



# **Aditya Birla Minerals Ltd**

## **Investor Presentation**

**19 November 2015**



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All figures are expressed in Australian dollars unless stated otherwise.



# ABY: Company snapshot

Ordinary shares on issue

• 313,372,551

Share Price as at 18 November 2015

• A\$ 0.22

Market Capitalisation as at 18 November 2015

• ~A\$ 69 million

Revenue for H1 FY16

• A\$ 97.5 million

Gross Profit / (Loss) for H1 FY16

• A\$ (16.9) million \*

Cash and Cash equivalent as at 27 October 2015

• A\$72.4 million (approx).

Security deposit with bank (other receivable) as at 27 October 2015

• Cash deposit of A\$ 8.1m is placed as Security deposit in compliance of terms of the Finance facility from the bank

\* This does not include loss from Mt Gordon



# Key Financials

A\$ millions

	H1 FY 16	H1 FY 15
Sales Revenue *	97.50	9.40
Cost of sales *	(115.17)	(24.78)
Suspension period expenses	-	(22.11)
EBITDA *	(3.66)	(7.39)
Impairment of assets *	(35.50)	(191.89)
EBIT *	(53.00)	(206.37)
EBT *	(53.53)	(207.02)
EAT *	(68.39)	(145.11)
EAT from discontinuing operations (Mt Gordon)	(32.37)	(24.94)
Total EAT	(100.76)	(170.05)
EPS (A cents)	(32.15)	(54.26)

\* This does not include figures of Mt Gordon





# Impairment in H1 FY16

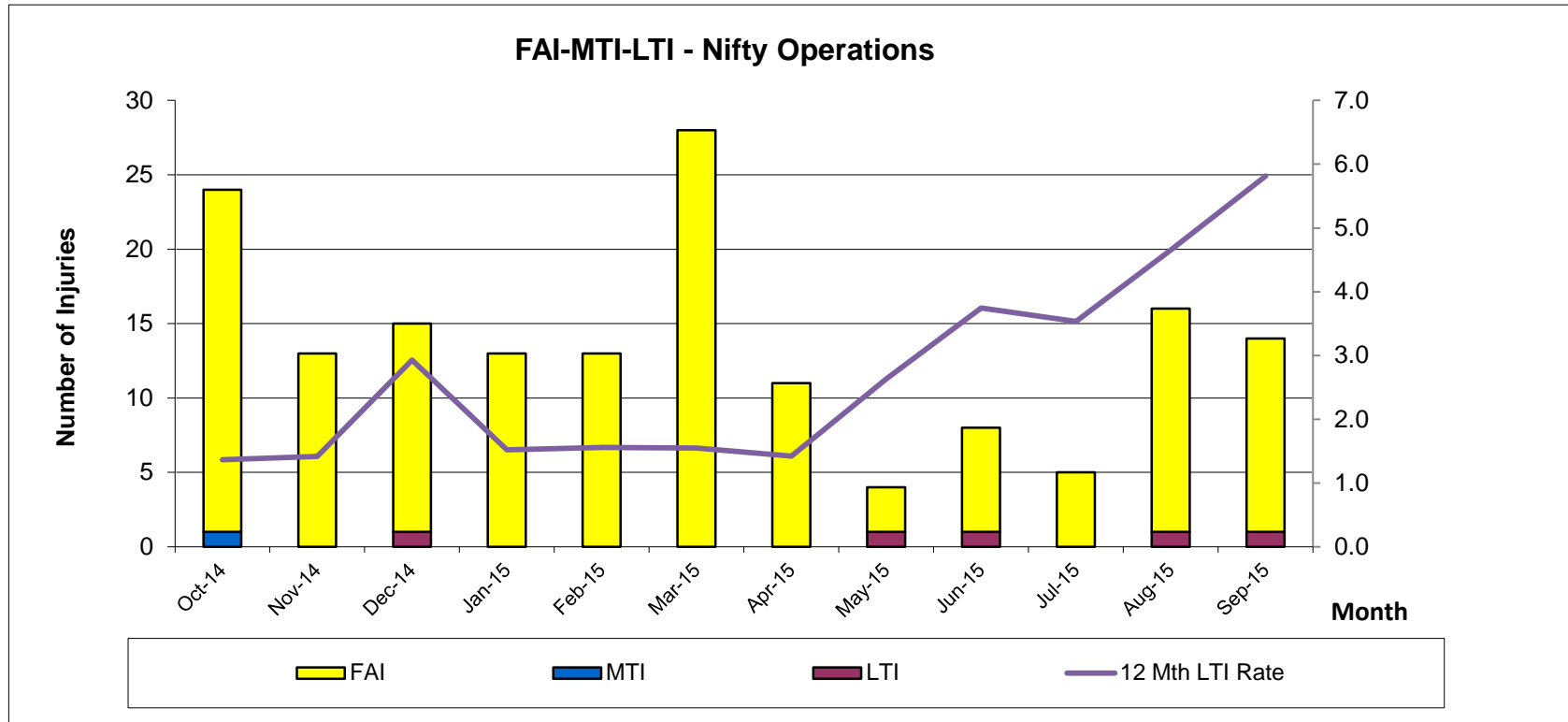
Particulars	Impairment Amount (A\$ Mn)	Trigger or Reasons for Impairment
Nifty- Sulphide	23.52	Recognition of potential decrease in copper grade in ore based on production in last 6 months and change in macro economic conditions and re-assessment of recoverable value of Nifty's assets at the end of mine life
Nifty Oxide- Heap Leach	11.98	Change in macro economic conditions and recent metallurgical test results demonstrate the copper extraction from the Heap Leach pads is not economically viable at prevailing copper prices
<b>Total</b>	<b>35.50</b>	
Mt Gordon	28.81	Based on agreed sale price of shares of Birla Mt Gordon Pty. Ltd. as per SPA (included in EAT from discontinuing operations in previous slide)



# Key Highlights: FY16 Year-to date

- ❑ Unfortunate fatal accident occurred at Nifty Underground mine on 11 May 2015. The Board was deeply saddened by the news and the thoughts and prayers of the Company remain with the family of the deceased. Prohibition Notice issued by DMP after the accident and subsequent restriction due to draw control measures resulted in higher percentage of ore being remotely bogged impacting the ore mining rate
- ❑ As part of Strategic Review process announced earlier, a Share Purchase Agreement (SPA) for sale of 100% shares in Birla Mt Gordon Pty. Ltd. was signed with Lighthouse Minerals Holdings Pty. Ltd. on 20 September 2015 (Transaction). The Transaction was finally completed on 27 October 2015 after satisfaction of all conditions precedent.
- ❑ Moelis Australia Advisory Pty Limited (Moelis) was appointed on 7 October 2015 to act as exclusive financial advisor to carry out the Strategic Review of rest of ABML business with specific focus on maximizing shareholders' value. As part of this review, all strategic options will be considered including a sale of the Company.
- ❑ Metals X announced a conditional, unsolicited take over bid on 15<sup>th</sup> October 2015 to acquire all of the shares of the Company in exchange of one Metals X share for every 5 ABML shares (Offer). The Board of directors unanimously recommended to REJECT the Offer and advised shareholders to take NO ACTION. Hindalco, 51% shareholder of the Company, has rejected the Offer. Hence, one of the condition of the Offer is not capable of being satisfied.
- ❑ Metallurgical test on Heap Leach pad samples were conducted and results found that extraction of copper not economically viable at prevailing copper prices
- ❑ LME Copper price on falling trend, but depreciation of Australian dollar vis-à-vis US\$ helped to mitigate a part of the realisation loss
- ❑ Overall site costs around low end of cost guidance due to cost optimisation measures and vigorous cost monitoring. However, cost per unit of ore mined and processed and C1 cost per lb of copper higher than estimated earlier due to lower than expected production.

*Nifty operational Lost Time Injury Frequency Rate (LTIFR) performance was average 3.6 per million man hours worked for H1 FY16*



**The Board and management are totally committed to safety. It has never compromised on safety in the past nor will compromise in future.**



# H1 FY16 Operational Highlights

*Though the operating performance for H1 FY16 improved this year in comparison to last year (as last year's performance was adversely impacted due to sinkhole incident in March'14, hence figures not directly comparable), it was affected by fatal accident in May 2015 and subsequent restriction due to draw control measures imposed by DMP*

## Ore Mined

- 208% increase in Nifty ore mined Y-o-Y: 742k tonnes of ore mined in H1 FY2016 as compared to 241k tonnes in H1 FY2015

## Ore processed

- 289% increase in Nifty Ore processed Y-o-Y: 722k tonnes of ore processed in H1 FY2016 as compared to 185k tonnes in H1 FY2015

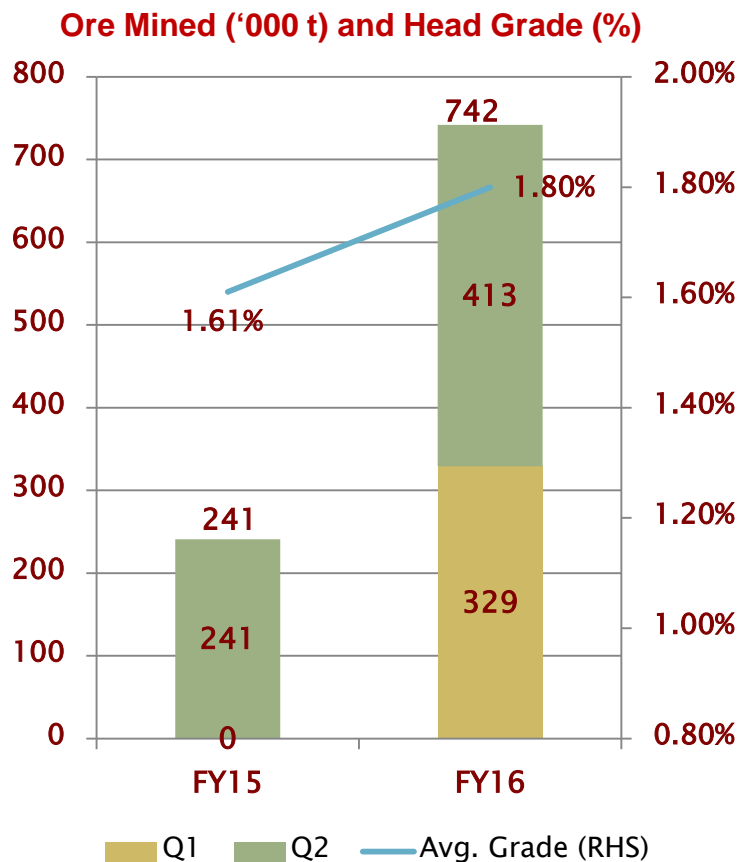
## Copper production

- 347% increase in Nifty Copper production Y-o-Y: 12,136 tonnes in H1 FY2016 as compared to 2,714 tonnes in H1 FY2015

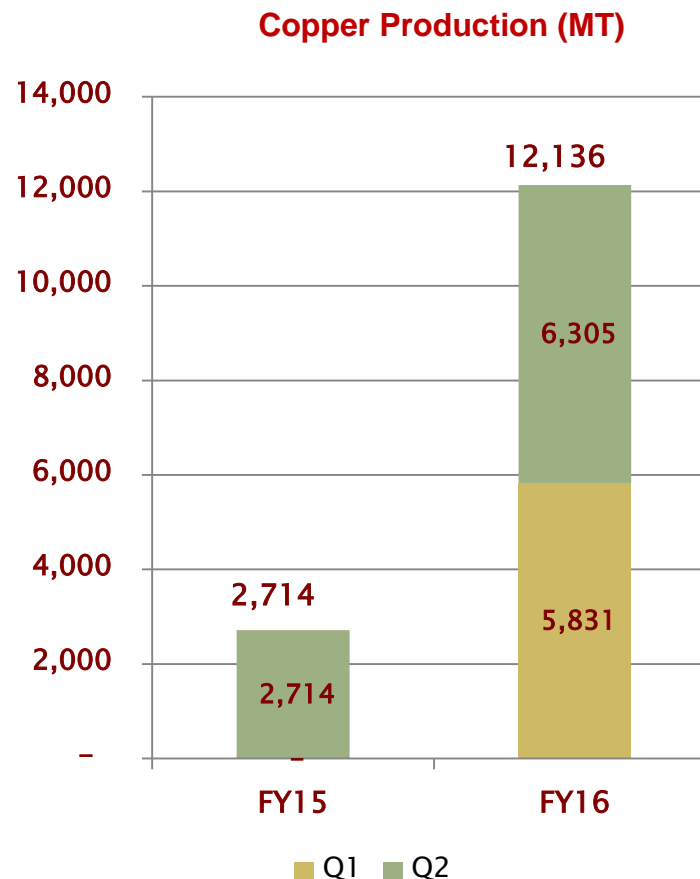


# Nifty Production– Quarterly trend

*Ore mined increased by 208% on YoY basis due to last year's mining operations were suspended till mid Jul'14 after sinkhole. FY16 performance affected by fatal accident in May'15.*



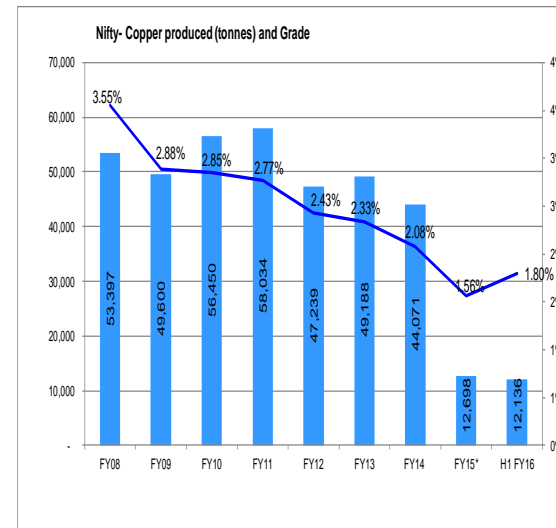
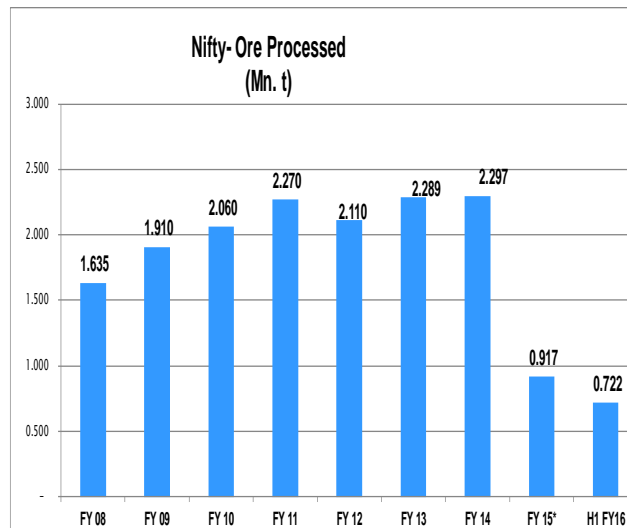
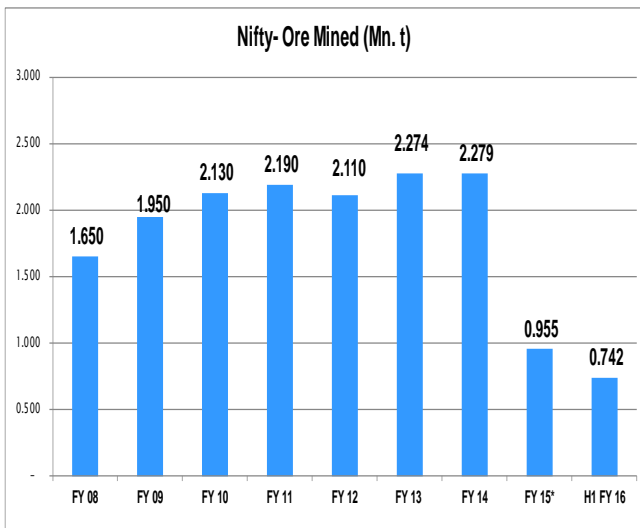
*Copper production increased by 347% YoY (due to last year's suspension of processing plant till end of Aug 2014 after the sinkhole incident)*





# Nifty: Ore Mined/Processed/Cu Prodn.

*Mine productivity affected in H1 FY16 due to fatal accident in May'15 followed by a Prohibition Notice issued by DMP and restrictions on draw control measures resulting into a higher percentage of ore being remote loaded, adversely impacting the ore mining rate*



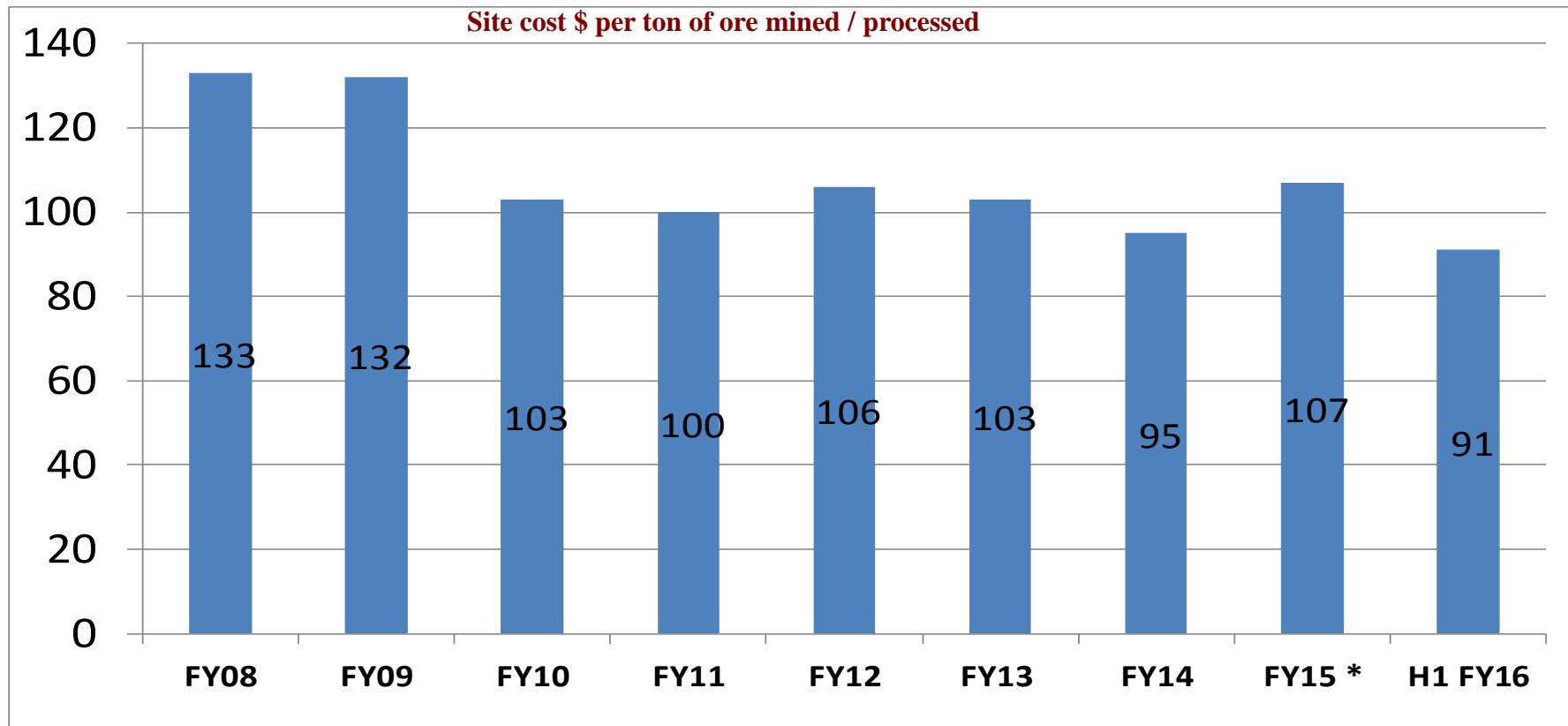
**\* In FY 15 Mining operations were suspended until mid July 2014 due to a Prohibition Notice issued by DMP**

**\* In FY15 Ore Processing activities re-started in the last week of August 2014 and now operating on 2 weeks on, 1 week off basis due to lower ore mining.**

**Average copper grade has been falling. It marginally improved during H1 FY16 in comparison to last year**

# Nifty: Unit costs

*Significant cost reduction achieved in absolute site costs through implementation of vigorous cost optimisation measures. Cost per tonne of ore mined and processed in H1 FY16 is lower than FY14 level despite the reduction in volume of Ore mined and processed*



\* On the basis of the Site cost incurred after restart of mining operations post Sinkhole incident. Costs were higher in FY15 due to operations in ramp-up phase



# Nifty C1 Cost

**A cents/lb**

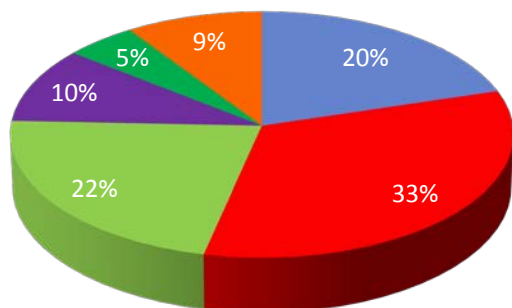
<b>NIFTY C1 COST</b>	<b>H1 FY16</b>	<b>FY15 *</b>	<b>FY14</b>
Total Site Cash Cost	248	358	224
Transportation & Logistics Cost	18	22	18
Tc/Rc	42	32	23
<b>C1 cost</b>	<b>308</b>	<b>412</b>	<b>265</b>

- The site costs in FY15 are not directly comparable with that of FY14 due to operations being in ramp up phase post re-start after the sinkhole incident.
- Site cash cost for FY15 does not include cost incurred during the mine shut down period due to sinkhole incident. FY15 Site cash cost is high due to lower copper production after recommencement of operations following sinkhole incident
- Transport & logistics cost for H1 is lower than last year due to inland transportation cost on the shipment made in April'15 beginning already incurred in last year
- TC/RC rate higher than last year due to increase in benchmark rate as well as depreciation of AUD vs USD



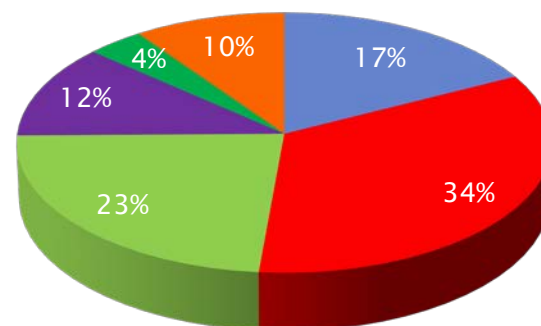
# Nifty : Break-up of Site Cash Cost

## H1 FY2016



Maintenance  
Mining Exp  
Reagent & Consumables  
Manpower  
Energy  
Overheads

## FY 2015



Maintenance  
Mining Exp  
Reagent & Consumables  
Manpower  
Energy  
Overheads





# Completion of Mt Gordon Strategic Review

- ❑ As part of Strategic Review of Mt Gordon (BMG), a Share Purchase Agreement (SPA) was signed with Lighthouse Minerals Holdings Pty. Ltd. (Buyer) on 20 September 2015 for sale of 100% shares in Birla Mt Gordon Pty. Ltd. (BMG). The sale has been completed on 27 October 2015 subsequent to satisfaction of all conditions precedent.
- ❑ The key terms of SPA inter alia includes:
  - A cash payment of A\$5 million payable by the Buyer to the Company (this has been paid on completion of the Transaction);
  - A further contingent cash payment of A\$10 million payable by the Buyer to the Company, payable if the three month delivery quoted price for copper on the London Metals Exchange averages at least A\$4.20 per pound over any continuous six month period, during the period commencing on 12 months after the date of first commercial production at Mt Gordon (under the Buyer's ownership) and ending 36 months after the date of first commercial production at Mt Gordon;
  - Reimbursing the Company for actual care and maintenance expenses incurred by BMG in relation to Mt Gordon for the period commencing on the execution date of the SPA and ending on the completion date of the Transaction up to a maximum amount of A\$500,000 per month; and
  - Replacing by the Buyer all financial assurance bonds (being environmental bonds and performance bonds) in relation to Mt Gordon, amounting to a value of approximately A\$41.7 million.
- ❑ As a result of this sale, an impairment of ~\$29m has been recognised in H1 FY16 financial results
- ❑ The completion of Mt Gordon sale has resulted in increase in unencumbered cash balance of the Company to the extent of \$46.7mn with the release of security deposit of \$41.7mn relating to Mt Gordon.



# Metals X Take Over Bid

- ❑ Metals X announced a conditional, unsolicited take over bid on 15<sup>th</sup> October 2015 to acquire all of the shares of the Company in exchange of one Metals X share for every 5 ABML shares (Offer).
- ❑ The Board of directors unanimously recommended to REJECT the Offer and advised shareholders to take NO ACTION for the following reasons:
  - the Offer materially undervalues ABML shares;
  - the Offer from Metals X is highly conditional and therefore uncertain;
  - Hindalco, which holds 51% shareholding of ABML, has stated that it will not be accepting the Offer, and therefore the control cannot pass to Metals X and one of the condition under the Offer is not capable of being satisfied;
  - ABML is undertaking a Strategic Review of the Company's business with a specific focus on maximizing value for all shareholders of the Company. The acceptance of the Offer from Metals X may deprive the shareholders of the opportunity to accept a superior proposal should it emerge from the Strategic Review process.



# FY 16 Production and Cost Guidance

## Production: Contained Metal in concentrate

Copper	UOM	Qty
- Nifty Operations	Tonnes	25-28,000
<b>TOTAL</b>		<b>25-28,000</b>

## Costs:

Copper	UOM	Amount
- Nifty- Site costs	A\$ Mn.	135-145
- Capex	A\$ Mn.	12-17

Post sinkhole, the workforce and absolute site costs have been reduced by ~40-50% leveraging cost optimisation and the revised potential production

Based on the ground reality, management continuously evaluates the production and cost forecast and regularly updates the market



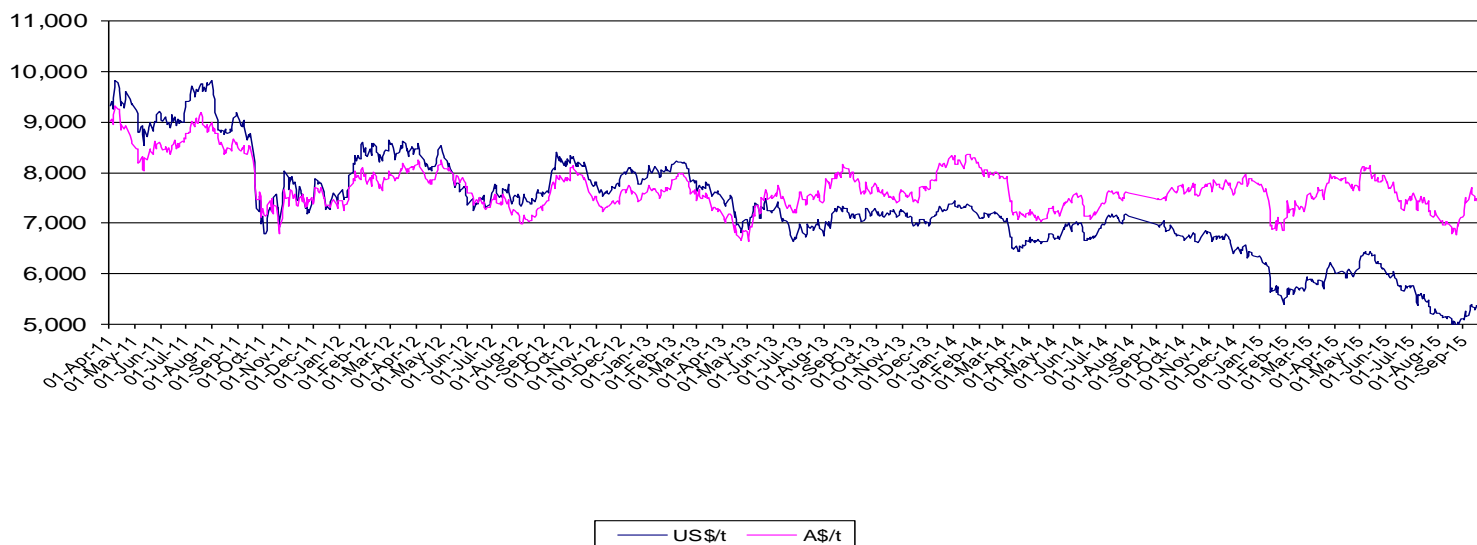
# Metal and Fx Hedges (as at 18 November 2015)

Metal hedging	Buy Put		Sell Call		Swap			
QP month	Qty	USD	Qty	USD	Qty (tonnes)	USD/t	Total Qty Hedged (tonnes)	Average Rate (USD/t)
Delivered Qty	-	-	-	-	7,650	5,239	7,650	5,239
Rolling 12 months	-	-	-	-	-	-	-	-
Total Qty Hedged	-	-	-	-	7,650	5,239	7,650	5,239
			Forward Sell			Average		
FX Hedging			US\$-Mn			FX Rate		
Rolling 12 months			Nil			-		

Hedging position is Nil as on the date mentioned above



# Copper Prices



Average LME copper price fell by ~17.8% averaging at US\$ 5,646 /MT in H1 FY16 compared to US\$ 6,867 /MT during the same period last financial year. Recently the price has steeply fallen below USD 5,000/MT, which will have significant adverse impact on Company's profitability

Average AUD/USD exchange rate fell by ~19.0%, averaging at 0.7518 during H1 FY16 compared to an average of 0.9287 during last year. The recent drop in AUD/USD exchange rate to ~0.70 will partly off-set the impact of the steep fall copper price





# Macro Economic Overview

Copper market in recent past has fallen to US\$ 4600 – 5000 levels (last 6 years' low) due to continued concerns of slow down in China and uncertainty created in Euro zone.

Headwinds including a stronger dollar, insipid economic indicators across Europe, Japan, the US and latterly Latin America have also added to the negativity that has engulfed the broader markets in recent weeks

While supply continues to exceed demand in the short term, the recovery in US economy augurs well for Copper demand. However, downside risks from the macro economic factors cannot be ruled out.



# Strategic Direction and Way Forward

## Nifty Operations

- Ramp-up to 1.4 - 1.6 mtpa in the short term and continue to operate in a safe manner.
- Implement the identified cost optimisation initiatives
- Rationalise Capex spending
- Increase mine throughput in the balance life of mine period

## Exploration

- Suspension of exploration activities until business conditions and market situation improves

## ABML

- Continue the Strategic Review process with a view to complete in the quarter ending March 2016. However, this will depend on a number of factors (including, but not limited to, prevailing market conditions and any unforeseen circumstances )



# Thank You