



Mastermines

Australia's New Lithium Mine

An Interview with James Brown, CEO of Altura Mining



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Questions compiled and submitted by David Gillam of Mastermines using questions from both Altura investors and Mastermines staff.

Mastermines ask questions that we believe shareholders most wish to ask. Management are not consulted in relation to the format of questions. No consideration is given to the capacity of such questions to be answered and in some cases, there may be legal or regulatory constraints in answering. We use a text based interview format which allows more considered responses and a less guarded approach to on-the-spot questions. Such a format also suits reporting in additional languages such as Chinese, German etc.

Please Note: Mastermines and/or Mastermines employees are currently invested in Altura Mining and therefore have an interest in this stock. In addition, Mastermines are currently engaged as consultants to Altura Mining.

About Altura Mining Limited (ASX.AJM)

Altura is building a leading position in the independent supply of lithium raw materials, with a world class lithium project at Pilgangoora ready to set the platform and be the first new hard rock lithium product supplier in 2018. Altura has an experienced in-house team focussed on delivering the Pilgangoora project into production. The project is the most advanced stage, near term producing lithium project; coupled with solid offtake partners and a market providing substantial growth opportunities to ensure positive shareholder returns.

About Mastermines

Mastermines are Hong Kong based New Energy consultants, offering a suite of services including market intelligence, assistance with mineral offtakes, cornerstone investments, marketing and investor relations.

INTERVIEW 15th August 2017

Mastermines – David Gillam. *James we have had a number of comments on the recent finance deal. While most people seem to understand the difficulties, many have found the funding model to be difficult to understand. Could you explain as simply as possible, the difficulties you faced, how the deal is structured, and why this finance model was chosen by management?*

Altura Mining – James Brown. Traditional funding avenues are not available for this type of project. The product is somewhat unique and not “exchange tradeable” or able to be hedged like iron ore, coal, gold etc. Altura spent a considerable amount of time canvassing the debt and equity markets of both domestic and international groups. The board of directors of Altura set a goal for the breakdown of the debt / equity ratio for the project to both deliver the mine and protect our loyal shareholders from significant dilution – both aligned to project risk.

The overall funding package we required to not only build but to operate the mine until cashflows were delivered was estimated at A\$170 million. We had hoped for a 70% debt (A\$120 million) and 30% new equity (A\$50 million). Our valuable partnership with J&R Optimum Energy contributed A\$40 million in new equity in early 2017 and provided Altura with a cornerstone investor and major downstream lithium product consumer.

The funding model is underpinned by a debt facility of 3 years maturity. The first 18 months (50%) is at 14% pa interest rate, the second 18 months (50%) is 15% pa rate. Of the US\$110 million Altura will receive 93.5% of the distributed funds with 6.5% to be allocated to the lenders under the Structuring Fee. In addition to the aforementioned fee the lenders will receive 4.5% of the issued capital of Altura (currently 1.614 billion shares); they will also receive a further 4.5% in warrants (options) exercisable at a 30% discount to the share price on the date of execution of the loan agreements with a duration of 5 years. The funds from these warrants will be paid to Altura – approx. A\$7.9 million. Importantly, Altura has the ability to repay the debt facility after 1 year, therefore the loan can be repaid or refinanced.

The package was chosen by Altura based on commercial cost comparison, sufficiency of the facility to meet not only the project cost but allow Altura to operate the mine until commissioning completion and cashflow positive from spodumene sales. The chosen lending partners were well advanced in due diligence and as such we believed would not only successfully conclude the transaction but complete it in the timeframe required.

Mastermines – David Gillam. *Considering the estimated pay-back period, are you able to give shareholders your estimate of how the recent funding package will impact dilution in percentage terms.*

Altura Mining – James Brown. The facility will result in 4.5% new equity issued to the lending providers; an additional 4.5% of warrants (options) are exercisable within 5 years which would result in a further 4.5% of new equity, therefore a maximum of 9% additional shares under the debt facility.

Mastermines – David Gillam. *We understand that there has been significant interest from offtake partners on expanding the resource. Are you able to give an overview of just how strong the interest has been and whether such interest has increased in recent months?*

Altura Mining – James Brown. Our offtake partners in J&R Optimum Energy and Lionergy have very strong plans for increase of battery raw material consumption and increased lithium battery production. As part of our ongoing production alignment between Altura and our offtake partners we have identified an opportunity to increase spodumene output, hence the decision to commence a study to increase output to 450ktpa. Fortunately, with an Ore Reserve estimate of 30 million tonnes we have sufficient to increase production and still have more than 10 years of reserves available. We have a significant tenement package at Pilgangoora and strategically we will continue to evaluate our position in order to provide sufficient inventory to meet our partners production profile.

In recent months, the market has certainly identified a significant supply shortfall. This prediction is correct in our eyes and has been for some time. I personally believe the shortfall will be sustained longer than some expert forecasters expect. We spend considerable time in the market with groups seeking offtake agreements. The groups that have taken a position in front end suppliers such as Altura would seem the best to manage their supply and business models.

Mastermines – David Gillam. *Are you able to give an indication of when we may get a decision from the board regarding an expansion of capacity? We understand that careful consideration to CAPEX would be part of financial modelling. However, a doubling of capacity would obviously not indicate a doubling of CAPEX or operating costs. Are you able to also give a general estimate and overview of where you see cost relative to the original capacity and cost?*

Altura Mining – James Brown. I think mining capacity is easily achieved but we will need to look at the supply chain impacts from process to shipping and impact on water supply. We would expect that during Q1 2018 we will have completed what we require in order to finalise and release results. A lot of the work is common to our 2016 DFS so it is relatively straight forward from the study process side. CAPEX is certainly a vital consideration but you are correct in that a doubling of production would not necessarily increase operating costs – in fact I would expect a reduction in costs due to more production units with similar fixed costs. It is early stages but I would expect the increase to be in the vicinity of A\$80 – A\$100 million. I cannot comment on operating costs yet other than to say I would expect they would be reduced.

Mastermines – David Gillam. *Some shareholders were a little surprised that the Chinese offtake partners were not part of the last and major funding package. Can you give any insight into why they were not involved and whether their involvement of a stage 2 expansion may be considered by both sides by way of direct financing or indeed pre-purchase payments?*

Altura Mining – James Brown. We have certainly worked with our Chinese offtake partners on the financing. They too have aggressive development plans that require substantial capital requirements which are additional to Altura's requirement. Our partners were involved in the funding process. As you will recall, they provided the A\$41.6 million (25% of total package) to Altura earlier in 2017 which allowed us to remain on track with our development timetable.

The cost of capital, whether it be from China or from our current lending providers, is similar so commercially there is no measurable difference in the cost aspect. We do enjoy support from our Chinese partners and that is welcomed but like Altura our partners are in the supply business and not the finance business, so as long as we focus on that aspect we are all satisfied.

J&R Optimum Energy and Lionergy are very supportive and a driving force to increase production via the Stage 2 expansion. Pre-payments are an option but ultimately place more pressure on capital reserves, but presently we are both reviewing our options. There is a clear divide between Stage 1 and Stage 2 development from a funding and offtake perspective.

Mastermines – David Gillam. *My understanding is that one of Altura's offtake partners, Lionergy is currently building a chemical plant in China to process Altura concentrate. Can you give any insight as to when Altura may consider any investment in such a plant located in Mainland China? Alternatively, would Altura ever consider processing in Australia?*

Altura Mining – James Brown. Correct, Lionergy are developing a purpose-built lithium carbonate / lithium hydroxide plant in China. Completion is expected to coincide with first production from Altura's Pilgangoora Lithium Project in 2018. Altura has an option to take equity in a plant and would consider the option when our immediate goals of production are achieved. The spodumene resources size of the Pilgangoora region is significant and warrants investigation for localised lithium processing and I would expect the major producers moving towards production will discuss the potential on a consortium basis, however our current plans remain in China.

Mastermines – David Gillam. *The Altura offtake partner J.R Optimum has emerged as both a major Chinese battery company and an integral part of Altura's future growth plans. Mastermines has followed their growth story and how they are working on commercial EV's and have formed what appears to be a new energy cooperative group of companies in China. Are you able to give your take on J.R Optimum, your relationship with management and the value you see in such a strategic alliance?*

Altura Mining – James Brown. J&R Optimum Energy are a significant force in the lithium power battery scene in China – we consider ourselves very fortunate to have them both as a shareholder and offtake partner, the same goes for Lionergy. The Altura / Lionergy / J&R Optimum covers the entire battery supply chain and is unique and provides each party with confidence in obligation.

J&R are always willing to sit down and spend quality discussion time with Altura – we have a casual relationship and they are extremely supportive and open about their current and future plans. We generally meet with all of the senior management team and the Chairman (Mr Guo) and Managing Director (Mr Li) are usually in attendance. The setting provides a perfect forum to allow face to face discussion and the ability to have all decision makers around the table.

The value in the alliance is significant. Each of the measures for success are defined with removal of most obstacles identified by the market experts. The onus is on Altura to produce the spodumene on time and on specification. I strongly believe we have the best development and operations team available. We all know our deliverables and are well aware of the consequences of not achieving our targets. The principles of Lionergy have an extensive record of sourcing, processing and supplying lithium products. They are assigned to bring carbonate and hydroxide expertise and process capacity to the alliance. J&R Optimum have delivered significant technology and volumes in battery manufacture and applications. Their record is now in the public domain since being listed in Shenzhen. As mentioned earlier, we can deliver the project and offtake to a partner who is at the frontline of battery manufacture. We are not dealing with traders with no capacity and new entrants that have neither expertise, track record in lithium or the ability to fund their plans. To me it is a safe and measurable model that is risk reduced in comparison to our peers.

Mastermines – David Gillam. *I believe Altura has carried out additional drilling over the past year. Are you able to verify this and could you please outline in detail which areas have been targeted, where you see the most potential, and your opinion on the likelihood of a future resource upgrade.*

Altura Mining – James Brown. We have been undertaking a close spaced program in order to target the first 3 years of mining inventory into a Proven Ore Reserve category. In parallel we have conducted some intense field work on the majority of the tenement package – any targets identified will be tested in the future. Our immediate target is to expand the current resources / reserves in our current mining tenements with a focus to the south-east corner. We have to balance cash burn and return but there is certainly upside to the reserves and resources.

Mastermines – David Gillam. *Both Q4, 2017 and Q1, 2018 have been mentioned for mine commissioning. Can you elaborate on your target for the start and completion of mine commissioning?*

Altura Mining – James Brown. The process is staged dependent on the delivery and installation of the separate modules and final completion of on site assembly packages. The crushing, flotation, DMS, reflux classification and ancillary components will all be assembled and on site by the end of September 2017. Overall assembly, pipe and electrical installation are to follow in Q4 2017. We expect dry commissioning of the crushing plant early in Q1 2018 followed by wet commissioning of the DMS and flotation circuits occurring later in the same quarter.

Mastermines – David Gillam. *Altura has been sharing the development journey via Twitter and LinkedIn. To date, we have seen major earthworks, foundations, and the fabrication of major items that have arrived or are close to arriving. Can you give a brief description of what investors are likely to see during September and October as the mine takes shape.*

Altura Mining – James Brown. We can expect to see all of the hardware on site and significant process plant layout work. We will commence the upgrade to the main access road as well as finalising the Tailings Storage Facility (TSF). We aim to have all earthworks and major items set in place before seasonal rainfall expected from November onwards.

Mastermines – David Gillam. *You have mentioned in the past that both AJM and PLS plan to cooperate where there may be cost savings. Can you elaborate on this relationship, how you are working together right now and what is planned for the future?*

Altura Mining – James Brown. Both AJM and PLS have parallel pathway to production and as such there are opportunities for both of us to reduce cost and share risk. We have formally executed a Cooperative Agreement which sets the platform for processes identified by either party that can be shared or supported. I and Ken Brinsden (PLS Managing Director) had an existing relationship through the Mt Webber development when Ken was in charge of Atlas Iron. We have the same philosophy on the value of business relationships and that is also held by our management teams. Outwardly we would seem to be in competition but we have separate shareholder and stakeholder obligations and also different offtake arrangements. There is no value in getting in each other's way.

Our relationship is so strong that PLS currently utilise our accommodation facilities whilst final commissioning of their accommodation facility is completed – it is that type of cooperation that makes things a lot easier. We will share the capital costs, construction responsibility and operation of the main access road from site to the Great Northern Highway as well as other infrastructure where possible. Both AJM and PLS are utilising the services of NRW for earthworks and mining at present providing substantial advantages to all three parties.

We are also evaluating the sharing of resources and reserves that would normally be sterilised due to tenement boundaries, which is not only good for each company but also will equate to additional royalty to the state and NT groups. Our teams meet each other week formally to review current project and future opportunities and that process will deliver saving to both groups.

Mastermines – David Gillam. *The planned pay-back period for the finance package is quite fast. Does Altura have a long-term vision for the future such as a five year plan that you can share with investors?*

Altura Mining – James Brown. We never like to get too far ahead of ourselves but we as a group have two main objectives. Firstly, to deliver strong cashflows in order to become debt free; and secondly, to pay our loyal shareholders' dividends. I believe this project offers the ability to achieve both of these objectives.

The five year plan is simple. Years 1 – 2 will deliver a world class lithium supply project that will remain at the low end of the cost curve. During this period, we can evaluate the benefits of integrating further with downstream battery material production. We would aim to be debt free by Year 3 and with expansion of production completed. Years 4 – 5 will deliver new growth via internal and external expansion; provided

from progression of other opportunities identified in Years 1 – 2.

In saying that, we are always keen to look for opportunities that would provide sustainable cashflows for shareholders. The relationship we have with our lending partners is also a key to growth – if we are able to impress and satisfy these lenders I believe they will support us in future growth opportunities.

I would like to thank the people that have taken time to submit some great questions and Mastermines for this unique opportunity to respond to the questions. It is an exciting time for Altura and its stakeholders with 2018 being a formative year that will be the culmination of a lot of hard work and patience by many.

END

Additional Images may be found at <https://twitter.com/AlturaMining>

