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ALTECH – INDEPENDENT CONFIRMATION OF HPA PROJECT'S GREEN CREDENTIALS

Highlights

- Altech's high purity alumina (HPA) project independently confirmed as "green"
- Centre of International Climate and Environmental Research (CICERO)
- Confirmation encompassed both project and governance aspects

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to advise that its high purity alumina (HPA) project has been formally assessed as "green" by the independent Centre of International Climate and Environmental Research (CICERO) based in Oslo, Norway.

This positive project assessment, formally termed a "second opinion", confirms that Altech's HPA project is of a type suitable for finance via green bonds. The project can now be considered by investors that participate in the green bond market, the size of which is approaching US\$250 billion annually and a large portion of which is active in Europe.

The CICERO evaluation was initiated in mid-March 2020, and involved an overall assessment and review of the project's Green Bond framework and documentation, which included both governance and transparency considerations. In its Green Bond Second Opinion Report, a copy of which is available on Altech's web site (see link below), CICERO assessed the project's overall framework as a Light Green shading and assessed a governance score of Good. CICERO also noted that "a (higher) Medium Green (project) shading could be achieved if renewable energy solutions at some scale are implemented", which is something that the Company is currently investigating.

The project's green shading score would not affect bond pricing, rather it provides a transparent mechanism by which green bond investors are able to categorise their investment in terms of climate risks and impacts.

In considering the projects strengths, CICERO noted that "Altech's process includes recycling processes and does not create substantial amounts of solid or liquid waste that would go to landfill or tailing points. In addition, nearly 100% of the hydrochloric acid used in its chemical process is recycled and reused in the process plant."

The project assessment was initiated by Frankfurt stock exchange listed Altech Advanced Materials AG (AAM), of which Altech is a 29.9% shareholder. As announced on 30 January 2020, AAM has executed an agreement with a Swiss based international investment bank to act as Placement Agent in relation to the issuance of equity or other equity instruments (securities) by AAM via private placement. AAM is aiming to secure funding to position it to exercise its option to acquire up to a 49% interest in Altech's HPA project for US\$100 million. This positive *second opinion* report is expected to assist AAM in its capital raising initiative by opening the project for the large pool of European green investor funds, such as those that may participate in the green bond market.

Commenting on the CICERO Green Bond Second Opinion Report, Altech managing director and AAM director Iggy Tan said "the second opinion report formalises the view that Altech's single step HPA process is an energy efficient green process – a real game changer in terms of environmentally friendly, energy efficient and consequently lower cost production of high purity alumina. The report should be of considerable assistance to AAM and will open up a new group of potential investors for this exciting project."

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Link to Altech web site page to view the CICERO report: <https://www.altechchemicals.com/high-purity-alumina-hpa-project>

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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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