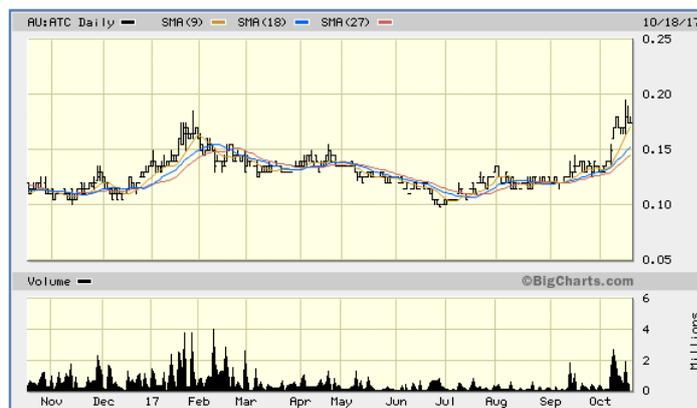


Wednesday 18th October, 2017

Portfolio Stock Developments

Altech Chemicals - (ASX: ATC, Share Price: \$0.18, Market Cap: \$54m, coverage initiated @ \$0.145 in Oct 2015 – current gain of 24%)



Meckering Kaolin Mine Site Acquisition

ATC has exercised its option to acquire the ~94ha of land at Meckering in Western Australia that hosts its granted and fully-permitted kaolin mining lease M70/1334. The licence contains an estimated kaolin mineral resource comprising 12.7 million tonnes at 29.5% Al₂O₃, including an estimated kaolin ore reserve of 1.224 million tonnes at 30% Al₂O₃.

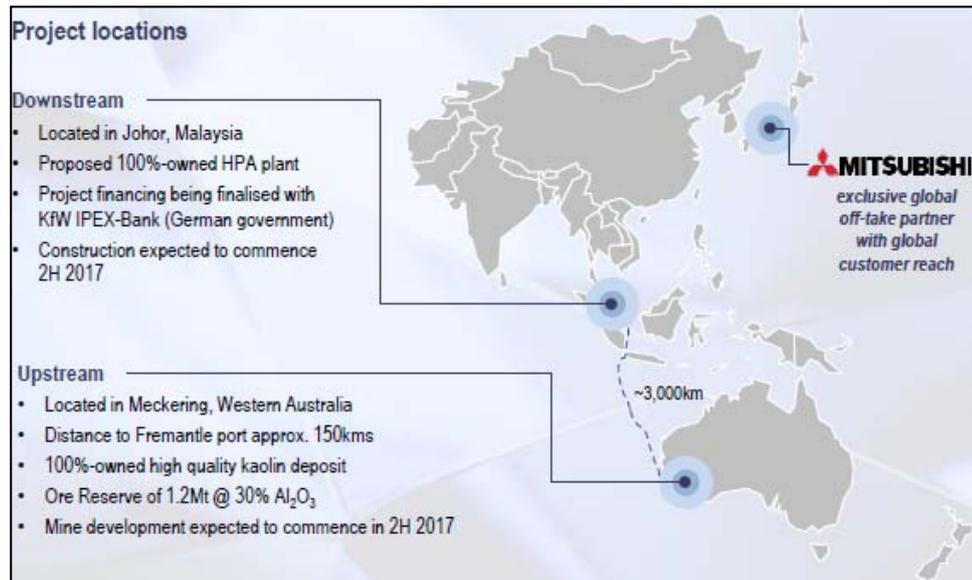
Technical Significance

This kaolin ore will provide the feedstock for MCT's proposed Malaysian high-purity alumina (HPA) plant in Malaysia. The plan is to mine approximately 140,000 tonnes of kaolin in two-month mining campaigns, once every three years. The alumina-rich mined kaolin will be initially stockpiled and then loaded into standard 20ft shipping containers at the rate of approximately 43,500tpa for transport by road to Fremantle port - then shipped weekly to the company's proposed 4,500tpa plant in Malaysia.

ATC's plant will produce HPA directly from kaolin clay from Meckering in WA utilising a hydrochloric (HCl) acid-based process. Production costs are anticipated to be considerably lower than established HPA producers. The aim is to commence project development during 2018.

Overview

ATC aims to become one of the world's leading suppliers of 99.99% HPA Al_2O_3 , which 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, as well as scratch-resistant sapphire glass used for wrist-watch faces, optical windows and smart-phone components. There is no substitute for HPA in the manufacture of synthetic sapphire.



Key Project Statistics

- Pre-tax NPV US\$358m, Capex US\$78.7m, Payback 3.7 years
- HPA sale price US\$23,000/t, Opex US\$9,070/t, Margin US\$13,930/t
- EBITDA US\$55.7m/year, IRR 33.3%

ATC mining proposal and mine closure plan for M70/1334 was approved during March 2017 and works approval for construction of the kaolin screening and loading facility was granted during August 2017. The Meckering mine is now fully permitted, with construction of the kaolin screening and loading facility able to proceed, subject to finance.

As we indicated in our most recent note on ATC last week, a target date of 14 December 2017 has been set for decision-making with respect to the offer of cover by the German government inter-ministerial committee (IMC) of the application by ATC for export credit project finance cover (ECA cover). The setting of the ECA cover target date also marks the successful conclusion of extensive and detailed independent project due diligence.

ATC remains firmly held within our Portfolio.

Allegiance Coal - (ASX: AHQ, Share Price: \$0.04, Market Cap: \$9m, coverage initiated @ \$0.022 in June 2017 – current gain of 82%)



Telkwa Mine Permitting Progress

AHQ advises that it anticipates that by the end of 2018 all environmental and socio-cultural baseline programs with respect to its Telkwa coal project in British Columbia, Canada will be complete in time for a regulatory submission during Q1 2019 - subject to both the completion of a feasibility study as well as a modest exploration program during early 2018. Assuming submission of the joint Mines Act and Environmental Management Act permit applications during Q1 2019, approval is anticipated during H2 2019.

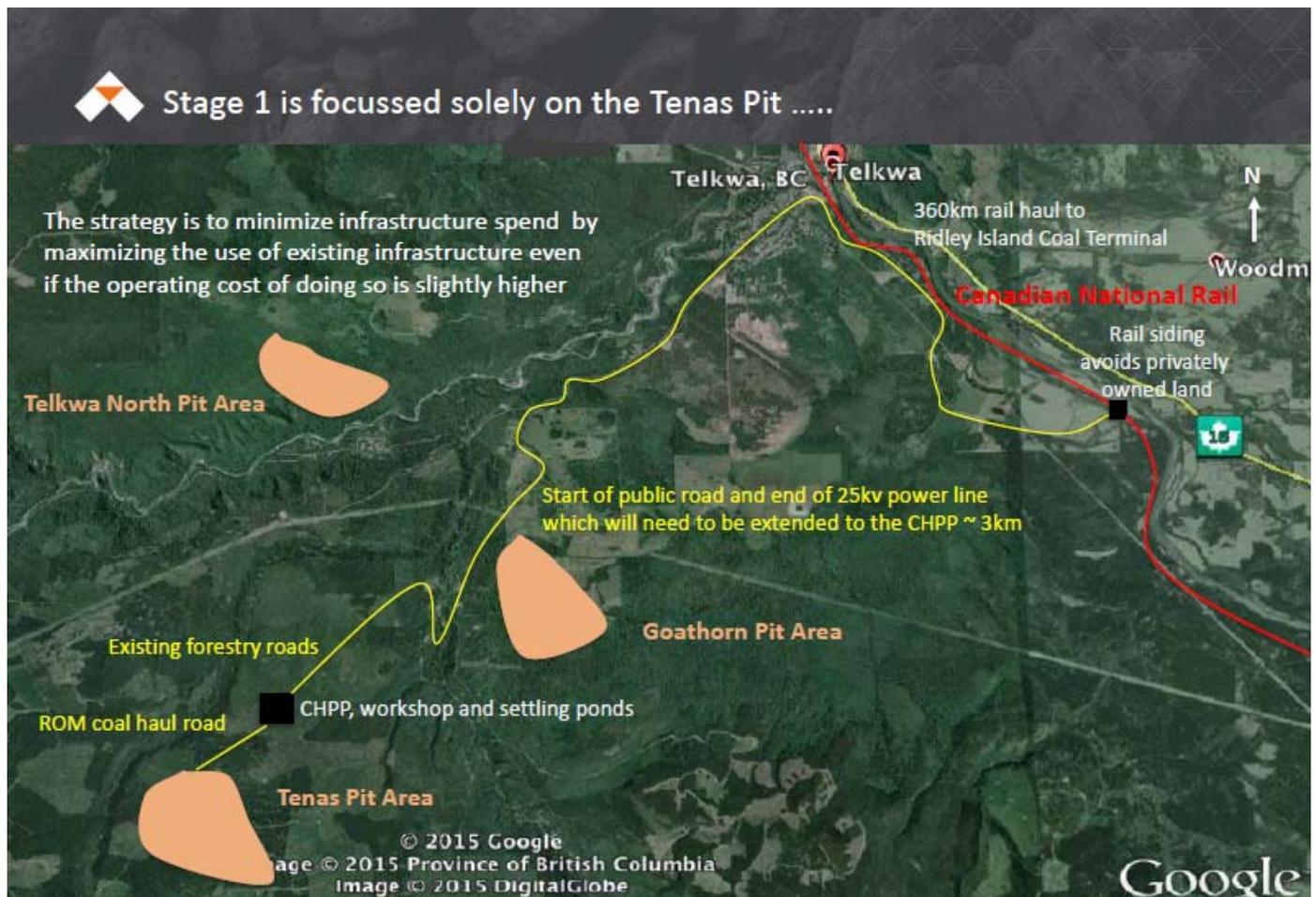
Technical Significance

AHQ’s focus on a smaller-scale development scenario means that the environmental approvals process is potentially much less onerous and involves a much shorter approvals timeframe. The environmental assessment and permitting framework for mining in British Columbia is well established and both Federal and Provincial Government environmental assessment processes provide a mechanism for reviewing mining projects to assess their potential impacts.

Mining projects typically undergo an environmental assessment process (EA) - and if successful proceed to the permitting and licensing phases. Projects falling below certain production thresholds may not require the EA process and may advance directly to permitting and achieve production sooner. It is therefore this option that AHQ is pursuing in order to bring the Telkwa project into production.

The two critical thresholds in the case of coal mining in British Columbia are - less than 1M tonnes per annum (which is the Federal Government EA review trigger) - and less than 250,000 tonnes per annum (which is the British Columbia Provincial Government EA review trigger). Therefore, positioning Telkwa under the Federal and Provincial production thresholds enables AHQ to proceed directly to permitting - accelerating the timeline to production by approximately three years.

Additionally, regulations allow for an increase in production up to 1Mtpa without triggering either the Provincial or Federal environmental assessment legislation, so long as the incremental footprint does not exceed the project modification threshold.



Overview

The recently released revised Stage 1 PFS results for the Telkwa coal project in Canada demonstrate a highly-robust operation. The results are based on the assumption that AHQ will only ever mine at the rate of 250,000 saleable tonnes annually. On this basis, Telkwa would have a 19-year life with an ultra-low average strip ratio of 1.9:1 BCM/ROMt, resulting in average life-of-mine all-in FOB (ex-port) cash costs before tax of US\$54 per tonne (less than half the current spot sale price).

As a result, Telkwa will be positioned within the lowest five-percentile of the global seaborne metallurgical coal cost curve. The key is the very low cash operating cost, which is a direct result of an ultra-low stripping ratio. The other crucial aspect is the very low unleveraged start-up capex of US\$35M, which results in life-of-mine average annual EBITDA of A\$18M at a ratio to revenue of 50% and unleveraged project NPV_{10%} pre-tax of US\$51M with an IRR pre-tax of 32%. Allegiance's primary focus now is to accelerate towards the permitting of Stage 1 production.

AHQ remains firmly held within our Portfolio.

Sheffield Resources - (ASX: SFX, Share Price: \$0.83, Market Cap: \$151m, coverage initiated @ \$0.50 in Sep 2015 – current gain of 66%)



\$200M Debt Facility to Fund Thunderbird

SFX has appointed Taurus Funds as the mandated lead arrangers and underwriters for a US\$200m debt finance facility package to support its Thunderbird mineral sands project development. The facility comprises a US\$175M term loan facility and a US\$25M contingent instrument facility. In addition, a US\$10M unsecured Equity Bridge Facility is available at SFX’s option to advance project development activities.

Taurus’s due diligence has been well advanced prior to its investment committee approval, however the approval is subject to completion of further due diligence. Documentation and due diligence is anticipated to be complete by the end of Q1 2018, with financial close and funding subject to customary conditions precedent for project finance facilities.

Technical Significance

SFX has apparently received significant interest and responses from a variety of banks and debt investors over recent months, including Taurus. Importantly, Taurus has a strong understanding of the mineral sands sector, having managed successful mineral sands investments in the past. The recent signing of back-to-back binding zircon off-take agreements with Indian end-users would certainly have helped boost confidence with respect to SFX’s debt funding discussions.

SFX remains firmly held within our Portfolio.

Disclaimer: Gavin Wendt, who is a director of Mine Life Pty Ltd ACN 140 028 799, compiled this document. It does not constitute investment advice. I wrote this article myself, it expresses my own opinions and I am not receiving compensation for it. In preparing this article, no account was taken of the investment objectives, financial situation and particular needs of any particular person. Investors need to consider, with or without the assistance of a securities adviser, whether the information is appropriate in light of the particular investment needs, objectives and financial circumstances of the investor. Although the information contained in this publication has been obtained from sources considered and believed to be both reliable and accurate, no responsibility is accepted for any opinion expressed or for any error or omission in that information. I have no positions in the stock mentioned and no plans to initiate any positions within the next 72 hours.