



13 March 2020

ALTECH – AAM AG CAPITAL INCREASE APPROVED

Highlights

- Approval for AAM to re-commence its capital increase process
- 63,102,080 new shares at a minimum of €1.10 per share
- Updated prospectus lodged with BaFin (German Federal Financial Supervisory Authority)

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has been advised by Frankfurt Stock Exchange listed Altech Advanced Materials AG (FRA: AMA1) (AAM) that its proposed capital increase has been approved by shareholders, at a shareholder meeting held in Heidelberg, Germany on 12 March 2020.

The approval provides for AAM to issue up to 63,102,080 new shares at a minimum price of €1.10 per share, which would raise €69.4 million fully subscribed. The capital increase will be implemented as follows:

- firstly, the new shares will be offered to AAM's existing shareholders at a ratio of 1:40, i.e. for each 1 existing share held the holder is entitled to subscribe to 40 new shares, at a subscription price of €1.10 per share (Rights Offer);
- any new shares not subscribed in the Rights Offer (the "oversubscription shares") may then be subscribed at €1.10 per share by shareholders that took up all of their entitlement under the Rights Offer; then
- any remaining unsubscribed shares can then be placed by AAM, at least at the issue price of €1.10 but aiming at a price of €1.20 or higher per share.

AAM has a period of 6-months in which to implement the capital increase.

The Rights Offer is scheduled to conclude by 30 April 2020, and will commence following approval by BaFin (German Federal Financial Supervisory Authority) of an updated AAM prospectus which has been submitted to BaFin. Approval of the prospectus is expected in early April 2020. AAM is supported by a global Swiss investment bank as placement agent for the planned private placement, to follow the Rights Offer.

In addition to the capital increase, AAM shareholders also approved the following items at the extraordinary general meeting:

- (a) an additional authorised capital increase of €10,000,000 plus a conditional capital increase of €785,000, each of which may be utilised at the discretion of the AAM supervisory board for a period of up to approximately 5 years (until 1 March 2025) to raise funds in addition to what is raised in the capital increase;
- (b) the election of Mr Wilko Stark to the AAM Supervisory Board; and
- (c) relocation of AAM's registration of office from the jurisdiction of Mannheim to Frankfurt am Main (Frankfurt), which has more exposure to public company shareholder matters.

– end –

Authorised by: Iggy Tan – Managing Director

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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, semi-conductor 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%. (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).

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.