

24 August 2016

ALTECH RECEIVES LOAN INDICATIVE TERMS AND CONDITIONS

Highlights

- Altech receives lenders first draft indicative term sheet
- Altech targeting total project debt of US\$70 million
- Export credit cover (ECA) component of US\$60 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 has received a summary of senior facility agreement indicative terms and conditions from German government-owned KfW IPEX-Bank for the proposed US\$70 million of debt financing of its Malaysian high purity alumina (HPA) project.

The indicative terms and conditions proposed by KfW IPEX-Bank includes matters customary for the type of project debt financing being targeted, such as a description of credit facilities; interest rates and fees; debt payment terms and maturity dates; collateral security; affirmative and negative covenants; details of guarantors; closing conditions; financial covenants; representations and warranties; events of default and material adverse changes. The details for these matters and potential adjustments are currently under discussion and will take into account the results from the ongoing due diligence process where necessary, before being submitted for approval within the German export credit agency and KfW IPEX-Bank.

As previously announced, KfW IPEX-Bank has proposed a simple and cost effective “sole lender” debt structure whereby the entire US\$70 million of project debt is contemplated being provided exclusively by KfW IPEX-Bank (subject to ongoing due diligence and respective loan approval).

Altech and KfW IPEX-Bank have now commenced detailed discussions and negotiations of the proposed facility agreement terms and conditions, which are not binding on either party. Finalised terms and conditions, once agreed, will form the basis for the preparation of binding loan facility documentation.

On 3 August 2016, the Company announced a positive pre-assessment by the German Government inter-ministerial committee (IMC) and Euler Hermes, of Altech’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, and by the German export credit agency Euler Hermes.

On 17 August 2016, the Company announced an increased target total debt of US\$70 million (previously US\$60 million), with the export credit cover portion to be covered by the German export credit agency (ECA) Euler Hermes Aktiengesellschaft (Euler Hermes), increased from US\$40 million to US\$60 million.

Altech managing director Mr Iggy Tan said, *"The debt financing is progressing well and the senior facility agreement indicative terms and conditions presented by KfW IPEX-Bank is the next important step towards securing finance. The debt and ECA cover is still subject to due diligence and various loan approval steps, however receiving the indicative terms and conditions whilst a positive outcome but does not imply that the ECA or debt financing applications will be successful"* 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)** (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 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.