



29 October 2014

Australian Securities Exchange Limited

**Letter to Shareholders**

Aditya Birla Minerals Limited (ABY) is pleased to release the attached letter dated 29 October 2014 from the Company's Managing Director to shareholders.

For further information please contact:

**Aditya Birla Minerals Limited**

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Dear shareholder

I am taking this opportunity to write to you to thank you for your ongoing support of the Company, and to provide you with an update as to your Board and management team's actions in responding to the sinkhole incident that occurred at the Nifty Mine on 20 March 2014 ("**Sinkhole Incident**") and the positive steps taken by the Company since that incident regarding the re-commencement of operations, following the lifting of the Prohibition Notice by the Department of Mines and Petroleum ("**DMP**"). I would also like to express the Board's thanks for the feedback received from shareholders over the past several months regarding the Company's present and future operations.

Over the past several months, your Company has worked diligently to address the immediate impact of the Sinkhole Incident and to formulate plans to meet the challenges generated by it. In the immediate aftermath of the incident, the Company's first priority was to ensure the safety of its workforce and to ensure that all appropriate measures were taken to investigate and understand the causes and implications of the event. In this regard, as announced on 30 April 2014, detailed risk assessment activities were initiated in conjunction with external consultants and in continual and regular dialogue with the DMP (including the provision of monthly updates). Amongst the measures taken, comprehensive hazard and safety assessments were carried out, including probe drilling to determine inrush potential and void detection, the mine was dewatered and jumbo rehabilitation works were undertaken to ensure continued safe access. Seismic monitoring systems were installed to bolster existing systems in place and to facilitate increased ongoing awareness of geological movements and expert geotechnical consultants engaged to provide additional information and recommendations as to the conduct of operations at the Nifty Mine going forward.

Your Directors were also focused at all times on preserving shareholder value and on minimizing the disruption caused by the Sinkhole Incident. In this context, appropriate steps were taken by the Board and management to mitigate any losses arising out of the incident, which included the Company claiming force majeure under key operational contracts (including its Off-take Agreement with 51% shareholder Hindalco) and notification of the Sinkhole Incident to the Company's insurers. Regrettably, following extensive investigation it was determined that indemnification was not available under the Company's relevant insurance policy as the Sinkhole Incident fell within certain standard exclusions to coverage. Throughout, the Company has sought to ensure that shareholders have been kept informed as to relevant developments concerning its response to the Sinkhole Incident and has released regular announcements providing updates in relation to those matters.

The occurrence of the Sinkhole Incident has served to illustrate the supportiveness of Hindalco to the Company's operations and the favourable terms for the Company that exist under the Off-take Agreement. Pursuant to that agreement, Hindalco agrees to purchase all quantities of copper concentrate produced from the Nifty Mine over its life, at a price based on the daily LME Grade A Settlement Price, less smelter treatment and refining charges (Tc/Rc) established by reference to the annual Japanese benchmark agreed between the major copper mines and the Japanese smelters under calendar year contracts for similar qualities of copper concentrate. Importantly, no minimum quantity requirements, take-or-pay or similar obligations apply to the Company under the Off-take Agreement. As a result, no financial penalties apply to the Company during periods of operational suspension or reduced mine throughput. Accordingly, with the re-commencement of operations at the Nifty Mine the Company is confident that it will be able to progressively and safely ramp up production without adverse financial impact under the Off-take Agreement. Discussions with Hindalco have reflected its commitment to work with the Company to ensure longevity of operations.

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Since the re-commencement of operations in mid July 2014 at the Nifty Mine, there have been a number of pleasing operational statistics and milestones as the Company works towards reinstatement of full production levels. As previously advised, one positive milestone was achievement of 1 year Lost Time Injury free for the Company's mining department up to the end of August 2014. Vigilance and awareness has been maintained as work crews adjusted to roster changes and the Company can report a Lost Time Injury Frequency Rate of 1.3 since the recommencement of operations. Appropriate levels of manpower are being maintained at site and trigger action response plans have been developed and implemented as part of the mine induction process.

To the end of September 2014, 241,263 tonnes have been mined (for 3,884 tonnes of contained copper) since the resumption of mining activities. Mining activities have progressively increased to levels targeted under the short-term production schedule. Both capital and operating development is in progress into the north and west limbs. Boggie and firing of stopes is also progressing in line with the short-term schedule despite broken ground challenges adversely affecting blasting fragmentation, whilst production drilling is marginally ahead of the short-term schedule.

A raise-bore rig has been mobilised to redrill the filling holes for coalesced void OPQ230, following paste filling of approximately 15,906m<sup>3</sup> of material. Construction work has commenced into isolating and sealing off the sinkhole in the upper levels of the mine with the overall aim to isolate the sinkhole from the remainder of the mine and negate any risk of water/mud rush or air blast during the coming wet season. Work has progressed into how to safely mine remnant and isolated stopes in the checkerboard, with assistance from geotechnical experts at AMC Consulting.

In a further positive development, processing activities at Nifty have increased to pre-suspension daily milling rates, albeit on a campaign milling strategy. The operations are currently running at a rate of ~120-130kt per month of ore mining and processing, which remains on schedule to be ramped up gradually to ~150-160kt per month in the next few months.

Based on the detailed stoping, development and production schedule, the Company currently anticipates producing 16,000 to 18,000 tonnes of copper during FY 2014-15 for the 8 months through to 31 March 2015. This quantity may vary depending on the success of the ramp up phase, and other variables, which may come to light throughout this phase.

From a geotechnical perspective, the final stage of the full-mine seismic monitoring system has been installed and successfully commissioned, thereby increasing the capacity to monitor and locate rock movement throughout the mine and surrounding areas. An increase in frequency and magnitude of seismic events has been noted due to the increase in scheduled mining activities, which is to be expected. Most of the observed events correspond to the known geological structures Haldi Fault at 22 / 23L RL and the intersection of Haynes Fault and Dolerite Dyke at ~15L RL. Prism monitoring of the subsidence zone is done weekly. The trend of displacement is still concentric with the P213 to OPQ230 stopes axis acting as the focal point with minimal change in the position of the displacement contours. Both the magnitude and acceleration of movement is within tolerable limits and consistent with expectations.

Crack monitoring is showing movements consistent to the mine subsidence and is being monitored by crack monitors and prisms on the surface. Aerial survey is also undertaken on a monthly basis to augment the current surface monitoring. Stope CMS (Cavity Monitoring Surveys) have shown localised failures have been noted in LM198, J200 and O238 stopes. Effective draw control measures have been initiated to track and monitor extraction from these stopes. The draw control methods employed will not have any effect on planned mining tonnes however may lead to a reduction in overall stope grade due to some dilution & ore loss. Whilst the rock mass stress redistribution contributed to some challenges in mining the remnant stopes and stopes along the abutment of the mined areas, these challenges are being managed by the site staff to ensure safe and continuous mine operation.

Preparation of an updated Life of Mine Plan and Reserves assessment are in progress and the Company will release an updated Reserves report as soon as it is available. Given the additional considerations involved in making a comprehensive and accurate assessment of Nifty Mine Reserves following the Sinkhole Incident, this

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update is necessarily more complex than would otherwise be the case and the Company is working closely with its Competent Person to ensure that all relevant issues are addressed so as to enable the report to be delivered in a timely manner.

Further details on operational performance will be included in the Quarterly Report to be lodged prior to the end of this month. As usual, the Company also intends to hold a quarterly teleconference with investors and shareholders to discuss operational matters generally, details of which will be announced shortly.

The Company looks forward to informing shareholders as to further positive progress in ramping up Nifty production and processing volumes. Looking ahead, the Company is fortunate to have all production of copper concentrate from the mine contracted for sale under the Off-take Agreement, at prices set by reference to established international benchmarks (updated yearly in the case of pricing deductions to reflect movements in relevant indexes), whilst not having contractual pressure to deliver minimum contract volumes. Despite the challenging current environment for commodities generally, I am confident that the Company's reputation for operational excellence, the positive steps taken by your Board and management team in responding to and moving forward from the Sinkhole Incident and the continuing support of Hindalco create a solid foundation for future growth and profitability.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Sunil", written over a horizontal line.

Mr Sunil Kulwal  
**Managing Director**