



# **Aditya Birla Minerals Ltd**

## **Investor Presentation**

**21 January 2016**



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All figures are expressed in Australian dollars unless stated otherwise.



# ABML: Company snapshot

Ordinary shares on issue

• 313,372,551

Share price as at 20 January 2016

• A\$0.185

Market capitalisation as at 20 January 2016

• ~A\$58 million

Cash and cash equivalent as at 31 December 2015

• A\$72.18 million

Security deposit with bank (other receivable) as at 31 December 2015

• Cash deposit of A\$7.82m in placed as security deposit



## Key Highlights

- ❑ Share Purchase Agreement for sale of 100% of the shares in Birla Mt Gordon Pty Ltd. was signed with Lighthouse Minerals Holdings Pty Ltd. on 20 September 2015 (Transaction). The Transaction was completed on 27 October 2015 after satisfaction of all conditions precedent.
- ❑ Moelis Australia Advisory Pty Ltd (Moelis) was appointed on 7 October 2015 to act as exclusive financial advisor to carry out the Strategic Review of ABML with a specific focus on maximising shareholder value. As part of this review, all strategic options are being considered. The first stage of the Strategic Review has been completed and the the second stage is underway.
- ❑ Metals X announced a conditional, unsolicited take over bid on 15 October 2015 to acquire all of the shares of ABML in exchange of 1 Metals X share for every 5 ABML shares (Offer), which was subsequently revised to 1 Metals X share for every 4.75 ABML shares (Revised Offer). The Board of Directors unanimously recommended to REJECT the Offer and Revised Offer and advised shareholders to take NO ACTION. Hindalco, which holds 51% of the shares of ABML, has rejected the Offer and Revised Offer.
- ❑ Copper production improved substantially in December quarter due to higher mined ore grade of 2.65% copper and a 21% increase in quarter-on-quarter plant throughput.
- ❑ Increase in copper production guidance for FY16 to 29,000 – 30,000t compared to previous guidance of 25,000 – 28,000t.
- ❑ Overall site costs forecast at lower end of cost guidance due to cost optimisation measures and vigorous cost monitoring. Cost guidance for full year FY16 revised downward to \$135 – \$140 million compared to previous guidance of \$135 – \$145 million.
- ❑ LME Copper price fallen sharply, but depreciation of AUD:USD exchange rate partially mitigated the copper price fall. The current copper price in AUD terms have fallen by \$800 – \$1,000/t compared to prices prevailing in Sep/Oct 2015.





## Safety Commitment

- ❑ Nifty Operation's Total Recordable Injury Frequency Rate (TRIFR) for Q3 FY16 was 4.9 per million man-hours compared to the previous quarter's TRIFR of 9.5 per million man-hours.
- ❑ 12 months cumulative TRIFR for the period ending 31 December 2015 was 5.9 per million man-hours against the industry average of 10.3 per million man-hours for Underground Metalliferous Mines.
- ❑ 12 months Lost Time Injury Frequency Rate (LTIFR) for the period ending 31 December 2015 was 4.7 per million man-hours
- ❑ Work continues on initiatives to further improve safety performance including Trigger Action Response Plans (TARP), development of safety systems, training, up-skilling and engagement.

**The ABML Board and Management are totally committed to safety. We have never compromised on safety in the past nor will compromise in future.**



## Q3 FY16 Operational Highlights

*Operating performance for Q3 FY16 improved substantially compared to previous quarter*

### Ore Mined

- **5% decrease in Nifty ore mined Q-o-Q:** 394k tonnes of ore mined in Q3 FY2016 as compared to 413k tonnes in Q2 FY2016

### Ore processed

- **21% increase in Nifty Ore processed Q-o-Q:** 442k tonnes of ore processed in Q3 FY2016 as compared to 366k tonnes in Q2 FY2016

### Copper production

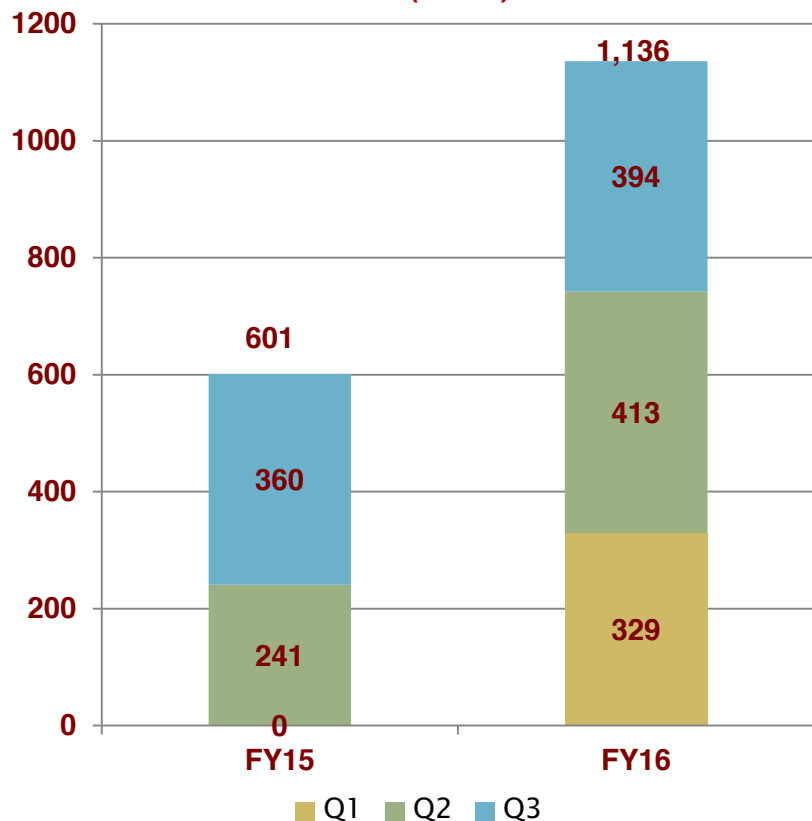
- **75% increase in Nifty Copper production Q-o-Q:** 11,003 tonnes in Q3 FY2016 as compared to 6,305 tonnes in Q2 FY2016



# Nifty Production : Year-to-date and Quarterly trend

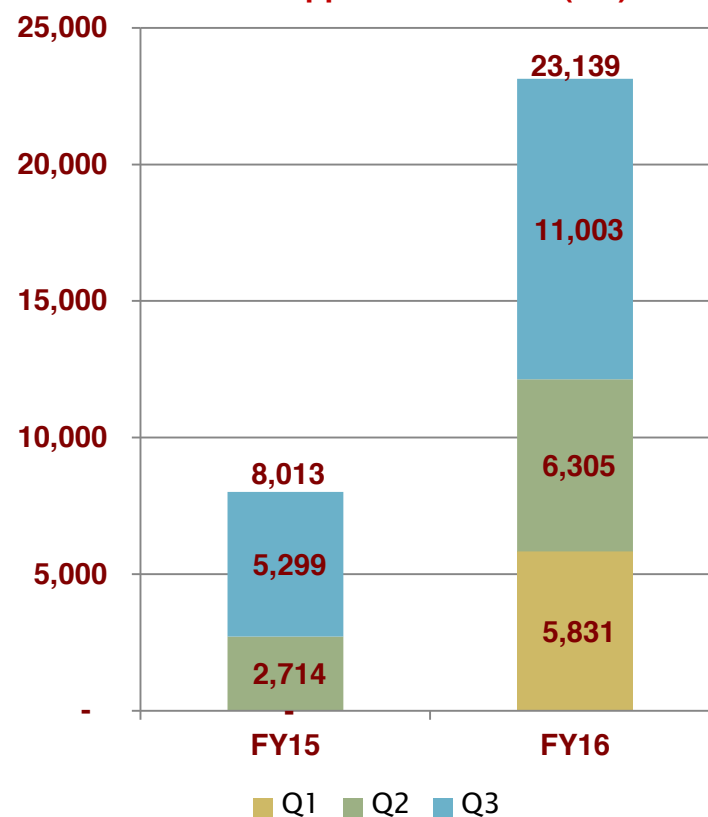
- Ore mined increased by 89% on year-to-date basis due to suspension of mining operations in FY15 until mid July 2014 after sinkhole incident. FY16 performance impacted by fatal accident in May 2015.
- FY16 Q3 ore mined lower by 5% Q-o-Q basis.

Ore Mined ('000 t)



- Copper production increased by 189% year-to-date due to last year's suspension of processing plant until end of August 2014 after the sinkhole incident.
- FY16 Q3 copper production 75% higher Q-o-Q basis.

Copper Production (MT)

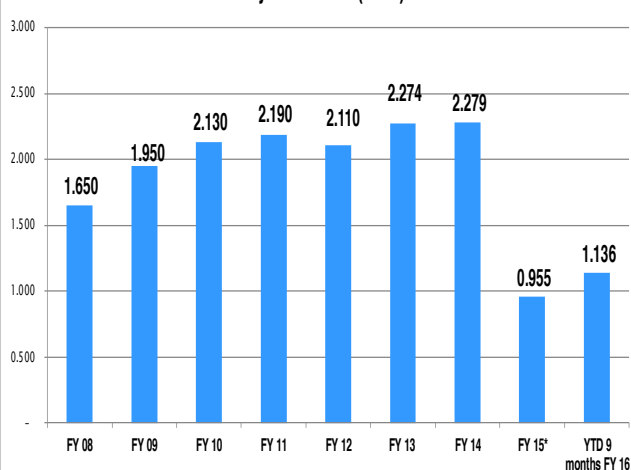




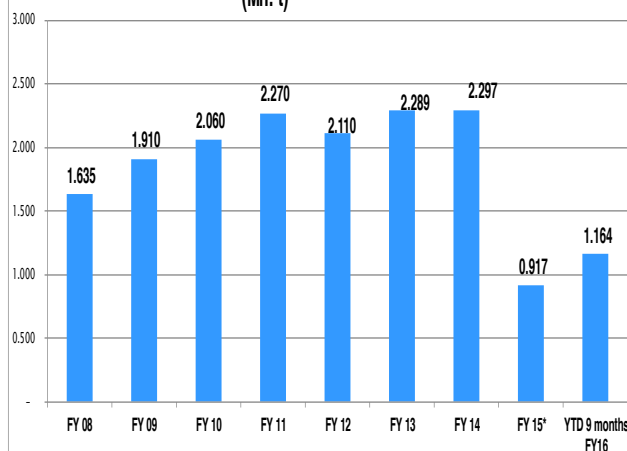
# Nifty: Ore Mined/Processed/Cu Production

*Mine productivity during FY16 affected by a Prohibition Notice issued by DMP and restrictions on draw control measures resulting into a higher percentage of ore being remote loaded subsequent to a fatal accident in May 2015.*

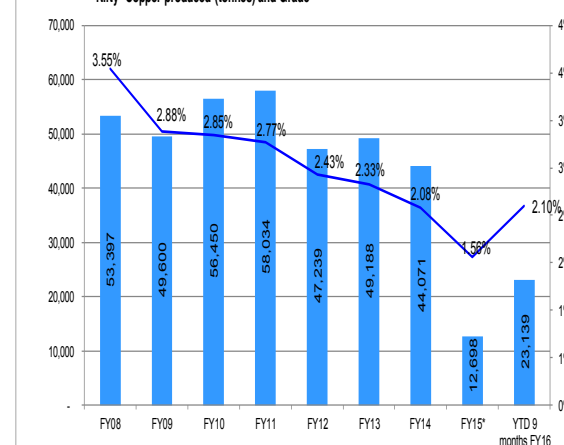
Nifty- Ore Mined (Mn. t)



Nifty- Ore Processed (Mn. t)



Nifty- Copper produced (tonnes) and Grade



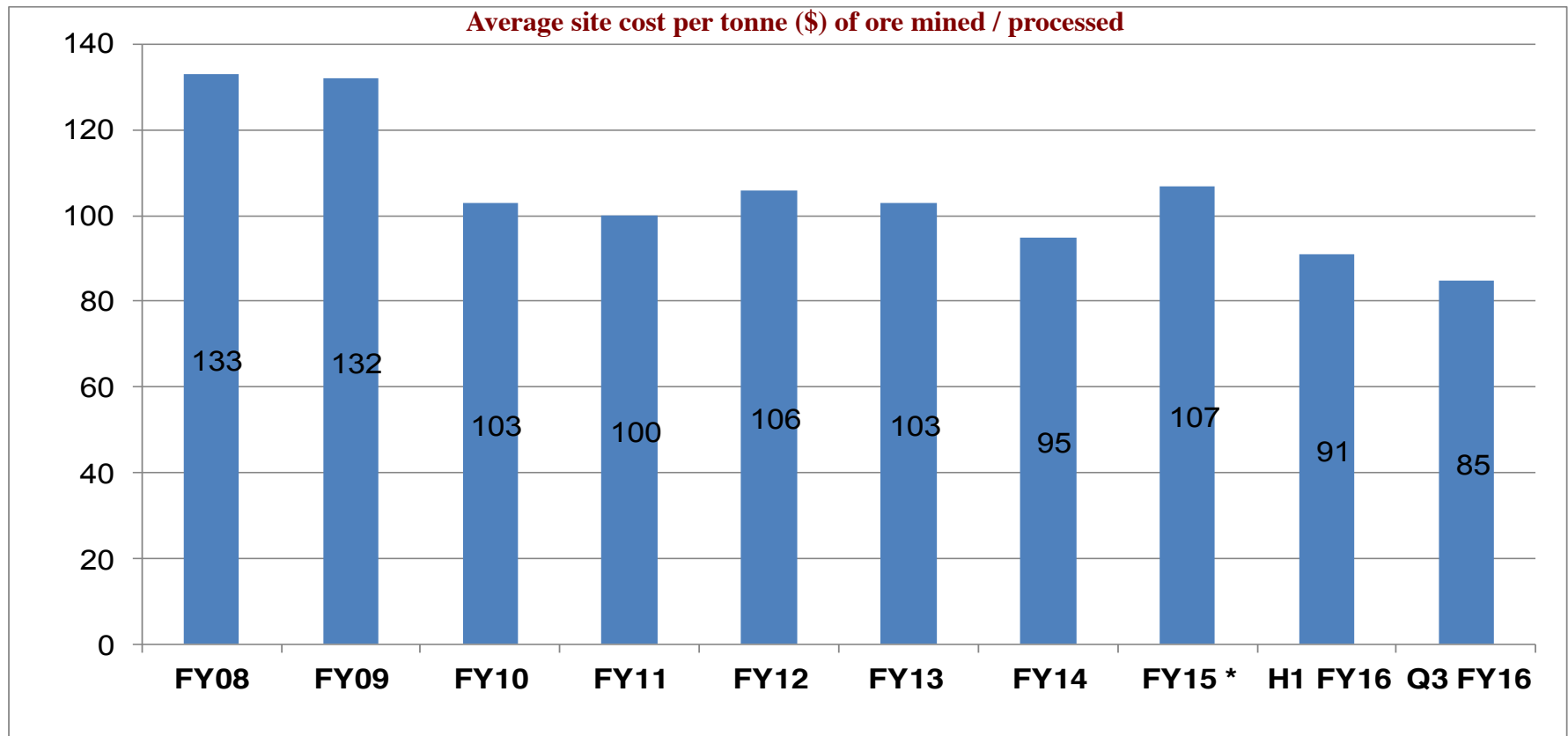
**\* In FY15 mining operations were suspended until mid-July 2014 due to a Prohibition Notice issued by DMP**

**\* 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 has improved during FY16 in comparison to last year**



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

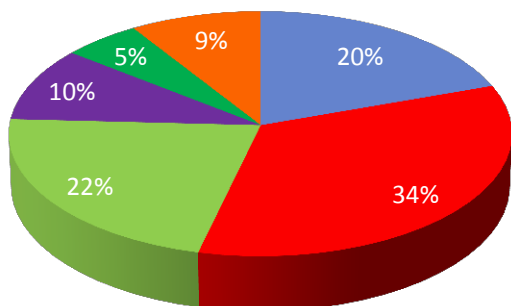
NIFTY C1 COST	Q3 FY16	H1 FY16	FY15 *	FY14
Total Site Cash Cost	144	248	358	224
Transportation & Logistics Cost	22	18	22	18
Tc/Rc	43	42	32	23
<b>C1 cost</b>	<b>209</b>	<b>308</b>	<b>412</b>	<b>265</b>

- Q3 FY16 C1 cost has improved significantly due to higher copper production and lower site costs per tonne of ore mined and processed linked to various cost optimisation measures.
- The site costs in FY15 are not directly comparable with that of FY16 due to operations being in ramp up phase post re-start after the sinkhole incident.
- Site cash cost for FY15 do not include costs 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 FY16 are lower than the previous year due to inland transportation cost on the shipment made in April 2015 beginning already incurred last year.
- TC/RC rate in FY16 higher than FY15 due to increase in benchmark rate and depreciation of AUD:USD exchange rate.



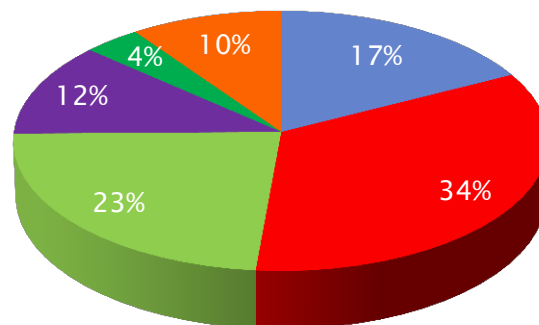
# Nifty : Break-up of Site Cash Cost

## YTD FY2016



Maintenance  
Mining Exp  
Reagent & Consumables  
Manpower  
Energy  
Overheads

## FY2015



Maintenance  
Mining Exp  
Reagent & Consumables  
Manpower  
Energy  
Overheads



# Strategic Review

- ❑ Sale of 100% of the shares in Birla Mt Gordon Pty Ltd to Lighthouse Minerals Holdings Pty Ltd successfully completed on 27 October 2015 following satisfaction of all conditions precedent.
- ❑ Moelis Australia Advisory Pty Ltd was appointed as corporate advisor on 7 October 2015 to assist with a Strategic Review for remainder of the ABML. The specific focus of the Strategic Review is on maximising value for shareholders and all strategic options will be considered.
- ❑ The first stage of the Strategic Review has been completed and the the second stage is underway.
- ❑ The outcome of the Strategic Review is expected to be known by the end of the March 2016 quarter. Shareholders are reminded that the outcome of the Strategic Review remains subject to a number of factors and may not result in a definitive transaction.



# Metals X Takeover Offer

- ❑ Metals X announced a conditional, unsolicited take over bid on 15 October 2015 to acquire all of the shares of ABML in exchange of 1 Metals X share for every 5 ABML shares (Offer).
- ❑ The Offer was subsequently revised by Metals X on 7 December 2015 to one Metals X share for every 4.75 ABML shares (Revised Offer).
- ❑ The Board of Directors of ABML unanimously recommended to REJECT the Offer and the Revised Offer on 26 October 2015 and 22 December 2015 respectively and advised shareholders to take NO ACTION for the following reasons:
  - the Offer and the Revised Offer materially undervalues ABML shares;
  - the Offer and the Revised Offer from Metals X are highly conditional and therefore uncertain;
  - Hindalco, which holds 51% shareholding of ABML, has stated that it will not be accepting the Offer or the Revised Offer and it supports the Strategic Review being undertaken by ABML; and
  - ABML is undertaking a Strategic Review of the Company's business with a specific focus on maximising value for all shareholders. Acceptance of the now Revised Offer from Metals X may deprive ABML shareholders of the opportunity to accept a superior proposal should it emerge from the Strategic Review process.
- ❑ Metals X announced on 15 January 2016 an extension of its Revised Offer until 24 February 2016.
- ❑ Metals X announced on 19 January 2016 that 24.94% of total shares of ABML have accepted its Revised Offer, however the Revised Offer remains conditional.





## FY16 Production: Contained Metal in concentrate

Copper	UOM	Qty
- Nifty Operations	Tonnes	29-30,000
<b>TOTAL</b>		<b>29-30,000</b>

## FY16 Costs:

Copper	UOM	Amount
- Nifty site costs	A\$m	135-140
- Capex	A\$m	10-12

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

With reference to on the ground updates, management continuously evaluates production and cost forecasts and ensures shareholders are fully informed



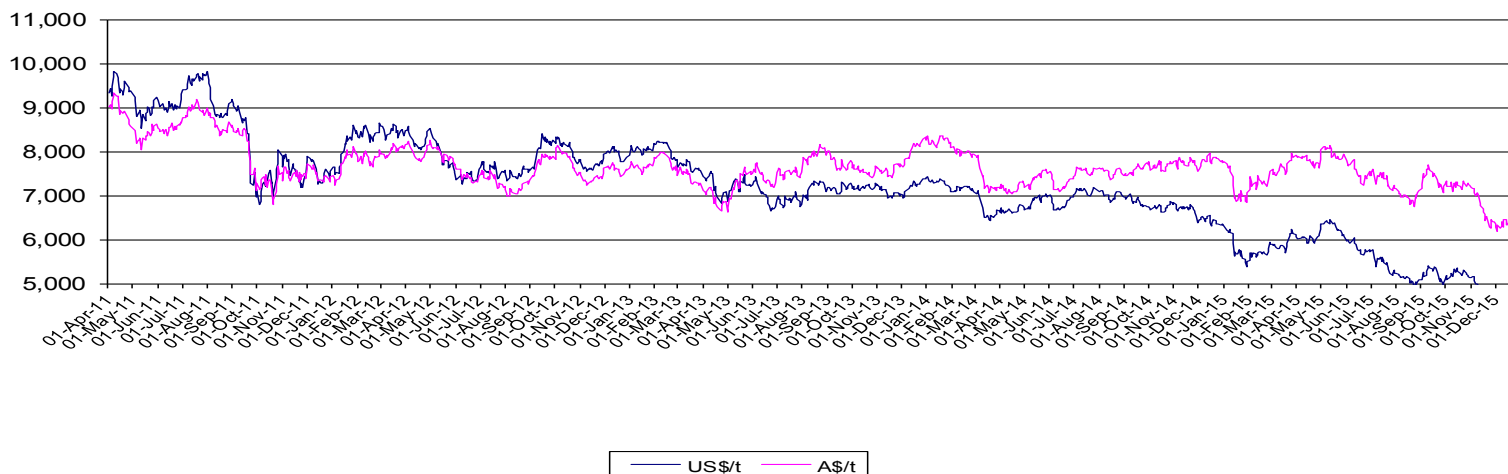
# Metal and FX Hedges (as at 20 January 2016)

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	-	-	-	-	12,000	4,726	12,000	4,726
Rolling 12 months	-	-	-	-	-	-	-	-
Total Copper Hedged	-	-	-	-	12,000	4,726	12,000	4,726

Forex Hedging	Forward Sell	Average
FX Hedging	US\$-Mn	FX Rate
Rolling 12 months	16.40	0.6959



# Copper Prices



Average LME copper price fell by ~26% averaging at US\$4,885/t in Q3 FY16 compared to US\$6,623 /t during the same period last financial year. Recently the price has steeply fallen below US\$4,400/t, which will impact ABML's profitability.

Average AUD/USD exchange rate fell by ~19%, averaging at 0.7204 during Q3 FY16 compared to an average of 0.8569 during the same period last year, partly offsetting the impact of fall in copper price.

In AUD terms, the current copper price has fallen by ~A\$800 – A\$1,000/t compared to the levels prevailing in Sep/Oct 2015, which has impact ABML's profitability.



Copper price has recently fallen sharply to a low of ~US\$4,318/t, the lowest level achieved in six years. Concerns of a slowdown in China and depreciation of Chinese currency (RMB) have placed pressure on commodity prices including copper.

The slower growth in China, which accounts for ~40% of the world's total copper consumption, remains concerning. However, recently released data pertaining to the Chinese economy and end-use copper sectors have generally pointed to a reversal of the slower growth trajectory witnessed over previous months.

Market fundamentals are depressed with production cuts in a number of mines and the announcement that ten Chinese refined copper producers would cut refined copper output by 350kt next year. However, such production cuts may be partially or even fully mitigated by increased capacity utilisation at other smelters.



# Strategic Direction and Way Forward

## Nifty Operations

- Ramp-up from 1.5mtpa to 1.7mtpa in the short term while continuing to operate in a safe and efficient manner.
- Implementing the further 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

- Conclude the Strategic Review by the end of the March quarter 2016. The outcome will depend on a number of factors (including, but not limited to, prevailing market conditions and any unforeseen circumstances) and may not result in a definitive transaction.





# Thank You