



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

2 December 2021

ALTECH – \$8.1 MILLION SHARE PLACEMENT TO ADVANCE BATTERY MATERIALS DEVELOPMENT

Highlights

- Successful \$8.1 million share placement with strong demand
- Allows next stage of Battery Materials development
- Funding of pilot plant, land purchase, finalisation of PFS & DFS
- Initiation of a Share Purchase Plan

Altech Chemicals Limited (Altech/Company) (ASX: ATC) (FRA: A3Y) is pleased to announce the successful completion of a \$8.1 million (before costs) share placement (Placement) following strong demand. The Company led placement (without a lead broker) was oversubscribed, with strong demand and interest.

The Company will also initiate a Share Purchase Plan (SPP) whereby existing shareholders can apply for up to \$30,000 of new Altech shares at the same price as the Placement participants. The Placement and SPP shares will be issued at a price of 10.7 cents per share, representing a 24% discount to the price of the Company's shares as traded on the ASX at the close of trade on Monday 29 November 2021, which was 14.0 cents per share (and 19.5% discount to the 5 day VWAP at the close of trade on Monday 29 November 2021). The Placement shares will be issued in a single tranche under the Company's current share placement capacity pursuant to ASX Listing Rule 7.1. Approximately 76 million shares will be issued pursuant to the Placement.

Proceeds from the Placement will be applied to Altech's 75% portion of funding the construction of a battery materials coating pilot plant in Germany by Altech Industries Germany GmbH; purchase of land at the Schwarze Pumpe Industrial Park; completion of the preliminary feasibility study in relation to the construction of a 10,000tpa battery materials plant; a definitive feasibility study for construction of a battery materials plant, and for working capital purposes.

Altech has been successful in applying its alumina coating technology to both silicon and graphite particles, typical of those used in the anode of lithium-ion batteries, such as in the burgeoning electric vehicle industry. Alumina coated particles, when incorporated into a lithium-ion battery anode would improve battery energy capacity, life and performance. On 25 November 2021, the Company announced a significant breakthrough achieved by its research and development laboratory located in Perth, Western Australia. After almost 12 months of challenging work, the R&D team "cracked the silicon barrier" and successfully produced a series of lithium-ion battery anode materials, which when tested showed ~30% higher energy retention capacity compared to conventional lithium-ion battery anode materials.

To achieve its breakthrough, Altech successfully combined silicon particles that had been treated with its innovative proprietary coating technology with regular battery grade graphite particles, to produce a lithium-ion battery electrode containing a composite graphite / silicon anode. When energised, these materials held 30% more capacity compared to a conventional graphite only anode material. Also, the previously unresolved obstacles for using silicon in lithium-ion battery anodes were silicon particle swelling; prohibitive first-cycle-capacity-loss of up to 50%; and rapid battery degradation from each charge and discharge cycle, each of these were also resolved during the laboratory testing of Altech's composite graphite/silicon battery anodes. Importantly, the batteries demonstrated extremely good stability and cycling performance over extended periods.

The lithium-ion battery industry has recognised that the required step change to increase lithium-ion battery energy density and reduced cost is to introduce silicon into battery anodes, as silicon has ~ ten times the energy retention capacity compared to graphite. Silicon metal has been identified as the most promising anode material for the next generation of lithium-ion batteries. However, until now, silicon was unable to be used in commercial lithium-ion batteries due to two critical drawbacks. Firstly, silicon particles expand by up to 300% in volume during battery charge, causing particle swelling, fracturing and ultimately battery failure. The second challenge is that silicon deactivates a high percentage of the lithium ions in a battery. Lithium ions are rendered in-active by the silicon, immediately reducing battery performance and life. The industry has been in a race to crack the silicon barrier.

Altech's potentially game changing technology has demonstrated that silicon particles can be modified to resolve the capacity loss caused by swelling and first-cycle-loss capacity. Phase 2 of Altech's planned R&D program will see the Company strive to improve on the 30% energy increase achieved in the first phase. The Company has commenced a preliminary feasibility study (PFS) for the construction of a battery materials coating plant in Saxony, Germany. The PFS is being undertaken by Altech's 75% owned German subsidiary, Altech Industries Germany GmbH (AIG) and is nearing completion. Altech has also commenced an independent green accreditation of the process.

Share Purchase Plan

The share purchase plan (SPP) will be open to all existing Altech shareholders with a registered address in Australia or New Zealand, who were recorded on the Company's share register at 29 November 2021 (record date). Participation in the SPP is optional, however any shares purchased via the SPP will not incur any brokerage or other transaction costs.

Based on the positive response from the previous SPP that the Company undertook in December 2019, an additional \$4.0 million could be expected to be raised from this SPP. Funds raised from the SPP will also be applied to the development of the battery materials project. All new shares issued under the SPP will rank equally with existing ordinary shares of the Company.

The **closing date** for participation in the SPP will be **Friday 17 December 2021**. Full details of the SPP and individual letters including acceptance forms will be mailed to all eligible shareholders on Monday 6 December 2021.

PROPOSED SPP TIMETABLE

Event	Date
Record Date for SPP	Monday 29 November 2021
Announce SPP and Placement and lodgement of Appendix 3B	Thursday 2 December 2021
Issue of Shares under Placement, lodge Appendix 2A (Placement) and Cleansing Notice lodged with ASIC	Tuesday 7 December 2021
Dispatch SPP Offer Letter to shareholders and release Offer Letter on the ASX	Monday 6 December 2021
Opening Date for SPP	Monday 6 December 2021
Closing Date for SPP	Friday 17 December 2021
Announcement of results of SPP	Monday 20 December 2021
Issue date of SPP Shares and lodgement of Appendix 2A (SPP) with ASX	Thursday 23 December 2021

This timetable is indicative only, and subject to change. The directors reserve the right to alter the above dates at its discretion and without notice to you, subject to the ASX Listing Rules and the Corporations Act 2001 (Cth) (Corporations Act).

Authorised by: Iggy Tan (Managing Director)

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About Altech Chemicals (ASX:ATC) (FRA:A3Y)

Altech Chemicals Limited (ASX: ATC, "Altech" or "Company") is a specialty alumina technology and production company that has finalised Stage 1 and Stage 2 construction of its high purity alumina (HPA) plant in Johor, Malaysia, and continues with innovative research and development of its downstream alumina coating technology used to improve the battery life and performance in lithium-ion batteries. Altech's alumina coating technology is successful on both silicon and graphite particles, typical of those used in the anode of lithium-ion batteries, particularly within the burgeoning electric vehicle industry.

The Company has commenced a preliminary feasibility study (PFS) for the construction of a high purity alumina (HPA) battery materials coating plant in Saxony, Germany. The PFS is being undertaken by Altech's 75% owned German subsidiary, Altech Industries Germany GmbH (AIG). Work on the preliminary engineering design for the 10,000 tpa battery materials plant is in the final stages of completion. Altech has also commenced the green accreditation of the environmental credentials of the battery materials process.

Altech is further 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 near surface 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 HPA plant 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. Stage 1 and Stage 2 early works construction has been completed on time and on budget.



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.