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ASX: AOH, FSE: A2O

MAJOR CHINESE CONSTRUCTION GROUP TO CONTRIBUTE US\$214 MILLION TO CLONCURRY PROJECT

- **Framework Agreement signed between Altona and SRIG**
- **SRIG to contribute US\$214 million cash to the Cloncurry Project**
- **Altona to contribute the project and US\$38 million cash**
- **Cloncurry Project funded to production through joint-venture**
- **SRIG to hold 60% of joint-venture Altona to hold 40%**
- **SRIG to pay US\$2 million deposit**

Overview

Altona Mining Limited (“Altona” or “The Company”) is pleased to announce it has concluded a binding Framework Agreement with Sichuan Railway Investment Group (“SRIG”). The agreement is subject to certain conditions and is described more fully in the Appendix.

The parties have agreed to establish an incorporated joint venture holding Altona’s Cloncurry Project located in north-west Queensland, with SRIG to contribute cash of US\$214.46 million and have a 60% interest in the joint venture. Altona will retain a 40% interest in the joint venture and is to contribute the Cloncurry Project and cash of US\$38 million. The transaction values the Cloncurry Project on a pre-cash contribution basis at US\$105 million.

Altona can meet its immediate obligations under the agreement from its existing A\$47 million of cash resources.

The Cloncurry Project offers a large resource of 287 million tonnes at 0.6% copper, 0.04g/t gold for 1.65 million tonnes contained copper and 0.4 million ounces gold and is close to infrastructure.

The joint venture will seek to develop a mine at Little Eva which is situated within the Cloncurry Project. A Definitive Feasibility Study announced by Altona on 13 March 2014 for the Little Eva development anticipates the construction of a 7 million tonne per annum open-pit mine and flotation plant capable of producing 39,000 tonnes per annum copper and 17,000 ounces gold over an initial mine life of 11 years.

The cash to be contributed by the joint venture partners of US\$252.46 million would exceed the estimated capital cost (A\$294 million) of the Little Eva mine.

Altona’s 40% equity share of annual production from the Cloncurry Project would be substantial at approximately 15-16,000 tonnes of copper and 7,000 ounces of gold, representing significant cash flow attributable to Altona.

Please visit www.altonamining.com for a PowerPoint presentation and video presentation by Managing Director, Dr Alistair Cowden.

Commentary

Altona Mining Managing Director Dr Alistair Cowden said:

"We are delighted to announce this major partnership on the Cloncurry Project with SRIG. The contribution to be made by SRIG is based on an agreed value for the Project of US\$105 million which clearly exceeds that implied by the company's share price."

"On completion of the transaction, the project will be fully funded to production without recourse to equity or debt markets. The joint venture will have US\$252 million in cash plus the Cloncurry Project which is valued at US\$105 million by the proposed transaction."

"Once the project is in production it will sustain approximately 280 new direct jobs and Altona's 40% interest will equate to 17,000 tonnes of copper equivalent production."

"We are particularly pleased that this announcement comes 11 months after the announcement of the sale of our Finnish assets and only 3 months after the resulting dividend and return of capital."

About SRIG

SRIG was established in 2009, is based in Chengdu in south-western China and is 100% owned by the Sichuan provincial government. The group's principal businesses are in the road, bridge and rail construction and management sectors. SRIG had total assets of US\$26.8 billion in 2014 and revenues over US\$6 billion. It has more than 20,000 employees. SRIG has signalled its intention to diversify into other industries both within China and internationally.

SRIG has 24 operating subsidiaries including SRBG, listed in Shanghai which operates toll roads, bridges and hydropower stations. It has a market capitalisation of US\$3 billion.


CCXI, a Moody's company, rated SRIG as AA+ with a stable outlook for a 2014 bond issue of approximately US\$320 million. CCXI noted SRIG's expertise, highlighting that SRIG was the first Chinese enterprise to secure an overseas bridge construction contract (Norway).

Details of the Framework Agreement

SRIG will pay a US\$2 million deposit to secure an 8 month exclusivity period. The deposit is refundable only in certain circumstances. A break fee of US\$2 million is also payable by Altona in certain circumstances.

SRIG will contribute funds in two tranches. The first tranche of US\$199.5 million will be paid after execution of formal documentation and satisfaction of all conditions precedent, which includes: SRIG confirmatory due diligence, completion of an independent valuation exceeding US\$105 million, completion of formal documentation, Chinese regulatory approvals and approval from the Australian Foreign Investment Review Board (FIRB). The second tranche of US\$14.96 million is to be paid 12 months later.

Altona will contribute the project and a total of US\$38 million cash. This will be paid in two tranches of US\$28 million and US\$10 million matching SRIG's contributions on completion and 12 months thereafter.



Altona will be the initial manager on establishment of the joint venture and the usual commercial arrangements applying to joint-ventures will apply.

The parties are targeting the execution of the formal agreements by 30 November 2015 and a close of the transaction prior to February 2016. Hartleys Limited is corporate advisor to Altona.

Further information on this agreement is appended to this release.

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About Altona

Altona Mining Limited is an ASX listed company which recently sold its successful Outokumpu mine in Finland and is now focussed on a major copper development project in Australia.

The Cloncurry Copper Project near Mt Isa in Queensland is one of Australia's largest undeveloped copper projects. The first development envisaged is the 7 million tonnes per annum Little Eva open pit copper-gold mine and concentrator. Little Eva is fully permitted with proposed annual production¹ of 38,800 tonnes of copper and 17,200 ounces of gold for a minimum of 11 years. A Definitive Feasibility Study was published in March 2014. Total resources contain some 1.65 million tonnes of copper and 0.41 million ounces of gold.

Altona Mining is listed on the Australian Securities Exchange and the Frankfurt Stock Exchange.

¹Refer to the ASX release 'Cost Review Delivers Major Upgrade to Little Eva' dated 13 March 2014 which outlines information in relation to this production target and forecast financial information derived from this production target. The release is available to be viewed at www.altonamining.com or www.asx.com.au. The Company confirms that all the material assumptions underpinning the production target and the forecast financial information derived from the production target referred to in the above-mentioned release continue to apply and have not materially changed.



Competent Persons Statement

Information in this ASX Release that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Alistair Cowden BSc (Hons), PhD, MAusIMM, MAIG who is a full time employee of the Company and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Alistair Cowden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Copper equivalence

When used, copper equivalent refers to copper in concentrate produced, or planned to be produced. It does not refer to metal contained within insitu resources, reserves or drill results. The copper equivalent grade is calculated by factoring the copper grade by revenue from all metals (NSR) being copper, gold and silver.

Appendix: Material terms of the Framework Agreement

The Framework Agreement sets out the terms on which Altona Mining Limited (Altona), Altona's 100% owned subsidiary, Roseby Copper Pty Ltd (RCPL) and Sichuan Railway Investment Group Co Ltd (SRIG) intend to proceed with the development of the Cloncurry Project (Project) through an incorporated joint venture of which AOH will hold 40% of RCPL and SRIG will hold 60% of RCPL.

Under the Framework Agreement the parties agree as follows:

- **Formal Agreements:** to proceed with the transaction via a subscription agreement and a shareholders agreement (together the Formal Agreements) and to use reasonable endeavours to negotiate the Formal Agreements in good faith. The key terms of the Formal Agreements are set out below along with the conditions precedent to those agreements;
- **Escrowed Deposit:** that, subject to signing an escrow agreement with SRIG, SRIG will pay a deposit of US\$2 million to an account with the Bank of China be held in escrow and only returned to SRIG in certain circumstances such as Australian or Chinese regulatory approvals are not obtained or other reasons not attributable to SRIG;
- **Exclusivity:** that Altona and RCPL must deal exclusively with SRIG and must notify SRIG if it receives any indications of interest in the Project. The exclusivity period commences from signing the Framework Agreement and ends 270 days later (or longer as agreed) or earlier if the Framework Agreement is terminated (End Date);
- **Break Fee:** if Altona or RCPL breaches exclusivity or there is a change of control resulting in the transaction not closing Altona and RCPL must pay a break fee of US\$2 million;
- **Agreed Programme:** Altona will complete an agreed programme of activities (with budgeted expenditure of US\$2.6 million during the remainder of 2015. Subject to being audited, this expenditure can then be applied as a contribution towards Altona's cash subscription under the subscription agreement; and
- **Management of RCPL:** Altona will be the manager of RCPL for an initial 3 months, or such longer period as agreed, on the terms of a management agreement to be signed on closing. The parties are to use reasonable endeavours to enable RCPL to become self-reliant.

Key terms of Subscription Agreement

Shares in RCPL are to be issued in two tranches as set out below:

	Tranche 1 payable on satisfaction of the conditions precedent	Tranche 2 payable 12 months later
Altona	US\$28 million ¹	US\$10 million
SRIG	US\$199.5 million ²	US\$14.96 million

¹ Less any amount credited as expended to the agreed programme of works.

² Less the \$US2 million deposit.

If any party fails to contribute its share of tranche 2 then RCPL may raise the money from the other party or a third party and the interest of any non-paying party will dilute accordingly.

Key terms of Shareholders' Agreement

Altona will appoint two directors to RCPL and SRIG will appoint 3 directors including the Chairman. The directors will vote in accordance with the shareholding of their appointing shareholder. The following decisions of the board of RCPL must be unanimous:

- decisions to issue shares or borrow money;
- decisions to sell, dispose or surrender RCPL's assets other than in ordinary course of business; and
- a decision to mine or approve a programme and budget where the capital costs for building the project exceed those detailed in the March 2014 definitive feasibility study by more than 10%.

After the subscription monies are expended, Altona and SRIG will be liable to fund RCPL pro rata either by debt or equity as the parties agree. In the event of a default, the non-defaulting shareholders have an option to acquire the defaulting shareholder's interests at a market value to be agreed or determined by an independent expert.

50% of any cash surplus will be applied to the repayment of shareholder loans and no less than 50% of the profit will be distributed by dividends.


Conditions Precedent

The Formal Agreements are to be conditional on the following being satisfied within 270 days of the date of the Framework Agreement or later date as agreed

- SRIG obtaining all regulatory consents and approvals from SASAC of Sichuan Province; and
- SRIG obtaining FIRB approval on conditions acceptable to SRIG.

Closing under the Formal Agreements is also conditional upon, but not limited to, the following:

- execution of Formal Agreements;
- obtaining consents under agreements with third parties;
- there being no error or misleading or inaccurate information contained in the data room or data which is withheld which has a material adverse effect on the Project;
- SRIG's due diligence revealing information which has a material adverse effect on the Project;
- Altona having entered into a binding agreement with RCPL with respect to Altona's subscription of US\$38 million for the shares in RCPL, and Altona's first tranche of US\$28 million being paid up into RCPL;
- the transfer of assets related to the Cloncurry Project currently held by Altona and Roseby Copper (South) Pty Ltd being transferred to RCPL;
- RCPL not owing any debt and no security interests over any securities or assets of RCPL;
- there being no change in the business or assets of RCPL which has a material adverse effect;
- SRIG appointing an international independent valuer to value the Project using Bloomberg or similar consensus pricing for copper, gold and currency and the VALMIN Code methodology and the valuation of the Project being no less than US\$105 million; and
- SRIG obtaining all approvals from the Chinese government.



If the conditions in connection with approvals from Chinese government, FIRB approval or execution of the Formal Agreements are not met by the End Date, any party may terminate the Framework Agreement and if any other conditions are not met, SRIG may terminate that agreement.

For the purposes of the Framework Agreement, material adverse effect of the Project means an effect on the financial conditions, operations or prospects of the Project when compared to the March 2014 definitive feasibility study such that:

- a loss of 10% or more in the grade or size of the reserve from that described in that study;
- the IRR for the Project falls below 19%, which IRR is to be calculated on the same basis as that in that study, but using:
 - the Bloomberg or similar consensus pricing for copper, gold and currency; and
 - a discount rate taking account of the Project being in Australia, being fully equity funded and having granted mining permits and key approvals;
- the value of the Project is equal to or less than US\$105 million;
- a reduction of 10% or more in the recovery rate from that described in that study.

Summary of Mineral Resource estimates for the Cloncurry Project

DEPOSIT	TOTAL			CONTAINED METAL		MEASURED			INDICATED			INFERRED		
	Tonnes	Grade		Copper	Gold	Tonnes	Grade		Tonne	Grade		Tonnes	Grade	
	million	Cu %	Au g/t	tonnes	ounces	million	Cu %	Au g/t	million	Cu %	Au g/t	million	Cu %	Au g/t
COPPER-GOLD DEPOSITS														
Little Eva	105.9	0.52	0.09	546,000	295,000	37.1	0.60	0.09	45.0	0.46	0.08	23.9	0.50	0.10
Ivy Ann ^A	7.5	0.57	0.07	43,000	17,000	-	-	-	5.4	0.60	0.08	2.1	0.49	0.06
Lady Clayre ^A	14.0	0.56	0.20	78,000	85,000	-	-	-	3.6	0.60	0.24	10.4	0.54	0.18
Bedford ^A	1.7	0.99	0.20	17,000	11,000	-	-	-	1.3	1.04	0.21	0.4	0.83	0.16
Sub-total	129.1	0.53	0.10	684,000	409,000	37.1	0.60	0.09	55.3	0.49	0.09	36.7	0.51	0.12
COPPER ONLY DEPOSITS														
Blackard ^A	76.4	0.62		475,000	-	27.0	0.68		6.6	0.60		42.7	0.59	-
Scanlan ^A	22.2	0.65		143,000	-	-	-		18.4	0.65		3.8	0.60	-
Turkey Creek	21.0	0.59		123,000	-	-	-		17.7	0.59		3.4	0.58	-
Longamundi ^A	10.4	0.66		69,000	-	-	-		-	-		10.4	0.66	-
Legend ^A	17.4	0.54		94,000	-	-	-		-	-		17.4	0.54	-
Great Southern ^A	6.0	0.61		37,000	-	-	-		-	-		6.0	0.61	-
Caroline ^A	3.6	0.53		19,000	-	-	-		-	-		3.6	0.53	-
Charlie Brown ^A	0.7	0.40		3,000	-	-	-		-	-		0.7	0.40	-
Sub-total	157.7	0.61		963,000	-	27.0	0.68		42.7	0.62		88.1	0.59	-
TOTAL	286.8	0.57	0.04	1,647,000	409,000	64.1	0.63	0.05	98.0	0.55	0.05	124.8	0.57	0.04

^A This information was prepared and first disclosed under the JORC Code 2004 Edition. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. All other resources classified and reported in accordance with JORC Code 2012 edition.

Note: Tonnages are dry metric tonnes and have been rounded, hence small differences may be present in the totals.

See ASX release of 23 October 2007 and 26 July 2011 (Longamundi, Great Southern, Caroline and Charlie Brown), 23 April 2012 (Bedford, Ivy Ann and Lady Clayre), 03 July 2012 (Blackard and Scanlan) and 22 August 2012 (Legend) for full details of resource estimation methodology and attributions.

Little Eva is reported above a 0.2% copper lower cut-off grade, all other deposits are above 0.3% lower copper cut-off grade