

Construction to start

Australia's next spodumene concentrate producer

Recommendation

Strong BUY, High Risk

Price

17.5c

Valuation

31c

Commodity

Lithium / spodumene

- On 27 February, AJM announced that the final approval has been given by the DMP.
- AJM has started mobilisation of construction personnel to site, with earthworks to start in mid-March.
- The start of on-site construction means that AJM has taken a significant step to delivering first product in early 2018.
- As the next supplier into the market, Beer & Co expects spodumene concentrate prices will still be strong.
- AJM is also receiving cash from Atlas Iron (AGO.ASX), pursuant to their 24 December 2014 agreement.

Snapshot

Market Cap	\$270m
Cash on hand (31 Dec 2016)	\$11.5m
Plus \$net 37.1m equity received in January	
Shares on Issue	1,541.2m
52 Week High	28.2c
52 Week Low	5.2c
1 month / 6 month VWAP	17.7c / 14.8c

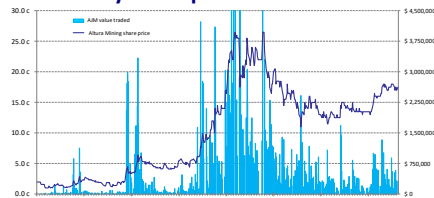
AJM mobilising to site

On 27 February, AJM announced that it had received the final approval from DMP to commence operations on site.

AJM announced that it is mobilising to site and that earthworks will begin in mid-March, after

- Mobilisation of site offices;
- Installation of bore infrastructure; and
- Site survey and set out.

AJM : daily share price v. value traded



AJM produced a scoping study on Pilgangoora in November 2012. The results of a PFS, processing 1.0Mt/yr, were announced in February 2016 and in April 2016, AJM announced updated PFS results for a 1.4Mt/yr operation.

AJM announced the results of its DFS in September 2016.

AJM has raised the equity required to being construction, but was required to lodge a revised Mining Proposal.

Construction is expected to begin in March, after the Mining Proposal has been approved and debt finance secured.

First product is expected early in 2018.

Author : Pieter Bruinstroop
pbruinstroop@beerandco.com.au

On-site construction to start mid-March

From mid-March to mid-April, on site earthworks will include :

- Clearing and stockpiling top-soil
- Start bulk earthworks, pre-strip for mining and establishing tailings dams
- Complete base pad for process plant.

AJM on-track for first for product early in 2018 – Prices still high

AJM has ordered long lead time items and will be able to install them on site from late May, to ensure first product in early 2018.

While Beer & Co expects prices for spodumene concentrate to fall over time, we expect AJM, as the next Australian producer, to receive strong cashflows early in the project life.

AJM has cash and revenue, but debt still to be finalised

AJM has over \$40m in cash due to its equity placement to off-take partner, J&R Shaanxi.

AJM is receiving revenue from AGO due to the high iron price; AJM receives 1% of revenue above \$A 95/t from the 30% interest it previously held.

Beer & Co is confident will have the required debt in place before the plant is to be shipped to site, when the major payments are to be made.

Beer & Co affirms Strong BUY, High Risk recommendation

AJM affirms Beer & Co.'s confidence in progress to first product.

Beer & Co affirms our 31c valuation and Strong BUY recommendation.

This report was produced by Beer & Co Research, an independent research and advisory firm.
It is intended for wholesale investors ONLY.

If you do not wish to receive our research, please email to info@beerandco.com.au with "unsubscribe"
If you wish to receive, free of charge, Beer & Co research, please register at <http://beerandco.com.au/all-research/>

Beer & Co Research

Altura Mining (AJM.ASX)

February 2017

Year ended June	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Section 1 - P&L							
Sales revenue	\$A m	1	6	55	226	215	207
Interest revenue	\$A m	0	0	0	1	3	5
Other revenue	\$A m	1	0	0	0	0	0
Total Revenue	\$A m	3	6	55	227	218	213
Cost of Goods Sold	\$A m	(2)	(4)	(22)	(70)	(71)	(72)
Royalties	\$A m	0	0	(3)	(13)	(12)	(12)
Corporate Costs	\$A m	(7)	(6)	(6)	(6)	(6)	(6)
Exploration Expense	\$A m	(4)	0	0	0	0	0
Other Operating Expenses	\$A m	(0)	0	0	0	0	0
Total Operating Expenses	\$A m	(12)	(10)	(31)	(89)	(89)	(90)
EBITDA	\$A m	(10)	(4)	24	138	129	123
Dep'n & Amort'n	\$A m	(1)	0	(5)	(22)	(22)	(22)
EBIT	\$A m	(10)	(4)	19	116	107	101
Interest Expense	\$A m	(0)	0	(2)	(7)	(6)	(5)
Other	\$A m	(20)	0	0	0	0	0
Pre-Tax Profit	\$A m	(30)	(4)	16	109	101	97
Tax Expense	\$A m	(1)	(0)	(6)	(34)	(31)	(31)
NPAT	\$A m	(31)	(4)	10	75	69	67

Section 2 - Key Data

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Ordinary shares - year end	m	1,222	1,541	1,545	1,545	1,545	1,545
Fully diluted shares on issue	m	1,234	1,545	1,545	1,545	1,545	1,545
Weighted # shares	m	975	1,387	1,544	1,545	1,545	1,545
Earnings per Share		(3.5c)	0.0 c	0.9 c	5.2 c	4.8 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

Section 3 - Balance Sheet

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
CURRENT ASSETS							
Cash	\$A m	22	20	28	149	240	327
Receivables	\$A m	1	1	13	28	26	25
Other	\$A m	1	0	0	0	0	0
TOTAL CURRENT ASSETS	\$A m	24	20	41	177	266	354
Receivables	\$A m	2	0	0	0	0	0
P, P & E	\$A m	1	34	128	108	87	66
Mining Properties / Exploration	\$A m	14	15	15	14	13	13
Other	\$A m	1	0	0	0	0	0
NON-CURRENT ASSETS	\$A m	19	49	143	122	101	79
TOTAL ASSETS	\$A m	43	69	184	299	367	433
CURRENT LIABILITIES	\$A m	8	1	18	23	24	22
Payables	\$A m	2	1	5	8	8	9
Debt	\$A m	5	0	13	14	16	17
Other	\$A m	1	0	0	0	0	0
LONG TERM DEBT	\$A m	18	81	68	54	38	21
Other	\$A m	0	0	0	0	0	0
Provisions	\$A m	0	0	0	0	0	0
NON-CURRENT LIABILITIES	\$A m	18	81	68	54	38	21
TOTAL LIABILITIES	\$A m	26	82	86	77	62	46
NET ASSETS	\$A m	17	(13)	97	222	304	386
Accumulated Profit (Loss)	\$A m	(84)	(84)	(69)	10	84	156
Reserves	\$A m	(0)	(78)	18	63	71	81
Contributed Equity	\$A m	106	149	149	149	149	149
Minority Interest	\$A m	0	0	0	0	0	0
Total Equity	\$A m	22	(13)	97	222	304	386

Section 4 - Cashflow

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
OPERATING CASHFLOW							
Net Cashflow from operations	\$A m	(10)	(4)	24	138	129	123
Net Interest Paid	\$A m	(0)	0	(2)	(6)	(3)	(1)
Taxes Paid	\$A m	0	0	0	0	(22)	(22)
Change in Working Capital	\$A m	1	(1)	(8)	(11)	1	(0)
OPERATING CASHFLOW	\$A m	(9)	(5)	14	121	105	104
Exploration + Feasibility	\$A m	2	1	0	0	0	0
Maintenance Capex	\$A m	0	0	0	1	1	1
Expansion Capex	\$A m	0	33	99	0	0	0
PPE Acquisitions (Total Capex)	\$A m	2	34	99	1	1	1
PPE Divestments	\$A m	0	0	0	0	0	0
INVESTING CASHFLOW	\$A m	2	34	99	1	1	1
Change in Equity	\$A m	54	43	0	0	0	0
Dividends Paid	\$A m	0	0	0	0	0	0
Change in Debt	\$A m	6	58	0	(13)	(14)	(16)
FINANCING CASHFLOW	\$A m	60	101	0	(13)	(14)	(17)
Free Cashflow	\$A m	(7)	29	113	122	106	104.7
Net Cashflow	\$A m	53	130	113	108	91	88

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	763	825	725	675	650	500

Mine Production / Sales, contained product

Spodumene, 6% Li2O, conc. '000 t	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	49	228	233	237	216	

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 %	40.3 Mt	1.00 % 403,000 t
Inferred	0.40 %	2.3 Mt	0.90 % 21,000 t
TOTAL		42.6 Mt	1.00 % 424,000 t

Pilgangoora Ore reserves

Proven	grade	Li2O	
		contained	contained
Proven	0.0 Mt	0.00 %	0 t
Probable	30.1 Mt	1.04 %	313,000 t
TOTAL	30.1 Mt	1.04 %	313,000 t

Beer & Co estimated mining inventory, Pilgangoora

Reserves	grade	Li2O	
		contained	contained
Higher grade	6.2 Mt	1.13 %	70 kt
Mid grade	3.5 Mt	1.05 %	37 kt
Lower grade	20.4 Mt	1.01 %	206 kt
Resources	10.2 Mt	0.88 %	90 kt
Other	0.0 Mt		0 kt
TOTAL	40.3 Mt	1.00 %	403 kt

Asset based Valuation

discount rate = 12.0 %	30 June 2016		27-Feb-17	
	risk :	100%	Product	per share
Pilgangoora Reserves	90 %	\$ 382m	\$ 344m	22.2 c
franking credits	54 %	\$ 91m	\$ 49m	3.2 c
Resources	80 %	\$ 12m	\$ 9m	0.6 c
franking credits	48 %	\$ 5m	\$ 3m	0.2 c
Indonesian Coal	90 %	\$ 9m	\$ 8m	0.5 c
Mining Services	90 %	\$ 5m	\$ 4m	0.3 c
Philippines Coal	90 %	\$ 0m	\$ 0m	0.0 c
Mt Webber Iron Ore	90 %	\$ 0m	\$ 0m	0.0 c
Lithium Corp	90 %	\$ 1m	\$ 1m	0.1 c
Corporate	100 %	(\$ 12m)	(\$ 12m)	(0.8c)
Cash / Debt	100 %	\$ 4m	\$ 4m	0.2 c
Equity raisings	100 %	\$ 39m	\$ 39m	2.5 c
TOTAL		\$ 536m	\$ 449m	29.0 c
Shares on issue		1,222.5m	F P O shares	Options
		318.7m	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	55	227	218
EBITDA	\$A m	(10)	(4)	24	138	129
EBIT	\$A m	(10)	(4)	19	116	107
NPAT (reported)	\$A m	(31)	(4)	10	75	69
Adjusted EPS (cps)		(3.5c)	0.0 c	0.9 c	5.2 c	4.8 c
EPS Growth (%)			101 %	4,732 %	444 %	(7%)
DPS (c)		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c
Dividend Yield (%)		0 %	0 %	0 %	0 %	0 %
PE adj. (x)	x	(0.7)	891	18	3.4	3.7
EV / EBITDA (x)	x	(4)	(53)	14	2.3	1.5
EV / EBIT (x)	x	(3)	(53)	18	2.8	1.8
Gearing (%)		55 %	118 %	44 %	23 %	15 %
Return on Assets		(24%)	(6%)	10 %	39 %	29 %
Return on Equity		(145%)	32 %	10 %	34 %	23 %
EBITDA Margin (%)		(333%)	(716%)	(73%)	44 %	61 %
Interest Cover (x)	x	(62.4)	(36.7)	n/a	8.4	16.4

Shareholdings

Board & Management

	2016-17	2017-18	Others
Allan Buckler	177.194m	11.5 %	J&R Optimum
Paul Mantell	32.503m	2.1 %	Maxwell Smith
James Brown	26.518m	1.7 %	Farjoy Pty Ltd
Beng Kuan	20.800m	1.3 %	Lionergy
Dennis O'Neill	14.333m	0.9 %	Navibell Services Ltd.
TOTAL	271.348m	17.6 %	TOTAL
			584.132m
			37.9 %

Important Information

Confidential

This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Beer & Co Pty Ltd. It has been prepared at the request of Altura Mining Limited and Beer & Co Pty Ltd will receive a fee for its preparation.

Disclaimer

The persons involved in or responsible for the preparation and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions, conclusions or recommendations are reasonably held at the time of compilation. No warranty is made as to the accuracy of the information in this document and, to the maximum extent permitted by law, Beer & Co Pty Ltd and its related entities, their respective directors and officers disclaim all liability for any loss or damage which may be suffered by any recipient through relying on anything contained or omitted from this document.

General Advice

The content is of a general nature and is based on a consideration of the securities alone, and as such is conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Beer & Co Pty Ltd has not undertaken detailed due diligence on the information provided and has no obligation to provide revised assessments in the event of changed circumstances.

Disclosure

Beer & Co Pty Ltd has been engaged by Altura Mining Limited to prepare this research report and is being paid a fee for its preparation. In the future, Beer & Co Pty Ltd may provide capital raising services to Altura Mining Limited on commercial terms. The author of this report has an indirect interest in Altura.

Beer & Co Pty Ltd seeks to do work with those companies it researches. As a result, investors should be aware that Beer & Co Pty Ltd may have a conflict of interest that could affect the objectivity of this report.

Analyst Certification

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 Recommendation

Beer & Co provide general recommendations only and do not consider the specific interests of the recipient of this report. Beer & Co generally provides a 2 part recommendation and both need to be considered together.

Recommendation : Beer & Co's investment recommendation is driven by the difference between our base case, risked valuation and the share price at the time. A Strong BUY recommendation means a very large difference (eg. over 100%), while BUY means a significant difference and Accumulate means a small, but positive difference. The recommendation is not independent of the uncertainty in Beer & Co's valuation.

Risk : Risk relates to the potential, over the long run, for an investor to lose money; it is a function of both the difference between our base case valuation and the uncertainty in our valuation due to the degree of estimation and/or uncertainties about project execution. Speculative means a high chance of loss; High risk means a good chance of loss and medium means some chance of loss, given the company size.

Beer & Co Pty Ltd,
ABN 88 158 837 186,
Authorised Representative of
Melbourne Venture Securities Pty Ltd
AFSL No. 224 313

Level 2 South
Bank House
11 - 19 Bank Place
Melbourne, Vic,
Australia 3000

Tel : (+613) 9600 3599
Fax : (+613) 9602 2291
e : info@beerandco.com.au
W: www.beerandco.com.au
