



17 August 2016

ALTECH TARGETS INCREASED PROJECT DEBT OF US\$70 MILLION

Highlights

- Altech targeting total project debt of US\$70 million
- Export credit cover (ECA) component increased to US\$60 million
- Residual debt component now up to US\$10 million
- Sole lender structure proposed for the entire debt portion of up to US\$70 million
- Simplified debt financing and attractive ECA-covered component

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) is pleased to announce that the Company's targeted debt financing for its proposed Malaysian high purity alumina (HPA) project has increased to US\$70 million (previously US\$60 million).

The export credit cover (ECA) component to be covered by the German export credit agency (ECA), Euler Hermes Aktiengesellschaft (Euler Hermes) has increased from US\$40 million to US\$60 million. Accordingly, Altech has reduced the targeted amount for the remaining uncovered debt portion from US\$20 million to US\$10 million, which has resulted in a revised total project debt target of US\$70 million.

In accordance with the positive cursory pre-assessment undertaken by Euler Hermes (please refer to ASX Announcement of 3 August 2016 for details), the Company's ongoing due diligence process has the objective of an application for ECA-cover incorporating the abovementioned adjusted debt structure.

Furthermore, German government-owned KfW IPEX-Bank, mandated to provide debt structuring and advisory services to the Company, has proposed a simple and cost effective "sole lender" debt structure whereby the entire US\$70 million of project debt is proposed to be provided exclusively by KfW IPEX-Bank (subject to ongoing due diligence and respective loan approval).

The interest rate of project finance debt supported by ECA cover is very attractive, consequently the overall cost of debt for the Company shall be reduced compared to the originally contemplated structure.

Table 1 – Comparison of project target debt structures subject to final due diligence results

	Current	Previous
Export Credit Covered Debt	US\$60m	US\$40m
Uncovered Debt	US\$10m	US\$20m
Total Senior Debt	US\$70m	US\$60m
Lender/s	<i>Single (KfW IPEX-Bank)</i>	<i>Various</i>

Project Financing background

Since January 2016, Altech has been working with German government-owned KfW IPEX-Bank on project finance structuring for its proposed Malaysian high purity alumina project, including detailed bank modelling. In parallel the Company appointed engineering, procurement and construction (EPC) contractor, German engineering group M+W Group (M+W) for project design and construction. Initially the Company contemplated total project debt of US\$60 million, US\$40 million of which would be subject to ECA cover (refer ASX announcement 10 December 2015 for details).

In June 2016, M+W made representation to German export credit agency Euler Hermes for an increase in the proposed export credit cover contract value of the project, from the originally contemplated amount of US\$40 million to US\$60 million. The representation was based on the significant German and European project content (plant, equipment and services) and overall benefit of the project to German industry. In line with the results of the cursory pre-assessment undertaken by Euler Hermes (please see below for further details), Altech has the approval to conduct the respective due diligence process with the target to make application to Euler Hermes for US\$60 million of ECA cover.

Recently Altech announced a positive pre-assessment by the German Government inter-ministerial committee (IMC) and Euler Hermes of the Company's export credit project finance application (refer ASX Announcement dated 3 August 2016 for details). On 10 August 2016, due diligence (DD) consultants were appointed to undertake the definitive technical, market and legal review of the project on behalf of the proposed financier, Germany's government-owned KfW IPEX-Bank supported by German export credit agency Euler Hermes.

Altech managing director Mr Iggy Tan said, *"Increasing the ECA application amount to US\$60 million for our proposed HPA project is an extremely positive outcome for the Company and testament to the projects financial robustness. A single project lender will significantly simplify and streamline financing, documentation and securitisation. Also, the increased proportion of ECA covered debt will reduce the overall interest rate that will apply to project borrowings. The equity component of the project will be finalised when detailed design capital cost of the project is completed.*

"The next steps for project financing include a formal application for the in principle ECA cover and the completion of the bank-initiated independent due diligence", he concluded.

- Ends-



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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 German KfW IPEX-Bank.



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.