

Valuation up after Feasibility Study

First product 2017 Q3; Off-take contracted

Recommendation

Strong BUY, High Risk

Price

21c

Valuation

41.5c

Commodity

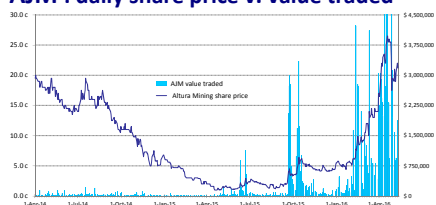
Lithium

- **AJM released the results of its Feasibility Study on 11 April. As a result, Beer & Co has revised many estimates and our valuation has increased by 20%**
- **Revisions have included mining inventory, spodumene price, AUD-USD rate, cash costs and risking.**
- **On 26 April 2016, AJM announced a binding off-take agreement, for a minimum of 100kt/yr of 6.0% Li₂O spodumene concentrate, with one the two parties with which it had signed an MOU.**
- **Beer & Co's base case assume medium term Li₂O concentrate price up to US\$ 650/t, but a longer term price of US\$ 475/t.**

Snapshot

| | |
|------------------------------|---------------|
| Market Cap | \$202m |
| Cash on hand (31 March 2016) | \$2.84m |
| Net cash (Debt) | (\$16.1m) |
| Shares on Issue | 930m |
| 52 Week High | 28.2c |
| 52 Week Low | 1.1c |
| 1 month / 6 month VWAP | 22.1c / 13.5c |

AJM : daily share price v. value traded



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.

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

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

A feasibility Study is expected soon.

Author : Pieter Bruinstroop
pbruinstroop@beerandco.com.au

AJM Feasibility Study

AJM announced the result of its Feasibility Study on 11 April, stating that it expects to complete its DFS in early Q3 2016, and product in 2017 Q3.

The Feasibility Study is based on processing 18.47Mt of Reserves, grading 1.07%, with 15.57Mt at 1.15% processed first and then the balance, being low-grade stockpiles, of 2.9Mt grading 0.69% Li₂O at the end of the mining.

Further Potential

In addition, there is 2.9Mt of Inferred resources within the pit shell that is treated as un-mineralised waste in the feasibility study.

There is also material along strike from the pit that is not included in Resources as well as further Resources near the pit.

Our base case valuation includes only the Inferred Resources within the existing pit design.

The base case is for a mill of 1.4Mt/yr. This can be easily expanded to 2.0Mt/yr, and while Beer & Co expects that this will be done, we have not included this value in our based case.

Commodity prices

Beer & Co's previous research, on 11 March, assumed an AUD-USD rate of 0.700, and USD 450/t for spodumene concentrate.

We have increased both of these assumptions :

- Our AUD-USD rate is now 0.750; and
- We now assume spodumene prices of USD 650/t over the medium terms, falling from 2022 H2 to plateau at USD 475/t in 2024

Beer & Co risked valuation now 41.5c/share

Testing our valuation gives a range of 37c to 55c/share.

Beer & Co conclusions

Beer & Co affirms our recommendation of Strong BUY, High Risk.

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Feasibility Study

Mining Schedule

AJM announced the Feasibility Study results on 11 April

Figure 1 shows AJM’s current Mineral resource Estimate, of 35.7Mt, grading 1.04% for 372kt of contained Li₂O.

Figure 2 shows the Ore Reserve estimate, of 18.4Mt of Probable Reserves derived from these Resources.

Figure 1 : AJM’s current Resource Estimate

| Resources Category | cut-off Li ₂ O | Li ₂ O | | |
|--------------------|---------------------------|-------------------|---------------|------------------|
| | | grade | contained | |
| Measured | 0.40 % | | | |
| Indicated | 0.40 % | 26.70 Mt | 1.05 % | 280,000 t |
| Inferred | 0.40 % | 9.00 Mt | 1.02 % | 92,000 t |
| TOTAL | | 35.70 Mt | 1.04 % | 372,000 t |

Source : AJM ASX announcement, 11 February 2016

Figure 2 : AJM’s Reserves

| | Li ₂ O | | |
|--------------|-------------------|---------------|------------------|
| | grade | contained | |
| Proven | | | |
| Probable | 18.4 Mt | 1.07 % | 198,340 t |
| TOTAL | 18.4 Mt | 1.08 % | 198,340 t |

Source : AJM ASX announcement, 11 April 2016

The Feasibility Study is based on 18.4Mt of Reserves, grading 1.07% Li₂O

From Resources of 35.7Mt grading 1.04% Li₂O

The mine plan is based on a single open cut mine

Figure 3 shows the location of AJM’s tenements in the Pilbara region.

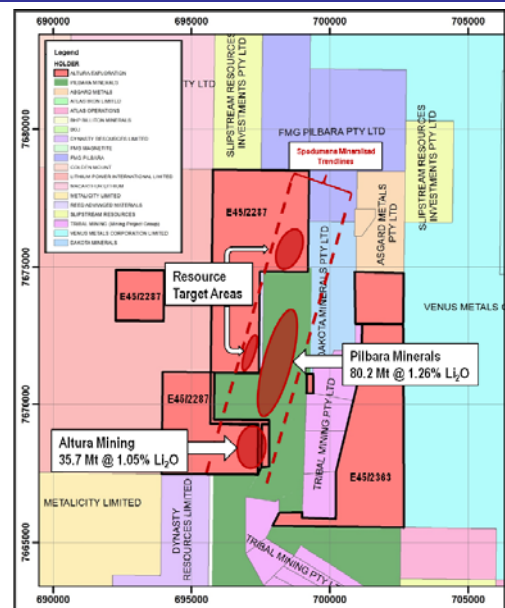
It shows that the Resources shown in Figure 1 (and Reserves shown in Figure 2) are contained at the southern / S-W end of the pegmatite trend.

Figure 4 is a 3 dimensional model of the planned mine, showing that Altura’s mine is planned to be a single open cut mine.

The final pit is planned to be about 1,500m in length, 185m to 500m in width and 46m to 200m in depth.

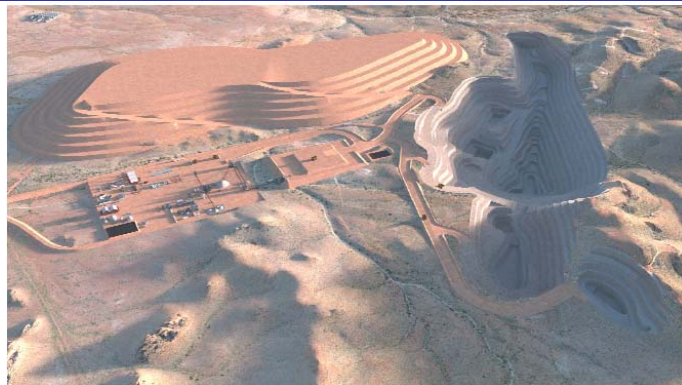
Figure 4 also shows the processing plant near the pit.

Figure 3 : AJM Mineralisation



Source : AJM ASX announcement, 21 April 2016

Figure 4 : 3D model of project pit and waste dump

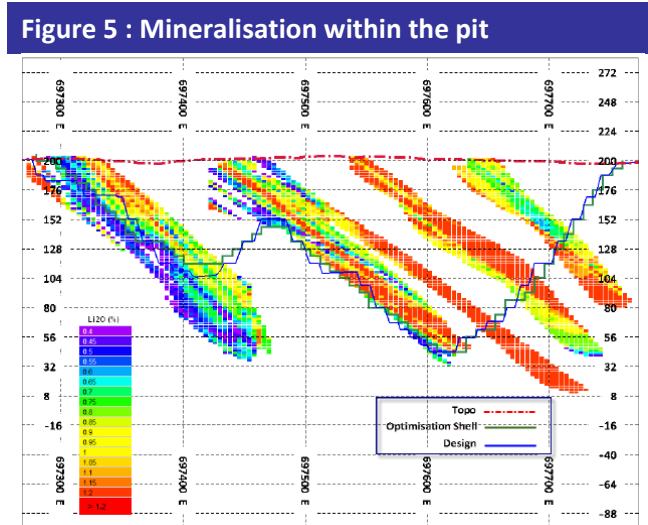


Source : AJM ASX announcement, 21 April 2016

Figure 5 shows that the pit design takes in 4 lodes. It shows that the overall waste to ore ratio will be low, with AJM stating that will be 2.7 : 1 over the Life of the Mine

The mineralisation is in a series of stacked, dipping lodes

With only modest waste to be extracted



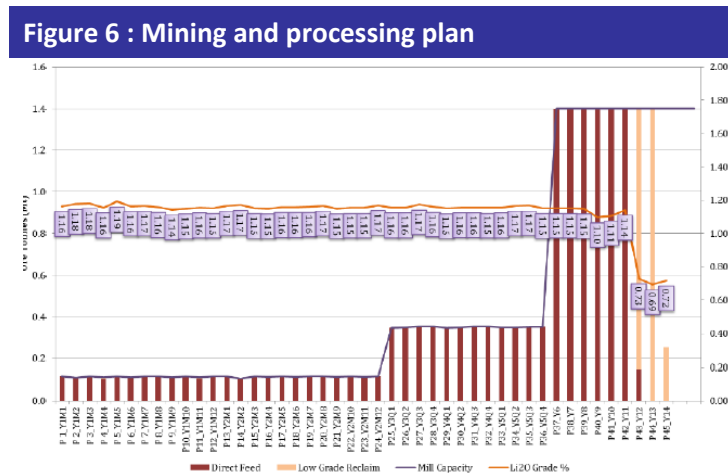
Source : AJM ASX announcement, 21 April 2016

Figure 6 shows the mining schedule. It shows 1.4Mt/yr of ore, with Years 1 to 8 varying in a narrow range of 1.15% to 1.18%, before falling to 1.10% to 1.14% over years 9 to 11 and some of year 12.

The plan is to mine and process 1.4Mt/yr of ore,

Grading 1.15% for the first 11 years

With the remaining 2.9Mt of low grade, 0.69% Li₂O, at the end of the higher grade



Source : AJM ASX announcement, 11 April 2016

Figure 6 shows a residual, of 2.9Mt of low grade ore, at 0.69% Li₂O, to be processed.

In addition, AJM state that there is a further 2.4Mt of Inferred Resources, grading 1.08% Li₂O within the pit design that is treated as un-mineralised waste.

There is also 2.4Mt of Inferred Resources within the pit shell that is treated as un-mineralised waste in the feasibility study

Figure 7 shows the mining inventory used by Beer & Co in this analysis.

The black numbers are our base case, which includes the Inferred Resources within the pit shell as this can be easily brought into Reserves with a small amount of in-fill drilling.

Figure 7 : Beer & Co's mining inventory

| Category | volume | Li ₂ O grade | contained L |
|--------------------|----------------|-------------------------|---------------|
| Reserves | 15.6 Mt | 1.15 % | 179 kt |
| Conversion | 2.4 Mt | 1.08 % | 46 kt |
| Low grade / Stocks | 2.9 Mt | 0.69 % | 20 kt |
| Near Pit | 3.0 Mt | 1.07 % | 32 kt |
| Resources | 5.0 Mt | 1.04 % | 52 kt |
| Target | 5.0 Mt | 1.00 % | 50 kt |
| TOTAL | 33.9 Mt | 1.12 % | 379 kt |

Source : AJM announcement, 11 April 2016; Beer & Co est.

Beer & Co's base case includes the Inferred Resources within the pit shell

There is further mineralisation that is likely to be economic, but Beer & Co has not included this in our base case

The extra amounts relate to :

- Near Pit is the area to the N-E of the existing pit, within AJM's Mining Lease, but too close to the lease boundary to be included in Resources
 - Agreement with Pilbara Minerals is required to exploit this material, and PLS also have valuable mineralisation on their side of the tenement boundary
- Resources are areas within the existing Mining Lease, included in Resources but not in the current pit design
 - AJM has more than 10 years of operations to bring this into the plan, which Beer & Co believe is more than sufficient
- Target is those areas highlighted in Figure 3.

Sensitivity analysis, further below, shows that this extra potential adds only a small amount of value, and does not impact on a current investment decision.

Analysis of Feasibility Study

The Feasibility Study gives values different from Beer & Co's previous analysis in many areas :

- Recovery of 83% compared with 80% in Beer & Co's previous analysis;
- A smaller mining inventory with a much flatter grade profile, though same overall grade;
- Operating costs close to Beer & Co's previous estimates.

Revised Commodity price assumptions

The Feasibility Study used a price for 6.0% Li₂O concentrate of USD 494/t

Which was the average FOB export price in the September quarter of 2015

Since then, prices have strengthened further, with GMM.ASX announcing sales at USD 600/t.

Beer & Co uses a price profile, up to USD 650/t for about 5 years and then falling back to USD 475/t

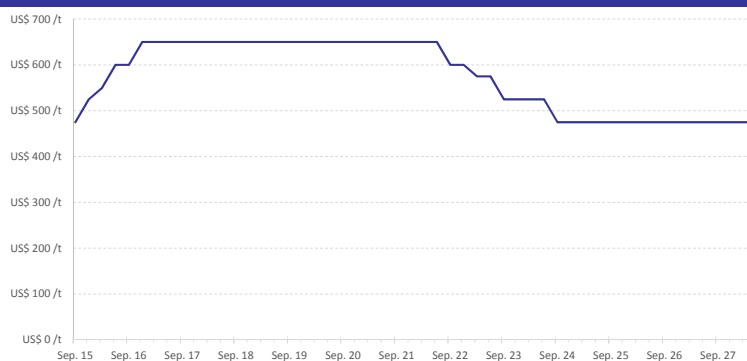
The average prices of spodumene concentrate exports from Australia in 2014 was USD 431/t. The average price for the period January to September in 2015 was USD 494/t.

This was the price used by AJM in its feasibility, even though on 8 March 2016, General Mining (GMM.ASX) announced that it had sold 60kt of 2016 production, with a minimum Li₂O grade of 5.55, for USD 600/t, FOB. This sale underpinned the (re-)development of Mt Caitlin.

Lithium supply is tight and more battery capacity is being added.

Figure 8 shows that Beer & Co has assumed that Spodumene prices of USD 650/t for about 5 years, which is how long it will take the threatened wall of potential supply that has recently gained exploration funding on the ASX.

Figure 8 : Spodumene price profile



Source : Beer & Co estimates

Figure 8 shows that Beer & Co assumes a Long Run price for 6.0% spodumene concentrate of USD 475/t.

Beer & Co Valuation

Revised, Risked base case

Figure 9 shows Beer & Co's base case projections for AJM's Pilgangoora operations. It shows that we have included the Inferred resources within the pit shell as are, so reducing the amount of waste shifted by 2.9Mt.

Figure 9 : Beer & Co's projected operations, for AJM's Pilgangoora mine

| | Life of Mine | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2303-31 | 2031-32 | 2032-33 |
|------------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| Ore mined | 20,870 kt | 928 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 343 kt |
| Mining Inventory | 20.9 Mt | 19.9 Mt | 18.5 Mt | 17.1 Mt | 15.7 Mt | 14.3 Mt | 12.9 Mt | 11.5 Mt | 10.1 Mt | 8.7 Mt | 7.3 Mt | 5.9 Mt | 4.5 Mt | 3.1 Mt | 1.7 Mt | 0.3 Mt | 0.0 Mt |
| | 1.08 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.08 % | 1.08 % | 0.69 % | 0.69 % |
| waste : ore | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 | 2.3 : 1 |
| Waste moved | 47,375 kt | 2,105 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 3,178 kt | 777 kt |
| Ore Processed | 20,870 kt | 928 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 1,400 kt | 343 kt |
| Li2O grade | 1.07 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.15 % | 1.13 % | 1.08 % | 0.86 % | 0.69 % | 0.69 % |
| Recovery | 82.6 % | 75 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % | 83 % |
| Li2O recovered | 187,230 t | 8,009 t | 13,363 t | 13,363 t | 13,363 t | 13,363 t | 13,363 t | 13,363 t | 13,363 t | 13,363 t | 13,363 t | 13,363 t | 13,126 t | 12,550 t | 9,936 t | 8,018 t | 1,961 t |
| Conc grade | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % |
| Li2O concentrate | 2,880 kt | 123,222 t | 205,585 t | 205,585 t | 205,585 t | 205,585 t | 205,585 t | 205,585 t | 205,585 t | 205,585 t | 205,585 t | 205,585 t | 201,942 t | 193,071 t | 152,857 t | 123,351 t | 30,177 t |

Source : Beer & Co estimates

Beer & Co checked our costing against those advised by AJM in their 11 April feasibility study announcement and made the necessary adjustments so that when our parameters are set to AJM's, the costs are the same.

Figure 10 shows the detail of Beer & Co's revised base case valuation of AJM.

It shows that we have reduced our risking due to the better quality information now available.

Figure 10 : Beer & Co revised valuation of AJM

| discount rate = 12.0 % | risk : | 30 June 2015 | | 10-May-16 | |
|------------------------|--------|----------------|----------------|---------------|---------------|
| | | 100% | Product | per share | |
| Pilgangoora Reserves | 90 % | \$ 460m | \$ 414m | 31.0 c | 33.2 c |
| franking credits | 54 % | \$ 78m | \$ 42m | 3.2 c | 3.4 c |
| Conversion | 80 % | \$ 26m | \$ 21m | 1.5 c | 1.6 c |
| Near Pit | 75 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Low grade / Stocks | 90 % | \$ 13m | \$ 12m | 0.9 c | 0.9 c |
| Pilgangoora Extensions | 50 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| franking credits | 30 % | \$ 10m | \$ 3m | 0.2 c | 0.3 c |
| Indonesian Coal | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Mininig Services | 90 % | (\$ 2m) | (\$ 2m) | (0.1c) | (0.1c) |
| Philippines Coal | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Mt Webber Iron Ore | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Lithium Corp | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Corporate | 100 % | (\$ 11m) | (\$ 11m) | (0.8c) | (0.8c) |
| Cash / Debt | 100 % | (\$ 15m) | (\$ 15m) | (1.1c) | 0.2 c |
| Equity raisings | 100 % | \$ 40m | \$ 40m | 3.0 c | 2.7 c |
| TOTAL | | \$ 600m | \$ 504m | 37.7 c | 41.5 c |
| Shares on issue | 837.7m | F P O shares | 197.7m | Options | |
| | 37.0m | 2015 - 16 | 197.7m | Ops. Ex'd | |
| | 254.4m | later | 9.1m | Perf Rights | |

Source : Beer & Co estimates

Beer & Co is revising its base case valuation of AJM to 41.5c/share

Sensitivity Analysis

Beer & Co sees significant upside potential from increasing the throughput rate from 1.4Mt/yr to 2.0Mt/yr

Figure 11 shows the key sensitivity to Beer & Co’s base case valuation :

- The value does not change by very much for changes in inventory, with only a small increase in value beyond the inventory in the feasibility study;
- The valuation is only a little sensitive to changes in the long run price, given the assumed medium term prices, as shown in Figure 8;
- An expansion to 2.0Mt/yr, with an associated capital cost of \$22m in Year 3, adds value to the project.

Fig. 11a : Commodity price mining inventory

| Long-Run Price | Base Case, 1.4Mt/yr | | | |
|----------------|---------------------|---------------|----------|------------|
| | Feasibility | Conversion | Near Pit | Extensions |
| US\$ 525 /t | 41.0 c | 43.7 c | 44.2 c | 44.9 c |
| US\$ 475 /t | 39.1 c | 41.5 c | 41.8 c | 42.3 c |
| US\$ 425 /t | 37.3 c | 39.4 c | 39.5 c | 39.8 c |

Source : Beer & Co estimates

Figure 11b : Sensitivity to throughput

| Long-Run Price | Expansion Case, to 2.0Mt/yr | | | |
|----------------|-----------------------------|------------|----------|------------|
| | Feasibility | Conversion | Near Pit | Extensions |
| US\$ 525 /t | 48 c | 52 c | 53 c | 55 c |
| US\$ 475 /t | 47 c | 50 c | 51 c | 52 c |
| US\$ 425 /t | 45 c | 48 c | 49 c | 50 c |

Source : Beer & Co estimates

Conclusions

Figure 12 shows that the AJM share price has increased very sharply, on improved volumes. Figure 12 also shows that the price has softened since late April.

Since AJM focussed on its Pilgangoora spodumene project, its share price has performed well, on good volume, though it has softened in the last 2 weeks

Figure 12 : AJM share price v. volume



Source : IRESS, Beer & Co estimates

The keys to Beer & Co’s valuation of AJM are :

- Strong demand for spodumene, due to
 - general lithium demand, for lithium ion batteries, is strong;
 - from spodumene, Lithium hydroxide can be produced, which has a higher power density than lithium carbonate, which is the product of bring supply;
 - Albemarle will cease its supply of spodumene from Greenbushes to Chinese battery manufacturers, forcing them to find supply elsewhere;
- Confidence in sales, with a Binding Off-take agreement announced on 26 April; and
- Confidence in cost estimates from the 11 April feasibility study.

As our base case valuation is about 2x the share prices, and our valuation is not very sensitive to a range of parameters, Beer & Co affirms our Strong BUY, High Risk recommendation.

Beer & Co affirms our Strong BUY, High Risk, recommendation

Beer & Co Research
Altura Mining (AJM.ASX) May 2016

| Year ended June | 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 | 120 | 198 | 198 | 198 |
| Interest revenue | \$A m | 0 | 0 | 0 | 0 | 1 | 3 | 4 |
| Other revenue | \$A m | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | \$A m | 10 | 5 | 5 | 121 | 199 | 200 | 202 |
| Cost of Goods Sold | \$A m | (4) | (5) | (5) | (47) | (65) | (65) | (66) |
| Royalties | \$A m | 0 | 0 | 0 | (5) | (9) | (9) | (9) |
| Corporate Costs | \$A m | (5) | (2) | (2) | (2) | (2) | (2) | (2) |
| Exploration Expense | \$A m | (0) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Operating Expenses | \$A m | (16) | (1) | 0 | 0 | 0 | 0 | 0 |
| Total Operating Expenses | \$A m | (25) | (8) | (7) | (54) | (76) | (76) | (76) |
| EBITDA | \$A m | (16) | (3) | (2) | 67 | 124 | 125 | 126 |
| Dep'n & Amort'n | \$A m | (1) | 0 | 0 | (6) | (9) | (9) | (9) |
| EBIT | \$A m | (17) | (3) | (2) | 61 | 115 | 116 | 117 |
| Interest Expense | \$A m | (0) | 0 | 0 | (6) | (7) | (5) | (4) |
| Other | \$A m | (13) | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-Tax Profit | \$A m | (30) | (3) | (2) | 55 | 108 | 110 | 113 |
| Tax Expense | \$A m | (0) | 0 | 0 | (17) | (32) | (33) | (34) |
| NPAT | \$A m | (30) | (3) | (2) | 39 | 76 | 77 | 81 |

| Section 2 - Key Data | | | | | | | | |
|-------------------------------|---|---------|--------|--------|-------|-------|-------|-------|
| Ordinary shares - year end | m | 837.7 | 1,128 | 1,385 | 1,388 | 1,388 | 1,388 | 1,388 |
| Fully diluted shares on issue | m | 1,023.6 | 1,134 | 1,388 | 1,388 | 1,388 | 1,388 | 1,388 |
| Weighted # shares | m | 489.8 | 952 | 1,384 | 1,387 | 1,388 | 1,388 | 1,388 |
| Earnings per share | | (3.5c) | (0.3c) | (0.1c) | 2.8 c | 5.4 c | 5.6 c | 5.7 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 |

| Section 3 - Balance Sheet | | | | | | | | |
|----------------------------------|-------|-----------|-----------|------------|------------|------------|------------|------------|
| Cash | \$A m | 2 | 6 | 2 | 59 | 148 | 229 | 310 |
| Receivables | \$A m | 3 | 1 | 1 | 22 | 25 | 25 | 25 |
| Other | \$A m | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| CURRENT ASSETS | \$A m | 7 | 6 | 3 | 80 | 173 | 254 | 335 |
| Receivables | \$A m | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| P, P & E | \$A m | 1 | 1 | 95 | 120 | 112 | 104 | 95 |
| Mining Properties / Exploration | \$A m | 15 | 16 | 16 | 16 | 16 | 15 | 15 |
| Other | \$A m | 21 | 0 | 0 | 0 | 0 | 0 | 0 |
| NON-CURRENT ASSETS | \$A m | 39 | 18 | 111 | 137 | 128 | 119 | 111 |
| TOTAL ASSETS | \$A m | 46 | 24 | 114 | 217 | 301 | 373 | 445 |
| Payables | \$A m | 3 | 1 | 1 | 7 | 8 | 8 | 8 |
| Debt | \$A m | 0 | 0 | 0 | 14 | 15 | 17 | 18 |
| Other | \$A m | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| CURRENT LIABILITIES | \$A m | 4 | 1 | 1 | 21 | 23 | 24 | 26 |
| Long Term Debt | \$A m | 17 | 0 | 76 | 62 | 47 | 30 | 12 |
| Other | \$A m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions | \$A m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NON-CURRENT LIABILITIES | \$A m | 17 | 0 | 76 | 62 | 47 | 30 | 12 |
| TOTAL LIABILITIES | \$A m | 21 | 1 | 77 | 83 | 70 | 54 | 38 |
| NET ASSETS | \$A m | 26 | 24 | 37 | 134 | 231 | 319 | 408 |
| Accumulated Profit (Loss) | \$A m | (54) | (57) | (59) | (20) | 56 | 133 | 212 |
| Reserves | \$A m | 0 | (6) | (32) | 26 | 48 | 58 | 68 |
| Contributed Equity | \$A m | 79 | 86 | 128 | 128 | 128 | 128 | 128 |
| Minority Interest | \$A m | 25 | 24 | 37 | 134 | 231 | 319 | 408 |
| Total Equity | \$A m | 26 | 24 | 37 | 134 | 231 | 319 | 408 |

| Section 4 - Cashflow | | | | | | | | |
|---------------------------------------|-------|------------|-------------|------------|-----------|-------------|-------------|-------------|
| Net Cashflow from operations | \$A m | 0 | (2) | (2) | 67 | 124 | 125 | 126 |
| Net Interest Paid | \$A m | (0) | 0 | 0 | (6) | (5) | (3) | (0) |
| Taxes Paid | \$A m | 0 | 0 | 0 | 0 | (13) | (23) | (23) |
| Change in Working Capital | \$A m | (0) | 0 | 0 | (15) | (2) | 0 | 0 |
| OPERATING CASHFLOW | \$A m | (0) | (2) | (2) | 46 | 103 | 99 | 102 |
| Exploration + Feasibility | \$A m | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Maintenance Capex | \$A m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expansion Capex | \$A m | 0 | 0 | 93 | 31 | 0 | 0 | 0 |
| PPE Acquisitions (Total Capex) | \$A m | 0 | 2 | 93 | 31 | 0 | 0 | 0 |
| PPE Divestments | \$A m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INVESTING CASHFLOW | \$A m | 0 | 2 | 93 | 31 | 0 | 0 | 0 |
| Change in Equity | \$A m | 0 | 7 | 42 | 0 | 0 | 0 | 0 |
| Dividends Paid | \$A m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in Debt | \$A m | 17 | (17) | 76 | 0 | (14) | (15) | (17) |
| FINANCING CASHFLOW | \$A m | 17 | (10) | 118 | 0 | (14) | (15) | (17) |
| Free Cashflow | \$A m | (0) | (0) | 92 | 78 | 103 | 99 | 103 |
| Net Cashflow | \$A m | 17 | (11) | 210 | 78 | 89 | 84 | 86 |

| Commodity price assumptions | | | | | | |
|------------------------------------|---------|---------|---------|---------|---------|---------|
| Year ended June | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| AUD/USD | 0.727 | 0.750 | 0.750 | 0.750 | 0.750 | 0.700 |
| Spodumene, Chemical grade | 538 | 638 | 650 | 650 | 650 | 650 |
| Spodumene, Industrial grade | 650 | 650 | 650 | 650 | 650 | 650 |

| Mine Production / Sales, contained product | | | | | |
|---|---|-------|--------|--------|--------|
| Spodumene, chemical grade, tonnes | 0 | 8,009 | 13,363 | 13,363 | 13,363 |
| Spodumene, industrial grade, tonnes | 0 | 0 | 0 | 0 | 0 |

| Resources, Reserves and assumed mining inventory | | | | | |
|---|--------------|-----------------|----------------|------------------|--|
| Pilgangoora Mineral Resources | | | | | |
| Resources Category | cut-off Li2O | grade | Li2O 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 | | | 11-May-16 | |
| | risk : | 100% | Product | per share | |
| Pilgangoora Reserves | 90 % | \$ 460m | \$ 414m | 31.0 c | 33.2 c |
| franking credits | 54 % | \$ 78m | \$ 42m | 3.2 c | 3.4 c |
| Conversion | 80 % | \$ 26m | \$ 21m | 1.5 c | 1.6 c |
| Near Pit | 75 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Low grade / Stocks | 90 % | \$ 13m | \$ 12m | 0.9 c | 0.9 c |
| Pilgangoora Extensions | 50 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| franking credits | 30 % | \$ 10m | \$ 3m | 0.2 c | 0.3 c |
| Indonesian Coal | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Mining Services | 90 % | (\$ 2m) | (\$ 2m) | (0.1c) | (0.1c) |
| Philippines Coal | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Mt Webber Iron Ore | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| Lithium Corp | 90 % | \$ 0m | \$ 0m | 0.0 c | 0.0 c |
| #REF! | 100 % | (\$ 11m) | (\$ 11m) | (0.8c) | (0.8c) |
| Corporate | 100 % | (\$ 15m) | (\$ 15m) | (1.1c) | 0.2 c |
| Equity raisings | 100 % | \$ 40m | \$ 40m | 3.0 c | 2.7 c |
| TOTAL | | \$ 600m | \$ 504m | 37.7 c | 41.5 c |
| Shares on issue | 837.7m | P O share: | 197.7m | Options | |
| | 37.0m | 2015 - 16 | 197.7m | Ops. Ex'd | |
| | 254.4m | 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 | 121 | 199 | 200 | 202 |
| EBITDA | \$A m | (16) | (3) | (2) | 67 | 124 | 125 |
| EBIT | \$A m | (17) | (3) | (2) | 61 | 115 | 116 |
| NPAT (reported) | \$A m | (30) | (3) | (2) | 39 | 76 | 77 |
| Adjusted EPS (cps) | | (3.5c) | (0.3c) | (0.1c) | 2.8 c | 5.4 c | 5.6 c |
| EPS Growth (%) | | | 90 % | 61 % | 2,206 % | 95 % | 2 % |
| 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) | (63) | (160) | 7.6 | 3.9 | 3.8 |
| EV / EBITDA (x) | x | (2) | (76) | (201) | 4.7 | 1.7 | 0.9 |
| EV / EBIT (x) | x | (2) | (76) | (201) | 5.1 | 1.8 | 1.0 |
| Gearing (%) | | 0 % | 67 % | 35 % | 21 % | 13 % | 7 % |
| Return on Assets | | (13%) | (2%) | 28 % | 38 % | 31 % | 26 % |
| Return on Equity | | (13%) | (5%) | 29 % | 33 % | 24 % | 19 % |
| EBITDA Margin (%) | | (333%) | (64%) | (38%) | 56 % | 62 % | 63 % |
| Interest Cover (x) | x | (62.4) | n/a | n/a | 10.3 | 17.3 | 21.6 |

| Shareholdings | | | | |
|-------------------------------|-----------------|---------------|------------------------|-----------------|
| Board & Management | | Others | | |
| Allan Buckler | 146.411m | 15.4 % | Maxwell Smith | 139.387m |
| Paul Mantell | 25.363m | 2.7 % | Farjoo Pty Ltd | 45.336m |
| James Brown | 20.018m | 2.1 % | Navibell Services Ltd. | 34.892m |
| Beng Kuan | 15.183m | 1.6 % | TOTAL | 219.615m |
| Dennis O'Neill | 10.778m | 1.1 % | | 23.1 % |
| TOTAL | 217.754m | 22.9 % | | |

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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.

Report prepared by : Pieter Bruinstroop pbruinstroop@beerandco.com.au

BEER & CO PTY LTD ABN 88 158 837 186,
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

Melbourne Office:

Suite 4, Level 2, Bank House

11 - 19 Bank Place,

Melbourne, Vic, Australia 3000

Telephone: (+613) 9600 3599

Facsimile: (+613) 9602 2291

Email: info@beerandco.com.au

Web: www.beerandco.com.au