

Altech Chemicals Limited (ASX:ATC)

## Company Presentation

*“Meeting a Sapphire Future”*

Shane Volk  
Chief Financial Officer & Company  
Secretary



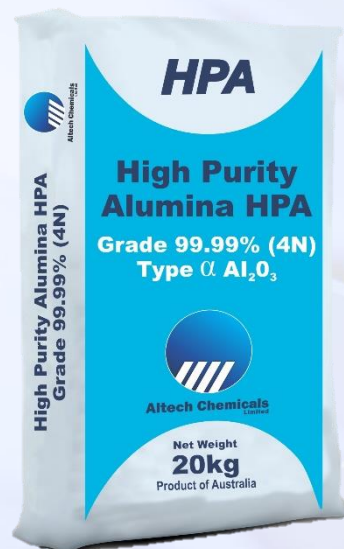
**Altech Chemicals**  
Limited



**n Chemicals**  
Limited



To be a world leading producer of  
high purity alumina (HPA)



Our Vision





**Altech Chemicals**  
Limited

- Sapphire & Ruby
- Natural form of high purity alumina (HPA)
- Formed by mother nature like diamonds
- Colour from impurities
- Nearly as hard as diamond (Moh 9)

**Sapphire  
Gemstone**



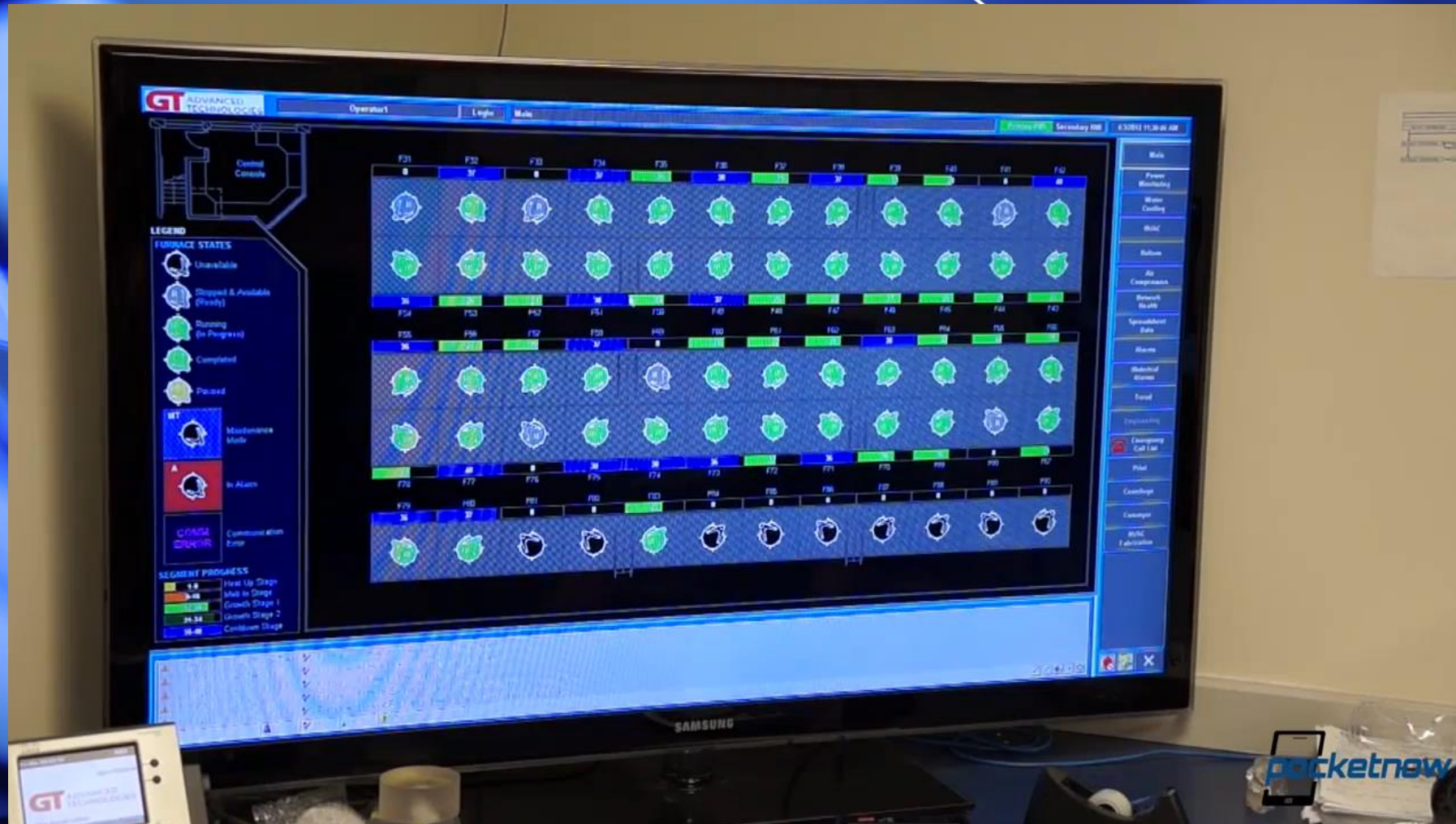


- Purified alumina ( $\text{Al}_2\text{O}_3$ )
- Greater than 99.99% (4N) purity
- Smelter Grade Alumina (SGA) ~ 99.5% (5,000 ppm impurities mainly sodium)
- Bayer Process uses sodium hydroxide (NaOH)
- Sodium impurity is problem for electronics industry

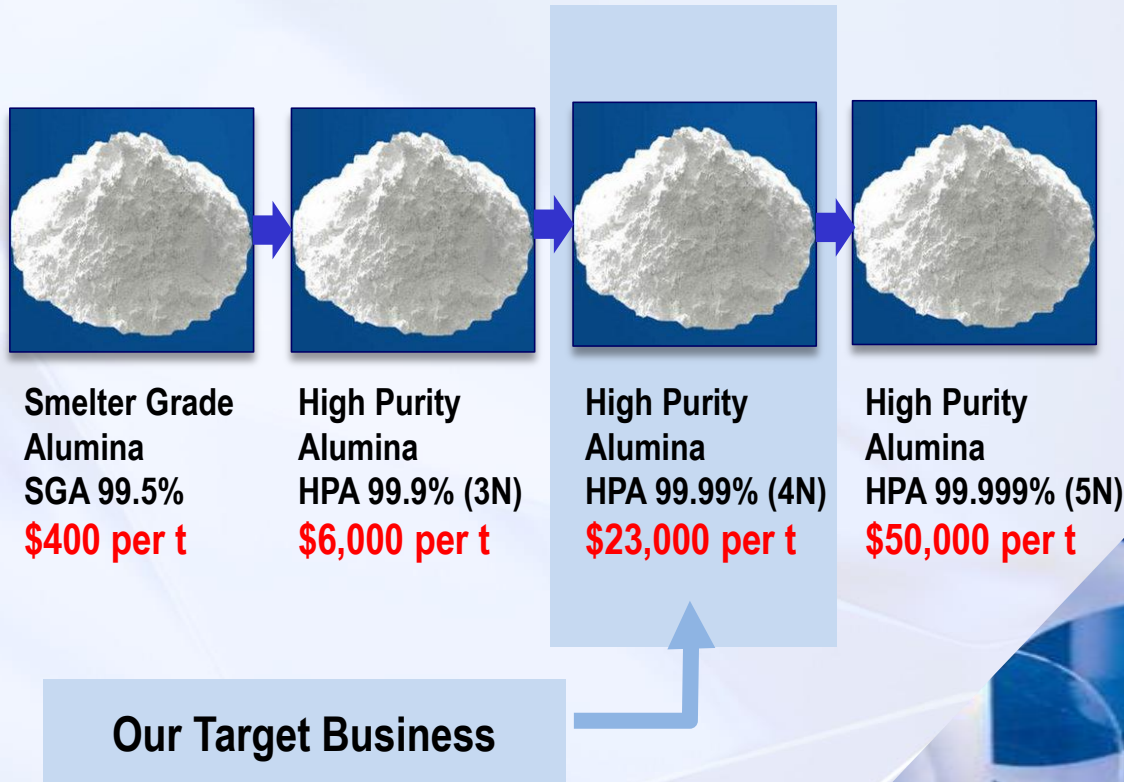


**What is HPA?**

# Sapphire Glass Production





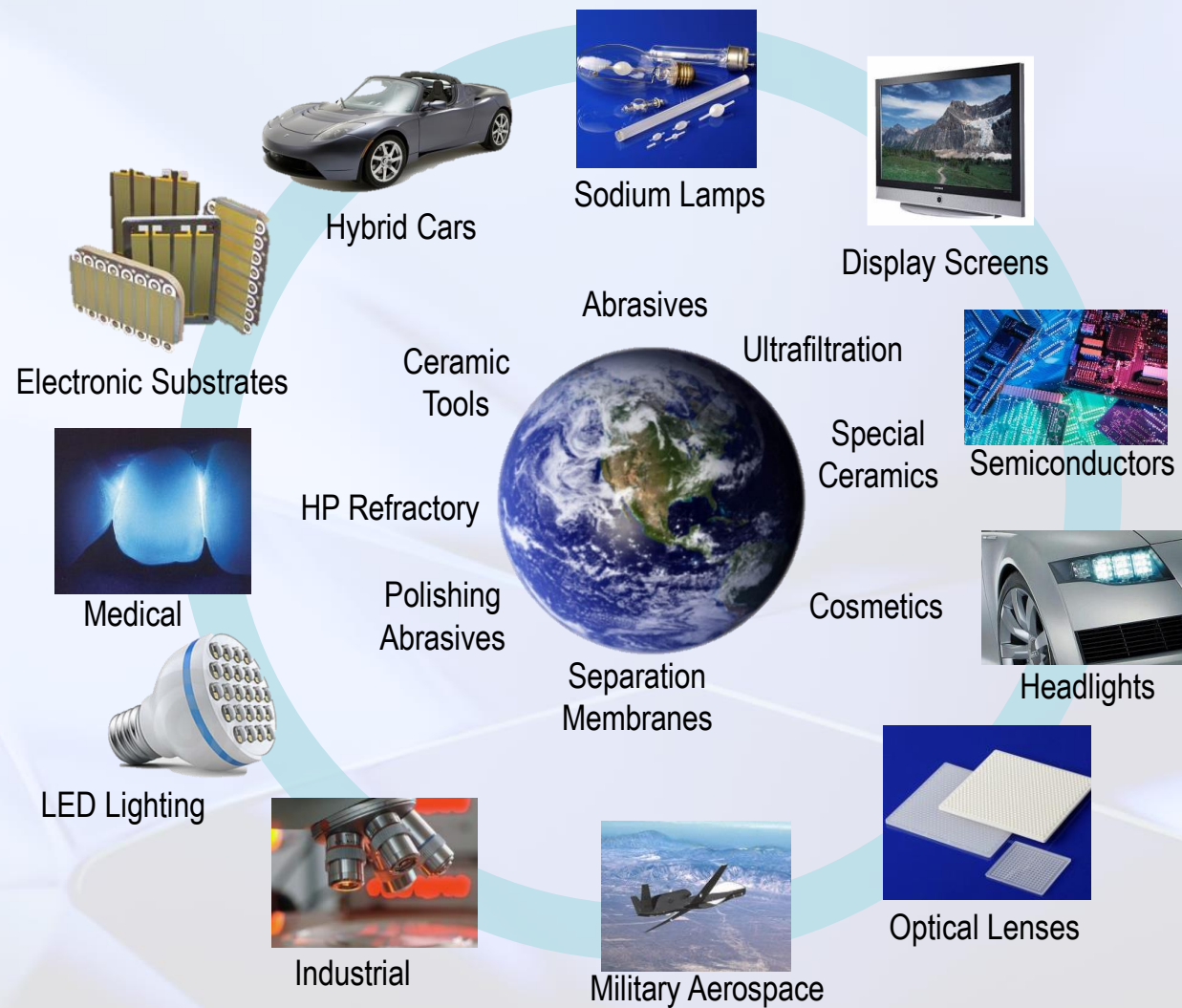


HPA substrate for LEDs

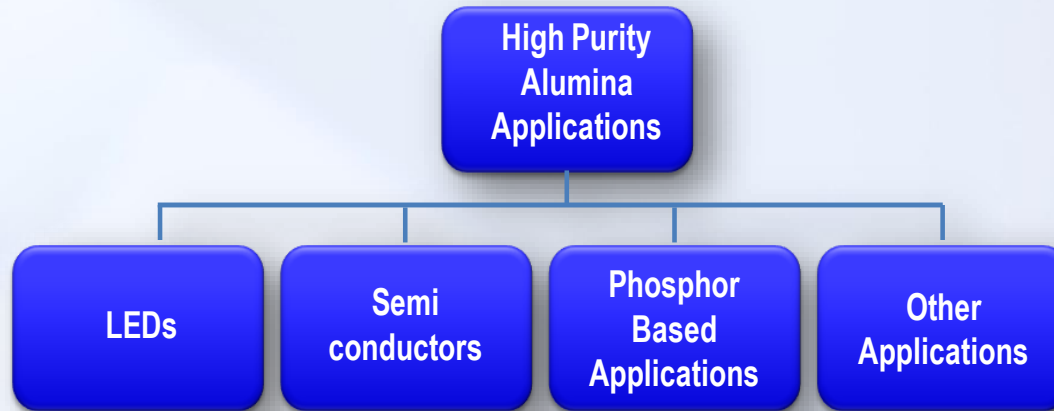
**High Price  
for Purity**

HPA in Sapphire Crystal Glass

# Welcome to the World of HPA

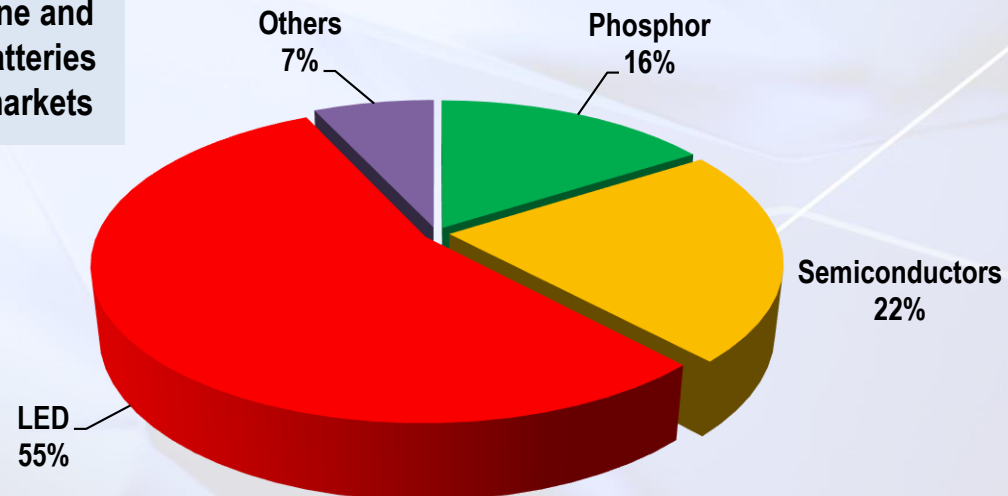






**Uses of HPA**  
**99.99% 4N**

Smartphone and  
Lithium batteries  
are new markets



- Global HPA demand 19,040tpa in 2014
- Expected to increase to 48,230tpa by 2018
- Growing at a CAGR of 25%
- Driven by LED growth

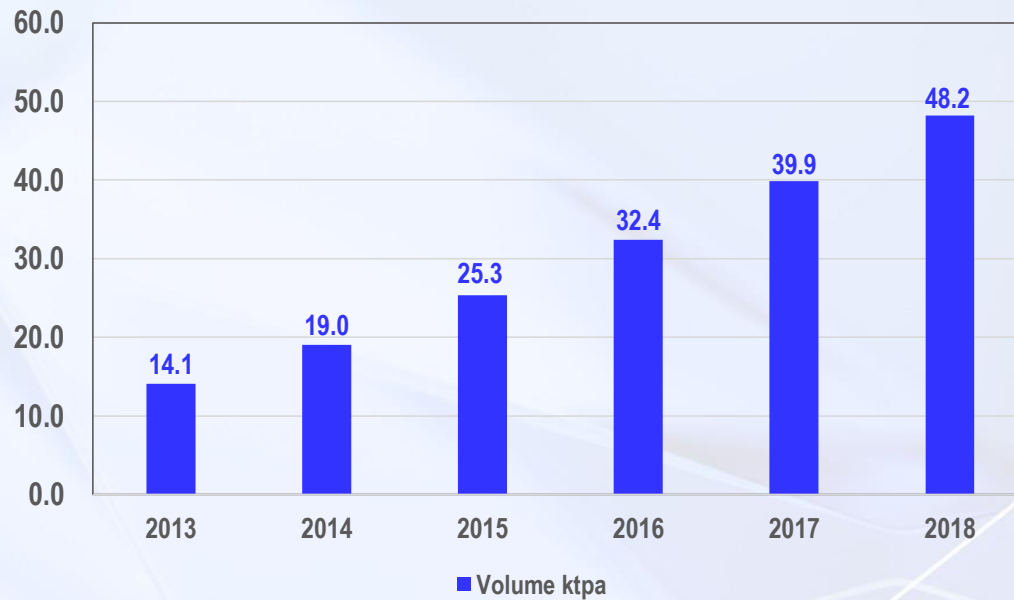
Source: Technavio Research



**Demand  
for HPA**



### HPA Demand & Growth Forecast



Source: Technavio Research "2014-2018 Global High-purity Alumina Market"

*Global shipments of LED lamps forecast to increase from 864 m in 2015 to 4.1 billion by 2024 - Navigant Research*

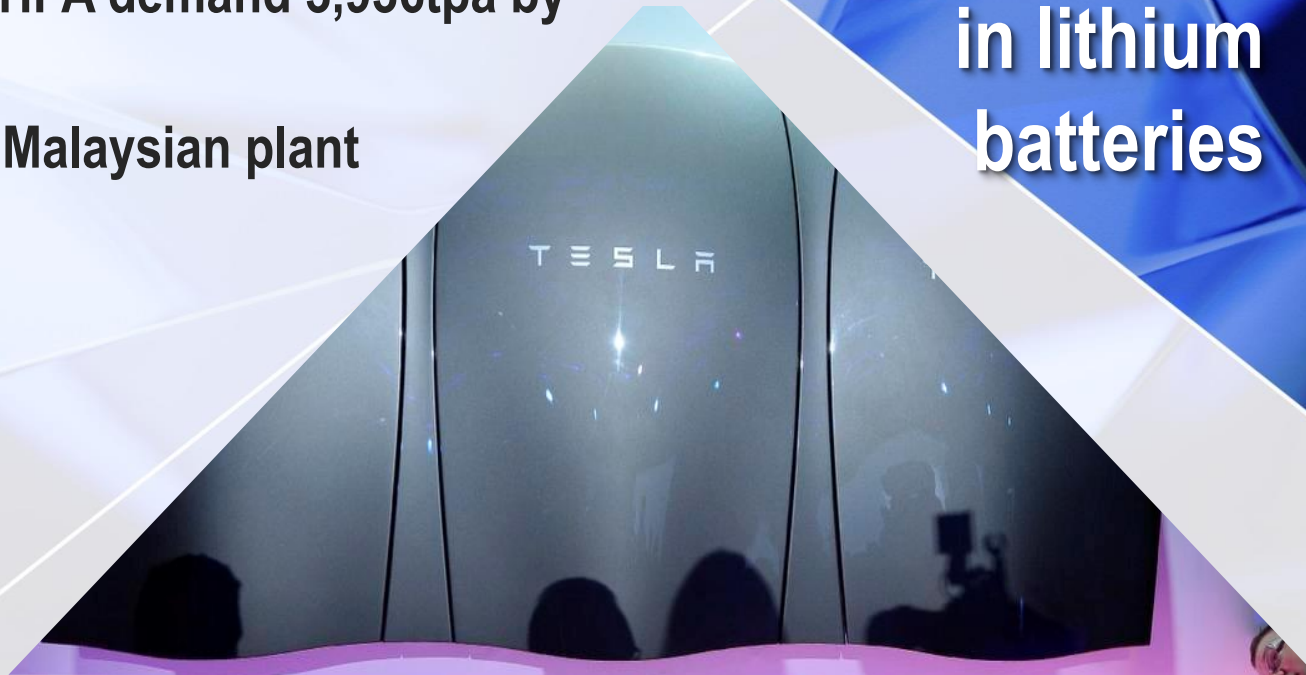
Source: 'LED Lighting: Global Outlook'

**Demand  
for HPA**

- Fast-emerging use of HPA
- HPA use in separators @ 120g per kWh
- Discharge rates, self-discharge, life-cycles
- Separator shrinkage temp and flammability
- China only forecast HPA demand 3,936tpa by 2020 <sup>ATC</sup>
- That's our 4,000 tpa Malaysian plant



**Emerging  
HPA growth  
in lithium  
batteries**





Vertu TI luxury mobile phone

- High end Vertu TI with sapphire crystal screen
- Rest will follow

## Huawei beats Apple to sapphire glass smartphone

By *Reuters Staff* on Sep 7, 2014 10:11 PM  
Filed under *Mobility*

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### High-spec features for limited-edition Aspire.

Huawei Technologies has unveiled a slate of new devices meant to showcase the Chinese company's hardware technology, just days before Apple releases its highly anticipated iPhone 6 on 9 September.

Huawei, which began as a telecom equipment company in 1987, has rapidly

Smartphones  
Sapphire Crystal  
Screen

HUAWEI



**Altech Chemicals**  
Limited

sapphire  
glass



iPhone 7

apple watch  
& iphone 7

## INTERNATIONAL BUSINESS TIMES

AU EDITION | WEDNESDAY, JULY 15, 2015 AS OF 5:22 PM AEST

iPhone 7 Release Update Suggest Arrival Of Sapphire Crystal Glass, A9 Chip, 2 GB RAM, Larger Battery And More

By **Anvin Sivanandan** on March 06 2015 6:14 PM



# Sapphire Glass Scratch Test





- Estimate 30g<sup>1</sup> of HPA in phone screen
- 500 million smartphones sold per year
- If all sapphire glass technology
  - Extra 15,000tpa of HPA
  - 4 x our proposed 4,000tpa plant
- There will be a HPA supply deficit

## HPA Demand from Smartphones

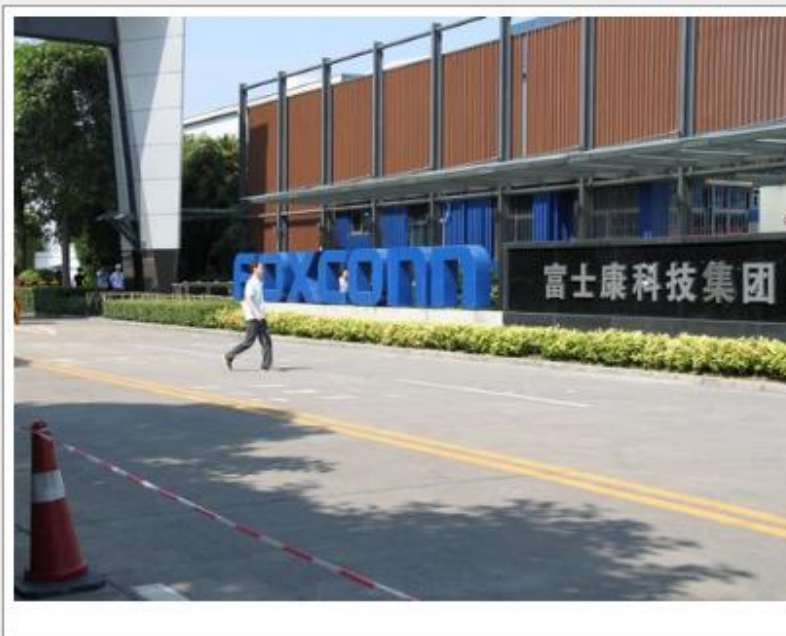
Non-scratch sapphire glass

Sapphire glass in smartphones



## New Foxconn plant reported to make sapphire displays for iPhones

2014/11/25 22:54:27



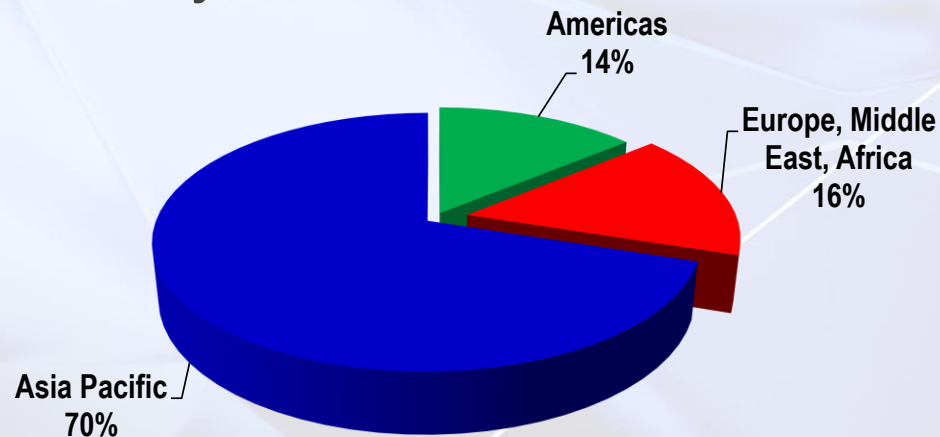
Taipei, Nov. 25 (CNA) Taiwan's Foxconn Technology Group, a major supplier of Apple Inc.'s iPhones and iPads, has decided to build a new factory in China to produce sapphire displays for next-generation iPhones, according to a Chinese media report.

**More  
Sapphire  
Display  
Factories**



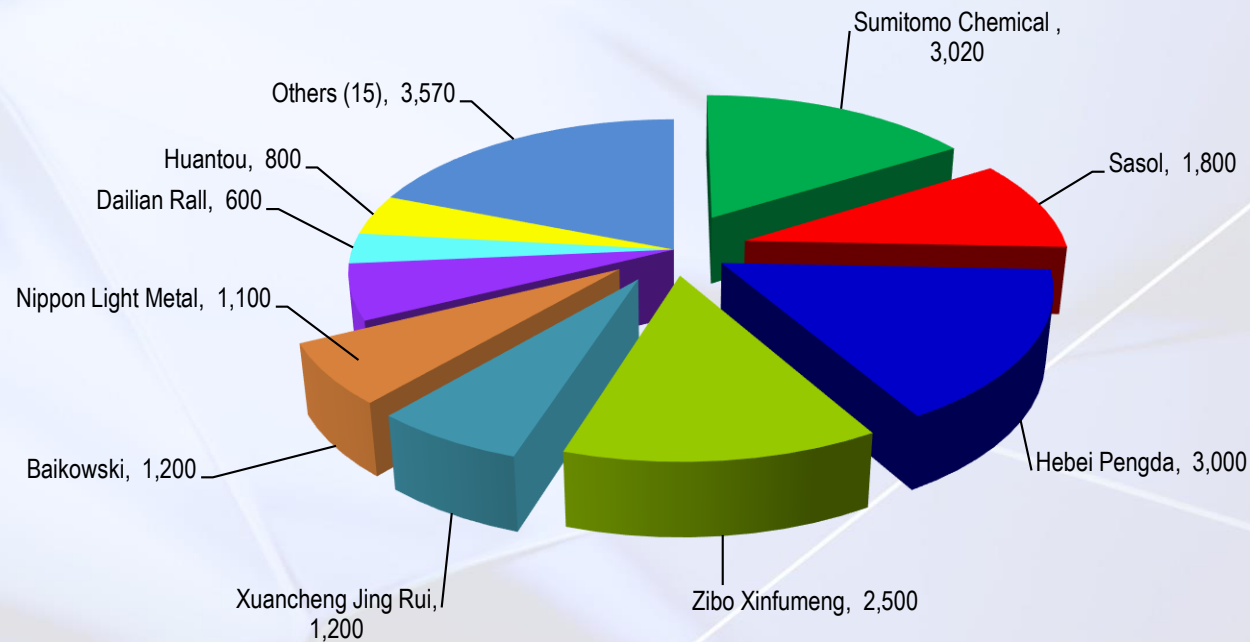
- 70% of HPA demand - Asia Pacific region (APEC)
- Region for the world's manufacturing
- Altech's HPA plant (Malaysia) well-positioned to service APEC region
- Transport, customer service, technical credibility

## HPA Geographic Demand





- Six largest HPA producers
- 3 Chinese, 1 Japanese, 1 Sth African, 1 French



## Current HPA Producers

# Altech's Differentiation





- Processed by mother nature
- Very low Iron (Fe) due to weathering
- Silica is non reactive – easily removed

	Bauxite Darling Range *	Canadian HPA Project	Altech HPA Project
Al <sub>2</sub> O <sub>3</sub> (%)	34.5	22.77	30.5
SiO <sub>2</sub> (%)	21.5	53.29	56.3
Fe <sub>2</sub> O <sub>3</sub> (%)	21.2	8.36	0.7
TiO <sub>2</sub> (%)	2.00	0.98	0.7
K <sub>2</sub> O (%)	0.24	3.41	0.1
NaO (%)	0.005	1.42	0.1

Typical Mean Analysis

Typical bauxite deposit

Altech aluminous clay deposit

**Low-impurity  
Aluminous Clay  
Feedstock**

- M70/1334 – Meckering owned 100% by Altech
- 250 years kaolin supply (4,000tpa plant)
- Previously mined for kaolin – trial pit
- Low stripping ratio
- 130kms from Fremantle Port
- Low environmental impact



## Meckering Kaolin Deposit





- Use a standard HCl leach process
- Developed in 1980's by alumina industry
- Couldn't compete with Bayer SGA costs
- But great at producing HPA (no sodium ions)
- Little demand of HPA in 1980s
- Growing HPA demand today



## Altech's HPA Process



New HPA Demand + Established Process + Great  
Deposit + Experienced People  
→ Shareholder Value



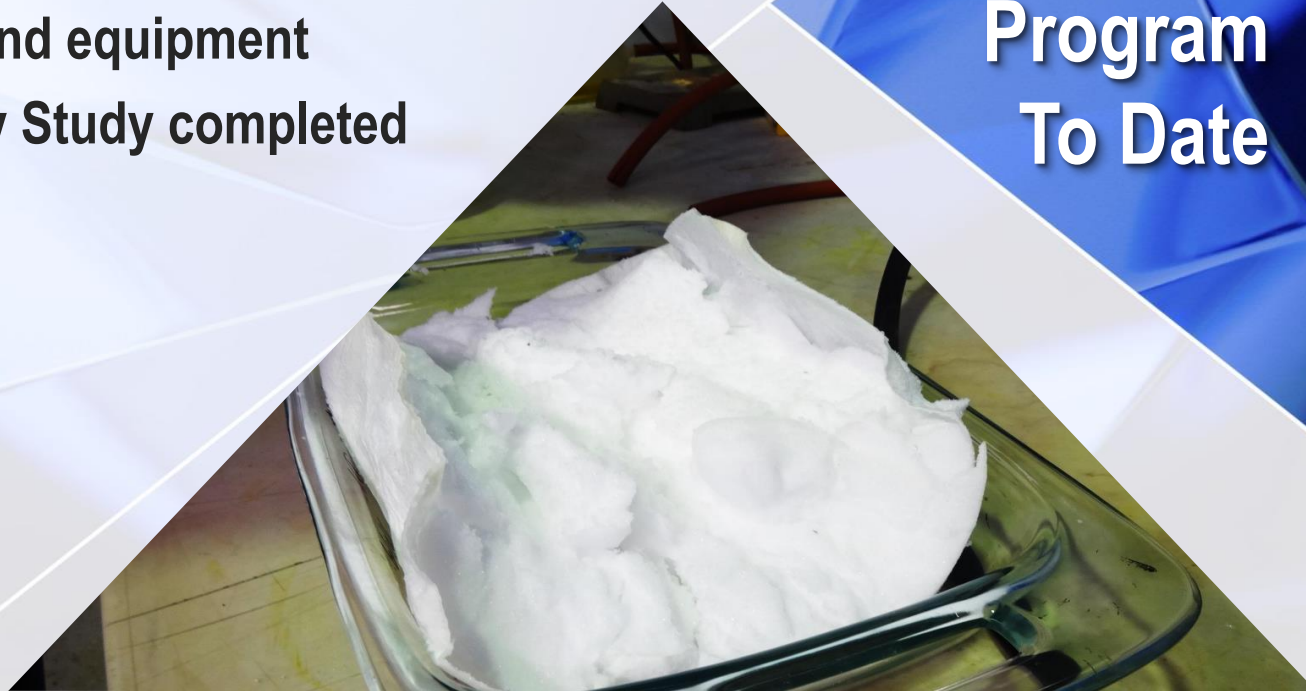
**Altech  
Business  
Strategy**

*“the last piece of the  
puzzle is in place”*



- Started work in early 2011
- Many studies and testwork programs
- No issues about producing 99.99% HPA
- Supporting lab pilot plant test work
- Off the shelf plant and equipment
- Bankable Feasibility Study completed

**Development  
Program  
To Date**



- Lower quartile costs
- Kaolin feedstock shipped from WA
- Chemical industrial park
- Sea container ports
- Site secured
- Malaysian government incentives

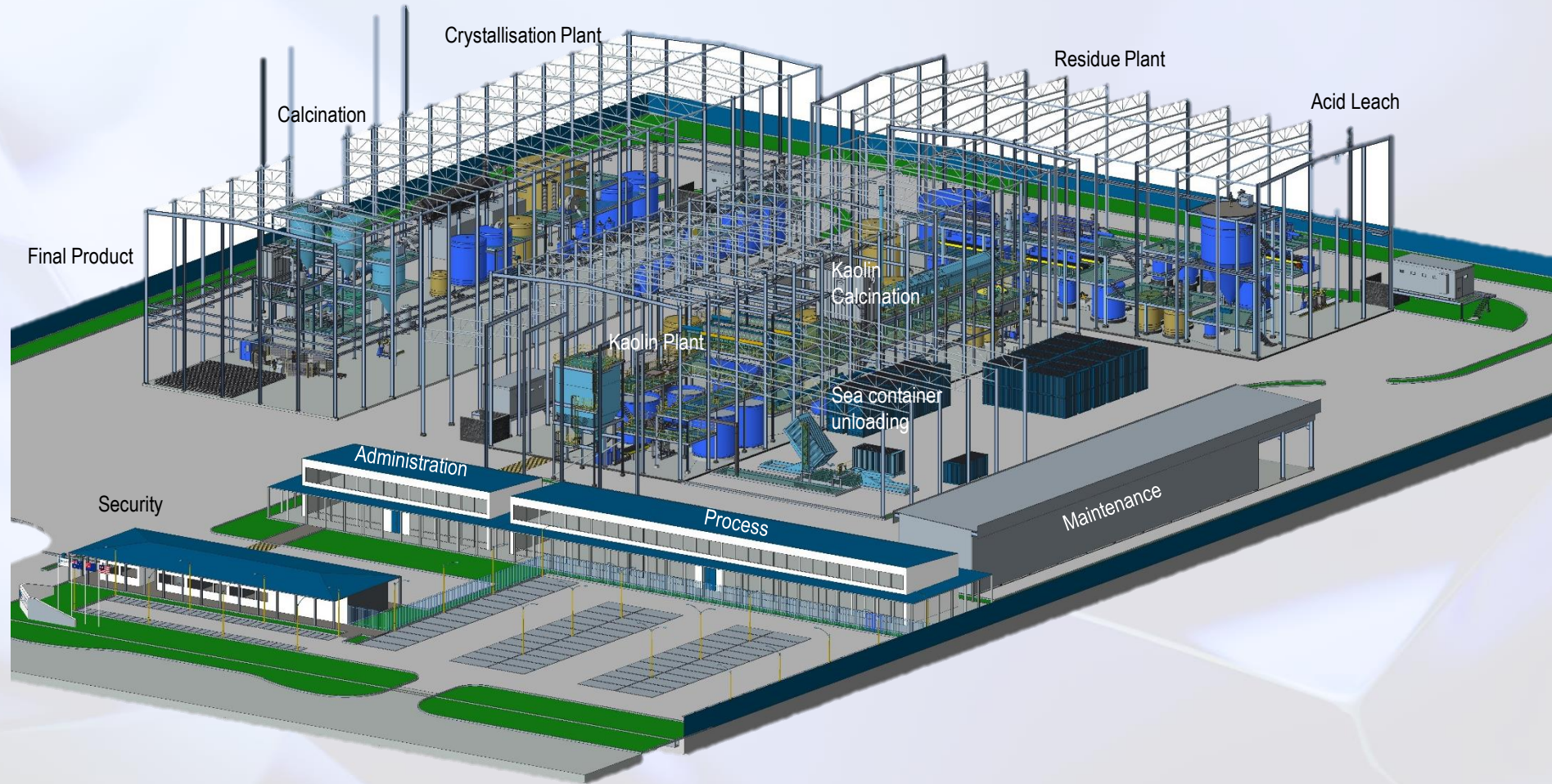


**HPA Site  
Location  
Johor**





# Altech's HPA Plant - Malaysia



- Capital cost estimate US\$78.7m
- Payback period 3.7 years
- Pre-tax NPV<sub>9</sub> of US\$357.5m
- Highly attractive IRR of 33.3%
- Operating cost of US\$9,070/t
- Sale price of US\$23,000/t
- Margin of US\$13,930/t
- EBITDA US\$55.7m pa

*Last updated March 2016*



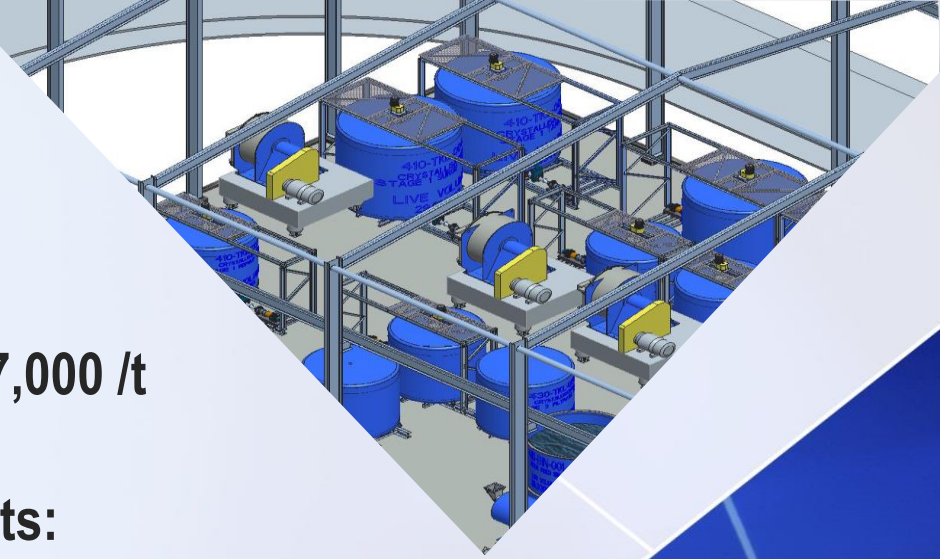
**Highly  
Attractive  
BFS**

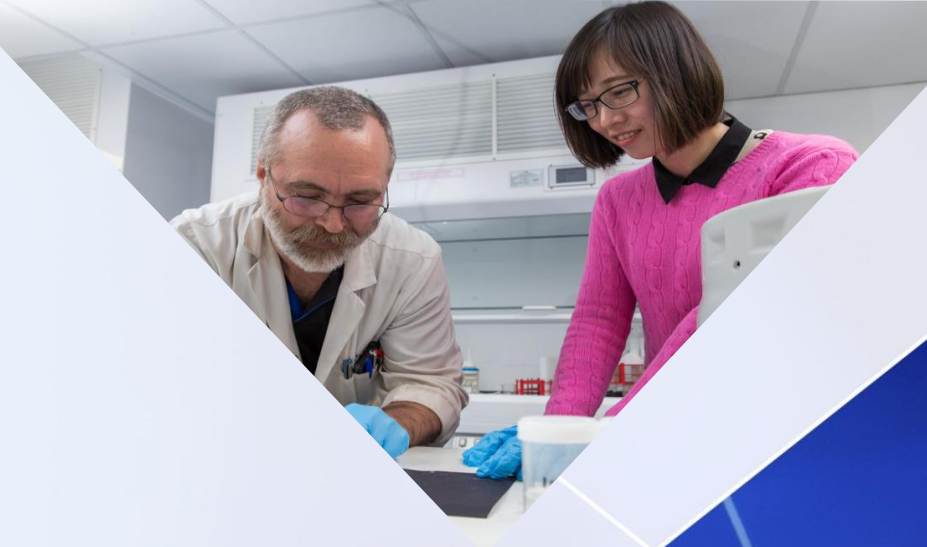




- Breakway - competitors US\$14-17,000 /t
- Bottom quartile for operating costs:
  1. We own our feedstock
  2. Large scale economy 4,000 tpa – one train
  3. Main reactant HCl re-used
  4. Minimal impurity removal costs
  5. Plant in low cost country (Malaysia)

**Bottom  
Quartile  
for Op Costs**





- Off take sales with Mitsubishi
- First ten years of HPA operations
- Secures sales for 100% of 4,000tpa HPA production
- Exclusive global distributor with well established global customer base

**Mitsubishi  
signs full  
off take**

Contract Year	Forecast Production	Contracted Sales
Year 1	2,700t	2,700t
Year 2	3,000t	3,000t
Year 3	3,400t	3,400t
Year 4	3,800t	3,800t
Year 5	4,000t	4,000t

Contract Year	Forecast Production	Contracted Sales
Year 6	4,000t	4,000t
Year 7	4,000t	4,000t
Year 8	4,000t	4,000t
Year 9	4,000t	4,000t
Year 10	4,000t	4,000t





- Mandate signed with KfW IPEX Bank
- US\$40m Export Credit cover
- Senior debt at US\$20m
- Approx 58% of capex German suppliers
- M+W Group as general contractor
- Due diligence and detailed design

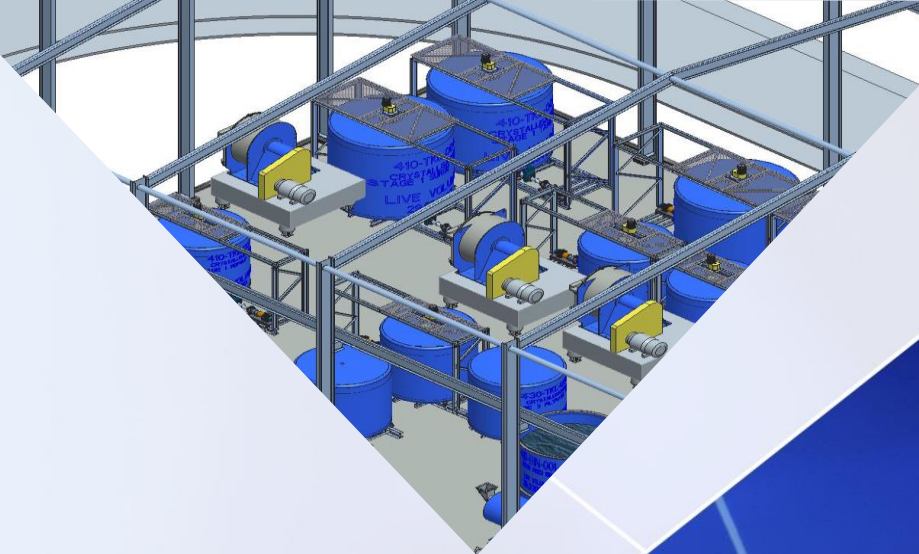


**We are at the  
funding  
stage**



**Altech Chemicals**  
Limited

***“HPA will be part of the next “new age materials boom” like rare earths, lithium and graphite”*** Iggy Tan





- **DJ Carmichael valuation \$302m**
- **Target Price \$0.41**
- **Breakaway Research**
- **Breakaway Target Price \$0.50**

*“generating sustainable gross operating margins of between 60-80% and EBIT margins of 50%”*

*Paul Adams*

*Director – Head of Natural Resources*



**Recent  
Research  
Reports**

*Right Place*  
*Right Time*  
*Right Feedstock*  
*Right Technology*



**Thank you**





### **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 our 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.

### **Competent Person Statement**

Technical information relating to exploration results, resources and exploration targets in this report is based on information compiled by Ms Sue Border who is a Fellow of the AusIMM and of the Australasian Institute of Geoscientists (AIG) and is Altech's consultant employed by Geos Mining. Ms Border has sufficient exploration experience, which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity, which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC 2004"). Ms Border consents to the inclusion in this release of the matters based on her information in the form and context in which it appears.