

17 December 2020

Adbri announces Kwinana Upgrade Project

Adbri Limited (“Adbri” or “the Company”) (ASX: ABC) today announces the ‘go ahead’ for the Kwinana Upgrade Project (the Project) following a final investment decision by the Board. The \$199 million investment in a modern state-of-the-art facility will consolidate Adbri’s two existing cement production sites into a single operation serving the Western Australia (WA) market and increasing annual production capacity to 1.5 million tonnes per annum from 1.1 million tonnes.

Adbri’s Cockburn Cement business remains a key contributor to WA’s economy. This investment demonstrates the Company’s commitment to and confidence in WA’s mining and construction sectors which are projected to grow over coming years.

Key Benefits

This investment will strengthen Adbri’s long-standing position as one of WA’s leading low-cost suppliers of cementitious materials well into the future, projected to deliver:

- Cash cost savings - approximately \$19 million in Year 1 post commissioning, generated through lower energy, maintenance and transport, lowering unit production costs to enhance competitiveness;
- A 20% lower carbon footprint than existing operations – through reduced road transport and more efficient plant;
- Ongoing reliable supply of high-quality cement products into the WA market;
- Redirected capital investment into more efficient, modern technology; and
- NPV benefits in excess of \$125 million and IRR of more than 15%, well above Adbri’s cost of capital.

Kwinana Upgrade Project

The Project will deliver a modern state-of-the-art facility with 1.5 million tonne capacity including:

- **Fully integrated and automated facility:** Bulk materials conveyor linking the Kwinana Bulk Terminal (KBT) facility to a new 110,000 tonne clinker storage shed, incorporating an automated reclaim system, to eliminate road transport and minimise clinker handling using mobile equipment;
- **Slag feed system:** Granulated blast furnace slag and additives (gypsum and limestone) feed system;
- **Modern ball mill circuit:** Installation of two new latest generation cement mills capable of grinding slag and clinker; and
- **Silo and Despatch:** New 21,000 tonne finished product storage, truck loading and weighbridge infrastructure.

Adbri will utilise a self-managed delivery model for greater control over the Project. A dedicated project delivery team is being established following the Board go ahead, led by a senior project director. The Project will be managed through a number of packages with contractors to manage construction risk.

The Project is scheduled to be completed and fully commissioned by mid 2023.

Project Rationale

Adbri, through its Cockburn Cement business is one of WA’s leading suppliers of cementitious materials – supplying the market for 65 years. The Company has existing production capabilities to service this market at both Kwinana and Munster, located south of Perth. Clinker, the intermediary material in the production of Portland cement, is currently transported by truck from the KBT to cement milling plants located at both sites.

The Project will consolidate the Company’s cement production at the Kwinana site where Adbri has a long-term lease, strategically located in close proximity to the KBT import facility.

The investment in the new facility at Kwinana is projected to deliver lower production costs by:

- Replacing 50+ year old cement milling equipment with a new, energy efficient plant that will reduce future repairs and maintenance costs and eliminate the need for investment in the ageing Munster assets;
- Removing the double handling of clinker and cement between the two sites; and
- Changing the method of transferring clinker from road to a conveyor system.

As a result of Adbri's strong balance sheet and liquidity, the Project will be funded through the Company's existing debt facilities.

In addition to the compelling financial returns, the investment will deliver sustainability benefits:

- Reducing carbon emissions of the cement grinding process through lower electricity and diesel usage due to more efficient equipment and logistics;
- Providing 130 construction jobs for the two-year build period, while providing an operation to support the construction and mining industries for the long-term; and
- Reducing truck movements around the Munster site, improving conditions for local residents.

Commenting on the Project, Adbri CEO Nick Miller said:

"Our Munster and Kwinana cement operations have helped build Western Australia for over half a century, supplying a vital material to the construction and mining sectors. The Kwinana Upgrade Project represents a \$199 million investment that will modernise our cement production capabilities, create employment opportunities during the construction phase and support the long-term growth of the Western Australian mining and construction sectors.

"The Kwinana Upgrade Project will enable us to continue providing high quality products to the local market. It will significantly enhance our business, both by lowering our operating costs and decreasing our carbon emissions, while at the same time providing an attractive return on the investment for our shareholders."

Management presentation

A presentation with further details of the Project has been lodged with the Australian Stock Exchange and a webcast with management will be held at 9:30am (Sydney time) on 17 December 2020.

All participants must register for the conference call online using the following link:

<https://s1.c-conf.com/diamondpass/10011523-e8skzl.html>

Alternatively, you may listen in to the presentation via a live webcast using the following link:

<https://webcast.openbriefing.com/6964/>

Forward looking statements

This announcement contains forward-looking statements and statements of opinion. Any forward-looking statements are not guarantees of future performance. All such information is, by its nature, subject to significant uncertainties many of which are outside of the control of the Company. Readers should not place undue reliance on forward-looking statements. To the maximum extent permitted by law, the Company and its officers disclaim liability for any loss arising from reliance on forward-looking information contained in this announcement.

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Authorised for release by the Company Secretary.

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