



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

22 April 2020

ALTECH – Share Purchase Agreement

Highlights

- Share placement to Specialty Materials Investments LLC, a specialist U.S. institutional investor
- Initial investment of up to \$2 million
- Additional investment of up to \$0.9 million, subject to shareholder approval
- Funding certainty for Altech's European initiatives
- Focus on the "new economy", post COVID-19

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has executed a share purchase subscription agreement (the Agreement) with Specialty Materials Investments LLC (SMI), a U.S.-based institutional specialist investor. The Agreement provides for SMI to subscribe for up to \$2 million in Altech shares (Initial Investment), and subject to shareholder approval, up to an additional \$981,000.

A \$200,000 initial payment and subscription will be made by SMI in the coming days, which will represent a prepayment for Altech shares (for shares with a subscription value of \$218,000) that will be issued to SMI, at SMI's request, within 12 months of the date of the payment. Up to eight additional payments/subscriptions of \$200,000 each (for shares with a subscription value of \$218,000 each) are then scheduled to be made by SMI, approximately monthly. Any of these subsequent tranches may be increased to up to \$300,000 (for shares with a subscription value of \$327,000), but only with the consent of the Company. The aggregate amount of the Initial Investment will not exceed \$2,000,000, and as per the first \$200,000, each subsequent payment made by SMI will represent a prepayment for Altech shares, to be issued at SMI's request within 12 months following the date of each subsequent tranche.

Additionally, following the investments referenced above, SMI will make a further three (3) payments/subscriptions approximately monthly on the same terms (for up to an additional \$981,000 of Altech shares), but only subject to shareholders' approval for such investment.

The number of Altech shares to be issued to SMI for each tranche will be determined by dividing each subscription value (or that part thereof in relation to which the shares are being issued) by, at SMI's election: (i) \$0.0628, being 140% of the average of the daily volume-weighted average price for the 20 trading days prior to the date of execution of the Agreement (which may only be utilised in respect of tranches with an aggregate subscription value of \$400,000); or (ii) 90% of the prevailing Altech share price, being the average of the five daily volume-weighted average price during a specified period immediately prior to the date of issue of the shares.

Altech has the right to terminate the Agreement at any time following receipt of the second subscription.

SMI will receive a fee in connection with its investment in the Company, to be satisfied by way of issuance of 4,219,409 Altech shares. The Company's obligations under the Agreement will be secured against 4.8 million shares.

Funds received under the Agreement will be primarily used for Altech's ongoing corporate activities, which are intended to position the Company's high purity alumina (HPA) project for more stable financial markets and anticipated economic stimulus measures post the current COVID-19 situation (refer ASX announcement of 25 March 2020).

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Early indications as to possible European fiscal stimulus post COVID-19 is that manufacturing stimulus could be weighted more towards the evolving “new economy”, and may likely preference “carbon light” technology such as electric vehicles, green energy storage and renewables, as opposed to *twilight* “carbon heavy” technology such as internal combustion engine vehicle manufacture and like or associated sectors. Altech’s HPA project is strongly aligned to the new, green economy due to HPA’s use as a coating material within lithium-ion batteries and as the non-substitutable raw material for the manufacture of synthetic sapphire, a substrate material for the production of energy efficient light emitting diodes (LED’s).

In relation to the funding agreement with SMI, Altech managing director Iggy Tan said *“the support of SMI for the Company and our HPA project during this challenging funding environment is a tremendous endorsement of our project and the potential opportunity for us post COVID-19.*

Altech alternate director Uwe Ahrens and Altech Advanced Materials AG director Hanjoerg Plaggemars continue to promote Altech and our HPA project in Germany and provide us with the most up to date information about the very fluid business environment both in Germany and across Europe generally. Despite various COVID-19 restrictions that are in place, Uwe and Hansjoerg have been able to continue with important meetings and maintain and build their respective networks of various potential investors, battery materials and automotive industry participants.”

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Authorised by: Iggy Tan (Managing Director)



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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 nearing completion.

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.

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.

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