

26 November 2013

ASX: AOH, FSE: A20

## MANAGING DIRECTOR'S ADDRESS

### ANNUAL GENERAL MEETING, 26 NOVEMBER 2013

---

Good afternoon ladies and gentlemen, fellow shareholders.

It is with mixed feelings I speak to you today. Mixed because the performance of our business in Finland has been excellent yet the performance of our shares has not reflected the performance of your business.

I would like to comment on our achievements and the way ahead at Outokumpu and at Roseby and finish with a few words on the market price of our shares. I will refer to slides from the Corporate presentation ASX release on 19 November 2013 and drilling release on 26 November 2013.

#### **Outokumpu**

This year we established production at a competitive cost, were cashflow positive, and expanded resources and reserves. Indeed today we announced to the ASX the best drilling results ever returned from the deposit highlighting the potential to extend resources, reserves and mine life. We are currently considering expanding production to 700,000 tonnes per annum, sustainable for at least 7 years. We will target sales of copper, gold and zinc in concentrates equivalent to some 15,000 tonnes of copper. Your mine is growing.

Few new operations can point to such a track record and regrettably, many others have failed or required financial restructuring. This only serves to highlight that Outokumpu is a rare success story and is a great reflection on Jarmo Vesanto and his team in Finland.

Our operations are generating a cash surplus and we applied that surplus to:

- Decline, ventilation and other mine infrastructure required to sustain production
- The construction of storage dams to hold low grade cobalt-nickel concentrates
- Drilling, engineering, fees, stakeholder compensation and environmental costs at Roseby
- Marketing of the Roseby Project
- Debt service
- Overheads

We expect this financial year to be the peak year of capital expenditure.

Cobalt-nickel concentrate storage is a significant cost for the operations. We believe that we can turn this cost into an asset. Some \$50-60 million of cobalt, nickel and copper are contained in a year's annual production of the concentrate. The concentrate is too low grade to be sold and requires processing to make a saleable product. We intend to select a technology for processing the concentrate in the next 6 months and then complete a feasibility study. Concentrate processing permitting has already commenced.

In this coming year we will also be turning attention to the satellite deposits surrounding the Luikonlahti mill and to exploration. Little has been done in this great mineral field since the 1980's.

## **Roseby**

In January, the Roseby Project became unencumbered for the first time since 2005 when Glencore-Xstrata allowed their option to lapse. A process commenced to find a partner for the project and as markets declined after Easter this year, interest in start-up projects slowed. Recently, interest has returned and a number of parties from China and elsewhere are now in our dataroom and we will update shareholders in due course on developments. I wish to assure shareholders that your Board is well aware of the need to maximise shareholder value in any transaction. Avoiding excess dilution and risky financing structures are a priority.

We have engaged GR Engineering to refresh the costings of the May 2012 Definitive Feasibility Study. The study was undertaken at the top of the market and we expect to see improved economics in the update due in the next month or two.

A significant project milestone was the granting of mining leases, complementing our native title and environmental approvals. Roseby is development ready. We also reduced risk and cost by partnering some 800km<sup>2</sup> of early exploration tenure distant from the proposed Little Eva mine and mill development, with Chinalco Yunnan Copper.


## **Share Price**

Markets can be cruel and they certainly have been unjust to the Altona shareholder. Our share price has declined from 25 cents at this time last year to 15 cents today, this in a year where we outperformed and delivered our first statutory profit. We are not alone. Our peers have suffered similar or worse fates. Junior exploration companies have seen their value almost wiped out and are raising small amounts of cash to survive and conduct small exploration programmes. Markets are particularly fearful of projects that require capital for construction and have no immediate financial solution. Whilst Roseby is at the ready to build stage, we are not a one project junior looking to borrow, dilute and hedge to reach production at all costs.

We are financially strong with no net debt, profitable and growing our production. We have enormous optionality over copper and markets with Roseby, with or without a deal in the next 6 months it remains an option over copper and it will be a mine one day. We are patient and understand the value of a 1.5 million tonne fully permitted copper resource.

You cannot fight the tide and the market tide carried us lower, I believe that our performance will cause markets to look again at Altona as they search for value and recognise a largely de-risked producer. The market tide is returning in our favour. A good recent example is Western Areas' back door listing of its Finnish exploration assets valuing the assets at almost \$15 million dollars. Whilst Western Areas have fine assets, our resources and exploration tenure at Outokumpu far exceed those of Western Areas.

A number of shareholders have asked about dividends. The Board's policy is that whilst we have volatile markets, debt and uncertainty over the development path for Roseby, it is best to retain cash in the Company. There can be nothing more value destructive than an 'emergency capital raising'. As circumstances change, the Board will revisit this position.



The share price pain is real, your Board contains major shareholders who also suffer but the Board is confident that we will ultimately be judged on our assets and what we do with them. Our assets are good and we are managing them prudently. I look forward to sharing the reward of a higher share price in the coming year.

**Please direct enquiries to:**

Alistair Cowden  
Managing Director  
Altona Mining Limited  
Tel: +61 8 9485 2929  
altona@altonamining.com

James Harris  
Professional Public Relations  
Perth  
Tel: +61 8 9388 0944  
james.harris@ppr.com.au

Jochen Staiger  
Swiss Resource Capital AG  
Tel: +41 71 354 8501  
js@resource-capital.ch

For personal use only