



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

22 March 2016

ALTECH HPA PROJECT – DEBT FUNDING UPDATE

Highlights

- Altech estimates ~\$US60m of debt funding for its proposed high purity alumina (HPA) project
- German government-owned KfW IPEX-Bank GmbH mandated
- Application for ~US\$40m of German government export credit agency (ECA) cover
- ECA cover application within the quarter

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) is pleased to provide an update on the debt funding activities for its high purity alumina (HPA) project following a meeting with KfW IPEX-Bank in Stuttgart, Germany on 17 March 2016.

Altech currently estimates that its proposed HPA project will support approximately US\$60 million of debt. To provide structuring and financing services in relation to the provision of senior debt funding the Company has mandated German government-owned bank KfW IPEX-Bank GmbH (KfW IPEX-Bank). Altech has been working closely with KfW IPEX-Bank since January 2016 as part of the bank's comprehensive due diligence of the Company and the project.

With KfW IPEX-Bank's support, the Company intends to make formal application under the export credit insurance guarantee scheme of the Federal Republic of Germany in relation to approximately US\$40 million of project debt. The application will be lodged within the quarter and will be prepared by KfW IPEX-Bank for submission to Euler Hermes, the company mandated to administer the scheme. The US\$40 million application amount is based on the Company's estimate of the project capital expenditure that qualifies for ECA cover under the scheme's prevailing rules. Interest rates charged by lenders on debt that is supported by ECA cover is typically at attractive conditions as the repayment of the debt is insured; also long tenure is usually available in accordance with OECD guidelines. Additional debt of ~US\$20 million is estimated at prevailing commercial terms and rates of interest. KfW IPEX-Bank has commenced independent debt and project loan modelling, which will be included in the ECA cover application.

In addition to the independent financial modelling by KfW IPEX-Bank, an independent technical review of the project is also required. KfW IPEX-Bank has shortlisted a number of international engineering firms to provide proposals for this requirement, which will consist of detailed analyses of the project bankable feasibility study, including geology, process test work, pilot plant work and will include site visits to both Meckering and Malaysia.

Altech managing director Mr Iggy Tan said that the Company was delighted with the progress of the bank's due diligence. *"We have a great banking partner in KfW IPEX-Bank; all things going well, we expect to advance to debt term sheets towards the back-end of this year. In parallel to completing debt financing, we will be working with M+W Group to finalise the detailed engineering design, complete permitting for both sites and secure off-take arrangements for the HPA plant's production – all of which will be requirements for debt draw-down. We expect that the results of all these corresponding developments to come together in Q-4 this year"*.

-End-

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About Altech Chemicals (ASX: ATC)

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) (Al₂O₃).

HPA is a high-value, high margin and highly demanded product as it is the critical ingredient required for the production of artificial sapphire. Artificial sapphire is used in the manufacture of substrates for LED lights, semiconductor wafers used in the electronics industry, and scratch-resistant artificial sapphire glass used for wristwatch faces, optical windows and smartphone components. There is no substitute for HPA in the manufacture of artificial sapphire.

Global HPA demand is approximately 19,040tpa (2014) and demand is growing at an annual rate of 28%, 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. HPA demand is expected to at least double over the coming decade.

Current HPA producers use an expensive and highly processed feedstock material such as aluminium metal to produce HPA. Altech has completed a Bankable Feasibility Study (BFS) for the construction and operation of a 4,000tpa HPA plant at Tanjung Langsat, 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 securing project financing with the aim of commencing project development in Q1-2017.



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.