



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

14 August 2019

ALL CONDITIONS PRECEDENT SATISFIED FOR GERMAN PROJECT EQUITY STRATEGY

Highlights

- All conditions precedent satisfied for German project equity strategy transactions
- Altech will now proceed to transaction completion
- Altech nominees already appointed to German management and supervisory boards
- German entity to be re-named Altech Advanced Materials AG

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to advise that all of the conditions precedent have now been satisfied for both transactions outlined in its German project equity strategy announced on 18 July 2019. The strategy involves the acquisition of 29% of the shares of Frankfurt stock exchange listed Youbisheng Green Paper AG (to be re-named Altech Advanced Materials AG (AAM)); and the sale by Altech of a right to AAM to acquire 49% of Altech's high purity alumina (HPA) project for US\$100m. With the satisfaction of all conditions precedent, Altech will now proceed to completion for both transactions.

To complete its acquisition of 29% of the shares of AAM, Altech will make a cash payment of €500,000 and issue €1,000,000 of Altech fully paid ordinary shares to the vendor (Deutsche Balaton AG); a balance of €1,229,000 cash consideration is due on 1 March 2020. To complete Altech's sale of the right to AAM, for AAM to acquire up to a 49% interest in the Company's HPA project, AAM will make a non-refundable cash payment of €500,000 to Altech.

The satisfaction of all conditions precedent has resulted in:

1. The appointment of Altech's managing director Mr Iggy Tan and alternate non-executive director Mr Uwe Ahrens to the management board of AAM;
2. The appointment to the supervisory board of AAM, Altech's nominee Mr Dieter Rosenthal, with 2 additional Altech nominees to be appointed to the 5 member board in due course;
3. shareholders approving the change of company name to Altech Advanced Materials AG;
4. shareholders approving a capital increase of up to €63,102,080; and
5. Altech's satisfaction with all of its due diligence inquiries of AAM.

Altech managing director Iggy Tan said *"it is pleasing to have documented both transactions of our German equity strategy in a very short time-frame, and to have satisfied all of the conditions precedent items within four weeks of signing the agreements.*

The next step following transaction completion is for AAM to appointment a German bank and brokers to manage a Europe marketing campaign for its pre-approved capital raise. We understand that there has already been interest in the proposed raise from potential European investors, attracted by the guaranteed year-6 buy-back and agreed return.

Altech's German equity strategy does not stop any of the other joint venture partner initiatives that are also underway, nor does it replace the mezzanine debt work that is progressing with Macquarie Bank."

Terms of Agreement – Altech acquisition of 29% of the issued shares of Youbisheng Green Paper AG

Item	Acquisition Deed – 29% of Youbisheng Green Paper AG (YAG)
Market Listing	Regulated Market of the Frankfurt Stock Exchange
Shares on issue	1,577,552 shares, currently trading at ~ €2.80 per share
YAG net cash and liquid investments	~€700,000 (31 December 2018)
Sale shares	458,000 shares
Seller of shares	Deutsche Balaton AG
Purchaser of shares	Altech Chemicals Limited (ATC)
Purchase Consideration	€2,729,000
Payment Structure	€1,729,000 payable in cash; and €1,000,000 payable in fully paid Altech shares (priced at a 15% discount to the 10-day VWAP at the date of all conditions precedent satisfied, with a floor price of \$0.08 per share).
Payment Timing	1. €500,000 within 30 days of satisfaction of conditions precedent; 2. Altech shares to the value of €1,000,000 upon satisfaction of all conditions precedent (completion date); 3. Balance of €1,229,000 due 1 March 2020.
Sell-Back option	Altech has the right to sell-back the 458,000 YAG shares (if purchased) at any time prior to 30 June 2020, if less than €20,000,000 of new equity in YAG has been raised. The sell-back price for the shares will be the lower of €1,729,000 or the net asset value per share plus €1,500,000, payable in cash.

Terms of Agreement – Right for YAG (to be renamed AAM) to acquire up to a 49% interest in Altech’s HPA project with guaranteed sell-back

Item	Subscription, Sell-Back and Sell-Back Put Option Deed for up to a 49% interest in Altech’s high purity alumina (HPA) project
Interest	Up to 49% of the issued shares (interest) in Altech Chemicals Australia Pty Ltd
Issuer of interest	Altech Chemicals Australia Pty Ltd (Project Co)
Acquirer of interest	Altech Advanced Materials AG (AAM) (formerly Youbisheng Green Paper AG (YAG))
Consideration	US\$100 million for a 49% interest in Project Co
Fee for Right to acquire (non-refundable)	€500,000 payable within 30 days of satisfaction of all conditions precedent
Exclusivity	Non-exclusive
Partial subscription	In the case of a partial exercise of the right, the subscription funds payable will be calculated on a direct pro-rata basis, based on US\$100 million for a 49% interest, or US\$2.041 million for every 1% up to a maximum of 49%.
Guaranteed sell-back	AAM must sell-back the 49% interest (or partial interest) to Altech at the end of year six (6) following project financial close. Altech will pay a sell-back price calculated at a 15% annual return on the subscription price.
Altech option for early sell-back	Altech can trigger an early sell-back at any time prior to the end of the year 6 period by paying a sell-back price calculated on an annual return of 15%.
AAM option to cancel sell-back	AAM may elect to cancel the sell-back at any time, including after Altech has exercised its early sell-back option, by paying Altech a cancellation fee of \$10,000.
Subscription to shares in Altech Chemicals Limited (Parent)	In the event that AAM is not able to raise sufficient new equity by financial close that would enable it to subscribe to a minimum 10% interest, AAM may elect to use any amount of its funds to subscribe to Altech Chemicals Limited shares priced at a 15% discount to the 10-day VWAP.

For further details please refer to ASX Announcement dated 18 July, 2019.

– end –

The potential German and European equity investments referred to in this ASX announcement are conceptual in nature and will depend on factors such as market sentiment, general market conditions, investment mandates, detailed due diligence of potential equity investors, and other such matters. Any commitment of equity will be subject to and is contingent upon amongst other things, the completion of detailed due diligence and various internal approvals. There is no certainty that the equity investments contemplated in the announcement will be concluded. The Company makes no representations or warranties whatsoever as to the outcome of the possible equity raisings described in this announcement.

For more information, please contact:

Corporate

Iggy Tan

Managing Director
Altech Chemicals Limited
Tel: +61 8 6168 1555
Email: info@altechchemicals.com

Shane Volk

Company Secretary
Altech Chemicals Limited
Tel: +61 8 6168 1555
Email: info@altechchemicals.com

Investor Relations (Europe)

Kai Hoffmann

Soar Financial Partners
Tel: +49 69 175 548320
Email: hoffmann@soarfinancial.com
Wir sprechen Deutsch.

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 (HPA)** (Al_2O_3).

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. There is no substitute for HPA in the manufacture of synthetic sapphire.

Global HPA demand is approximately 25,315tpa (2016) and demand is growing at a compound annual growth rate (CAGR) of 16.7% (2016-2024), primarily driven by the growth in worldwide adoption of LEDs. As an energy efficient, longer lasting and lower operating cost form of lighting, LED lighting is replacing the traditional incandescent bulbs.

Current HPA producers use expensive and highly processed feedstock materials such as aluminium metal to produce HPA. Altech has completed a Final Investment Decision Study (FIDS) for the construction and operation of a 4,500tpa HPA plant at the Tanjung Langsat Industrial Complex, Johor, Malaysia. The plant will produce HPA directly from kaolin clay, which will be sourced from the Company's 100%-owned kaolin deposit at Meckering, Western Australia. Altech's production process will employ conventional "off-the-shelf" plant and equipment to extract HPA using a hydrochloric (HCl) acid-based process. Production costs are anticipated to be considerably lower than established HPA producers.

The Company is currently in the process of finalising project financing and has announced the execution of an agreement with its appointed EPC contractor SMS group for the commencement of construction of the HPA plant at Johor, Malaysia.



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.