



## Company Update - HPA Business Restructuring Complete and Plans Set for the Future

12 April 2023

Dear fellow AEM Ltd shareholder,

I'm writing to inform you of the major milestone we have reached in your company's development, update you on other progress and provide guidance on our plans for the future.

The big news is that we have completed the restructuring of our interests in the Canadian HPA business. Prior to this restructuring, our interest in this business was held via a 60% shareholding in a Cypriot joint venture company; the other 40% being held by ViVent Initiatives.

Following expert advice coordinated through BDO in Montreal, we have restructured our affairs so that now both we, AEM Ltd, and ViVent hold our 60%:40% interests directly in a new Canadian company, Advanced Energy Materials Inc., which in turn owns 100% of our two Canadian operating companies.

At the same time, the shareholder loans to our Canadian companies have been converted into equity to create a debt-

free Canadian vehicle. The former restrictive joint venture-style shareholder agreement has been terminated and a new limited agreement suitable for a public company heading towards an IPO has been executed. Control, outside of some strategic matters, will reside with the board that I will chair. With those key matters completed, we now have a clean vehicle suitable for 3<sup>rd</sup>-party investment. Within the next few days we will be launching our pre-IPO financing round of approximately US\$17 million. This allows us to execute our plant upgrade at Cap-Chat whilst we prepare for our IPO in approximately 12 months.

The capital raise takes the form of an offer of convertible debentures to sophisticated/wholesale investors. Directors of the Canadian company, Advanced Energy Materials Inc., are cornerstone investors to the amount of US\$5 million. If you qualify as a sophisticated/wholesale investor and wish to participate, please contact me or Steve Petersohn (details at the end).

The debt financing package for the Cap-Chat plant upgrade, which I discussed in my last communication, has not progressed as fast as desired. We believe that this is principally due to the history of Orbite, the previous owner of the Cap-Chat plant, which went into administration. We have received a loan offer of C\$12 million; however, the credit approval and due diligence processes have been slow. While it is our hope that we will be able to close this financing on acceptable terms, our plans for the IPO are independent of this.

Operationally, the plant in Cap-Chat continues to consistently produce 4N/5N HPA at low volumes for marketing

purposes. We are pleased that customer interface continues to accelerate. We are advancing qualification processes with a range of customers so that these are starting to place commercial orders. The challenge is to balance our limited production capacity with customer expectations prior to completion of our capital programme.

Managing our cash has been challenging for us while supporting the Canadian HPA business. Although we did successfully raise A\$4.2m as announced in August of last year, it seemed to go to Canada almost as soon as it arrived!

While we prioritised Canada, our plans for Kendall River had to take a back seat. Now that we have restructured the Canadian HPA business so that it is no longer dependent on the AEM/ViVent JV structure for funding, we can focus on AEM (Australia) and add value to our Kendall River Kaolin Project.

Our strategy for our two business units remains as previously advised. With the HPA restructuring complete, we can now move on to seek the various approvals, including a tax office class ruling, for the distribution of shares in Advanced Energy Materials Inc to AEM Ltd shareholders. We also plan to undertake a drilling programme to upgrade our resources at Kendall River this dry season. This will allow us to update the PFS and prepare for an IPO of AEM Ltd in 2024 with Kendall River kaolin as its focus. These activities, together with requirements for the on-going litigation with former CEO Julian Ford, will require funding that we expect to undertake mid-year. As with our last raise, it is our intention to offer it first to existing shareholders; we will write to you accordingly.

Lastly, I would like to thank my colleagues at AEM and the principals of our JV partner, ViVent Initiatives, in particular Nassif Obeid, for their commitment to “the prize” as we have navigated our way through the restructuring to bring us all together in one company with a common cause. In addition, I would like to acknowledge the individual contribution of Mick Adams to this process and to our HPA venture generally. Mick has relocated with his wife to Quebec to lead our HPA business as the CEO/MD of Advanced Energy Materials Inc. We look forward to exciting times ahead with AEM.

Richard Seville

Executive Chairman

If you would like more information on the Canadian Advanced Energy Materials Inc capital raise, please contact either myself at [rseville@aem-international.com](mailto:rseville@aem-international.com) or Steve Petersohn at [spetersohn@aem-international.com](mailto:spetersohn@aem-international.com)

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