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ALTECH – OPTION AGREEMENT TO ACQUIRE INDUSTRIAL SITE IN SAXONY, GERMANY

Highlights

- Option to acquire ~10Ha industrial site in Saxony, Germany
- Follows invitation from the state of Saxony to construct next HPA plant in Germany
- Site access assured during the option period for planning and assessment
- €750bn of European Union fiscal stimulus allocated to Next Generation “green” initiative
- Germany mandates electric vehicle charging points in all service stations
- €2.5 bn allocated to battery cell production and charging infrastructure

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has executed an option to purchase agreement for a ~10 hectare industrial site within the Schwarze Pumpe Industrial Park, municipality of Spreetal, Saxony, (see Figure 1). This follows an official invitation that it received from the State Government of Saxony, Germany in September 2019 for the Company to consider building its next high purity alumina (HPA) plant in Saxony.

The agreement provides Altech with an initial 12-month term during which it can exercise its purchase option, with the ability to extend the option period by a further 12-months via mutual consent. The purchase price for the site is confidential, however on a per-hectare basis the price is considerably less than comparable brown-fields industrial sites in Malaysia or Western Australia. During the option period Altech will have access to the site for planning and assessment purposes. Altech is investigating the site as a preferred location for a second HPA plant, specifically to service forecast demand for HPA from Europe’s burgeoning electric vehicle and renewable energy battery sectors.



Figure 1: Location of the Schwarze Pumpe Industrial Park and the ~10Ha industrial site available to Altech

The Schwarze Pumpe Industrial Park is located in north-eastern Saxony and is well serviced by existing infrastructure including reticulated electricity and natural gas, rail and roads. The industrial park is 120 km from Berlin and only 78 km from Dresden. Saxony is a state which hosts production sites for Volkswagen, BMW, Porsche and Daimler. The region is a leading engineering training ground and has excellent research facilities like the Fraunhofer Institute for Electronic Nano-systems which are very focussed on ceramic (HPA) nano technology in energy storage.



Figure 2: Schwarze Pumpe Industrial Park – showing established industry and rail line

European Commission's COVID-19 Green Recovery Plan

The European Commission recently released its coronavirus recovery plan, which is focussed on economic revival and support of the European Green Deal "Next Generation EU" and is to be endowed with 750 billion euros. The short-term priority of the plan is to repair the immediate economic and social damage caused by the COVID-19 pandemic, to kick-start economic recovery and prepare the next generation for a better future. The recovery plan and targeted reinforcements of the EU's long-term budget 2021-2027 will increase the financial clout of the EU budget to a total of EUR 1.85 trillion.

The funds allocated to the "Next Generation EU" economic recovery plan are earmarked in particular to accelerate Europe's green and digital transition, with the European Commission to focus on unlocking investment in clean technologies and value chains, such as renewables and energy storage technologies - including batteries. The plan includes support for the financing of one million new charging points for electric vehicles (EVs) across Europe and the implementation of a critical raw materials action plan covering e-mobility, batteries and renewable energy.

Altech believes that HPA, as a critical input into lithium-ion battery manufacture, would fall within the scope of the EU action plan. Also, a draft of the European Recover Plan (ERP) included a €20 billion EU-wide purchasing facility for clean vehicles and a €40-€60 billion clean automotive investment fund, to accelerate investments in zero emissions drive trains. Although this level of detail was not included in the final high-level EU ERP communique – it is indicative of strong EU fiscal support for the European EV and renewable energy storage sectors.

Germany however has been more specific in providing details of the EV industry fiscal support that it has incorporated in its economic stimulus package post COVID-19. Germany's €130 billion coronavirus stimulus package announced in June 2020 includes the following pillars:

- €2.5 billion will be spent on battery cell production and charging infrastructure;
- there is a 50% increase (to €9,000/vehicle) on the cash subsidy for EV purchases; and
- it has been mandated that all service stations must offer electric car charging points to help remove refuelling concerns and boost consumer demand for EV's.

The European and German initiatives are expected to provide a significant boost to EV demand along with the broader stimulus plan that included taxes to penalise ownership of large polluting combustion-engine sports utility vehicles. Germany's announcement follows a French initiative announced by President Macron to boost electric car sales within that country. Europe has a very clear commitment to battery-powered vehicles and placing electric mobility as a principal technology of the future.

Managing director, Iggy Tan said that *"whilst we have been focussed on completion of finance and the continuation of construction of Altech's first HPA plant in Malaysia, the increased fiscal support for the EV and renewable energy sectors recently announced by the EU and Germany, combined with the forecast HPA supply deficit in coming years, has prompted us to move and secure this excellent HPA plant site in Germany – albeit earlier than I had anticipated. A HPA plant takes 4-5 years to design, permit, fund and construct. To meet the forecast HPA supply deficit Altech needs to be pro-active and put in place a plan for its next plant today, whilst staying extremely focussed on the first facility in Johor.*

– 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 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.