



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

27 February 2020

ALTECH – BOARD MEMBER POSTING TO GERMANY FOR EUROPEAN INITIATIVES

Highlights

- Posting of Altech alternate director to Germany
- Support for impending Altech Advanced Materials AG ~ €69.4m capital raise
- Increased engagement with burgeoning European lithium-ion battery sector

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide information about various European based initiatives that have recently commenced to support the Company's objective of closing the balance of finance for its Malaysian high purity alumina (HPA) project. A key remaining step includes a capital raise by Frankfurt Stock Exchange listed Altech Advanced Materials AG (AAM) of ~ €69.4 million (if fully subscribed) and the exercise of its option to acquire up to a 49% direct interest in Altech's HPA project for US\$100 million.

Mr Uwe Ahrens, who is a member of the AAM management board and the alternate director for Altech non-executive director Tunku Yaacob Khyra, has been posted to AMM and will be based in Germany. Mr Ahrens is a German national who has resided in Malaysia for in excess of 20-years and has retained a very strong business network in Germany. He is a senior member of the management team of the Melewar group, a major shareholder of Altech.

During his posting to Germany Mr Ahrens will:

- Work closely with the other members of the AAM management board and its appointed Placement Agent (a Swiss International Investment Bank), to promote AAM's capital raise to potential institutional investors in one-to-one meetings and in group presentations (refer ASX Announcement of 5 February 2020);
- Increase engagement with emerging participants in the burgeoning European lithium-ion battery sector and promote Altech's HPA project, the Company's 99.99% (4N) HPA product and the Altech partnership/investment opportunity. An objective is to link with one or more European based 4N HPA end-users that appreciate the advantage of a current commitment to accepting future volumes of the Company's 4N HPA product at pre-agreed or other transparent pricing, and/or directly partnering with the Company for the development of its HPA project;
- Liaise with various research bodies such as the internationally renowned Fraunhofer Society for the advancement of applied research, about HPA product attributes and various test work, plus identify and capture any opportunities for Altech presented by the European Union's Battery 2030 Roadmap initiative – for details view: <https://battery2030.eu/roadmap/>.

Altech Chemicals managing director, Mr Iggy Tan said *“from our interactions with attendees at various European battery conferences – including the Advanced Automotive Battery Conference, Wiesbaden, Germany – and from recent meetings with European banks, funds and other professional investors, it is clearly apparent that there is a new sense of urgency in Europe, and particularly in Germany, to accelerate the development of a European based lithium-ion battery manufacturing sector as a cornerstone to support a faster than previously anticipated transition to electric vehicle production.*

For Altech and our proposed 4N HPA product, the current momentum in Europe presents a unique window of opportunity which we must endeavour to capitalise on. The posting of Mr Ahrens to Germany, will I believe, provide us with the additional required “boots-on-ground” to directly represent and advocate for Altech and our 4N HPA, whilst at the same time providing assistance to AAM for its impending capital raise.”

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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 is forecast to 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.



German engineering firm SMS group GmbH (SMS) is the appointed EPC contractor for construction of Altech's Malaysian HPA plant. SMS has provided a USD280 million fixed price turnkey contract and has proposed clear and concise guarantees to Altech for plant throughput and completion. Altech has executed an off-take sales arrangement with Mitsubishi Corporation's Australian subsidiary, Mitsubishi Australia Ltd (Mitsubishi) covering the first 10-years of HPA production from the plant.

Conservative (bank case) cash flow modelling of the project shows a pre-tax net present value of USD505.6million at a discount rate of 7.5%. The Project generates annual average net free cash of ~USD76million at full production (allowing for sustaining capital and before debt servicing and tax), with an attractive margin on HPA sales of ~63%.

The Company has been successful in securing senior project debt finance of USD190 million from German government owned KfW IPEX-Bank as senior lender. Altech has also mandated Macquarie Bank (Macquarie) as the preferred mezzanine lender for the project. The indicative and non-binding mezzanine debt term sheet (progressing through due diligence) is for a facility amount of up to USD90 million. To maintain project momentum during the period leading up to financial close, Altech has raised ~A\$39 million in the last 24 months to fund the commencement of Stage 1 and 2 of the plant's construction; Stage 1 construction commenced in February 2019 with Stage 2 now underway.

In July 2019 Altech announced the sale of an option to Frankfurt stock exchange listed Youbisheng Green Paper AG (since renamed Altech Advanced Materials AG (AAM)), whereby AAM can acquire up to a 49% interest in Altech's HPA project for USD100 million. AAM has commenced the process of securing the funds to enable it to exercise its option, which once complete is anticipated would be a catalyst for project financial close.

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.