



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

11 October 2019

UPDATE ON GERMAN EQUITY STRATEGY – ALTECH ADVANCED MATERIALS AG

Highlights

- Official name change to Altech Advanced Materials AG (AAM)
- Frankfurt Stock Exchange code AMA1
- AAM to initially raise up to €69.4 million via rights issue and external share placement
- Positive response on initial German roadshow

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide an update on the progress of structuring activities in relation to its German project equity strategy, which was announced on 18 July 2019.

Youbisheng Green Paper AG, the Frankfurt stock exchange listed company in which Altech has acquired a 29% equity interest, has now officially changed its name to Altech Advanced Materials AG (AAM). The listing code for AAM on the Frankfurt exchange is AMA1. A new web site for the company has been established and can be accessed at www.altechadvancedmaterials.com.

AAM is aiming to raise approximately of US\$100 million, which if successful would position it to acquire up to a 49% interest in Altech's high purity alumina (HPA) project. Initially, AAM intends to secure up to €69.4 million (US\$75.7 million) via a concurrent rights issue and external share placement ("RIEP"). AAM has advised Altech that a draft RIEP prospectus was lodged with the German regulator (BaFin - Federal Financial Supervisory Authority) during September 2019, and that feedback from BaFin's review is being incorporated into a final version of the prospectus. Discussions with potential German lead managers to co-ordinate the RIEP are continuing and AAM has advised that it is aiming to complete the REIP by early December 2019.

An initial roadshow to showcase Altech's HPA project and the investment opportunity for AAM was conducted in Germany during September 2019. The opportunity for potential investors to gain direct exposure to Altech's HPA project via a shareholding in AAM – a Frankfurt listed public company – was well received. Audiences were impressed with the US\$190m of committed senior debt funding from German government-owned KfW IPEX-Bank; the support of Euler Hermes – the German government export credit agency; the award of the contract for construction of the HPA plant to SMS group of Dusseldorf, Germany; and the Company's already significant German shareholder base (approximately 20%) comprising Deutsche Balaton AG, Delphi, SMS Investments and various other German and European retail shareholders.

AAM's option to acquire up to a 49% direct interest in Altech's HPA project is an important first step in a longer-term strategy for both Altech and AAM to provide their respective shareholders with exposure to both the HPA market generally, and ultimately to the growing European electric vehicle / lithium-ion battery market. This longer-term vision is demonstrated via the recent announcement by Altech of an invitation from the state

government of Saxony, Germany, proposing that it consider the construction of a second HPA plant in the state (see ASX Announcement of 18 September 2019).



Figure 1 – Altech Advanced Materials AG: German web site

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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%.

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 now underway.

Altech recently announced the sale of an option to Frankfurt stock exchange listed Youbisheng Green Paper AG (since renamed Altech Advanced Materials AG (AAM)), whereby AAM can acquire up to a 49% interest in Altech's HPA project for USD100 million. AAM has commenced the process of securing the funds to enable it to exercise its option, which once complete, it is expected would be a catalyst for project financial close.

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.