



25 March 2020

ALTECH – CORPORATE UPDATE

Highlights

- Balance of Stage 2 HPA plant site construction work nearing completion
- Site works currently suspended due to Malaysia's Covid-19 movement control order
- European initiatives continue, to position HPA project for post Covid-19

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide a corporate update and details about various activities that remain ongoing, in support of its previously announced European based initiatives (refer ASX Announcement 27 February 2020).

Corporate

At the Company's high purity alumina (HPA) plant site in Malaysia, almost all of the outstanding Stage 2 site construction work (electrical substation) has been completed. No work additional to Stage 2 is currently planned. The minor remaining work on the substation consists of internal fit out (most fit out has been completed), sewage and drainage work. Work at the HPA plant site is currently suspended due to the Malaysian government's imposition of a movement control order in response to the outbreak of Covid-19, the order is currently in effect until 31 March 2020. The HPA site is fully fenced and has 24-hour security (both at the industrial complex entrance and at the plant site) as the movement of security personnel is exempt from the control order. It is expected that site work can re-commence easily when the control order is lifted.



Figure 1 – Substation internal finishing



Figure 2 – Completed substation structure, fenced

In relation to the global Covid-19 pandemic, in addition to supporting the welfare of all its employees, the Company is only proceeding with discretionary expenditure that will assist to position it to continue to progress its HPA project once financial markets and the global economy stabilise.

European Initiatives

On the basis that it is likely that most able governments, but particularly those in Europe, will make available significant (likely unprecedented) economic stimulus once stability returns to financial markets and the global economy, the Company is continuing with its European based activities to best position it for this situation. The activities include:

1. **Promotion of Altech and its HPA project:** Mr Uwe Ahrens, Altech alternate director and member of the management board of Altech Advanced Materials AG (AAM), is continuing with his German based work to promote Altech's HPA product and to assist AAM with its planned rights issue and share placement. Although face-to-face meetings are currently being limited by the Covid-19 situation, teleconference and internet facilitated meetings are continuing.
2. **Altech Advance Materials AG:** AAM has advised Altech that it remains on track for prospectus approval from BaFin (German Federal Financial Supervisory Authority) by mid-April 2020. The rights-issue shall commence upon prospectus approval, but timing may be altered in light of the pre-vailing Covid-19 situation.

AAM continues to work with the Swiss international Investment Bank that is appointed as placement agent in relation to the issuance of equity or other equity instruments (securities) by AAM via private placement, which remains scheduled to follow the AAM rights offer.

3. **Independent Assessment of Altech's HPA project green credentials:** As announced on 18 March 2020, AAM has appointed the Centre of International Climate and Environmental Research (CICERO) associated with the University of Oslo (Norway), to complete an independent determination of Altech's HPA project green credentials. This work is continuing and is important for positioning the project for a more stable global economy and broadening access to financial and equity markets, in particular "green" funds and lenders.
4. **Project Finance:** Altech has not been advised by either German government owned KfW IPEX-Bank, or by Macquarie bank of any changes to their respective support for Company's HPA project.

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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.