



3 June 2021

ALTECH – PATENT SUBMISSION FOR ALUMINA COATING OF BATTERY MATERIALS

Highlights

- Lodgement of patent for alumina coating technology
- New product development targeting use in lithium-ion battery anode
- Potential improvements to lithium-ion battery life, capacity and cyclability

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has lodged a patent with IP Australia, for its invention of methods for coating anode active materials with alumina. The patent describes Altech's technology for alumina-containing coating. The alumina coating layer, when applied to anode materials such as graphite and silicon would serve as an artificial solid electrolyte interface (SEI), which is expected to reduce lithium ion losses during each charge and discharge cycle of a rechargeable lithium-ion battery (e.g. as used in electric vehicles), and also retard degradation of battery capacity.

On 12 September 2020, Altech announced that as a result of its ground-breaking research and development work, it was proceeding to an independent verification phase of its method for the alumina coating of graphite particles. In these first phase coating trials, Altech demonstrated that it was able to apply very uniform and consistent nano-metre scale alumina coating layers on graphite anode particles. The particles were examined at the University of Western Australia under an electron microscope, where a thin continuous, regular coating of alumina was observed.

A successful first round of battery testing of Altech's alumina coated graphite has also been completed. For this test, a batch of battery electrodes were produced using non-coated standard anode grade graphite particles (the control) and a separate batch was produced that contained anode grade graphite particles coated with HPA using the Company's technology. One hundred cycles of cell charge and discharge were completed and results for the coated graphite anodes compared to the non-coated anodes were positive and encouraging.

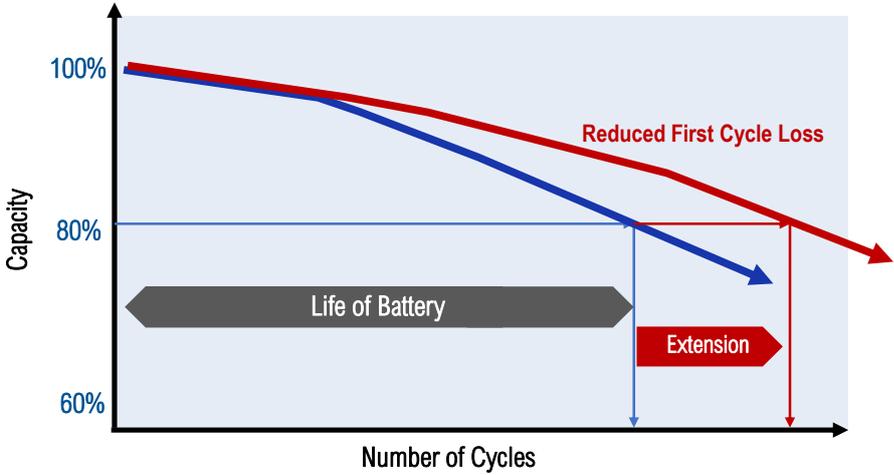
Background

HPA is commonly applied as a coating on the separator sheets used within a lithium-ion battery, as alumina coated separators improve battery performance, durability and overall safety. However, there is an evolving use for alumina within the anode component of the lithium-ion battery because of the positive impacts that alumina coated graphite particles have on battery life and performance.

Lithium-ion battery anodes are typically composed of graphite. In a lithium-ion battery, lithium ion losses initially present as inactive layers that form during the very first battery charge cycle, the losses then compound with each subsequent battery usage cycle. Typically, around 8-10% of lithium ions are lost during the very first battery charge cycle. This "first cycle capacity loss" or "first-cycle irreversibility" is a long recognised but as yet poorly resolved limitation that has plagued rechargeable lithium-ion batteries. Figure 1 shows the potential increase in

battery life if the *first cycle capacity loss* can be reduced or eliminated, thereby allowing more lithium ions to participate in ongoing operation of the battery.

Figure 1 – Impact of reduced “*first cycle capacity loss*”



First cycle capacity loss in a rechargeable lithium-ion battery is because of the deposition of lithium ions onto the anode graphite particles within the battery during the initial battery charge cycle. This forms a layer of material on the anode, termed a “solid electrolyte interphase” (SEI). Currently the graphite particles used in lithium-ion battery anodes are uncoated, however manufactures are now seeking to coat anode graphite particles with very thin layers of alumina. Tests have demonstrated that alumina coated graphite particles have the potential to reduce first cycle capacity loss. In turn, this innovation can measurably increase battery energy retention, extend battery life and improve overall battery performance.

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Authorised by: Iggy Tan (Managing Director)



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 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 early works completed at the end of June 2020.

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.