



ALTECH CHEMICALS SDN BHD

Company No. 1125787X



QUARTERLY REPORT

June 2020

Construction Update

- Stage 2 HPA plant construction work recommenced
- Followed lifting of Movement Control Order (MCO)
- All Stage-2 construction work now completed
- Handover and punch list items finalised
- Electrical substation ready for switch gear installation and supply connection

Independent confirmation of HPA Project's green credentials

- Altech's high purity alumina (HPA) project independently confirmed as "green"
- Centre of International Climate and Environmental Research (CICERO)
- Confirmation encompassed both project and governance aspects

German research confirms 4N critical for Lithium-ion battery safety & performance

- Test work shows sodium contamination from low grade alumina and boehmite in lithium-ion battery applications
- Up to 80-fold increase of sodium levels
- Minimal sodium leaching for 4N alumina (99.99%)
- Serious battery safety risks, performance and durability problems
- Industry standards for alumina coated separators called for

Option agreement to acquire industrial site in Saxony, Germany

- Option to acquire ~10Ha industrial site in Saxony, Germany
- Follows invitation from the state of Saxony to construct next HPA plant in Germany
- Site access assured during the option period for planning and assessment

European Commission's COVID-19 Green Recovery Plan

- €750b of European Union fiscal stimulus allocated to Next Generation "green" initiative
- Germany mandates electric vehicle charging points in all service stations
- €2.5b allocated to battery cell production and charging infrastructure

Share placement to Specialty Materials Investments LLC

- Specialist US institutional investor
- Initial investment of up to \$2 million
- Additional investment of up to \$0.9 million, subject to shareholder approval
- Funding certainty for Altech's European initiatives
- Focus on the "new economy", post COVID-19

Altech Advanced Materials AG Update

- Option to acquire 49% of the HPA project for US\$100 million
- Successful in its structural capital increase
- Approval by its shareholders received
- First stage rights issue raised € 1.1 million
- Excellent result considering less than 100 shareholders
- Roadshows in progress
- Support of Swiss based international bank

Project Funding

- Project financial work continued
- Potential strategic investors introduced
- Listed "green bond" initiative commenced

Construction Update

Activities at the Company's high purity alumina (HPA) site in Johor Bahru, Malaysia, recommenced on 3 June 2020 following the lifting of the Malaysian government COVID-19 pandemic Movement Control Order (MCO).

On the 9 July 2020, the Company announced that the remaining Stage-2 construction work had been completed. Outstanding Stage-2 construction involved completion of the site electrical substation, which primarily consisted of internal fit-out, drainage, sewage and landscaping. These works have now finished and this marks the completion of all works included in the Stage 2 construction scope by the appointed EPC contractor Metix (a wholly owned subsidiary of SMS group, Germany).

A formal handover inspection of the substation was conducted toward the end of June 2020 and the small number of identified punch list items were all rectified by 30 June 2020. The electrical substation is a critical path item and Altech will now proceed to make the substation available to the local electricity service provider TNB (Tenaga Nasional Berhad) for the installation of switchgear and the incorporation of the substation into the local electrical grid.

Stage 1 and 2 early works construction activities were completed with a total of 137,916 lost time injury (LTI) free hours at the site by the EPC construction team and its appointed subcontractors. A total of 288 personnel were involved in site-based construction activities.

Completed electrical substation, Altech HPA plant site



Substation entrance



Substation access



Substation Inspection and Function Checks



Independent confirmation of HPA Project's green credentials

The Company's high purity alumina (HPA) project was formally assessed as "green" by the independent Centre of International Climate and Environmental Research (CICERO) based in Oslo, Norway during the quarter. This positive project assessment, formally termed a "second opinion", confirms that Altech's HPA project is of a type suitable for finance via green bonds. The project can now be considered by investors that participate in the green bond market, the size of which is approaching US\$250 billion annually and a large portion of which is present in Europe.

The CICERO evaluation was initiated in mid-March 2020, and involved an overall assessment and review of the project's framework and documentation, which included both governance and transparency considerations. In its Green Bond Second Opinion Report, a copy of which is available on Altech's web site, CICERO assessed the project's overall framework as a Light Green shading and assessed a governance score of Good. CICERO also noted that "a (higher) Medium Green (project) shading could be achieved if renewable energy solutions at some scale are implemented", which is something that the Company is currently investigating.

The project's green shading score does not affect bond pricing, rather it provides a transparent mechanism by which green bond investors are able to categorise their investment in terms of climate risks and impacts.

In terms of the project's strengths, CICERO noted that "Altech's process includes recycling processes and does not create substantial amounts of solid or liquid waste that would go to landfill or tailing points. In addition, nearly 100% of the hydrochloric acid used in its chemical process is recycled and reused in the process plant."

The project assessment was initiated by Frankfurt stock exchange listed Altech Advanced Materials AG (AAM), of which Altech is a 29.9% shareholder. As announced on 30 January 2020, AAM has executed an agreement with a Swiss based international investment bank to act as Placement Agent in relation to the issuance of equity or other equity instruments (securities) by AAM via private placement. AAM is aiming to secure funding to position it to exercise its option to acquire up to a 49% interest in Altech's HPA project for US\$100 million. This positive second opinion report is expected to assist AAM in its capital raising initiative by opening the project for the large pool of European green investor funds, such as those that may participate in the green bond market.

The second opinion report formalises the view that Altech's single step HPA process is an energy efficient green process – a real game changer in terms of environmentally friendly, energy efficient and consequently lower cost production of high purity alumina. The report should be of considerable assistance to AAM and will open up a new group of potential investors for this exciting project.



°CICERO
Shades of
Green

German research confirms 4N critical for Lithium-ion battery safety & performance

During the quarter, Altech provided the results from high purity alumina (HPA) research activities completed by the internationally renowned Fraunhofer-Gesellschaft research organisation (refer ASX Announcement 25 March 2020).

The Fraunhofer Institute for Ceramic Technologies and Systems (IKTS) of Dresden, Germany specialises in lithium-ion battery research. Altech commissioned test work focussed on assessing how readily impurities (predominantly sodium) leach from lower quality alumina (sub-4N) and boehmite into battery electrolyte solution, a cause of lithium-ion battery thermal runaway, inefficiency and life cycle reduction.

As the lithium-ion battery industry rapidly expands in response to increased demand for electric vehicle (EV) and portable electronic device batteries, some in the industry have turned to cheaper low-grade alumina and boehmite as a coating material for battery separators. This substitution is away from high quality 4N alumina (99.99%) as a standard separator sheet coating. Results from the Fraunhofer test work point to a previously unrecognised contamination risk and heightened safety hazard – sodium leaching – from lower grade alumina or boehmite.

A lithium-ion battery stores then releases power by lithium ions moving between the battery cathode and anode, representing the charge and vica-versa discharge cycles. Separating the cathode and anode within the battery is a thin polymer sheet – a separator sheet through which lithium ions pass via a liquid electrolyte (see Figure 1). The composition of these polymer separator sheets has evolved over time in parallel with increases in battery energy density and faster charging / discharging requirements. Now separator sheets are mostly coated with thin layers of alumina powder to maintain separator integrity under the ever-increasing operating temperatures of modern high-energy lithium-ion batteries (see Figure 2).

Figure 1:
Cross section of lithium-ion battery

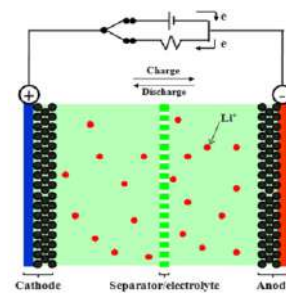
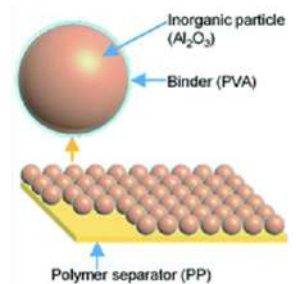


Figure 2:
Schematic of alumina (Al₂O₃) coated polymer separator



The Fraunhofer test work exposed various commercial grade alumina / boehmite powders known to have been adopted for battery separator coatings, to lithium battery electrolyte solution under controlled battery type conditions. What was observed was severe sodium leaching and contamination of the organic electrolyte solution from the lower grade alumina and boehmite powders. The IKTS reported that the sodium content in the electrolyte rose from an initially acceptable 0.5 ppm, up to potentially catastrophic level of 40 ppm (an 80-fold increase) for the test using low quality 3N alumina (99.9%). Similar leaching and electrolyte contamination were observed for the boehmite test (99.7% purity), where the sodium level in the electrolyte jumped 20-fold. For the 4N alumina (99.99%), almost zero leaching of sodium was observed.

Figure 3 illustrates the discolouration of the organic electrolyte solution that resulted from the leaching of contaminants in the Fraunhofer test work.

Figure 3. Electrolyte samples showing discolouration – Left to Right, 4N Alumina (99.99%), 3N Alumina (99.9%), Boehmite (99.7%)



The presence of high levels of sodium in the extremely sensitive lithium-ion battery electrolyte solution presents potentially serious battery safety risks, adverse battery performance issues and battery durability problems. Sodium contamination is to be avoided at all costs anywhere within a lithium-ion battery. Sodium can dramatically reduce battery discharge capacity and adversely impede the movement of lithium ions within the battery. When there is too much sodium present in the battery's organic electrolyte solution, the movement of lithium ions is hindered and the battery discharge capacity is rapidly reduced. Overall, sodium has a negative impact on battery performance and safety. Sodium presence in battery electrolyte promotes dendrite growth and lithium plating on the anode, which are catalysts for battery failure.

Dendrite growth within the battery cell is a significant safety concern. Dendrites are microscopic metals that are as thin as hair and as sharp as needles. Dendrites grow from the anode during overcharging and fast charging (“supercharging”) of a lithium-ion battery. If unchecked the dendrites will in all likelihood eventually pierce the separator and cause a thermal runaway leading to battery fire or even explosion.

It would appear that the lithium-ion battery industry currently incorrectly assumes that the sodium impurities contained within lower grade alumina and boehmite are “crystal bound”, and simply do not leach out of the alumina – this new test work proves this assumption to be incorrect!

Altech managing director, Iggy Tan said that “the ramifications from these research findings for the portion of the lithium-ion battery industry that is transitioning – or is contemplating transitioning – to cheaper alumina coatings for separator substitutes, are set to be profound.

It is hard to comprehend why lithium-ion battery manufacturers would transition to a lower quality alumina – when this material is introducing sodium into the battery electrolyte and as a result jeopardising battery safety and performance. The extra cost of a high purity alumina coating versus the lower grade material is minimal, likely less than US\$ 1 per kWh battery capacity or US\$ 100 for a typical EV. A small cost impact on the end product to ensure the highest level of battery safety and quality.

It is potentially catastrophic that many in the industry appear to be attempting to move to lower quality material as a battery separator coating. A minimum quality standard for all alumina used as coating material on battery separator sheets should be adopted by industry” he concluded.



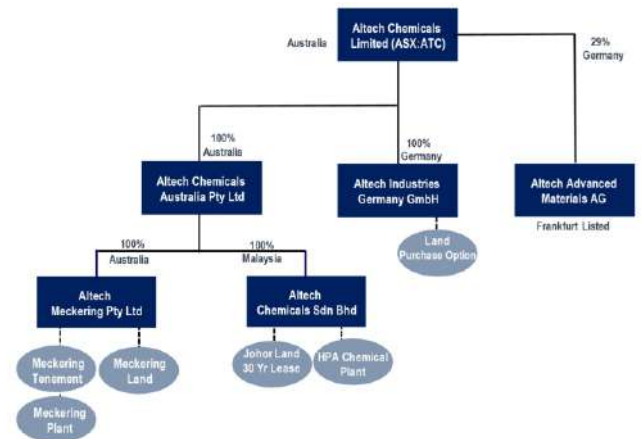
Option agreement to acquire industrial site in Saxony, Germany

During July 2020, Altech announced that it had executed an option to purchase agreement for a ~10 hectare industrial site within the Schwarz Pumpe Industrial Park, municipality of Spreetal, Saxony. This follows the official invitation that it received from the State Government of Saxony, Germany in September 2019 for the Company to consider building its next high purity alumina (HPA) plant in Saxony.

The agreement provides Altech with an initial 12-month term during which it can exercise its purchase option, with the ability to extend the option period by a further 12-months via mutual consent. The purchase price for the site is confidential, however on a per-hectare basis the price is considerably less than comparable brown-fields industrial sites in Malaysia or Western Australia. During the option period Altech will have access to the site for planning and assessment purposes. Altech is investigating the site as a preferred location for a second HPA plant, specifically to service forecast demand for HPA from Europe's burgeoning electric vehicle and renewable energy battery sectors.

The Schwarze Pumpe Industrial Park is located in north-eastern Saxony and is well serviced by existing infrastructure including reticulated electricity and natural gas, rail and roads. The industrial park is 120 km from Berlin and only 78 km from Dresden. Saxony is a state which hosts production sites for Volkswagen, BMW, Porsche and Daimler. The region is a leading engineering training ground and has excellent research facilities like the Fraunhofer Institute for Electronic Nano-systems which are very focussed on ceramic (HPA) nano technology in energy storage.

The option agreement was executed by Altech Industries Germany GmbH a 100% subsidiary of Altech Chemicals Limited. The Company's corporate structure is illustrated below.



Location of the Schwarze Pumpe Industrial Park and the ~10Ha industrial site available to Altech



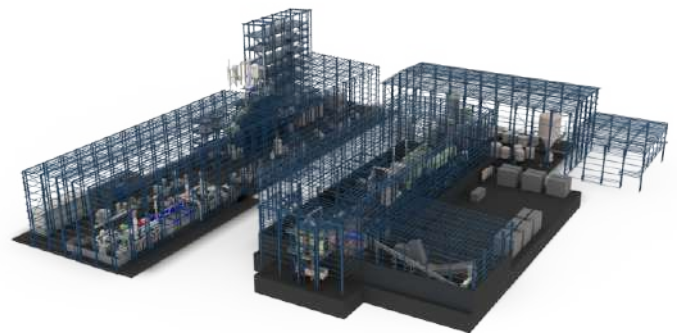
Project Funding Update

Despite the negative impact that the COVID-19 pandemic has had on global markets, the Company continued to work hard during the quarter on bringing about the close of the project financing for its Malaysian high purity alumina (HPA) plant. Activities included Altech continuing to provide support to Frankfurt Stock Exchange listed Altech Advanced Materials AG (AAM), and its capital raising endeavours for its option to acquire up to a 49% interest in the Company's HPA project for US\$100 million. Several new interested parties were introduced during the quarter via the Swiss international Investment Bank that is appointed by AAM as its placement agent. The introductions resulted in various levels of project due diligence commencing, importantly some of the new parties are European and strategic in nature – directly associated with the European electric vehicles (EV) sector.

For the proposed US\$90 million mezzanine loan facility with preferred Mezzanine lender Macquarie Bank, during the quarter the Company was able to continue to engage with a number of strategic groups associated with the European EV sector, that are interested in securing high purity alumina supply. Also, Mr Uwe Ahrens (Altech alternate director and member of the management board of AAM) was able to continue with his German based work. Although face-to-face meetings were limited by the COVID-19 situation, teleconference and internet facilitated meetings were possible – with progress being made with potential HPA end users. Uwe has made significant progress under difficult circumstances since the commencement of his posting to Germany in late January 2020.

In May 2020, independent confirmation of the green credentials of the Company's HPA project was received (refer ASX Announcement of 20 May 2020); this is a positive development for expanding project funding options. As a result, during the quarter the Company commenced working with a specialist consulting firm to gain a more detailed understanding of the European listed bond market, and specifically “green bonds”, as a possible opportunity to provide a complementary, or alternative, source of project funding in addition to the US\$190 million senior project finance loan facility from German government owned KfW IPEX-Bank.

In spite of challenging global market conditions, the Company remains optimistic for concluding project financing. The European Commission's recently announced €750 billion Green Recovery Plan and its focus on the electric vehicles and renewable energy sectors, is seen as another positive for the profile of projects associated with these emerging sections - such as the Company's HPA plant.



European Commission's COVID-19 Green Recovery Plan

The European Commission recently released its coronavirus recovery plan, which is focussed on economic revival and support of the European Green Deal "Next Generation EU" and is to be endowed with €750 billion. The short-term priority of the plan is to repair the immediate economic and social damage caused by the COVID-19 pandemic, to kick-start economic recovery and prepare the next generation for a better future. The recovery plan and targeted reinforcements of the EU's long-term budget 2021-2027 will increase the financial clout of the EU budget to a total of €1.85 trillion.

The funds allocated to the "Next Generation EU" economic recovery plan are earmarked in particular to accelerate Europe's green and digital transition, with the European Commission to focus on unlocking investment in clean technologies and value chains, such as renewables and energy storage technologies - including batteries. The plan includes support for the financing of one million new charging points for electric vehicles (EVs) across Europe and the implementation of a critical raw materials action plan covering e-mobility, batteries and renewable energy.

Altech believes that HPA, as a critical input into lithium-ion battery manufacture, would fall within the scope of the EU action plan. Also, a draft of the European Recovery Plan (ERP) included a €20 billion EU-wide purchasing facility for clean vehicles and a €40-€60 billion clean automotive investment fund, to accelerate investments in zero emissions drive trains. Although this level of detail was not included in the final high-level EU ERP communique – it is indicative of strong EU fiscal support for the European EV and renewable energy storage sectors.

Germany however has been more specific in providing details of the EV industry fiscal support that it has incorporated in its economic stimulus package post COVID-19. Germany's €130 billion coronavirus stimulus package announced in June 2020 includes the following pillars:

- €2.5 billion will be spent on battery cell production and charging infrastructure;
- there is a 50% increase (to €9,000/vehicle) on the cash subsidy for EV purchases; and

- it has been mandated that all service stations must offer electric car charging points to help remove refuelling concerns and boost consumer demand for EV's.

The European and German initiatives are expected to provide a significant boost to EV demand along with the broader stimulus plan that included taxes to penalise ownership of large polluting combustion-engine sports utility vehicles. Germany's announcement follows a French initiative announced by President Macron to boost electric car sales within that country. Europe has a very clear commitment to battery-powered vehicles and placing electric mobility as a principal technology of the future.

Managing director, Iggy Tan said that *"whilst we have been focussed on completion of finance and the continuation of construction of Altech's first HPA plant in Malaysia, the increased fiscal support for the EV and renewable energy sectors recently announced by the EU and Germany, combined with the forecast HPA supply deficit in coming years, has prompted us to move and secure this excellent HPA plant site in Germany – albeit earlier than I had anticipated. A HPA plant takes 4-5 years to design, permit, fund and construct. To meet the forecast HPA supply deficit Altech needs to be pro-active and put in place a plan for its next plant today, whilst staying extremely focussed on the first facility in Johor"*.



Share placement to Specialty Materials Investments LLC

The Company executed a share purchase subscription agreement (the Agreement) with Specialty Materials Investments LLC (SMI), a U.S.-based institutional specialist investor during the quarter. The Agreement provides for SMI to subscribe for up to \$2 million in Altech shares (Initial Investment), and subject to shareholder approval, up to an additional \$981,000. A \$200,000 initial payment and subscription was made by SMI, which represented a prepayment for Altech shares (for shares with a subscription value of \$218,000) that will be issued to SMI, at SMI's request, within 12 months of the date of the payment. Up to eight additional payments/subscriptions of \$200,000 each (for shares with a subscription value of \$218,000 each) are scheduled to be made by SMI, approximately monthly. Any of these subsequent tranches may be increased to up to \$300,000 (for shares with a subscription value of \$327,000), but only with the consent of the Company. The aggregate amount of the Initial Investment will not exceed \$2,000,000, and as per the first \$200,000, each subsequent payment made by SMI will represent a prepayment for Altech shares, to be issued at SMI's request within 12 months following the date of each subsequent tranche.

Additionally, SMI will make a further three (3) payments/subscriptions approximately monthly on the same terms (for up to an additional \$981,000 of Altech shares), but only subject to shareholders' approval for such investment. The number of Altech shares to be issued to SMI for each tranche will be determined by dividing each subscription value (or that part thereof in relation to which the shares are being issued) by, at SMI's election: (i) \$0.0628, being 140% of the average of the daily volume-weighted average price for the 20 trading days prior to the date of execution of the Agreement (which may only be utilised in respect of tranches with an aggregate subscription value of \$400,000); or (ii) 90% of the prevailing Altech share price, being the average of the five daily volume-weighted average price during a specified period immediately prior to the date of issue of the shares.

Altech has the right to terminate the Agreement at any time following receipt of the second subscription.

SMI will receive a fee in connection with its investment in the Company, to be satisfied by way of issuance of 4,219,409 Altech shares. The Company's obligations under the Agreement will be secured against 4.8 million shares. Funds received under the Agreement will be primarily used for Altech's ongoing corporate activities, which are intended to position the Company's high purity alumina (HPA) project for more stable financial markets and anticipated economic stimulus measures post the current COVID-19 situation (refer ASX announcement of 25 March 2020).

Altech Advanced Materials Update

Altech Advanced Materials AG (AAM) was successful in its capital increase process during the quarter, with approval by its shareholders received, in Heidelberg, Germany on 12 March 2020 to increase the share capital from € 1.58 million by up to € 63.10 million to € 64.6 million through a rights issue to existing shareholders followed by private placement. The approval of the required securities prospectus by the German Federal Financial Supervisory Authority ("BaFin") was given on 19 May 2020. The subsequent rights issue to existing shareholders took place in June 2020 resulting in a raising of EUR 1.1 million through the issue of 1 million shares @ 1.10 EUR / share. The shares are still pending entry into the commercial register. Considering there are less than 100 shareholders in AAM and the current COVID-19 impact on financial markets, AAM is satisfied with the amount raised from the rights issue. The most important milestone is that the capital structure of AAM has been successfully re-structured to allow subsequent capital raisings via share placement.

To finance the planned acquisition of up to 49% of the shares in the HPA project, AAM looks forward to commencing its roadshow (face to face and virtual) and marketing campaigns to raise the balance amount to finance the planned acquisition of up to 49% of the shares in Altech Chemicals Australia Pty Ltd. There are numerous capital groups that have been mandated, including an international Swiss bank to progress the capital raising process.

Altech Advanced Materials AG also held its Annual General Meeting virtually on 30 April 2020 as one of the first AGMs of a listed company in Germany. All resolutions were passed.



Altech Chemicals
Limited

QUARTERLY REPORT

June 2020

Company Snapshot

Altech Chemicals Limited (ASX:ATC) (FRA:A3Y)
ABN 45 125 301 206

FINANCIAL INFORMATION

(as at 30 June 2020)

Share Price:	\$0.04
Shares:	870.5m
Options:	Nil
Performance Rights:*	23.7m
Market Cap:	\$35m
Cash:	\$0.8m

DIRECTORS

Luke Atkins	Non-executive Chairman
Iggy Tan	Managing Director
Peter Bailey	Non-executive Director
Dan Tenardi	Non-executive Director
Tunku Yaacob Khyra	Non-executive Director
Uwe Ahrens	Alternate Director

COMPANY SECRETARY/CFO

Shane Volk

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Schedule of Tenements

As per ASX Listing Rule 5.3.3, the Company held the following tenements (exploration and mining leases) as at 30 June 2020:

Tenement ID	Registered Holder	Location	Project	Grant Date	Interest end of quarter
E70/4718-I	Canning Coal Pty Ltd	WA Australia	Kerrigan	01/12/2015	100%
M70/1334	Altech Meckering Pty Ltd	WA Australia	Meckering	19/05/2016	100%

ABOUT ALTECH CHEMICALS LTD (ASX:ATC) (FRA:A3Y)

Altech Chemicals Limited (Altech/the Company) is aiming to become one of the world's leading suppliers of 99.99% (4N) high purity alumina (Al_2O_3) through the construction and operation of a 4,500tpa high purity alumina (HPA) processing plant at Johor, Malaysia. Feedstock for the plant will be sourced from the Company's 100%-owned kaolin deposit at Meckering, Western Australia and shipped to Malaysia.

HPA is a high-value, high margin and highly demanded product as it is the critical ingredient required for the production of synthetic sapphire. Synthetic sapphire is used in the manufacture of substrates for LED lights, semiconductor wafers used in the electronics industry, and scratch-resistant sapphire glass used for wristwatch faces, optical windows and smartphone components. Increasingly HPA is used by lithium-ion battery manufacturers as the coating on the battery's separator, which improves performance, longevity and safety of the battery. With global HPA demand approximately 19,000t (2018), it is estimated that this demand will grow at a compound annual growth rate (CAGR) of 30% (2018-2028); by 2028 HPA market demand will be approximately 272,000t, driven by the increasing adoption of LEDs worldwide as well as the demand for HPA by lithium-ion battery manufacturers to serve the surging electric vehicle market.

Forward-looking Statements

This announcement contains forward-looking statements which are identified by words such as 'anticipates', 'forecasts', 'may', 'will', 'could', 'believes', 'estimates', 'targets', 'expects', 'plan' or 'intends' and other similar words that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.

*subject to vesting conditions



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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

ALTECH CHEMICALS LIMITED

ABN

45 125 301 206

Quarter ended ("current quarter")

JUNE 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(274)	(1,341)
(c) production	-	-
(d) staff costs	(330)	(1,232)
(e) administration and corporate costs	(336)	(1,637)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(939)	(4,192)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities (29% of Altech Advanced Materials AG)	-	(821)
(b) tenements	-	-
(c) property, plant and equipment	(1)	(4)
(d) exploration & evaluation	16	(165)
(e) investments	-	-
(f) Malaysian HPA Plant	(70)	(8,549)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (sale of right to acquire up to 49% of HPA Project)	-	815
	GST Refund (Malaysia – land lease)	36	308
2.6	Net cash from / (used in) investing activities	(19)	(8,416)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	500	7,127
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(22)	(172)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings (Facility Fee – KfW IPEX-Bank)	-	(2,331)
3.8	Dividends paid	-	-
3.9	Funds from Speciality Materials Investments LLC – per share subscription agreement (shares not yet issued)	550	550
3.10	Net cash from / (used in) financing activities	1,028	5,174

4.	Net increase / (decrease) in cash and cash equivalents for the period	70	7,434
4.1	Cash and cash equivalents at beginning of period	763	8,267
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(939)	(4,192)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(8,416)

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,028	5,174
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	833	833

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	803	733
5.2	Call deposits	30	30
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	833	763

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	203
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(939)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	16
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(923)
8.4 Cash and cash equivalents at quarter end (item 4.6)	833
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	833
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.90
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes – the entity has a Controlled Placement Facility Agreement and in addition, during the quarter executed a Share Purchase Facility Agreement which will provide a minimum of \$800,000 per quarter. Also, the entity has sold a right to Frankfurt Stock Exchange listed Altech Advanced Materials AG, whereby it may acquire up to a 49% interest in the Company's high purity alumina (HPA) project for US\$100m.	

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8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes – via the application of funds made available from the Controlled Placement Facility agreement, the Share Purchase Agreement and via funds from the exercise of the right to acquire up to a 49% interest in the entity's HPA project.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

30 July 2020

Date:

SHANE VOLK – Company Secretary

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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