



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

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ALTECH – INVESTMENT TAX ALLOWANCE INCENTIVE APPROVED

Highlights

- Altech's Investment Tax Allowance (ITA) incentive approved by Malaysian Government
- No corporate profit tax on business income until year 10 of operations
- Positive impact to project free cash flow during the tax relief period

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has been advised by the Malaysian Investment Development Authority (MIDA) that the application made by its wholly owned Malaysian subsidiary, Altech Chemicals Sdn Bhd for an Investment Tax Allowance (ITA) incentive has been approved under the High Technology category by the Ministry of Finance, Malaysia.

Malaysia has enacted several tax incentives to encourage particular forms of economic activity and investment. The current corporate profits tax rate in Malaysia is 24%, however with certain tax incentives like the Investment Tax Allowance (ITA) program, eligible companies might pay only minimal corporate tax. The ITA program is specifically suitable for companies with large capital investment and provides tax relief period, usually from 5 to 10 years based on the value of qualifying capital expenditure (e.g. factory and machinery).

Altech has estimated that based on modelling and applying the approved ITA, it is expected that its high purity alumina (HPA) project will not be liable for Malaysian profits tax on its statutory business income until after year 10 of operations.

Commenting on the ITA incentive approval, Altech managing director Mr Iggy Tan said, *"The Company is delighted with the decision of the Ministry of Finance, Malaysia to award ITA incentive to our HPA project for a 10-year period. This is an outstanding outcome for the project and Altech. The unwavering advocacy, guidance and support of MIDA for our HPA project through the ITA incentive application process has been much appreciated. Construction of our HPA plant continues to progress in accordance with schedule, completion of electrical substation is the next significant construction milestone."*

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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 (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 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 will 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.



Conservative (bank case) cash flow modelling of the Project shows a pre-tax net present value of USD505.6m at a discount rate of 7.5%. The Project generates annual average net free cash of ~USD76m 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).

Altech has executed a 10-year off take sales arrangement with Mitsubishi Corporation's Australian subsidiary, Mitsubishi Australia Ltd (Mitsubishi) for production from the Company's Malaysian HPA plant. The Company has been successful of securing senior project debt finance of US\$190 million with German government owned KfW IPEX-Bank as sole lender. Altech has also mandated Macquarie Bank (Macquarie) as the preferred mezzanine lender for its HPA project. The indicative and non-binding mezzanine debt term sheet (progressing through due diligence) is for a facility amount of up to USD90 million.

German engineering firm SMS group GmbH (SMS) is the appointed EPC contractor for construction of Altech's Malaysian HPA plant. SMS has provided a fixed price turnkey contract and has proposed clear and concise guarantees to Altech for plant throughput and completion. To maintain project momentum, the Company raised A\$39 million in the last 24 months to fund Stage 1 and 2 construction of its HPA plant in Johor, Malaysia. Stage 1 construction commenced in February 2019 with stage 2 now underway.

Altech intends to raise the balance project equity amount of US\$100 million through a Frankfurt stock exchange listed company, Altech Advanced Materials AG (AAM), as a 49% joint venture partner of the HPA project.

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.