



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

3 June 2020

JOHOR HPA PLANT SITE CONSTRUCTION ACTIVITIES RECOMMENCE

Highlights

- Stage 2 HPA plant construction work has recommenced
- COVID-19 Standard Operating Procedures implemented
- Electrical substation construction expected to be completed during July 2020

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide an update on the status of activities at the Company's high purity alumina (HPA) site in Johor Bahru, Malaysia, where construction activities have now recommenced.

In response to the global outbreak of the COVID-19 pandemic, the Malaysian government imposed a Movement Control Order (MCO) effective 18 March 2020, for an initial period of one month. The MCO resulted in the closure of all non-essential government and private business premises, and consequently the suspension of all construction works and closure of Altech's HPA plant site at Tanjung Langsat. Subsequently, the MCO was extended on four occasions and is currently in effect until 9 June 2020.

However, the Malaysian government recently announced a relaxation of MCO restrictions under a revised Conditional Movement Control Order (CMCO). The CMCO provides for the recommencement of business activities, such as construction, but only if pre-approval is obtained from the Ministry of International Trade and Industry (MITI). A key condition of the recommencement of activities is a requirement to implement Standard Operating Procedures that follow the Malaysian Ministry of Health guidelines for COVID-19.

Altech has now received the MITI approval for business recommencement and has implemented the required COVID-19 related workplace standards for personal and workplace hygiene, including individual screening (COVID-19 testing) and social distancing. COVID-19 testing for all personal was completed last week, and final site inspection by the Construction Industry Development Board for verification of implementation of the new procedures has been conducted; this has allowed for the recommencement of construction activities at site.



Photos - Construction work recommences at Altech's HPA site

Prior to the suspension of construction activities in March 2020, work on the electrical substation was nearing completion, with only cosmetic architectural detailing and internal fit out of some mechanical and electrical systems remaining. It is expected that these outstanding works will now be completed by July 2020, followed by rectification of any punch list items and a final handover inspection of the substation to Altech.

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Authorised by: Iggy Tan – Managing Director

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 now underway.

In July 2019 Altech 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 is anticipated would be a catalyst for project financial close.

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Forward-looking Statements

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