

## Equity Raised for construction start

Product within 13 months

### Recommendation

**Strong BUY, High Risk**

### Price

**14.0c**

### Valuation

**31c**

### Commodity

**Lithium / spodumene**

- **AJM raised over \$40m in equity by a placement to an off-take partner, Shenzhen listed, Shaanxi J&R Optimum, which has a market cap of about AUD 5B.**
- **AJM does not need to raise any more equity to get into production.**
- **Now that Optimum Nano has listed, it can convert its MOU for supply into a Binding Off-take Agreement, after which project debt can be finalised.**
- **AJM expects approval of its Mining Proposal by year end to begin construction, for first product by end 2017.**
- **AJM has secured nearly all the required permits. Off-take and finance are in hand for first product in 2017.**

### Snapshot

Market Cap	\$223m
Cash on hand (30 Sept 2016)	\$13.4m
Plus over \$40m committed on 8 November	
Shares on Issue	1,231.6m
52 Week High	28.2c
52 Week Low	3.1c
1 month / 6 month VWAP	14.2c / 16.9c

### DFS done; equity raised.

AJM announced the results of its DFS on 26 September, showing a profitable project with a quick pay-back of capital.

On 8 November, AJM announced it had raised over \$40m in equity by a placement to J&R Optimum Energy, which has an MOU with AJM for supply of 100kt – 150kt/yr of spodumene concentrate, as announced on 29 February.

### To complete Binding Off-take Agreement (BOA)

J&R Optimum have not been able to convert the supply MOU into a BOA as they have been going through a listing on the Shenzhen Stock Exchange, which is now completed.

Given the equity investment, and J&R Optimum's need for spodumene concentrate to feed its 18 battery plants, we can expect a BOA soon.

### Finance Completion to follow

AJM does not need any further equity; it needs to complete its debt financing.

AJM has a BOA in place with Lionergy for 100kt – 150kt/yr of concentrate and when it has completed the second BOA, with J&R Optimum, then debt finance will follow.

This is expected before the end of 2016.

### Mining Proposal Lodged; Final step in permitting stage

AJM has 2 granted Mining Leases, and all required approvals are in place, other than approval of the Mining Proposal. This is expected before the end of 2016.

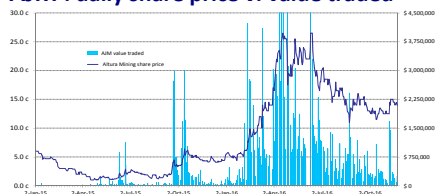
### First product in 2017

By end of 2016, AJM will have all its finance in place, and all required permits to begin construction for first product before end of 2017. .

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

AJM will be bringing production on-stream into a strong market, in about 13 months.

### AJM : daily share price v. value traded



AJM listed in 2001 and focussed on Tantalum, initially at Bald Hills. It acquired Pilgangoora in November 2001.

After other operations, AJM is now focused on getting its Pilgangoora spodumene concentrate (an ore of lithium) project into operation.

AJM produced a scoping study on Pilgangoora in November 2012. The results of a PFS were announced in February 2016, and the DFS in September 2016.

AJM have the required equity, and are securing debt finance and final approval to begin construction in early 2017, for first product end 2017.

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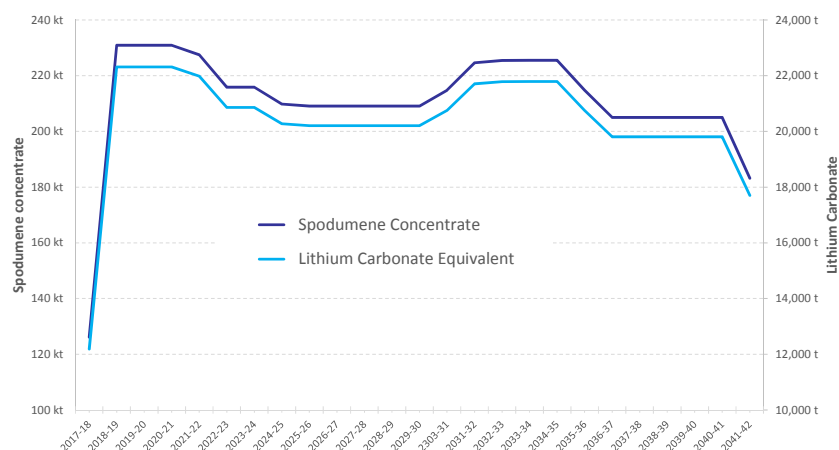
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## AJM has secured its equity

### Off-Take

AJM expects to produce about 209kt – 231kt of 6% Li<sub>2</sub>O spodumene concentrate, as shown in Figure 1. Figure 1 also shows that this is expected to be sufficient to produce about 20,000t/yr of lithium carbonate (assuming 5% process losses).

**Figure 1 : Expected production by AJM from Pilgangoora**



Source : AJM ASX announcement, 26 September 2016, Beer & Co

**AJM has a Binding Off-take Agreement (BOA) for about half of its expected production**

**Beer & Co expects the balance of AJM's production will be covered soon**

### Lionergy Letter of Intent

On 22 February 2016, AJM announced that it had secured a Letter of Intent (LoI) for the off-take of 100kt – 150kt a year of 6% Li<sub>2</sub>O spodumene concentrate for each year of the operation of AJM's Pilgangoora mine, which was nominally 20 years.

The price for this off-take is to be determined with reference to the prevailing US dollar market spot price lithium spodumene concentrate.

This agreement was with Lionergy, which was a newly formed company, though its principals have over 20 years of experience in the lithium industry in China and also physical commodity trading.

Lionergy also took a placement of AJM shares, investing \$A 3.0m at a price which was a significant premium to the AJM share price when it was first agreed (but at about the AJM share price when it was finally announced).

**AJM announced a Letter of Intent (LoI) for about half of its projected production in February**

**AJM announced an MOU for the balance at the end of February**

### Optimum Nano Memorandum of Understanding

On 29 February 2016 announced that it had executed a Memorandum of Understanding (MoU) with Optimum Nano Energy to take a minimum of 100kt, up to 150kt a year of 6% Li<sub>2</sub>O spodumene concentrate for each year of the operation of AJM's Pilgangoora mine.

Optimum Nano has established ties with Chinese producers of lithium ion batteries. Optimum Nano produced 35,000 sets for e-buses and trucks in 2015 and expects to produce 85,000 sets in 2016.

This agreement was executed prior to Optimum Nano registering its documentation for a listing on a Chinese stock exchange.

## Beer & Co comment

While Lionergy and Optimum Nano are independent parties, they worked together for these agreements, and associated agreements, to expand the businesses.

These 2 off-take agreements more than covered AJM's expected production.

However, the agreements need to be converted into Binding Off-take Agreements (BOA) to support debt financing for the development of AJM's Pilgangoora project.

**AJM announced the conversion of the Lol into a BOA in April**

## Lionergy Binding Off-take Agreement

On 26 April, 2016, AJM announced that it secured a BOA with Lionergy :

- For a minimum annual supply of 100kt of 6% Li<sub>2</sub>O spodumene concentrate;
- Provision to negotiate additional off-take, greater than 100kt in any year;
- Agreement for an initial 5 year period, with provisions to extend by agreement between the parties;
- Spodumene concentrate pricing based on the prevailing US\$ market price.

## Binding Off-take for Optimum Nano

As Optimum Nano was seeking a listing on a stock exchange, it was not able to progress its MoU to a BOA as

**The conversion of the MoU into a BOA has been delayed by a listing process that has now been completed.**

- A significant change to its business, such as a BOA, would have required regulatory approval to amend its listing documentation; and
- Until the process was concluded, Optimum Nano lacked the balance sheet to be able to support a bankable agreement.

The listing process has now been finally completed as Optimum Nano Energy was merged with an existing listed company Shaanxi J&R, to form J&R Optimum Energy (JROE).

**The material is needed.**

JROE now has a market capitalisation of about RMB 25 billion, roughly AUD 5 billion. It now has 18 battery plants, either in operation or under construction, and expects to consume over 12kt of lithium carbonate in 2017, rising to 50kt – 100kt by 2020, which Figure 1 shows is a multiple of the potential supply from AJM's Pilgangoora operations.

**Beer & Co expects a BOA for the balance of AJM's production very soon**

On 8 November, AJM announced an agreement with JROE to subscribe for 306m new shares in AJM, for a total investment of over \$A 40m.

Beer & Co expects a BOA to be executed soon.

# To Begin Production

## Ticking the Boxes

Production follows commissioning which follows construction. To begin construction, a project proponent needs to secure

- A feasibility study
  - Essential to be granted a Mining Licence
  - A Definitive Feasibility Study is required to obtain debt finance
    - ⇒ AJM announced the results of its DFS on 26 September 2016

**AJM has executed nearly all of what it needs to do to begin construction of its Pilgangoora project**

- Permits relating to Native Title agreements, site access agreements, environmental approvals and heritage agreements
  - ⇒ AJM announced execution of the Native Title Agreement on 7 July 2016
  - ⇒ Execution of Access Agreements was announced on 3 May, 2016;
- Grant of Mining Leases which was announced on 7 September, and required all other agreements and environmental approvals to be in place

The announcement on 8 November of an equity raising of over \$40m by way of placement to JROE means that AJM has secured all the equity required.

**AJM has 3 steps left to execute, and these are all in train**

### Still to come

- (i) **The Mining Approval application was lodged in September, when the Mining Licences were granted, and grant is expected in December**
  - Mining Approval, which is the final permit to begin construction
    - Application was lodged on 7 September, when the Mining Leases were granted
    - Grant of the final permit is expected in December, with a 3 month period being normal; and
  - Debt finance
    - AJM has been in discussions with debt financiers
    - All the conditions present for debt finance have been concluded with one exception, being a BOA for about 100kt of year of product that is not covered by the BOA executed with Lionergy
      - ⇒ The second BOA is expected very soon;
      - ⇒ Final debt approvals are expected in December.
- (ii) **BOAs for nearly all of the product, and this is expected very soon**
- (iii) **Debt finance secured, which requires the BOAs, and this is significantly progressed**

### Beer & Co conclusions

AJM has only 3 more “boxes to tick”, being

- Binding Off-take Agreement to cover nearly all of AJM’s expected production;
- Debt finance; and
- Final permit, being the Mining Approval.

All 3 are in train and there are no impediments.

Beer & Co expects all will be cleared during CY 2016, so that on-site project construction is able to start early in 2017.

## Industry Background

**There are more than 70 ASX listed companies in lithium**

### AJM’s Peers

There is currently 73 companies listed on the ASX that have a primary, or at least a major, focus on lithium, plus more for which lithium is a secondary focus. Of these,

**Only 5 have produced a feasibility study**

- less than 10 have a published resource estimate; and
- only 5 have produced a feasibility study, of which 1 is in production, 2 are in commissioning and 2 more are soon to begin construction of their project.

Figure 2 shows these 5 companies ranked in terms of market cap per unit of contained Li<sub>2</sub>O production (in the case of PLS, this relates to the 2.0Mt/yr case for which the DFS has been published, while PLS has published a PFS for expansion to 4.0Mt/tyr; also the by-product credits for tantalite production have not been credited in this case).

1 is in production

2 are in the commissioning phase

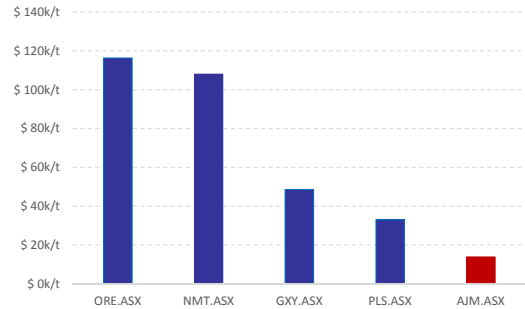
The final 2 have DFSs are looking to begin construction

It should be expected that projects in production will be more highly valued than those which are yet to be constructed.

However, NMT and GXY are in the commissioning phase, while AJM is expected to have product in about 12 months, ahead of PLS.

Further, Figure 3 shows the relative market performance of these 5 companies over the last 6 months.

Figure 2 : Market value for production

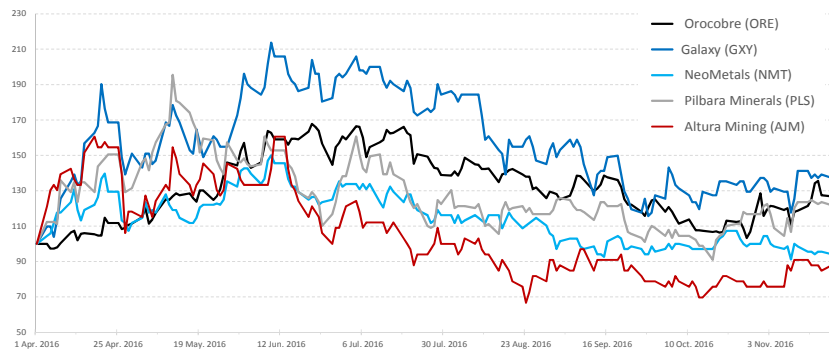


Source : Company announcements, Beer & Co

Compared with this peer group :

- AJM looks presently cheap
- AJM has the most significant potential

Figure 3 : Comparative share price performance



Source : IRESS, Beer & Co estimates

Figure 3 shows that the share prices all ran up, peaking between 11 May and 21 June, and have since fallen.

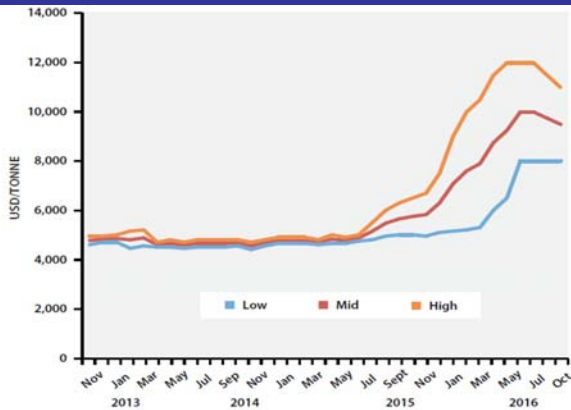
It shows that AJM, despite having made good progress with its DFS, off-take agreements, equity raising and permitting, has under-performed.

Figures 2 & 3 show that AJM has, presently, the greatest potential amongst its peers.

### Commodity Prices

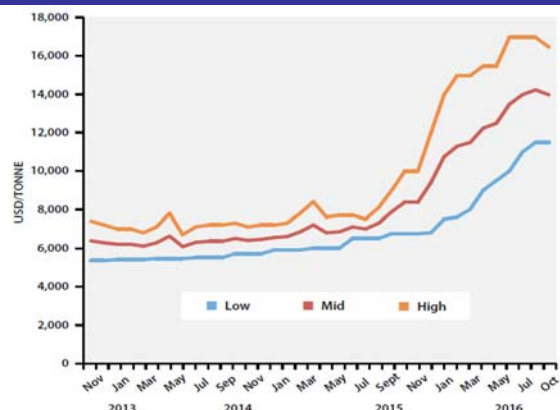
Figure 4 shows lithium carbonate prices, FOB South America, while Figure 5 shows lithium hydroxide prices, FOB, North America.

Figure 4 : Lithium carbonate, South America



Source : Benchmark Mineral Intelligence, November 2016

Figure 5 : lithium hydroxide, North America



Source : Benchmark Mineral Intelligence, November 2016

**Due to near term developments in the technology of lithium ion batteries, for both cathode and anode, Beer & Co is very positive on the demand for lithium**

Both Figure 4 and Figure 5 show that product prices rise strongly from late in 2015 to mid 2016 and have softened slightly since then, though the share prices of relevant companies have fallen much more.

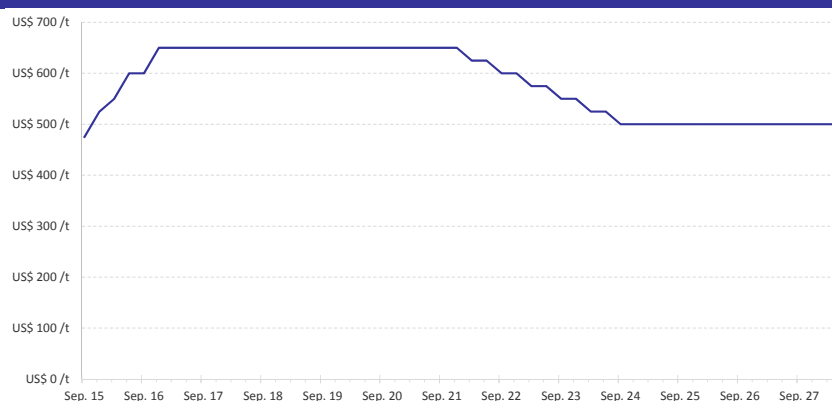
Note that while LiOH has a price premium over Li<sub>2</sub>CO<sub>3</sub>, the cost of producing LiOH and Li<sub>2</sub>CO<sub>3</sub> from spodumene is about the same.

Beer & Co is very positive on the prices for lithium feedstocks as we are familiar with technologies that will significantly enhance the performance of lithium ion batteries, reducing cost significantly, both in absolute terms as well as in terms of energy units. The impact is a multiple of current performance, not an incremental impact.

### Prices

Figure 6 shows the price profile assumed by Beer & Co. Despite our bullishness on price, we project a softening in the medium term with the potential for a significant increase in supply.

**Figure 6 : Beer & Co's assumed price profile**



Source : Beer & Co estimates

In their DFS, AJM used a price of US\$ 538.8/t, while Figure 6 shows the price profile assumed by Beer & Co. Over the life of the Reserves of AJM's Pilgangoora project, this generates an average price of US\$ 545/t, compared with current prices in the range of US\$ 600 – US\$ 650/t.

## AJM Valuation

### Financials

**AJM's Pilgangoora project is financially very robust with a quick pay-back of capital**

**AJM's market cap is low compared to Beer & Co's projected cashflows**

Beer & Co's 3 October 2016 update of our research on AJM (see : [http://beerandco.com.au/wp-content/uploads/2016/10/AlturaMining\\_2016Oct05.pdf](http://beerandco.com.au/wp-content/uploads/2016/10/AlturaMining_2016Oct05.pdf)), provided revised detail of ALM's Pilgangoora operations, following the DFS.

Figure 7 shows the projected financial outcomes from Beer & Co's modelling of AJM.

It shows a very rapid pay-back of project capital.

It also shows that AJM's current market is accounted for by only a short period of after-tax cashflows (partly due to the tax losses being carried forward, as Beer & Co projects that AJM makes its first cash tax payment in mid 2019).

Figure 7 : Beer &amp; Co's projected financial outcomes for AJM

AUD m	2015-16	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	2029-30
Spodumene price	US\$ 538/t	US\$ 638/t	US\$ 650/t	US\$ 650/t	US\$ 650/t	US\$ 650/t	US\$ 638/t	US\$ 588/t	US\$ 538/t	US\$ 500/t	US\$ 500/t	US\$ 500/t	US\$ 500/t	US\$ 500/t	US\$ 500/t
Concentrate shipped	0 kt	0 kt	126 kt	231 kt	231 kt	231 kt	227 kt	216 kt	216 kt	210 kt	209 kt	209 kt	209 kt	209 kt	209 kt
Sales revenue	1	6	115	206	206	206	199	175	160	145	145	145	145	145	145
Total Revenue	3	6	115	207	209	210	204	181	168	154	154	155	156	157	158
Cost of Goods Sold	(2)	(4)	(45)	(69)	(69)	(69)	(71)	(71)	(70)	(69)	(70)	(70)	(70)	(70)	(70)
Royalties	0	0	(6)	(11)	(11)	(11)	(11)	(10)	(9)	(8)	(8)	(8)	(8)	(8)	(8)
Corporate Costs	(7)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
EBITDA	(10)	0	62	125	126	128	121	99	88	75	75	76	77	78	79
Dep'n & Amort'sn	(1)	0	(8)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Interest Expense	(0)	0	(4)	(6)	(5)	(4)	(2)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Pre-Tax Profit	(30)	0	50	105	107	110	104	84	73	60	61	62	63	63	64
Tax Expense	(1)	(0)	(15)	(31)	(32)	(33)	(31)	(25)	(22)	(18)	(18)	(19)	(19)	(19)	(19)
NPAT	(31)	0	35	73	75	77	73	59	51	42	43	43	44	44	45
Exploration + Feasibility	(2)														
Maintenance Capex			(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Expansion Capex		(66)	(66)												
Net, after-tax, cashflow to Equity		(53)	51	99	80	80	71	58	63	52	53	52	52	52	52
Change in Equity	58	44													
Change in Debt		49	0	(14)	(15)	(17)	(18)	(8)	0	0	(0)	0	0	0	0
Ordinary shares - year end	1,222m	1,540m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m	1,544m
Earnings per Share	(3.5c)	0.0 c	2.3 c	4.7 c	4.9 c	5.0 c	4.7 c	3.8 c	3.3 c	2.7 c	2.8 c	2.8 c	2.8 c	2.9 c	2.9 c

Source : Beer &amp; Co estimates

## Risked, Base Case Valuation

Figure 8 shows Beer & Co's valuation of AJM adjusted for the recently concluded equity raising. .

Figure 8 : Revised Valuation

discount rate = 12.0 %	risk :	30 June 2016		21-Nov-16	
		100%	Product	per share	
Pilgangoora Reserves	90 %	\$ 178m	\$ 160m	10.4 c	12.2 c
franking credits	54 %	\$ 36m	\$ 19m	1.3 c	1.3 c
Extra Reserves	90 %	\$ 161m	\$ 145m	9.4 c	9.8 c
Near Pit	90 %	\$ 13m	\$ 12m	0.8 c	0.8 c
Conversion	80 %	\$ 25m	\$ 20m	1.3 c	1.3 c
Pilgangoora Extensions	50 %	\$ 22m	\$ 11m	0.7 c	0.8 c
franking credits	48 %	\$ 66m	\$ 32m	2.0 c	2.1 c
Indonesian Coal	90 %	\$ 9m	\$ 8m	0.5 c	0.3 c
Mining Services	90 %	\$ 5m	\$ 4m	0.3 c	0.3 c
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 %	\$ 1m	\$ 1m	0.1 c	0.1 c
Corporate	100 %	(\$ 12m)	(\$ 12m)	(0.8c)	(0.8c)
Cash / Debt	100 %	\$ 4m	\$ 4m	0.2 c	0.1 c
Equity raisings	100 %	\$ 39m	\$ 39m	2.5 c	2.5 c
<b>TOTAL</b>		<b>\$ 547m</b>	<b>\$ 443m</b>	<b>28.7 c</b>	<b>31.0 c</b>
Shares on issue	1,222m	F P O shares	0.0m	Options	
	315m	to be issued	6.4m	Perf Rights	

Source : AJM ASX announcement, 11 April 2016, Beer &amp; Co

Beer & Co's risked, base case valuation is 31c/share

## Further on AJM

AJM currently has about \$13m in cash and can expect to receive a further \$40m in the near future due to the equity raising.

AJM is securing long lead time items to be able to bring the project into production promptly

AJM has already secured some long lead time items :

- On 25 August, AJM announced that it had secured a newly constructed, but unused, High Pressure Grinding Rolls, which would normally have a lead time of 40 weeks from time of order;
- On 2 November, AJM announced that it had purchased Roy Hill Camp 2, which has 324 rooms and facilities that will cover AJM's construction and operations' needs;

At the same time, AJM announced that it had placed orders with 8 other suppliers of long lead time equipment, including crushers, ball mill, float cells, pumps, thickeners and other items.

These purchases increase our confidence in project delivery.

**AJM has significant mineralisation not included in its Mineral Resources Estimate, as shown by recent drill results**

Also, AJM announced, on 22 September, may high grade drill results that are not included in the Resources estimate, including :

- 7m at 1.97% Li<sub>2</sub>O from 71m;
- 15m at 1.25% Li<sub>2</sub>O from 58m;
- 12m at 1.70% Li<sub>2</sub>O from 71m;
- 24m at 2.21% Li<sub>2</sub>O from 63m; and
- 47m at 1.68% Li<sub>2</sub>O from 62m.

This gives us confidence in the Extensions shown in Figure 8.

## Conclusions

**Beer & Co's risked base case valuation is a more than 2x AJM's current share price**

AJM has a Binding Off-take Agreement in place for 100 – 150kt/yr of spodumene concentrate and has an MOU that will cover the balance.

Beer & Co expects that AJM will soon announce a Binding Off-take Agreement to cover the balance of its production.

AJM has secured the equity it needs to bring its Pilgangoora project into operation.

Beer & Co is confident that AJM will secure the required debt finance before the end of this calendar year.

**Beer & Co is very positive on lithium as a commodity**

AJM has secured all the permits it needs to get into operation, except for the final Mining Approval.

The application was lodged in September and it typically takes about 3 months to be granted.

**AJM is progressing its Pilgangoora project to be able to begin construction early in 2017**

Despite the soft share price performance of AJM and its peers, Beer & Co is confident in the fundamentals for lithium, due to significant advances in the performance of lithium ion batteries that are in development, which will significantly lower the cost and enhance its market.

Beer & Co is confident that AJM is a very cheap exposure.

**Strong BUY**

Beer & Co affirms our STRONG BUY, High Risk, recommendation on AJM.



Beer & Co Research

Altura Mining (AJM.ASX)

November 2016

Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Section 1 - P&amp;L</b>								
Sales revenue	\$A m	5	1	6	115	206	206	199
Interest revenue	\$A m	0	0	0	0	1	3	5
Other revenue	\$A m	5	1	0	0	0	0	0
<b>Total Revenue</b>	\$A m	<b>10</b>	<b>3</b>	<b>6</b>	<b>115</b>	<b>207</b>	<b>210</b>	<b>204</b>
Cost of Goods Sold	\$A m	(4)	(2)	(4)	(45)	(69)	(69)	(71)
Royalties	\$A m	0	0	0	(6)	(11)	(11)	(11)
Corporate Costs	\$A m	(5)	(7)	(2)	(2)	(2)	(2)	(2)
Exploration Expense	\$A m	(0)	(4)	0	0	0	0	0
Other Operating Expenses	\$A m	(16)	(0)	0	0	0	0	0
<b>Total Operating Expenses</b>	\$A m	<b>(25)</b>	<b>(12)</b>	<b>(6)</b>	<b>(53)</b>	<b>(82)</b>	<b>(82)</b>	<b>(84)</b>
<b>EBITDA</b>	\$A m	<b>(16)</b>	<b>(10)</b>	<b>0</b>	<b>62</b>	<b>125</b>	<b>128</b>	<b>121</b>
Dep'n & Amort'n	\$A m	(1)	(1)	0	(8)	(14)	(14)	(14)
<b>EBIT</b>	\$A m	<b>(17)</b>	<b>(10)</b>	<b>0</b>	<b>54</b>	<b>111</b>	<b>112</b>	<b>106</b>
Interest Expense	\$A m	(0)	(0)	0	(3)	(6)	(5)	(3)
Other	\$A m	(13)	(20)	0	0	0	0	0
<b>Pre-Tax Profit</b>	\$A m	<b>(30)</b>	<b>(30)</b>	<b>0</b>	<b>50</b>	<b>105</b>	<b>107</b>	<b>104</b>
Tax Expense	\$A m	(0)	(1)	(0)	(15)	(32)	(33)	(31)
<b>NPAT</b>	\$A m	<b>(30)</b>	<b>(31)</b>	<b>0</b>	<b>35</b>	<b>74</b>	<b>75</b>	<b>73</b>

Section 2 - Key Data

Ordinary shares - year end	m	837.7	1,222	1,540	1,544	1,544	1,544	1,544
Fully diluted shares on issue	m	1,028.7	1,234	1,544	1,544	1,544	1,544	1,544
Weighted # shares	m	489.8	975	1,463	1,543	1,544	1,544	1,544
Earnings per Share	(3.5c)	(3.5c)	0.0 c	2.3 c	4.8 c	4.9 c	5.0 c	4.7 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	0.0 c

Section 3 - Balance Sheet

Cash	\$A m	2	22	0	49	151	236	321	400
Receivables	\$A m	3	1	1	23	26	26	26	24
Other	\$A m	2	1	0	0	0	0	0	0
<b>CURRENT ASSETS</b>	\$A m	<b>7</b>	<b>24</b>	<b>1</b>	<b>71</b>	<b>177</b>	<b>262</b>	<b>347</b>	<b>424</b>
Receivables	\$A m	2	2	0	0	0	0	0	0
P, P & E	\$A m	1	1	67	125	112	98	85	72
Mining Properties / Exploration	\$A m	15	14	14	14	14	13	13	12
Other	\$A m	21	1	0	0	0	0	0	0
<b>NON-CURRENT ASSETS</b>	\$A m	<b>39</b>	<b>19</b>	<b>81</b>	<b>139</b>	<b>125</b>	<b>112</b>	<b>98</b>	<b>84</b>
<b>TOTAL ASSETS</b>	\$A m	<b>46</b>	<b>43</b>	<b>82</b>	<b>211</b>	<b>302</b>	<b>373</b>	<b>445</b>	<b>508</b>
Payables	\$A m	3	2	1	8	8	8	8	8
Debt	\$A m	0	5	0	13	14	15	17	7
Other	\$A m	1	1	0	0	0	0	0	0
<b>CURRENT LIABILITIES</b>	\$A m	<b>4</b>	<b>8</b>	<b>1</b>	<b>21</b>	<b>22</b>	<b>24</b>	<b>25</b>	<b>16</b>
Long Term Debt	\$A m	17	18	66	54	39	24	7	0
Other	\$A m	0	0	0	0	0	0	0	0
Provisions	\$A m	0	0	0	0	0	0	0	0
<b>NON-CURRENT LIABILITIES</b>	\$A m	<b>17</b>	<b>18</b>	<b>66</b>	<b>54</b>	<b>39</b>	<b>24</b>	<b>7</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	\$A m	<b>21</b>	<b>26</b>	<b>67</b>	<b>74</b>	<b>62</b>	<b>48</b>	<b>32</b>	<b>16</b>
<b>NET ASSETS</b>	\$A m	<b>26</b>	<b>17</b>	<b>15</b>	<b>136</b>	<b>240</b>	<b>326</b>	<b>413</b>	<b>492</b>
Accumulated Profit (Loss)	\$A m	(54)	(84)	(84)	(49)	25	100	177	250
Reserves	\$A m	0	(0)	(51)	35	66	76	86	92
Contributed Equity	\$A m	79	106	150	150	150	150	150	150
Minority Interest	\$A m	25	21	15	136	240	326	413	492
Other	\$A m	0	0	0	0	0	0	0	0
<b>Total Equity</b>	\$A m	<b>26</b>	<b>22</b>	<b>15</b>	<b>136</b>	<b>240</b>	<b>326</b>	<b>413</b>	<b>492</b>

Section 4 - Cashflow

Net Cashflow from operations	\$A m	0	(10)	0	62	125	126	128	121
Net Interest Paid	\$A m	(0)	(0)	0	(3)	(4)	(2)	1	3
Taxes Paid	\$A m	0	0	0	0	(4)	(22)	(23)	(23)
Change in Working Capital	\$A m	(0)	1	(1)	(15)	(3)	0	0	2
<b>OPERATING CASHFLOW</b>	\$A m	<b>(0)</b>	<b>(9)</b>	<b>(0)</b>	<b>44</b>	<b>114</b>	<b>102</b>	<b>105</b>	<b>103</b>
Exploration + Feasibility	\$A m	0	2	0	0	0	0	0	0
Maintenance Capex	\$A m	0	0	0	0	1	1	1	1
Expansion Capex	\$A m	0	0	66	66	0	0	0	0
<b>PPE Acquisitions (Total Capex)</b>	\$A m	<b>0</b>	<b>2</b>	<b>66</b>	<b>66</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
PPE Divestments	\$A m	0	0	0	0	0	0	0	0
<b>INVESTING CASHFLOW</b>	\$A m	<b>0</b>	<b>2</b>	<b>66</b>	<b>66</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Change in Equity	\$A m	0	58	44	0	0	0	0	0
Dividends Paid	\$A m	0	0	0	0	0	0	0	0
Change in Debt	\$A m	17	6	43	0	(13)	(14)	(15)	(17)
<b>FINANCING CASHFLOW</b>	\$A m	<b>17</b>	<b>64</b>	<b>87</b>	<b>0</b>	<b>(13)</b>	<b>(14)</b>	<b>(15)</b>	<b>(17)</b>
<b>Free Cashflow</b>	\$A m	<b>(0)</b>	<b>(7)</b>	<b>66</b>	<b>111</b>	<b>115</b>	<b>103</b>	<b>106</b>	<b>103</b>
<b>Net Cashflow</b>	\$A m	<b>17</b>	<b>57</b>	<b>153</b>	<b>111</b>	<b>102</b>	<b>89</b>	<b>91</b>	<b>86</b>

Commodity price assumptions

Year ended June	2016-17	2017-18	2018-19	2019-20	2020-21	L-R
AUD/USD	0.750	0.750	0.750	0.750	0.750	0.750
Spodumene, Chemical grade	638	650	650	650	650	500

Mine Production / Sales, contained product

Spodumene, 6% Li2O, conc. '000 t	126	231	231	231	227
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Resources, Reserves and assumed mining inventory

Pilgangoora Mineral Resources

Resources	cut-off	Li2O	
		grade	contained
Measured	0.40 %	0 Mt	0 t
Indicated	0.40 %	30.6 Mt	1.04 % 318,000 t
Inferred	0.40 %	8.6 Mt	0.95 % 82,000 t
<b>TOTAL</b>		<b>39.2 Mt</b>	<b>1.02 % 400,000 t</b>

Beer & Co estimated mining inventory, Pilgangoora

		Li2O	
		grade	contained
High grade Reserves	6.2 Mt	1.13 %	70 kt
Extra Reserves	3.5 Mt	1.05 %	37 kt
Lower grade	9.8 Mt	1.02 %	100 kt
Near Pitt	2.1 Mt	1.10 %	23 kt
Conversion	5.2 Mt	1.10 %	57 kt
Resources	5.0 Mt	1.00 %	50 kt
Target	5.0 Mt	1.00 %	50 kt
<b>TOTAL</b>	<b>36.7 Mt</b>	<b>1.05 %</b>	<b>386 kt</b>

Asset based Valuation

discount rate = 12.0 %	30 June 2016			21-Nov-16
	risk :	100%	Product per share	
Pilgangoora Reserves	90 %	\$ 178m	\$ 160m	10.4 c 12.2 c
franking credits	54 %	\$ 36m	\$ 19m	1.3 c 1.3 c
Extra Reserves	90 %	\$ 161m	\$ 145m	9.4 c 9.8 c
Conversion	80 %	\$ 25m	\$ 20m	1.3 c 1.3 c
franking credits	48 %	\$ 66m	\$ 32m	2.0 c 2.1 c
Indonesian Coal	90 %	\$ 9m	\$ 8m	0.5 c 0.3 c
Mining Services	90 %	\$ 5m	\$ 4m	0.3 c 0.3 c
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 %	\$ 1m	\$ 1m	0.1 c 0.1 c
Corporate	100 %	(\$ 12m)	(\$ 12m)	(0.8c) (0.8c)
Cash / Debt	100 %	\$ 4m	\$ 4m	0.2 c 0.1 c
Equity raisings	100 %	\$ 39m	\$ 39m	2.5 c 2.5 c
<b>TOTAL</b>		<b>\$ 547m</b>	<b>\$ 443m</b>	<b>28.7 c 31.0 c</b>
Shares on issue	1,222.5m	F P O shares	0.0m	Options
	315.2m	to be issued	6.4m	Perf Rights

Financial Ratios

Year ended June	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
Revenue	\$A m	3	6	115	207	208	210
EBITDA	\$A m	(16)	(10)	0	62	125	126
EBIT	\$A m	(17)	(10)	0	54	111	112
NPAT (reported)	\$A m	(30)	(31)	0	35	74	75
Adjusted EPS (cps)	(3.5c)	(3.5c)	0.0 c	2.3 c	4.8 c	4.9 c	
EPS Growth (%)	(1%)	101 %	10,557 %	109 %	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)	(4)	676	6.3	3.0	3.0
EV / EBITDA (x)	x	(2)	(18)	631	3.9	1.0	0.2
EV / EBIT (x)	x	(2)	(18)	631	4.5	1.1	0.2
Gearing (%)	55 %	81 %	32 %	18 %	11 %	5 %	
Return on Assets	(24%)	1 %	25 %	37 %	30 %	25 %	
Return on Equity	(145%)	2 %	26 %	31 %	23 %	19 %	
EBITDA Margin (%)	(333%)	(716%)	8 %	54 %	61 %	61 %	
Interest Cover (x)	x	(62.4)	(36.7)	n/a	17.1	19.3	24.4

Shareholdings

Board & Management		Others	
Allan Buckler	177.194m	11.5 %	J&R Optimum 306.000m 19.9 %
Paul Mantell	32.503m	2.1 %	Maxwell Smith 167.264m 10.9 %
James Brown	26.518m	1.7 %	Farjoy Pty Ltd 48.784m 3.2 %
Beng Kuan	20.800m	1.4 %	Lionergy 27.191m 1.8 %
Dennis O'Neill	14.333m	0.9 %	Navibell Services Ltd. 34.892m 2.3 %
<b>TOTAL</b>	<b>271.348m</b>	<b>17.6 %</b>	<b>TOTAL 584.132m 37.9 %</b>

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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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