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ALTECH COMPLETES DRILLING CAMPAIGN AT KERRIGAN KAOLIN PROJECT

Highlights

- Altech completes drilling campaign at its Kerrigan kaolin project
- 27 air core drill holes completed
- Potential to update the kaolin mineral resource

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has completed a drilling program at its 100% owned Kerrigan kaolin project in Western Australia. The Kerrigan project is located 20kms south of the central wheat belt town of Hyden, Western Australia and covers an area of approximately 230km². The drilling program consisted of 27 air core holes for a total of 765 metres. All holes were drilled vertically with average hole depth of 28 metres; samples were collected at one-metre intervals.

Whilst Altech's flagship Meckering kaolin deposit will provide feedstock for its Johor HPA plant, Kerrigan hosts a high quality kaolin deposit. The completed drilling program is expected to enable the Company to update the Kerrigan mineral resource estimate and assist it in determining the next steps for the project.

The Kerrigan project was initially identified as containing high quality kaolin in 1992 by Graphite Holdings Pty Ltd which subsequently drilled the project area, as did CRA Exploration Pty Ltd (CRAE). At Kerrigan, kaolin forms part of an unusually thick and well-developed weathering profile and is found under overburden of laterite and mottled clays, with overburden thickness ranging from 1 to 12m. Since 1995 the only significant exploration conducted at Kerrigan was the bulk sample and evaluation of ~6 tonnes of kaolin (from two test pits) and the processing of samples from the pits. Also, in 2011 the Company announced an initial JORC inferred kaolin mineral resource of 85Mt at an ISO brightness of 85.1% for Kerrigan (refer ASX Announcement dated 24 August 2011 for complete details). The current drill program is expected to enable the Company to update the 2011 resource estimate in accordance with JORC (2012).



Figure 1 – Location of Kerrigan Kaolin Project



Figure 2 – Location of the completed drilling program



Figure 3 – Drilling rig set up at Kerrigan

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For more information, please contact:

Corporate

Iggy Tan

Managing Director
Altech Chemicals Limited
Tel: +61 8 6168 1555
Email: info@altechchemicals.com

Shane Volk

Company Secretary
Altech Chemicals Limited
Tel: +61 8 6168 1555
Email: info@altechchemicals.com

Investor Relations (Europe)

Kai Hoffmann

Soar Financial Partners
Tel: +49 69 175 548320
Email: hoffmann@soarfinancial.com
Wir sprechen Deutsch.

About Altech Chemicals (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 (Al₂O₃) 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.



Conservative (bank case) cash flow modelling of the Project shows a pre-tax net present value of US\$505.6m at a discount rate of 7.5%. The Project generates annual average net free cash of ~US\$76m at full production (allowing for sustaining capital and before debt servicing and tax), with an attractive margin on HPA sales of ~63%. (Refer to ASX Announcement "Positive Final Investment Decision Study for 4,500TPA HPA project" dated 23 October 2017 for complete details. The Company confirms that as at the date of this announcement there are no material changes to the key assumptions adopted in the study).

Altech has executed a 10-year off take sales arrangement with Mitsubishi Corporation's Australian subsidiary, Mitsubishi Australia Ltd (Mitsubishi) for production from the Company's Malaysian HPA plant. The Company has been successful of securing senior project debt finance of US\$190 million with German government owned KfW IPEX-Bank as sole lender. Altech has also mandated Macquarie Bank (Macquarie) as the preferred mezzanine lender for its HPA project. The indicative and non-binding mezzanine debt term sheet (progressing through due diligence) is for a facility amount of up to US\$90 million.

German engineering firm SMS group GmbH (SMS) is the appointed EPC contractor for construction of Altech's Malaysian HPA plant. SMS has provided a fixed price turnkey contract and has proposed clear and concise guarantees to Altech for plant throughput and completion. To maintain project momentum, the Company raised A\$39 million in the last 24 months to fund Stage 1 and 2 construction of its HPA plant in Johor, Malaysia. Stage 1 construction commenced in February 2019, with stage 2 now underway.

Altech is aiming to secure the balance of project equity ~ US\$100 million via a Frankfurt stock exchange listed company, Altech Advanced Materials AG (AAM), which has an option to acquire a 49% joint venture interest in the HPA project.

Competent Persons Statement – Kerrigan Kaolin Project

The information in this announcement that relates to Mineral Resources is extracted from the report titled "AMMG increases global kaolin resources to 150 million tonnes, Western Australia" published on 24 August 2011; the report is available to view on the ASX Company Announcements platform and on the Company's web site: www.altechchemicals.com. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented in this report have not been materially modified from the original market announcement.

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.