Altech Chemicals Limited

QUARTERLY REPORT

September 2020

CONSTRUCTION UPDATE

- HPA plant Stage 2 early works construction completed
- Confirmation of permitting, construction and site access risks
- Orderly EPC contractor demobilisation
- Site well positioned for construction re-commencement, subject to funding

LISTED GREEN BOND PROJECT FUNDING OPTION INITIATED

- Bond Structuring and Execution Plan initiated
- Another alternative for a second layer of project financing
- Independent confirmation of green credentials of the Company's HPA project

APPOINTMENT OF EXPERIENCED GERMAN BASED NON-EXECUTIVE DIRECTOR

- Appointment of Mr Hansjoerg Plaggemars as a non-executive director
- Representative of Delphi Unternehmensberatung AG and Deutsche Balaton AG
- German based – will assist in advancing various European initiatives

POTENTIAL LONGER BATTERY LIFE AND CAPACITY FROM ANODE GRADE HPA PRODUCT

- New product development for use in lithium-ion battery anode
- Specially designed HPA formulation
- Potential improvements to lithium-ion battery life, capacity and chargeability
- Focus on tailoring HPA for specific lithium-ion battery applications

PROJECT FUNDING OPTIONS AND INITIATIVES

- COVID-19 pandemic has impacted funding initiatives
- Focus on various debt/equity options remains
- Debt options include Macquarie, Swiss Bank, and Green Bonds
- Equity options include sale of 49% project interest (AAM AG, strategic investor/s)

$12 MILLION OF GRANT SUPPORT FROM SAXONY STATE GOVERNMENT, GERMANY

- Strong support from State Ministry for Economic, Labour and Transport, Saxony
- Encouragement for a second HPA plant in Germany
- Grant commitment of €7.38 million (~A$12.2 m)
- Electric vehicle construction and battery production in the region
- Detailed due diligence commenced

ALTECH ADVANCED MATERIALS UPDATE

- Option to acquire 49% of the HPA project for US$100 million
- Successful in extending its capital increase period during the quarter
- First stage raised €1.1 million via rights issue
- Excellent result considering less than 100 shareholders
- Roadshows to financial and industrial groups continue
- Support of Swiss based international bank

CONSTRUCTION UPDATE

The finalisation of Stage-2 construction which involved completion of the site electrical substation by the appointed EPC contractor Metix (a wholly owned subsidiary of SMS group, Germany) was reported during the quarter. Until further funds are secured, no additional work has been planned for the Johor site. The strategy to commence construction works at Johor prior to project financial close provided Altech with the opportunity to test and demonstrate the low level of construction risk for the location. Although the Tanjung Langsat Industrial Complex is a mature industrial park and Altech was confident of a construction start-up similar to that which may be experienced in Australia, there were benefits for all stakeholders, including existing and potential shareholders and financiers, in actually demonstrating this. Risks included the ease of obtaining construction permits, site access, environmental approvals, regulatory permits, the demonstration of ground conditions and the availability of competent sub-contractors that would work safely and to international standards. As an example of some of the risks that were mitigated during stage 1 and stage 2, the Company was able to obtain its construction permit in a timely manner after dealing with up to 14 local departments and regulatory bodies; site ground conditions are now well known which has given assurance to the EPC contractor; sub-contractor availability and performance has been excellent – with both the quality of work and adherence to international safety standards and environmental standards clearly demonstrated – no lost time injuries were reported during the first two construction stages.

Completed electrical substation, Altech HPA plant site

The EPC contractor successfully completed an orderly and structured demobilisation during early July 2020. At the site, 24/7 site security is in place and regular site inspections and maintenance activities (such as weed and sediment control) are well established. The construction office has been retained, so the site is well positioned for the rapid recommencement of construction activities once additional project funding is secured.

Substation Inspection and Function Checks

ALTECH INITIATES LISTED GREEN BOND PROJECT FUNDING OPTION

The Company announced during the quarter that it has initiated a listed green bond project funding option. Altech mandated Perth based Bluemount Capital (WA) Pty Ltd (Bluemount), which will work in conjunction with its London based partner Bedford Row Capital (Bedford), as structuring agent, to prepare a Bond Structuring and Execution Plan for an offering of asset-backed (second lien) listed “green” bonds to the European bond market.

The initiation of the green bond funding option followed Altech's 20 May 2020 announcement that its HPA project had been formally assessed as “green” by the independent Centre of International Climate and Environmental Research (CICERO), based in Oslo, Norway. CICERO's positive project assessment, formally termed a “second opinion”, confirmed that the HPA project is of a type suitable for finance via green bonds. The size of the green bond market is approaching US$250 billion annually, a large portion of which is present in Europe.

The Bond Structuring and Execution Plan will provide a definitive execution program for a green bond offering, and will present firm recommendations for the key terms that will have been derived from preliminary market soundings, these would include:

Offer Size:	minimum US$100m
Term to Maturity:	at least 5 years
Security:	second lien, behind senior lender KfW IPEX-Bank
Secondary Market:	likely the Frankfurt Stock Exchange

Background

Despite the negative impact that the COVID-19 pandemic has had on global markets since March 2020, the Company has continued to focus on bringing about the close of project financing for its Malaysian HPA project. In addition to the US$190 million senior project finance loan facility available from German government owned KfW IPEX-Bank, the Company continues to pursue multiple additional subordinated debt funding options. The use of bonds to secure a secondary level of project finance debt could be an alternative to bank mezzanine debt.

An advantage of bonds over bank finance is that only the interest (coupon) is paid to bond holders during the term, whereas mezzanine bank debt requires the payment of both principal and interest over the loan term. Bonds are typically re-financed at the end of the term, and in the case of start-up projects such as Altech's HPA project, the coupon (interest rate) payable on re-finance would expect to be lower because project construction and commissioning risk is removed, and an operating track-record for the project would be in place.

Work on satisfying the outstanding requirements of the previously announced US$90 million mezzanine loan facility with preferred mezzanine lender Macquarie Bank (Macquarie) remain on-going. Technical and market due diligence is complete, however Macquarie has requested that Altech secure pre-sales of a proportion of its planned future HPA production to an end user at fixed product prices, to demonstrate some pricing transparency in an otherwise opaque market. The Company continues to engage with a number of European electric vehicle sector participants that are potential product end users interested in securing future HPA supply.

Completion of the Bond Structuring and Execution Plan is expected during next quarter.

APPOINTMENT OF EXPERIENCED GERMAN BASED NON-EXECUTIVE DIRECTOR

The Company appointed Mr Hansjoerg Plaggemars as a non-executive director during the quarter. He was a previous member of the board of Delphi Unternehmensberatung AG and Deutsche Balaton AG, and currently acts as their representative to Altech's board.

Mr Plaggemars is based in Heidelberg, Germany and is an experienced company director and manager. He studied business administration at the University of Bamberg from 1990 to 1995. Mr Plaggemars has been a freelance management consultant since June 2017 and is a board member of various companies within the scope of projects.

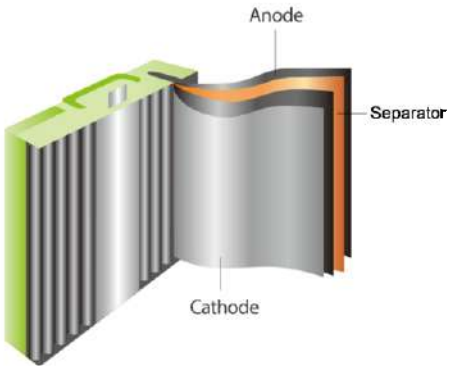
Mr Plaggemars is currently a member of the management board of Frankfurt Stock Exchange listed Altech Advanced Materials AG. Mr Plaggemars also currently serves as a non-executive director at ASX listed Devenport Resources Limited, Kin Mining Limited and Azure Minerals Limited.

POTENTIAL LONGER BATTERY LIFE AND CAPACITY FROM ANODE GRADE HPA PRODUCT

The Company recently announced that it is in the final development stage of a high purity alumina (HPA) grade that is specifically designed for anode applications within lithium-ion batteries. This initiative is in response to lithium-ion battery anode development trends that Altech has identified in Europe from its engagement with potential HPA users, and from its work with research organisations such as the internationally renowned Fraunhofer-Gesellschaft Institute. This initiative also offers another potential avenue to secure a portion of future HPA production at a predetermined floor price, which would support project financial close.

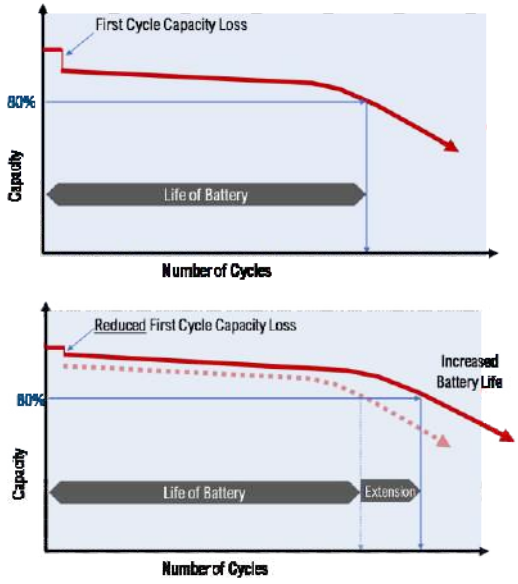
HPA is commonly applied as a coating on the separator sheets used within a lithium-ion battery, as alumina coated separators improve battery performance, durability and overall safety. However, there is an evolving use for alumina within the anode component because of the positive impacts that alumina coated graphite particles have on battery life and performance.

Figure 1: Typical cross section of a lithium-ion battery showing anode, cathode and separator sheets



Lithium-ion battery anodes are typically composed of graphite. In a lithium-ion battery, lithium ion losses initially present as inactive layers of lithium ions that form during the very first battery charge cycle, the losses then compound with each subsequent battery usage cycle. Typically, around 8% of lithium ions are lost during the very first battery charge cycle. This "first cycle capacity loss" or "first-cycle irreversibility" is a long recognised but as yet poorly resolved limitation that has plagued rechargeable lithium-ion batteries. Figure 2 shows the potential increase in battery life if the first cycle capacity loss can be reduced or eliminated, thereby allowing more lithium ions to participate in ongoing operation of the battery.

Figure 2: Impact of reduced "first cycle capacity loss"



First cycle capacity loss in a lithium-ion battery is because of the deposition of lithium ions onto the anode graphite particles within the battery during the initial battery charging cycle. This forms a layer of material on the anode termed a "solid electrolyte interphase" (SEI). Currently the graphite particles used in lithium-ion battery anodes are uncoated, however certain cutting edge manufacturers are now seeking to coat anode graphite particles with very thin layers of alumina. Tests have demonstrated that alumina coated graphite particles have the potential to reduce first cycle capacity loss. In turn, this innovation can measurably increase battery energy retention, extend battery life and improve overall battery performance.

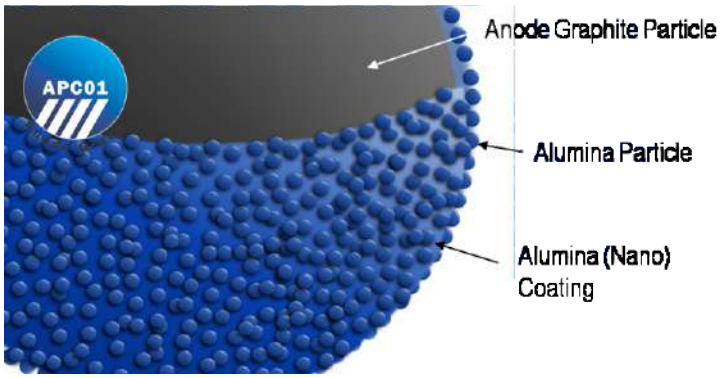
The Altech break-through

As a result of ground-breaking research and development work led by the Company's General Manager Operations and Marketing, Dr. Jingyuan Liu, Altech is now proceeding to an independent verification phase of its method for the alumina coating of graphite particles. University and laboratory verification of the process (patent pending) is due for completion during the next quarter, and Altech expects that positive verification will result in potential end-user trials, and eventually commercialisation of the process.

Whist the proposed new product formulation is confidential, it includes Altech's planned fine modified alumina plus some supporting compounds. The new product range will be called "Anode Grade APC01" and "Anode Grade ALC01". The product and treatment method is expected to improve Coulombic Efficiency (CE) (especially the CE in first cycle), cycling stability, high-rate performance and fast charging capability. Altech intends to focus on tailoring its high purity alumina into specialised products for significantly more efficient application within various process technologies within the lithium-ion battery industry.

Altech's proposed Anode grade product range would be produced by Altech's already designed HPA plant in Johor, Malaysia. No new specialised equipment will be required, consequently it is not expected that there will be any material change in the estimated capital cost for the Johor HPA plant from the proposed production of these new products.

Figure 3: Application of alumina to anode graphite particles



PROJECT FUNDING OPTIONS AND INITIATIVES

Despite the negative impact that the COVID-19 pandemic has had on financial markets since March 2020, the Company has continued to focus on bringing about the close of project financing for its Malaysian high purity alumina (HPA) project, whilst ensuring that stage 2 early works construction activities were completed at the plant site. During the quarter Altech continued to pursue various debt and equity funding options and alternatives.

Debt

In addition to the US$190 million senior project finance loan facility available from German government owned KfW IPEX-Bank, the Company continues to pursue multiple additional subordinated debt funding options, which are summarised in Table 1 (below).

Table 1 – Additional project debt funding options

Initiative	Option 1	Option 2	Option 3
Party	Macquarie	Swiss Bank	Listed Bonds
Type	Mezzanine Debt	Mezz Debt/Bonds	Green Bonds
Debt Amount	US$ 90 M	US$ 100 M	~US$ 100 M
Status	Pending pre sale of some future HPA production	Due diligence and data room review by various groups	Structuring and Execution Plan being developed

Option 1: A US$90 million mezzanine loan facility with preferred mezzanine lender, Macquarie Bank. Technical and market due diligence is complete, however Macquarie has requested that Altech secure pre-sales for a proportion of its planned future HPA production to an end user at fixed product prices, to demonstrate some pricing transparency in an otherwise opaque market. The Company continues to engage with a number of European electric vehicle (EV) sector participants that are potential product end users interested in securing future HPA supply.

Option 2: The Company continues to work with the international Swiss bank that has also been appointed by Altech Advanced Materials AG (AAM), to identify debt alternatives. The Swiss bank was initially appointed as placement agent by AAM to secure the equity funds which would enable it to execute its option to acquire up to 49% of Altech's HPA project for US$100m. The bank is also pursuing a combined debt/equity combination of around US$200m for Altech as a funding solution, and is encouraged by initial interest shown from their existing client base. Internet hosted presentations have been made to various interested parties in recent months, with project data room access provided. Work with various groups is ongoing.

Option 3: A Bond Structuring and Execution Plan is being prepared for the offering of asset-backed (second lien) listed "green" bonds to the European bond market. The use of bonds to secure a secondary level of debt could be an alternative to bank mezzanine finance. An advantage of bonds over bank finance is that only the interest (coupon) is paid to the bond holders during the term, whereas bank mezzanine debt requires the payment both principal and interest over the loan term.

Equity Options

In addition to the senior and subordinated project debt, the HPA project requires approximately US$100 million of further funding to position it for financial close, as on top of the total project capital cost estimate of US$298m published in the project Financial Investment Decision Study (ASX announcement 23 October 2017), the senior lender requires pre-funding of a contingency reserve account of ~US$28 million, a debt service reserve account of a similar amount, pre-funded working capital of US$21m, plus various bank fees and lending charges need to be funded. The Company anticipates that the exercise by AAM of its US$100m option to acquire a 49% project interest, plus the mezzanine debt (or an alternative) would be the catalyst for project financial close.

The Company is supporting AAM with its capital raising efforts via joint presentations to potential investors, providing data-room access and various due diligence reports, and arranged for the placement of alternate director Uwe Ahrens (a German national) in Germany from January 2020, to assist in raising project awareness and promoting connections with potential European end users of HPA.

In addition to the US$100 million AAM 49% project acquisition option, the Company has continued to pursue several other equity avenues, as summarised in Table 2 below.

Table 2 – Equity funding options

Initiative	Option 1	Option 2	Option 3
Party	AAM AG	Strategic Investor	AAM / Altech
Type	Up to 49% direct HPA project interest	Up to 49% direct HPA project interest	Equity Issue
Amount	US$100m for 49%	US$100m for 49%	Up to US$100m
Status	Capital Increase in process to raise funds to exercise option	Various stages of due diligence	Depends on outcome of option 1, option 2 and the subordinated debt process

Option 1: Altech Advanced Materials AG (AAM) continues to work with its appointed placement agent (Swiss International Bank) for its capital increase and the securing of funds for it to exercise its option to acquire up to a 49% direct project interest in Altech's HPA project for US$100m.

Option 2: The Company continues to engage with a variety of strategic groups, including manufacturers associated with the European EV sector. Some of these groups are directly involved in the manufacture of lithium-ion batteries and/or the supply of materials to that sector. Discussions have centred around the acquisition of a direct interest (up to 49%) in Altech's HPA project and/or the provision of in-house finance for the project in conjunction with an equity investment. Project data room access has been provided and in person meetings are now being planned (where permitted), with the easing of COVID-19 restrictions in Europe.

Option 3: Depending on the final quantum of subordinated debt and the consideration received from AAM and/or a strategic investor for a direct project interest, a balance of equity may need to be secured by the Company and/or AAM.

The Company remains optimistic about the project financing process in spite of the negative impact of the COVID-19 pandemic on financial markets. The fundamentals and demand of high purity alumina have not changed, HPA will continue to be required for LEDs lighting and for future electric vehicle batteries.

$12 MILLION OF GRANT SUPPORT FROM SAXONY STATE GOVERNMENT, GERMANY

The Company recently received a commitment letter from State Ministry for Economic, Labour and Transport, Saxony, Germany for a grant of €7,380,000 (~A$12.2 million). The grant would be available to Altech to support a total investment for construction of a high purity alumina (HPA) plant at the Schwarze Pumpe Industrial Park, Spreetal municipality in the State of Saxony, Germany.

The grant offer follows the July 2020 signing of an option to purchase agreement by Altech's wholly owned German subsidiary Altech Industries Germany Gmbh, for a ~10 hectare industrial site in the Schwarze Pumpe Industrial Park, Saxony (refer ASX announcement 14 July 2020) and a recent joint site visit to the industrial park by Altech alternate director Mr Uwe Ahrens accompanied by various Altech consultants, Saxony State Government officials, Spreetal Municipality officials, and Industrial Park senior management (see figure 4 below). The site visit also marked the commencement of a detailed due diligence and feasibility study process by Altech, to determine the viability of a second HPA plant in Germany.

Figure 4: Altech visit to the Schwarze Pumpe Industrial Park, 19 August 2020

In its letter to the Company, the Saxony state government has pledged its continued fullest support for possible construction of a HPA plant by the Company, and advised that the State Ministry for Economics, Labour and Transport (SMWA) and the Saxony Development Bank (SAB) are able to assist in the development of the proposed project. The letter further stated that: "*from an industrial policy point of view, Altech's project is very much welcomed in the Region, Lausitz. Against the background of the developing electro mobility and the companies already having been established in this industry segment of electric vehicle construction and battery production in this region, synergy effects are expected. Saxony has industrial experience in battery production, especially in nearby Kamenz area, and has advantageous prerequisites as an industrial and research location*".

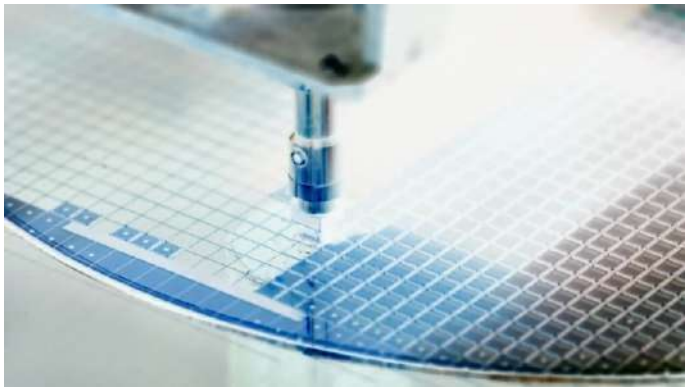
Figure 5: Research facility adjacent to Altech's optioned ~10 Ha site at Schwarze Pumpe

Altech managing director, Mr Iggy Tan said that the support letter from the Saxony State Ministry is very encouraging. *"In essence, the grant means that if we were to determine that it was commercially viable to construct a second HPA plant in Germany, an amount of ~A$12.2 million would be available. Altech however remains focussed on delivering the close of funding for our first HPA plant in Johor, Malaysia and the re-commencement of construction. However, by evaluating this opportunity in Germany we are quickly responding to Europe's push to bring its supply chains closer to home and to increase its self-reliance for critical raw materials – such as those that are used in the manufacture of lithium-ion batteries. We see this as a potential opportunity that cannot be ignored, especially given Altech's strong established links to Germany – both on our share register, our board, and the relationships we have built with SMS group and German Government owned KfW IPEX-Bank*", he said.

ALTECH ADVANCED MATERIALS AG UPDATE

Altech Advanced Materials AG (AAM) held an extraordinary general meeting on 8 September 2020, whereby its capital increase approval period was extended by 3 months to 11 December 2020. The approval is for a capital increase of up to €64.6 million through a rights issue to existing shareholders followed by private placement(s). The rights issue to existing shareholders was completed in June 2020 and resulting in €1.1 million being raised via the issue of 1 million new shares @ €1.10 per share. AAM continued with its book-building activities for a private placement to potential investors during the quarter.

Also during the quarter, AAM welcomed Mr. Nikolaus Graf Lambsdorff as a new member of the supervisory board, further strengthening its already high-calibre Supervisory Board. Mr. Graf Lambsdorff worked for the Foreign Office of the Federal Republic of Germany for more than 20 years. He was most recently Ambassador to Kuala Lumpur, Malaysia. Prior to this, he was Consul General in Hong Kong and Macau. Mr. Graf Lambsdorff has extensive experience and an excellent economic and political network in Germany and Southeast Asia. He is well positioned to support the development of Altech's HPA operation in Malaysia.



Schedule of Tenements

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

There were no exploration activities undertaken by the Company during the quarter ended 30 September 2020, due to Altech focussing on securing the balance of project finance, which would enable the recommencement of construction activities at its Malaysian HPA plant site.

Related Party Transactions (Appendix 5B – item 6.1)

The amount shown in the item relates to payments during the quarter of directors fees (inclusive of superannuation, where applicable), to the Company's managing director, non-executive directors and alternate director.

Altech Chemicals Limited

QUARTERLY REPORT

September 2020

Company Snapshot

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

FINANCIAL INFORMATION

(as at 30 September 2020)

Share Price:	$0.06
Shares:	891.9m
Options:	Nil
Performance Rights:*	23.7m
Market Cap:	$53m
Cash:	$0.5m

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
Hansjoerg Plaggemars	Non-executive Director

COMPANY SECRETARY/CFO

Shane Volk

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*subject to vesting conditions

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.

Appendix 5B

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

Name of entity

ALTECH CHEMICAL LTD

ABN	Quarter ended ("current quarter")
25 125 301 206	SEPTEMBER 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(51)	(51)
	(c) production	-	-
	(d) staff costs	(315)	(315)
	(e) administration and corporate costs	(277)	(277)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
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**	**(642)**	**(642)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(1)	(1)
	(d) exploration & evaluation	(1)	(1)
	(e) investments	-	-
	(f) Malaysian HPA Plant (work in progress)	(252)	(252)
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(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 (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(254)**	**(254)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(6)	(6)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Funds from Specialty Materials Investments LLC, per a Share Purchase Agreement	650	650
3.10	**Net cash from / (used in) financing activities**	**644**	**644**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**	(252)	(252)
4.1	Cash and cash equivalents at beginning of period	833	833
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(642)	(642)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(254)	(254)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	644	644
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**581**	**581**

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	551	803
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)**	**581**	**833**

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 (Directors fees)	214
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	Financing facilities *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.*	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)	(642)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	**(643)**
8.4	Cash and cash equivalents at quarter end (item 4.6)	581
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	581
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.90

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.

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 Company has in place a Controlled Placement Facility agreement and a Share Purchase Agreement – this agreement will provide a minimum $600,000 per quarter. Also, the entity has sole a right to Frankfurt Stock Exchange listed Altech Advanced Materials AG, whereby it may acquire up toa 49% interest in the Company's high purity alumina (HPA) project for US$100m. And, on 26 October 2020 the entity announced the sale of a 25% interest in its subsidiary – Altech Advanced Materials AG for Euro 250,000 (~A$415,000), these proceeds are expected to be received during the next quarter.

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, and/or the Share Purchase Agreement, and/or the sale of a 25% interest in Altech Advanced Materials AG and/or via funds from the exercise of the right to acquire 49% of the entities HPA project for US$100m.

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.

28 October 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.