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ALTECH SIGNS MANDATE WITH GERMAN KfW IPEX-BANK FOR PROJECT FINANCING

Highlights

- Exclusive project finance mandate executed with German KfW IPEX-Bank
- Mandate for senior debt, including German Export Credit Agency (ECA) insured debt
- Approximately US\$40 million of project debt estimated to qualify for ECA cover

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) is pleased to advise that it has executed an exclusive mandate with German KfW IPEX-Bank GmbH, a wholly-owned subsidiary of the promotional bank KfW, to provide advisory and structuring services in relation to the provision of senior debt project financing for the Company's proposed high purity alumina (HPA) project. Execution of the mandate comes after an initial evaluation of the project by KfW IPEX-Bank following its recent submission to the Company of a Letter of Interest (LOI) for project financing.

KfW IPEX-Bank is a leading German export and project finance specialist with significant experience in the debt financing of mining and chemical projects worldwide, including projects in the Asia-Pacific region and projects similar to Altech's proposed HPA project. The mandate contemplates senior debt project financing that will maximise the use of Export Credit Agency (ECA) insurance cover under the German government backed project finance export guarantees.

ECA cover is an instrument for the promotion of German exports. It provides a cover to bank lenders to insure against the risk of an export loan and is administered by Euler Hermes, the German Export Credit Agency. The interest rate charged by lenders on the portion of total project debt that qualifies for ECA cover is available under attractive conditions with long tenor in accordance with OECD guidelines. Interest charged on any senior debt and/or mezzanine debt over and above the ECA cover portion of debt is normally at standard commercial rates. The initial Company estimate is that approximately US\$40.0 million of project debt should qualify for ECA cover.

ECA cover was identified as applicable to Company's HPA project because the majority of the plant and equipment will be sourced from German and other European Union manufacturers. Furthermore, German company M+W Group is the appointed engineering, procurement and construction (EPC) contractor for the project.

The first step in the ECA cover approvals process is for the Company, KfW IPEX-Bank and M+W Group to make a presentation to Euler Hermes for its assessment of the project, from which an initial determination of eligibility for ECA funding will be made. ECA cover and subsequent senior debt project financing is subject to a detailed due diligence process and there is no guarantee that ECA eligibility or final funding will eventuate, however, the execution of this mandate with KfW IPEX-Bank is an important step in support of the project.

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Commenting on the execution of the senior debt financing mandate with German state-owned KfW IPEX-Bank, Altech's managing director Mr Iggy Tan said "The execution of this mandate with KfW IPEX-BANK for senior project debt financing, including its support in pursuing German Export Credit Agency (ECA) cover, is a significant step in the Company's project financing efforts. The possibility of accessing low interest rate, long term project financing that may be available under German ECA cover is compelling and the detailed due diligence process associated with final grant of the cover will be a strong endorsement of the Company's HPA project."

-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 sapphire substrates which are used in the manufacture of LED lights, for the manufacture of alumina semiconductor wafers that are widely used in the electronics industry, and for the manufacture of scratch resistant artificial sapphire glass used for watch faces, camera lenses and by various smartphone manufacturers. There is no substitute for HPA in the manufacture of sapphire substrates, sapphire semiconductor wafers or scratchproof sapphire glass.

Global HPA demand is approximately 19,040tpa (2014) and demand is growing at an annual rate of 28%, primarily driven by the growth in LED's, as this energy efficient, longer lasting and lower operating cost form of lighting replaces 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 acid (HCl) leaching 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 Q1-2016.



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.

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