beer & Co Analysis

On 19 November 2012, AJM announced the results of its scoping study on Pilgangoora spodumene project. The conclusions were summarised as

AJM published the results of a scoping study in November 2012

- Capital cost of \$96m,
- to bring into a operation a project to process 830kt/yr of ore;
- produce up to 150kt/tyr of 6% Li₂O concentrate; and
- generating returns of an IRR of 52.5% and an NPV of \$93m.

That study assumed a mining inventory corresponding to the resource estimate. Figure 8 shows the mining inventory assumed by Beer & Co in this analysis.

Figure 8 : Assumed Mining Inventory

Starter	2.5 Mt	1.60 %	40 kt
High grade	4.0 Mt	1.35 %	54 kt
Standard	12.5 Mt	1.20 %	150 kt
Low grade	6.0 Mt	1.00 %	60 kt
TOTAL	25.0 Mt	1.22 %	304 kt

Other assumptions made by Beer & Co in this analysis include :

Source : Beer & Co assumptions

Beer & Co has assumed a 1.0Mt/yr operation, with a capital cost of \$82m.

- Capital cost is \$A 82m to mine and process 1.0Mt/yr of ore; Beer & Co expects
 - A lower cost than the scoping study as costs have come down since then;
 - Lower costs than for Pilbara Minerals (PLS.ASX) as AJM is planning only one product while PLS is planning 3 (tantalite, low iron spodumene for glass-ceramics market and spodumene for the battery market);
- The current feasibility study is published in March 2016 and construction starts in 2016 Q3 for first production in September 2017;
- 1.0Mt of ore is mined and processed each year to produce 12,800t of Li₂O in a 6.8% concentrate in the first 2 years, and about 9,700t a year over the life;
- Mining starts at a relatively shallow area, with a strip ratio of 3.0 and climbs continuously over the project life;
- Recovery of Li₂O in ore to concentrate is assumed to be 80%
 - This is the result of the testwork by Pilbara Minerals (PLS.ASX), while AJM have not provided any guidance.

Beer & Co projects a high grade start

Figure 9 shows the detail of Beer & Co's cost estimates, while Figure 10 shows Beer & Co's projected financial outcomes for AJM's Pilgangoora project, before taking into account finances and tax.

Figure 9 : Beer & Co's estimated C1 costs for AJM's Pilgangoora operations

LoM	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	
Waste	\$ 5.0m	\$ 7.6m	\$ 8.4m	\$ 9.1m	\$ 9.6m	\$ 10.1m	\$ 10.3m	\$ 9.8m	\$ 10.2m	\$ 10.6m	\$ 11.0m	\$ 11.4m	
volume	2,024 kt	3,225 kt	3,425 kt	3,625 kt	3,825 kt	4,025 kt	4,225 kt	4,425 kt	4,625 kt	4,825 kt	5,025 kt	5,225 kt	
Strip ratio	5.5 : 1	3.1 : 1	3.2 : 1	3.4 : 1	3.6 : 1	3.8 : 1	4.0 : 1	4.2 : 1	4.4 : 1	4.6 : 1	4.8 : 1	5.0 : 1	5.2 : 1
AUD /t ore	\$ 12.2/t	\$ 7.5/t	\$ 7.6/t	\$ 8.4/t	\$ 9.1/t	\$ 9.6/t	\$ 10.1/t	\$ 10.3/t	\$ 9.8/t	\$ 10.2/t	\$ 10.6/t	\$ 11.0/t	\$ 11.4/t
AUD /t material	\$ 2.2/t	\$ 2.5/t	\$ 2.4/t	\$ 2.5/t	\$ 2.5/t	\$ 2.5/t	\$ 2.5/t	\$ 2.4/t	\$ 2.2/t	\$ 2.2/t	\$ 2.2/t	\$ 2.2/t	\$ 2.2/t
Ore Mining	\$ 2.9m	\$ 4.2m	\$ 4.3m	\$ 4.4m	\$ 4.6m	\$ 4.7m	\$ 4.7m	\$ 4.8m	\$ 4.9m	\$ 4.9m	\$ 5.0m	\$ 5.1m	
AUD /t ore	\$ 7.8/t	\$ 7.8/t	\$ 6.8/t	\$ 6.9/t	\$ 7.0/t	\$ 7.2/t	\$ 7.3/t	\$ 7.4/t	\$ 7.4/t	\$ 7.5/t	\$ 7.6/t	\$ 7.7/t	
Processing	\$ 7.8m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	\$ 11.5m	
AUD /t ore	\$ 11.5/t	\$ 11.8/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	\$ 11.5/t	
Admin & Overhead	\$ 2.8m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	\$ 3.5m	
AUD /t ore	\$ 3.5/t	\$ 4.2/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	\$ 3.5/t	
Concentrate Transport	\$ 7.4m	\$ 12.4m	\$ 12.4m	\$ 10.6m	\$ 10.4m	\$ 10.4m	\$ 10.4m	\$ 9.4m	\$ 9.3m	\$ 9.3m	\$ 9.3m	\$ 9.3m	
AUD /t ore	\$ 9.4/t	\$ 11.2/t	\$ 12.4/t	\$ 12.4/t	\$ 10.6/t	\$ 10.4/t	\$ 10.4/t	\$ 10.4/t	\$ 9.4/t	\$ 9.3/t	\$ 9.3/t	\$ 9.3/t	
		\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	\$ 66/t	
TOTAL	\$ 44m	\$ 26m	\$ 39m	\$ 40m	\$ 39m	\$ 40m	\$ 40m	\$ 40m	\$ 39m	\$ 39m	\$ 40m	\$ 41m	
	\$ 44/t	\$ 42/t	\$ 42/t	\$ 43/t	\$ 42/t	\$ 43/t	\$ 43/t	\$ 42/t	\$ 42/t	\$ 42/t	\$ 43/t	\$ 43/t	

Source : Beer & Co estimates

Figure 10 : Beer & Co's projected financial outcomes for AJM's Pilgangoora operations

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
AUD/USD		0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700
Spodumene, Chemical grade		US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t	US\$ 400/t
Li2O in concentrate	0t	7,672t	12,800t	12,800t	10,975t	10,800t	10,800t	10,800t	9,705t	9,600t	9,600t	9,600t	9,600t
Li2O concentrate	0 kt	113 kt	188 kt	188 kt	161 kt	159 kt	159 kt	159 kt	143 kt	141 kt	141 kt	141 kt	141 kt
Revenue	0	69	114	114	98	96	96	96	87	86	86	86	86
Cash Costs	0	28	42	43	42	42	43	43	42	42	42	43	43
Royalties	0	5	9	9	7	7	7	7	6	6	6	6	6
Dep'cn & Amort'sn	0	3	7	7	7	7	7	7	7	7	7	7	7
E B I T	0	32	57	57	42	40	40	40	32	31	30	30	29
Feasibility / permitting	0	0	0	0	0	0	0	0	0	0	0	0	0
Project Cap.Ex	(62)	(21)	0	0	0	0	0	0	0	0	0	0	0
Sus Cap. Ex	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Cashflow, before tax, etc	(62)	13	62	61	47	45	44	44	37	35	35	34	34

Source : Beer & Co estimates

Base Case Valuation and Sensitivity Analyses

Figure 2 showed the detail of Beer & Co's risked, base case, valuation of AJM. This analysis has required Beer & Co to make its own estimates for many inputs.

Capital and Operating Costs

Figure 11 shows that the conclusions from Beer & Co's valuation are robust even to significant increases in both capital and operating costs, despite increasing equity with higher capital costs.

Figure 11 : Costs Sensitivity

Op.Ex \ Cap.ex	Base	+ 25 %	+ 50 %
Base	12.1 c	10.2 c	8.6 c
+ 10 %	10.6 c	8.9 c	7.6 c
+ 20 %	9.1 c	7.7 c	6.5 c

Source : Beer & Co estimates

Beer & Co's conclusions are robust for changes in important assumptions

Product Prices

Figure 6 showed that lithium carbonate prices have increased strongly recently. While Figure 7 does not show the increase for spodumene prices, all the prices in Figure 7 are higher than 6 months back.

In our base case analysis, Beer & Co has used a cif price of US\$ 400/t, which Figure 7 shows is lower than the prices for low grade product.

Figure 7 also shows that there is a significant difference in value between low grade and high grade material (pure spodumene is about 8.1% Li₂O)

The metallurgical testwork suggests that AJM should produce a grade of about 7%, and could produce 7.5%, with lower recoveries, if that is the conclusion of the economic analysis.

Beer & Co's analysis assumes a product grade of about 6.8% with overall recoveries of 80%, which are likely to prove conservative.

Also, Beer & Co is wary that at least some of the recent price rise will prove to be unsustainable over the longer run.

Figure 12 shows that there is significant upside to Beer & Co's risked base case valuation of AJM for higher prices.

Figure 12 : Sensitivity to prices

Risked	US\$ 400 /t	US\$ 450 /t	US\$ 500 /t
Battery 100%	12.1 c	16.0 c	19.9 c
Glass-ceramics 25%	15.1 c	19.0 c	22.8 c

Source : Beer & Co estimates

If AJM is able to produce a concentrate of over 7% Li₂O, then Figure 7 suggests a value of about US\$ 650/t, which Figure 12 suggests would give a risked base case valuation of over 30c/share.

Further, Figure 12 shows further upside, from 15% to 25%, if AJM is able to supply high Li₂O / low Fe product for the ceramics and glass markets.

Risk

Beer & Co's base case valuation is risked. Figure 13 shows that there is significant further upside to Beer & Co's valuation of AJM from successful delivery of the project.

Figure 13 : Sensitivity to prices and risking

Un-risked	US\$ 400 /t	US\$ 450 /t	US\$ 500 /t
Battery 100%	17.1 c	22.7 c	28.3 c
Glass-ceramics 25%	21.4 c	27.0 c	32.5 c

Source : Beer & Co estimates

Beer & Co initiates research on AJM with a BUY, High Risk recommendation.

We see a number of catalysts for share price action, including

- Feasibility study;
- Indonesian Coal listed on SGX; and
- Marketing Pilgangoora.

Conclusions

In Beer & Co's view, AJM's Pilgangoora project is a robust and valuable project and that the company will become more apparent when

- The feasibility study on Pilgangoora is published; and
- AJM has prepared the means to exit its Indonesian coal operations, which require significant resources and attention while not currently yielding a return; and
- AJM can focus on promoting the Pilgangoora project to both equity investors and also end user customers.

Sensitivity analysis shows that Beer & Co's conclusions are robust with regards to our cost estimates and that there is significant upside potential given the market for lithium product and also the potential for successful project delivery of the project.

AJM's management has a track record for successful project delivery.

We initiate research on AJM with a BUY, High Risk, recommendation.

Beer & Co Research		February 2016									
Altura Mining (AJM.ASX)		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21		
Section 1 - P&L											
Sales revenue	\$A m	5	5	5	73	119	119	103	101		
Interest revenue	\$A m	0	0	0	0	1	1	2	2		
Other revenue	\$A m	5	0	0	0	0	0	0	0		
Total Revenue	\$A m	10	5	5	73	120	120	105	103		
Cost of Goods Sold	\$A m	(4)	(5)	(5)	(33)	(47)	(48)	(46)	(47)		
Royalties	\$A m	0	0	0	(5)	(9)	(9)	(7)	(7)		
Corporate Costs	\$A m	(5)	(2)	(2)	(2)	(2)	(2)	(2)	(2)		
Exploration Expense	\$A m	(0)	0	0	0	0	0	0	0		
Other Operating Expenses	\$A m	(16)	0	0	0	0	0	0	0		
Total Operating Expenses	\$A m	(25)	(7)	(7)	(40)	(57)	(58)	(55)	(56)		
EBITDA	\$A m	(16)	(2)	(2)	33	63	63	49	48		
Dep'n & Amort'n	\$A m	(1)	0	0	(3)	(7)	(7)	(7)	(7)		
EBIT	\$A m	(17)	(2)	(2)	30	56	56	43	41		
Interest Expense	\$A m	(0)	0	0	(4)	(4)	(4)	(3)	(2)		
Other	\$A m	(13)	0	0	0	0	0	0	0		
Pre-Tax Profit	\$A m	(30)	(2)	(2)	26	52	53	40	39		
Tax Expense	\$A m	(0)	0	0	(8)	(16)	(16)	(12)	(12)		
NPAT	\$A m	(30)	(2)	(2)	19	36	37	28	28		
Section 2 - Key Data											
Ordinary shares - year end	m	837.7	1,126	1,722	1,726	1,726	1,726	1,726	1,726		
Fully diluted shares on issue	m	1,044.3	1,132	1,726	1,726	1,726	1,726	1,726	1,726		
Weighted # shares	m	489.8	946	1,721	1,725	1,726	1,726	1,726	1,726		
Earnings per Share		(3.5c)	(0.2c)	(0.1c)	1.1 c	2.1 c	2.1 c	1.6 c	1.6 c		
Dividends Per Share		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c		
Section 3 - Balance Sheet											
Cash	\$A m	2	5	2	27	73	109	133	156		
Receivables	\$A m	3	1	1	13	15	15	13	13		
Other	\$A m	2	0	0	0	0	0	0	0		
CURRENT ASSETS	\$A m	7	5	3	40	88	124	145	169		
Receivables	\$A m	2	0	0	0	0	0	0	0		
P, P & E	\$A m	1	1	63	83	78	74	70	65		
Mining Properties / Exploration	\$A m	15	16	16	16	16	16	15	15		
Other	\$A m	21	0	0	0	0	0	0	0		
NON-CURRENT ASSETS	\$A m	39	18	79	99	94	90	85	80		
TOTAL ASSETS	\$A m	46	23	82	139	182	213	230	249		
Payables	\$A m	3	1	1	5	6	6	6	6		
Debt	\$A m	0	0	0	9	10	11	12	8		
Other	\$A m	1	0	0	0	0	0	0	0		
CURRENT LIABILITIES	\$A m	4	1	1	15	16	17	18	13		
Long Term Debt	\$A m	17	0	50	41	31	20	8	0		
Other	\$A m	0	0	0	0	0	0	0	0		
Provisions	\$A m	0	0	0	0	0	0	0	0		
NON-CURRENT LIABILITIES	\$A m	17	0	50	41	31	20	8	0		
TOTAL LIABILITIES	\$A m	21	1	51	56	47	37	25	13		
NET ASSETS	\$A m	26	22	31	83	135	177	205	236		
Accumulated Profit (Loss)	\$A m	(54)	(56)	(58)	(39)	(3)	34	62	90		
Reserves	\$A m	0	(6)	(24)	10	25	30	30	34		
Contributed Equity	\$A m	79	84	112	112	112	112	112	112		
Minority Interest	\$A m	25	22	31	83	135	177	205	236		
Total Equity	\$A m	26	22	31	83	135	177	205	236		
Section 4 - Cashflow											
Net Cashflow from operations	\$A m	0	(2)	(2)	33	63	63	49	48		
Net Interest Paid	\$A m	(0)	0	0	(4)	(4)	(2)	(1)	1		
Taxes Paid	\$A m	0	0	0	0	(1)	(11)	(10)	(8)		
Change in Working Capital	\$A m	(0)	0	0	(8)	(1)	0	2	0		
OPERATING CASHFLOW	\$A m	(0)	(2)	(2)	22	57	50	41	40		
Exploration + Feasibility	\$A m	0	2	0	0	0	0	0	0		
Maintenance Capex	\$A m	0	0	0	2	2	2	2	2		
Expansion Capex	\$A m	0	0	62	21	0	0	0	0		
PPE Acquisitions (Total Capex)	\$A m	0	2	62	23	2	2	2	2		
PPE Divestments	\$A m	0	0	0	0	0	0	0	0		
INVESTING CASHFLOW	\$A m	0	2	62	23	2	2	2	2		
Change in Equity	\$A m	0	5	28	0	0	0	0	0		
Dividends Paid	\$A m	0	0	0	0	0	0	0	0		
Change in Debt	\$A m	17	(17)	50	0	(9)	(10)	(11)	(12)		
FINANCING CASHFLOW	\$A m	17	(12)	78	0	(9)	(10)	(11)	(12)		
Free Cashflow	\$A m	(0)	(0)	60	44	59	52	43	42		
Net Cashflow	\$A m	17	(12)	138	44	49	41	31	30		
Commodity price assumptions											
Year ended June		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21				
AUD/USD		0.711	0.700	0.700	0.700	0.700	0.700				
Spodumene, Chemical grade		400	400	400	400	400	400				
Spodumene, Industrial grade		600	600	600	600	600	600				
Mine Production / Sales, contained product											
Spodumene, chemical grade, tonnes			0	7,672	12,800	12,800	10,975				
Spodumene, industrial grade, tonnes			0	0	0	0	0				
Resources, Reserves and assumed mining inventory											
Pilgangoora Mineral Resources											
Resources		cut-off	Li2O								
Category		Li2O	grade	contained							
Measured		0.80 %	0 Mt	0 t							
Indicated		0.80 %	19.77 Mt	1.21 %	239,000 t						
Inferred		0.80 %	6.29 Mt	1.20 %	76,000 t						
TOTAL			26.06 Mt	1.21 %	315,000 t						
Beer & Co estimated mining inventory, Pilgangoora											
		Li2O									
		grade	contained								
Starter		2.5 Mt	1.60 %	40 kt							
High grade		4.0 Mt	1.35 %	54 kt							
Standard		12.5 Mt	1.20 %	150 kt							
Low grade		6.0 Mt	1.00 %	60 kt							
TOTAL		25.0 Mt	1.22 %	304 kt							
Asset based Valuation											
discount rate = 12.0 %		30 June 2015			1-Feb-16						
		risk :	100%	Product	per share						
Pilgangoora Resources		70 %	\$ 235m	\$ 164m	9.8 c	10.4 c					
franking credits		42 %	\$ 39m	\$ 16m	1.0 c	1.0 c					
Pilgangoora Extensions		55 %	\$ 5m	\$ 3m	0.2 c	0.2 c					
franking credits		33 %	\$ 1m	\$ 0m	0.0 c	0.0 c					
Indonesian Coal		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c					
Mining Services		70 %	(\$ 2m)	(\$ 2m)	(0.1c)	(0.1c)					
Philippines Coal		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c					
Mt Webber Iron Ore		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c					
Lithium Corp		70 %	\$ 0m	\$ 0m	0.0 c	0.0 c					
Corporate		100 %	(\$ 12m)	(\$ 12m)	(0.7c)	(0.7c)					
Cash / Debt		100 %	(\$ 15m)	(\$ 15m)	(0.9c)	(0.2c)					
Equity raisings		100 %	\$ 27m	\$ 27m	1.6 c	1.5 c					
TOTAL			\$ 278m	\$ 182m	10.9 c	12.1 c					
Shares on issue		837.7m	P O share:	197.7m	Options						
		35.3m	2015 - 16	197.7m	Ops. Ex'd						
		593.6m	later	9.1m	Perf Rights						
Financial Ratios											
Year ended June		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20				
Revenue	\$A m	5	5	73	120	120	105				
EBITDA	\$A m	(16)	(2)	(2)	33	63	63				
EBIT	\$A m	(17)	(2)	(2)	30	56	56				
NPAT (reported)	\$A m	(30)	(2)	(2)	19	36	37				
Adjusted EPS (cps)		(3.5c)	(0.2c)	(0.1c)	1.1 c	2.1 c	2.1 c				
EPS Growth (%)			94 %	50 %	1,069 %	96 %	1 %				
DPS (c)		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c				
Dividend Yield (%)		0 %	0 %	0 %	0 %	0 %	0 %				
PE adj. (x)	x	(0.7)	(26)	(52)	5.4	2.8	2.7				
EV / EBITDA (x)	x	(2)	(29)	(78)	3.7	1.1	0.4				
EV / EBIT (x)	x	(2)	(29)	(78)	4.1	1.2	0.4				
Gearing (%)		0 %	61 %	36 %	23 %	14 %	9 %				
Return on Assets		(9%)	(2%)	22 %	31 %	26 %	19 %				
Return on Equity		(9%)	(6%)	22 %	27 %	21 %	14 %				
EBITDA Margin (%)		(333%)	(43%)	(40%)	46 %	53 %	53 %				
Interest Cover (x)	x	(62.4)	n/a	n/a	7.8	12.9	15.9				
Shareholdings											
Board & Management											
Allan Buckler		146.411m	17.5 %	Others							
Paul Mantell		25.363m	3.0 %	Maxwell Smith		139.387m	16.6 %				
James Brown		20.018m	2.4 %	Farjoy Pty Ltd		48.712m	5.8 %				
Beng Kuan		15.183m	1.8 %	Navibell Services Ltd.		34.892m	4.2 %				
Dennis O'Neill		10.778m	1.3 %	TOTAL		222.991m	26.6 %				
TOTAL		217.754m	26.0 %								

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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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