



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

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ALTECH – OPENING OF BATTERY MATERIALS SITE WITH SUPPORT OF SAXONY STATE GOVERNMENT

Highlights

- Opening of site office and R&D workshop, Saxony, Germany
- Attendance by Saxony State and Local Government officials
- Update project briefing provided
- Strong support by Saxony State Government

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) and its 75% owned subsidiary, Altech Industries Germany GmbH (AIG) are pleased to announce the official opening of an office and research and development (R&D) workshop at the DOCK3 Industrial Development Centre (DOCK3 IDC), Schwarze Pumpe Industrial Park, Saxony Germany.

The official opening was conducted by Mr Roland Peine, managing director of ASG Spremberg GmbH (a services business that promotes and facilitates new businesses for DOCK3 IDC), in the presence of the head state district officer Mr Michael Harig. Also present were the mayor of Spreetal Mr Manfred Peine and the mayoress of Spremberg Ms Christine Herntier from the states Saxony and Brandenburg respectively, together with many other high level state government and industry representatives, and senior management from the Fraunhofer Institute IKTS.



Photo: Saxony State Government and industry representatives at opening ceremony

In May 2021, AIG secured via a 3-year lease, office space including 2 bays within a 12 bay workshop/ warehouse complex at DOCK3 IDC, where it intends to establish an advanced battery materials research and development facility with a focus on the coating of nano coated anode materials. The DOCK3 IDC is located immediately next to a ~14 hectare site at Schwarze Pumpe that AIG has an option to acquire.

At the official opening ceremony, Mr Uwe Ahrens managing director of AIG briefed Saxony State Government officials on the progress of the current preliminary feasibility study (PFS) of a battery materials HPA coating plant at Schwarze Pumpe. The PFS is advancing quickly and has assumed a phase 1 coating plant designed with a capacity to coat 10,000tpa (35tpd) of anode grade graphite.



Photos: Project briefing of Saxony State Government Officials and location of office and warehouse bays

Saxony State Government officials welcomed AIG's vision of using Altech's alumina coating technology to produce battery material composites aimed to be used by the lithium-ion battery manufacturing industry. Saxony is the state which hosts production sites for Volkswagen, BMW, Porsche and Daimler, and the region is a leading engineering training ground and has excellent research facilities like the Fraunhofer Institute for Ceramics Technologies and Systems IKTS, a world leading institute in the science of battery materials. The Schwarze Pumpe Industrial Park is well serviced by existing infrastructure including reticulated electricity and natural gas, rail and roads, and is only 120 km from Berlin and 78 km from Dresden.

AIG's proposed research and development centre aims to further refine the effectiveness of Altech's battery materials alumina coating technology and would ultimately seek to produce material for leading end users in Europe to test in their products. The ultimate aim of AIG is to fast-track full scale commercialisation of Altech's battery materials coating technology in Germany.

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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 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 early works completed at the end of June 2020.

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.