



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

13 October 2020

ALTECH – \$12 MILLION OF GRANT SUPPORT FROM SAXONY STATE GOVERNMENT, GERMANY

Highlights

- Strong support from State Ministry for Economic, Labour and Transport, Saxony
- Encouragement for a second HPA plant in Germany
- Grant commitment of €7.38 million (~A\$12.2 m)
- Electric vehicle construction and battery production in the region
- Detailed due diligence commenced

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has received a commitment letter from State Ministry for Economic, Labour and Transport, Saxony, Germany for a grant of €7,380,000 (~A\$12.2 million). The grant would be available to Altech to support a total investment for construction of a high purity alumina (HPA) plant at the Schwarze Pumpe Industrial Park, Spreetal municipality in the State of Saxony, Germany.

The grant offer follows the July 2020 signing of an option to purchase agreement by Altech's wholly owned German subsidiary Altech Industries Germany GmbH, for a ~10 hectare industrial site in the Schwarze Pumpe Industrial Park, Saxony (refer ASX announcement 14 July 2020) and a recent joint site visit to the industrial park by Altech alternate director Mr Uwe Ahrens accompanied by various Altech consultants, Saxony State Government officials, Spreetal Municipality officials, and Industrial Park senior management (see figure 1 below). The site visit also marked the commencement of a detailed due diligence and feasibility study process by Altech, to determine the viability of a second HPA plant in Germany.



Figure 1: Altech visit to the Schwarze Pumpe Industrial Park, 19 August 2020

In its letter to the Company, the Saxony state government has pledged its continued fullest support for possible construction of a HPA plant by the Company, and advised that the State Ministry for Economics, Labour and Transport (SMWA) and the Saxony Development Bank (SAB) are able to assist in the development of the proposed project. The letter further stated that: *“from an industrial policy point of view, Altech’s project is very much welcomed in the Region, Lausitz. Against the background of the developing electro mobility and the companies already having been established in this industry segment of electric vehicle construction and battery production in this region, synergy effects are expected. Saxony has industrial experience in battery production, especially in nearby Kamenz area, and has advantageous prerequisites as an industrial and research location”.*



Figure 2. Research facility adjacent to Altech’s optioned ~10 Ha site at Schwarze Pumpe

Altech managing director, Mr Iggy Tan said that the support letter from the Saxony State Ministry is very encouraging. *“In essence, the grant means that if we were to determine that it was commercially viable to construct a second HPA plant in Germany, an amount of ~A\$12.2 million would be available. Altech however remains focussed on delivering the close of funding for our first HPA plant in Johor, Malaysia and the recommencement of construction. However, by evaluating this opportunity in Germany we are quickly responding to Europe’s push to bring its supply chains closer to home and to increase its self-reliance for critical raw materials – such as those that are used in the manufacture of lithium-ion batteries. We see this as a potential opportunity that cannot be ignored, especially given Altech’s strong established links to Germany – both on our share register, our board, and the relationships we have built with SMS group and German Government owned KfW IPEX-Bank”,* he said.

– end –

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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%. (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.