

10 October 2018

ALTECH – MEZZANINE DEBT DUE DILIGENCE UPDATE

Highlights

- Due diligence commenced end of July 2018
- Advisian appointed as independent technical consultant
- Due diligence is well advanced and on track
- CRU Consulting appointed as HPA market due diligence consultant
- Construction to run concurrent to project finance close

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide an update on the progress of detailed project due diligence by an independent technical consultant appointed by the proposed mezzanine debt and steam facility providers.

On 11 May 2018 Altech announced that it had received an indicative non-binding mezzanine debt term sheet for a drawdown facility of US\$90 million from a global investment bank for its proposed Malaysian high purity alumina (HPA) project. On 15 June 2018 Altech announced that it has executed an indicative non-binding term sheet for a US\$60 million stream finance facility with a US based global alternative investment group.

The proposed mezzanine debt provider and the proposed stream facility provider appointed Advisian, the independent consulting arm of WorleyParsons Group, as independent technical adviser in July 2018. Project due diligence commenced on 27 July 2018 with a kick-off meeting in Frankfurt, Germany, which was attended by Altech management and representatives from m.Plan International (technical consultant to the senior lender – KfW IPEX-Bank); SMS group (Altech's appointed EPC contractor); the proposed mezzanine lender; the proposed stream facility provider; and Advisian.

Whilst Advisian has benefited from the extensive amount of information generated during senior lender due diligence, it is currently anticipated that Advisian will require until the end of November 2018 to finalise its work, resulting in a 4-month due diligence process. In comparison, senior debt due diligence took approximately 15 months to complete.

Assuming a positive result from the Advisian due diligence, the next step for both the proposed mezzanine lender and the stream finance facility provider will be to present the project to respective internal investment committees for final approval. An updated HPA market report from CRU Consulting is also likely to be commissioned prior to respective investment committee consideration. Upon investment committee approval, a binding term sheet and an exclusive mandate can be executed for each proposed facility. The processes of final loan documentation and the negotiation of inter-creditor arrangements with the senior lender can then proceed, then ultimately project finance close.

HPA plant construction in parallel to project finance close

The decision by the Company to equity fund Stage 1 construction of its proposed Malaysian HPA plant in parallel with project finance close, rather than wait for close to occur, is allowing project momentum to be maintained which is considered important by the Company given the forecast near-term surge in HPA demand. At the Company's Johor HPA site, clearance of the site is now complete, a ground-breaking ceremony was conducted on 8 August 2018 and geotechnical drilling is now also complete – allowing for the submission of a site development order application to local Johor authorities. Once the development order is approved, site earth works, drainage, foundation piling and the construction of a workshop building and of an electrical substation will commence.

Altech managing director, Mr Iggy Tan said *"the mezzanine debt and stream facility technical due diligence is on track and proceeding as planned. Detailed project due diligence is a requirement of the respective proposed lenders internal credit approval processes and will take time to complete. Altech is working very closely with the proposed lenders to ensure a detailed evaluation of the project is successfully concluded. Importantly, the time taken to complete due diligence and to reach finance close will not hinder construction progress, as Stage 1 construction is already funded and will commence imminently. Construction of the Company's HPA plant will run in parallel to finance close."*

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The mezzanine debt and stream finance facility term sheets referred to in this ASX announcement are both indicative in nature; are non-binding; and contain the general terms of proposed transactions. Any future commitment for either facility will be subject to and is contingent upon all internal approvals of the financial institution as well as the completion of detailed due diligence (including but not limited to legal and technical due diligence) and legally binding documentation and senior lender agreement. There is no certainty that the mezzanine project debt or stream finance will be approved or a transaction concluded based on what is contemplated in the term sheet. The Company makes no representations or warranties whatsoever as to the outcome of the mezzanine debt or stream finance process.

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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)** (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 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 and has announced the execution of an agreement with its appointed EPC contractor SMS group for commencement of Stage 1 construction of the HPA plant at Johor, Malaysia.



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.