



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

9 July 2018

ALTECH – A\$20 MILLION CAPITAL RAISING TO COMMENCE CONSTRUCTION IN MALAYSIA

Highlights

- Share placement raises A\$17 million
- Share Purchase Plan to raise up to an additional A\$3 million
- Funds will be used to commence construction in Johor, Malaysia
- Strong support from a range of institutional and professional investors

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that it has received commitments from a variety of institutional and professional investors for a share placement of ~A\$17 million (before costs). Proceeds from the placement will be applied to the commencement of construction at the Company's high purity alumina (HPA) plant site in Johor, Malaysia; to finalise HPA plant engineering; for corporate purposes (including the close of project finance); and working capital.

Placement shares will be issued at a price of \$0.165 per share, representing a 13.2% discount to the price of the Company's shares as traded on the ASX at the close of trade on Wednesday 4 July 2018. The placement shares will be issued pursuant to the pre-approval obtained from shareholders in General Meeting on 12 June 2018. Sydney based Petra Capital Pty Ltd acted as the Sole Lead Manager of the placement.

Share Purchase Plan

The Company is pleased to announce that it will offer a Share Purchase Plan (SPP), whereby existing eligible shareholders will be able to make application to purchase up to \$15,000 of new shares at the same price paid by the placement participants. The SPP is expected to raise up to A\$3 million and the record date for eligibility to participate is Friday 6 July 2018. Full details of the SPP will be lodged shortly.

Stage 1 Construction – Malaysian HPA plant

The Company expects that stage 1 construction works (approximately A\$10m) will commence at its Malaysian HPA plant site during the current quarter. The proposed construction work will include bulk earthworks; extensive foundation piling; the construction of retaining walls, underground storm water/process discharge tanks (OSD tanks); and construction of a maintenance workshop. The maintenance workshop will be used as the construction site offices during stage 2 of the HPA plant construction.

Altech has decided to equity fund stage 1 construction in Malaysia to maintain project momentum; the works will be conducted in parallel with project finance close. The majority of the cost of stage 1 construction will be credited against the US\$280 million lump-sum fixed-price HPA plant engineering procurement and construction (EPC) contract awarded to German engineering firm SMS group GmbH (SMS), which is expected to commence following finance close.

Altech managing director, Mr Iggy Tan said, *"The Company is extremely pleased with the support that it has received for the share placement. The placement was well supported by existing shareholders and we are delighted to welcome a number of high quality new investors onto the share register."*

“The funds that have been raised will allow Altech to commence HPA plant construction in parallel to finalising project financing. The success of any project depends on maintaining development momentum and we have achieved that in the last four years”, Mr Tan concluded.

Project Financing

On 2 February 2018 the Company announced that it had executed commitment and final terms for a US\$190 million senior debt package with German government-owned KfW IPEX-Bank¹. On 11 May 2018 the Company received an indicative non-binding mezzanine debt term sheet from a global investment bank equal to US\$90 million and on 15 June 2018 announced that it had executed an indicative non-binding term sheet for a US\$60 million stream finance facility. Combining the streaming facility with senior debt and mezzanine debt would provide total project finance of US\$340 million, as summarised in Table 1, which the Company is considering. The Company also continues to explore potential project-level joint venture options with several major industrial groups that could result in a major reduction of the final equity amount required to fund the project.

Table 1: Project Financing Status

Facility	Financier	Amount	Status
Senior Loan	KfW-IPEX Bank	US\$ 190 million	Committed
Mezzanine Loan*	Global Merchant Bank	US\$ 90 million	Indicative Term sheet
Stream Finance*	Global Investment Group	US\$ 60 million	Indicative Term sheet
Total		US\$ 340 million	

* Indicative and non-binding terms that remain subject to, amongst other things; due diligence; agreement on binding terms and various approvals (including from the senior lender, boards and regulatory authorities).

Total financing costs, including working capital requirements during construction and the funding of lender mandated reserve accounts, are yet to be finalised and will depend on final lender requirements. Financing costs will include bank fees, arrangement fees, debt service reserve, and other lender defined contingencies and/or reserves. Working capital requirements will include operational funds during construction, commissioning and plant start-up and until the receipt of initial revenue from HPA sales. It not unusual for total financing, contingency and working capital costs to aggregate at up to one third of total capital costs for large scale projects, such as the Company's HPA project.

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The mezzanine debt term sheet and the sales stream facility announced by the Company on 11 May 2018 and 15 June 2018 respectively are indicative in nature; are non-binding; remain subject to detailed due diligence and contain the general terms of a proposed transaction. Any future commitment will be subject to, and is contingent upon, all internal approvals of the respective financial institution/provider and KfW IPEX-Bank, as well as the completion of detailed due diligence (including but not limited to legal and technical due diligence) and to finalising binding legal documentation. There is no certainty that the mezzanine project debt or the sales stream facility will be approved or a transaction concluded based on what is proposed in respective term sheets. The Company makes no representations or warranties whatsoever as to the outcome of the mezzanine debt or sales stream facility process or of any future equity raising to meet the balance of project funds required.

¹ Draw-down on the senior KfW IPEX-Bank debt is subject to the satisfaction of various conditions precedent, principal of which is securing a balance of funds – refer ASX announcement of 2 February 2018.

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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)** (Al₂O₃).

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 securing project financing with the aim of commencing project development in 2018.



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.