



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

23 August 2019

ALTECH – GERMAN PROJECT EQUITY STRATEGY COMMENCES

Highlights

- Acquisition of 29% of Youbisheng Green Paper AG completed
- €500,000 payment and issue of Altech shares to Deutsche Balaton AG finalised
- Non-refundable fee of €500,000 received
- Right to purchase up to a 49% interest in HPA project for US\$100 million
- Prospectus to be lodged with German regulator next week

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to advise that it has completed the acquisition of 29% of the shares of Frankfurt stock exchange listed Youbisheng Green Paper AG (re-named Altech Advanced Materials AG (AAM)). In addition, the Company has also completed the sale of a right to AAM for it to acquire up to a 49% interest in Altech's high purity alumina (HPA) project for US\$100 million. Altech has received the non-refundable fee of €500,000 from AAM as consideration for the sale of the right, and earlier this week issued €1,000,000 of Altech fully paid ordinary shares and paid €500,000 in cash to Deutsche Balaton AG – seller of the 29% interest in AAM.

Next Step – AAM Equity Raise

At its 17 July 2019 shareholder meeting, AAM shareholders approved for the company to issue up to 63,102,080 of new shares, which would raise €69.4 million, fully subscribed, at the minimum subscription price of €1.10 per share.

The process that AAM is required to follow for the issue is:

- firstly, the new shares will be offered to AAM's existing shareholders for subscription at a ratio of 1:40 (1 existing share entitles to subscribe to 40 new shares), at a subscription price of €1.10 per share;
- any new shares not subscribed at the end of the initial subscription period (the "oversubscription shares") may then be subscribed by those existing shareholders that have subscribed for all of the new shares to which they were entitled in accordance with their 1:40 subscription rights. The allocation of the oversubscription shares shall take place at least at the issue price of €1.10 per share; and
- finally, any remaining unsubscribed new shares can then be placed, at least at the issue price of €1.10 but aiming at a price of €1.20 per share or higher, to others that are currently not AAM shareholders.

AAM has commenced drafting the required prospectus for the share issue, which Altech has been advised is expected to be lodged with the German regulator (BaFin - Federal Financial Supervisory Authority) next week.

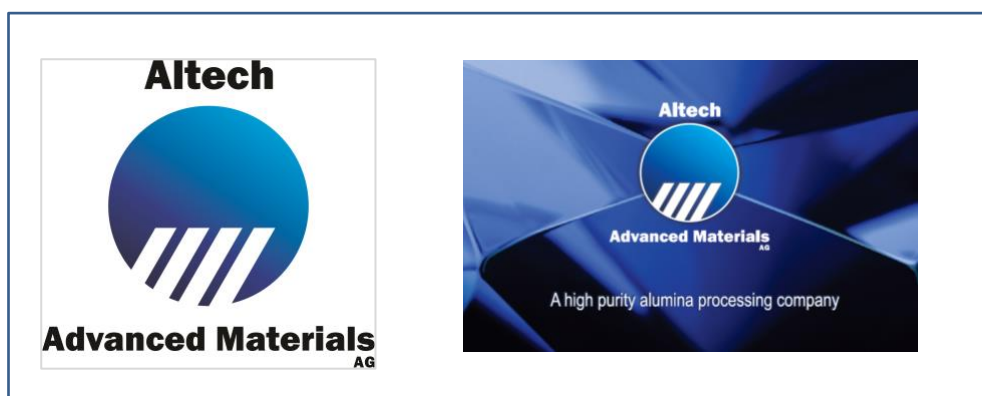
An initial round of marketing roadshows for the issue is planned for Germany in September 2019 and this will include presentations and attendance at various investor conferences such as Herbstkonferenz (Frankfurt), Zurich Capital Markets Conference (ZKK) (Zurich), Edelmetallmesse (Munich) and the German Equity Forum (Frankfurt). It is currently expected that the issue will be initiated in mid-Q4, 2019.

Since the announcement by AAM of shareholder approval for the issue of 63,102,080 new shares, AAM shares, although thinly traded on the Frankfurt stock exchange, have risen in price from €1.30 per share (mid-June 2019) to a high of €4.50 per share on 29 July 2019. This is a positive response to the proposed new issue and the opportunity to invest in Altech's HPA project with a guaranteed year-6 buy-back and agreed rate of return.

AAM is in the process of aligning its corporate branding with that of Altech in anticipation of its status as HPA project joint venture partner. The brand changes will include AAM's corporate logo and website, which are close to being launched.

Altech managing director Iggy Tan said *"we are very excited with the prospect of working with AAM on its European marketing campaign and implementing our German project equity strategy. As we have previously mentioned, Altech's German equity strategy does not preclude the other joint venture partner initiatives that are also underway, nor does it replace the mezzanine debt initiative that is progressing with Macquarie Bank."*

Figure 1 – New branding to be adopted by Altech Advanced Materials AG (AAM)



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The potential German and European equity initiatives referred to in this ASX announcement are conceptual in nature and will depend on factors such as market sentiment, general market conditions, investment mandates, detailed due diligence of potential equity investors, and other such matters. Any commitment of equity will be subject to and is contingent upon amongst other things, the completion of detailed due diligence and various internal approvals. There is no certainty that the equity investments contemplated in the announcement will be concluded. The Company makes no representations or warranties whatsoever as to the outcome of the possible equity raisings described in this announcement.

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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 (HPA)** (Al_2O_3).

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. There is no substitute for HPA in the manufacture of synthetic sapphire.



Global HPA demand is approximately 25,315tpa (2016) and demand is growing at a compound annual growth rate (CAGR) of 16.7% (2016-2024), primarily driven by the growth in worldwide adoption of LEDs. As an energy efficient, longer lasting and lower operating cost form of lighting, LED lighting is replacing the traditional incandescent bulbs.

Current HPA producers use expensive and highly processed feedstock materials such as aluminium metal to produce HPA. Altech has completed a Final Investment Decision Study (FIDS) for the construction and operation of a 4,500tpa HPA plant at the Tanjung Langsat Industrial Complex, Johor, Malaysia. The plant will produce HPA directly from kaolin clay, which will be sourced from the Company's 100%-owned kaolin deposit at Meckering, Western Australia. Altech's production process will employ conventional "off-the-shelf" plant and equipment to extract HPA using a hydrochloric (HCl) acid-based process. Production costs are anticipated to be considerably lower than established HPA producers.

The Company is currently in the process of finalising project financing and has announced the execution of an agreement with its appointed EPC contractor SMS group for the commencement of construction of the HPA plant at Johor, Malaysia.

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.