



20 August 2020

ALTECH INITIATES LISTED GREEN BOND PROJECT FUNDING OPTION

Highlights

- Bond Structuring and Execution Plan initiated
- Another alternative for a second layer of project financing
- Independent confirmation of green credentials of the Company's HPA project

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has initiated a listed green bond project funding option. The Company has mandated Bluemount Capital (WA) Pty Ltd (Bluemount), which will work in conjunction with its London based partner Bedford Row Capital (Bedford), as structuring agent, to prepare a Bond Structuring and Execution Plan for an offering of asset-backed (second lien) listed “green” bonds to the European bond market.

On 20 May 2020, Altech announced that its high purity alumina (HPA) project had been formally assessed as “green” by the independent Centre of International Climate and Environmental Research (CICERO), based in Oslo, Norway. This positive project assessment, formally termed a “second opinion”, confirmed that Altech’s HPA project is of a type suitable for finance via green bonds. The project is appropriate to be considered by investors that participate in the green bond market, the size of which is approaching US\$250 billion annually and a large portion of which is present in Europe.

The Bond Structuring and Execution Plan will provide a definitive execution program for a green bond offering, and will present firm recommendations for the key terms that will have been derived from preliminary market soundings, these would include:

Offer Size:	minimum US\$100m
Term to Maturity:	at least 5 years
Security:	second lien, behind senior lender KfW IPEX-Bank
Secondary Market:	likely the Frankfurt Stock Exchange

Background

Despite the negative impact that the COVID-19 pandemic has had on global markets since March 2020, the Company has continued to focus on bringing about the close of project financing for its Malaysian HPA project, whilst ensuring that stage 2 early works construction activities were completed at the HPA plant site. In addition to the US\$190 million senior project finance loan facility available from German government owned KfW IPEX-Bank, the Company continues to pursue multiple additional subordinated debt funding options. The use of bonds to secure a secondary level of project finance debt could be an alternative to bank mezzanine debt.

An advantage of bonds over bank finance is that only the interest (coupon) is paid to bond holders during the term, whereas mezzanine bank debt requires the payment both principal and interest over the loan term. Bonds are typically re-financed at the end of the term, and in the case of start-up projects such as Altech's HPA project, the coupon (interest rate) payable on re-finance would expect to be lower because project construction and commissioning risk is removed, and an operating track-record for the project would be in place.

Work on satisfying the outstanding requirements of the previously announced US\$90 million mezzanine loan facility with preferred mezzanine lender Macquarie Bank (Macquarie) remain on-going. Technical and market due diligence is complete, however Macquarie has requested that Altech secure pre-sales of a proportion of its planned future HPA production to an end user at fixed product prices, to demonstrate some pricing transparency in an otherwise opaque market. The Company continues to engage with a number of European electric vehicle sector participants that are potential product end users interested in securing future HPA supply.

Completion of the Bond Structuring and Execution Plan is expected during next quarter. In order to preserve cash, the initial cost of Bluemont's services will be satisfied by way of payment in the form of 733,333 Altech fully paid ordinary shares¹.

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Authorised by: Iggy Tan (Managing Director)

¹ The Company has agreed with Acuity Capital for 733,333 fully paid ordinary Altech shares to be transferred from Acuity Capital to Bluemont as the initial payment for Bluemont's services. This will reduce the total number of Altech fully paid ordinary shares Acuity Capital holds as security in relation to the Controlled Placement Agreement entered into by the Company (as announced on 27 February 2020) from a total of 40,000,000 ("Collateral Shares") to a new total of 39,266,667 Altech shares. There were no fees or costs associated with the transfer.

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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.