



8 March 2022

## **ALTECH – JOHOR HPA PROJECT FINANCE UPDATE**

### **Highlights**

- Green bond offering reach out phase recently completed
- More than 80 groups registered interest to receive offering documentation
- Detailed due diligence and data room reviews have commenced
- Project equity process running in parallel with green bond offer

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide an update on the proposed ~US\$144 million listed green bond offering and additional project equity, which in combination would provide the balance of funds required for the recommencement of construction of its Malaysian high purity alumina (HPA) project.

### **Green Bond**

Altech continues to work with London based structuring agent Bedford Row Capital Plc (Bedford Row) and Perth based Bluemount Capital (WA) Pty Ltd (Bluemount) to finalise its green bond offering. Project financial, legal, environmental, social & governance (ESG) due diligence has successfully concluded, and legal counsel from various jurisdictions have also completed their respective reviews of documentation. An initial bond offering “reach out” phase to potential subscribers was recently completed and more than 80 groups registering interest to receive the offering documents. Access to the project data room has been provided to a number of these groups for detailed due diligence and potential subscriber due diligence is ongoing. Detailed presentations and individual discussions are being scheduled on request, and these are expected to continue for some time.

Altech is aiming to raise US\$144m from the bond issue (Series 2021-F3 Notes), of which US\$100m will be used as secondary debt for construction of its Johor HPA plant with the balance of US\$44m to service bond interest during the HPA plant’s construction phase. The bonds would be issued by Sustainable Capital Plc, a company incorporated in United Kingdom as a dedicated green bond issuance platform ([www.sustainablecapitalplc.com](http://www.sustainablecapitalplc.com)). In terms of security, the bonds will be subordinate to the senior project finance of US\$190m that is committed from German government owned KfW IPEX-Bank.

### **Project Equity**

In parallel with the bond offering, Altech is progressing the additional equity component of its HPA project funding requirement. US based global investment bank DelMorgan & Co. (Del Morgan) was appointed by Altech in mid-2021 to manage this process for potential North American investors. Del Morgan is a specialised investment bank that has over \$300 billion of successful transactions across 75 countries. The

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Bank has experience over the last 30 years, successfully concluding various project funding transactions around the globe.

In late 2021, DelMorgan completed its detailed project familiarisation and due diligence process and it recently commenced a targeted marketing and reach out process to potential equity investors.

Distribution of comprehensive corporate presentation packs is now underway, and Altech is conducting detailed briefings to potential subscribers, as requested. Also, as with the green bond offering, project data room access has been provided to a number of interested parties to assist them with their respective due diligence activities. Altech is aiming to identify a 49% equity partner to provide US\$100m of equity funding as a project level investment.

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**About Altech Chemicals (ASX:ATC) (FRA:A3Y)**

Altech Chemicals Limited (ASX: ATC, "Altech" or "Company") is a specialty alumina technology and production company that has finalised Stage 1 and Stage 2 construction of its high purity alumina (HPA) plant in Johor, Malaysia, and continues with innovative research and development of its downstream alumina coating technology used to improve the battery life and performance in lithium-ion batteries. Altech's alumina coating technology is successful on both silicon and graphite particles, typical of those used in the anode of lithium-ion batteries, particularly within the burgeoning electric vehicle industry.

The Company has commenced a preliminary feasibility study (PFS) for the construction of a high purity alumina (HPA) battery materials coating plant in Saxony, Germany. The PFS is being undertaken by Altech's 75% owned German subsidiary, Altech Industries Germany GmbH (AIG). Work on the preliminary engineering design for the 10,000 tpa battery materials plant is in the final stages of completion. Altech has also commenced the green accreditation of the environmental credentials of the battery materials process.

Altech is further aiming to become one of the world's leading suppliers of 99.99% (4N) high purity alumina ( $Al_2O_3$ ) 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 near surface 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 HPA plant 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. Stage 1 and Stage 2 early works construction has been completed on time and on budget.



**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.