

15 September 2017

ALTECH SETS EXPORT CREDIT FINANCE APPROVAL TARGET DATE

Highlights

- Target date of 14 December 2017 set for decision making by German government inter-ministerial committee (IMC) for German ECA cover
- Lenders due diligence is currently in the final stage
- Successful due diligence with no fatal flaws
- Expert Opinion report for Euler Hermes nearing completion
- Target date is a significant milestone for development of Altech's HPA project

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to announce that a target date of 14 December 2017 has been set for decision making for the offer of cover by the German government inter-ministerial committee (IMC), of the application for export credit project finance cover (ECA cover).

A positive decision of the SMS group GmbH (SMS) and KfW IPEX-Bank ECA application will result in the award of a legally binding *offer of cover* by the Federal Republic of Germany for the majority of the debt portion of funding required for Altech's high purity alumina (HPA) project. The *offer of cover* and a separate bank approval based on a pre-negotiated debt term sheet finance package provided by KfW IPEX-Bank will position the Company to proceed to secure project equity.

The setting of the ECA cover target date also marks the successful conclusion of extensive and detailed independent project due diligence. All due diligence consultants have committed to submit final reports to the expert opinion consultant by mid-October 2017, to enable submission of the expert opinion report by 9 November 2017. At a meeting last week in Frankfurt, Germany attended by the Company and representatives from KfW IPEX-Bank; SMS; and the various due diligence consultants, it was confirmed that no fatal flaws in the project had been identified during due diligence. It was agreed by all parties that based on the successful outcome of due diligence the Company's HPA project is ready to proceed to the ECA cover final assessment for debt financing approval.

Malaysian HPA plant

The Company's German engineering, procurement and construction (EPC) contractor SMS is targeting mid-October 2017 to finalise the EPC contract price for the construction of Altech's Malaysian HPA plant.

The final EPC price and HPA plant design is required for the ECA cover application to determine the final amount of project debt and equity.

The scope of work for HPA plant has changed substantially under the fixed priced turnkey EPC contract proposed by SMS. Plant capacity has been upgraded to 4,500 tonnes per annum, and at the request of financing parties, the plant design now incorporates a flexible finished product line capable of producing HPA for both the synthetic sapphire industry (4,500tpa of high density pellets) and HPA for the lithium-ion battery industry (1,500tpa of powder at sub-micron particle size). This capability was not in the original plant design or feasibility study.

As a condition of the debt financing process the project has been significantly de-risked in many areas. The plant design and scope has substantially changed in response to due diligence. Superior lining materials have been selected for equipment used at the back end of the plant (after roasting) to minimise finished product contamination risk. Whilst the materials are significantly more expensive than the original design, their incorporation further de-risks the project by enhancing the plant's capacity to achieve the required 99.99% finished product purity standard. Also, plant emissions targets are now significantly more conservative compared to local requirements due to international requirements (Equator Principles and OECD Common Approaches).

Since Altech announced the results of its feasibility study in March 2016, there has been a substantial deterioration of the Euro/USD exchange rate (0.98 to 0.83). Many other "factored" construction costs such as freight, final design, contractor mobilisation and demobilisation, temporary facilities, insulation and commissioning have now been accurately costed by SMS.



Representatives from KfW IPEX-Bank, Euler Hermes, SMS and the Altech Board in Dusseldorf, Germany

The fixed price lump sum EPC contract will now include a completion guarantee with liquidated damages provisions; and throughput and process/quality guarantees supported by a substantial performance bond. All plant and equipment will be accompanied with warranty guarantees supported by a significant warranty bond. Obtaining these extensive guarantees for a chemical processing plant is an exceptional outcome that significantly de-risks the project. These guarantees were instrumental in bringing technical project due diligence to conclusion and securing the target date for the IMC meeting.



Altech Board with SMS CEO in Dusseldorf, Germany

Updated capital costs and study details are expected to be available and announced in October 2017, following notification by SMS of the final EPC contract price for construction of the Malaysian HPA plant. The Company has not yet received the final executable EPC price from SMS. The Company anticipates a significant increase in debt finance and ECA cover availability in support of an expected substantial increase in the project capital cost. Modelling has demonstrated the financial robustness and attractiveness of the project over a broad range of capital costs and a variety of debt/equity combinations.

Altech's managing director, Mr Iggy Tan said *"The setting of the target date for the decision making of the SMS and KfW IPEX-Bank application for German government export credit project finance cover is the outcome of hard work by the various contributing teams focussed on securing project debt financing for the Company's HPA project. The successful conclusion of project due diligence and the no fatal flaws finding all bodes well for a positive ECA application assessment"*.

"Altech's project team and our partners have an intense six week period ahead, as we work to finalise all project information ready for submission of the PwC expert opinion report and the application for ECA cover", Mr Tan concluded.

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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 Bankable Feasibility Study (BFS) for the construction and operation of a 4,000tpa 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

There is no certainty that German government project finance export credit cover (ECA) and/or project debt finance will be approved. The Company makes no representations or warranties whatsoever as to the outcome of the ECA application process. In addition, the Company to date has not been provided a final executable EPC price from its appointed proposed EPC contractor, which is still finalising the detailed design of the proposed Malaysian high purity alumina (HPA) plant.

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.