



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

19 February 2019

ALTECH – MEZZANINE DEBT TO PROCEED TO NEXT STAGE

Highlights

- Positive assessment of HPA project independent technical review report
- Mezzanine debt facility to proceed to internal approvals process
- No impact on HPA plant stage 1 construction activities

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to report that the proposed mezzanine debt provider has now completed its assessment of the independent technical advisor's report that it commissioned on the Company's high purity alumina (HPA) project, and has notified Altech that it now plans to proceed towards preparation for the internal approval process of a proposed mezzanine debt facility.

The proposed mezzanine lender, a global investment bank, has advised the Company that the path to internal approval will include the satisfactory completion of an independent HPA market report; an independent legal due diligence report; internal financial modelling; and inter-creditor discussions with the senior lender – German government owned KfW IPEX-Bank. The Company understands that the steps outlined above can be largely conducted concurrently, and the estimated timeframe for completion will be advised when this information becomes available.

Altech's managing director, Iggy Tan said that: *"achieving the go-ahead to proceed towards the process for the internal approval of a mezzanine debt facility is another important milestone for the Company. Although the rigour of the recently completed technical project review extended the anticipated timeframe for the work, this has not impacted on activities at the Company's Johor HPA site where stage 1 construction has commenced, and the required project "development order" has been issued. We have not lost any time or momentum waiting for a mezzanine project finance facility to be concluded."*

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The proposed mezzanine debt facility referred to in this ASX announcement is indicative in nature; is non-binding; and contains the general terms of a proposed transaction. Any future commitment for the facility will be subject to and is contingent upon all internal approvals of the financial institution as well as the satisfactory completion of detailed due diligence (including but not limited to legal, market and technical due diligence); legally binding documentation; and senior lender agreement. There is no certainty that the project mezzanine debt facility will be approved or that a transaction will be concluded based on what is contemplated. The Company makes no representations or warranties whatsoever as to the outcome of the mezzanine debt 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 the commencement of Stage 1 construction of its 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.

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