



**Altech Chemicals**  
Limited

## ASX ANNOUNCEMENT AND MEDIA RELEASE

14 March 2018

# ALTECH ADVANCES FINAL STAGE OF PROJECT FINANCING

### Highlights

- US\$190 million senior debt package completed
- FIDS due diligence data room established
- Mezzanine debt work stream commenced
- Joint venture option being advanced
- Project equity work stream to target quality equity partners commenced

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide an update on funding for its proposed Malaysian high purity alumina (HPA) plant and associated kaolin mine in Meckering, Western Australia (the Project).

### Senior Debt Package

On 2 February 2018, the Company announced that it had executed a commitment letter together with agreed terms and conditions formalising the US\$190 million senior debt package with German government owned KfW IPEX-Bank. The path to finance close and the ability to draw-down on the senior debt package involves the Company satisfying various conditions precedent, which includes securing a balance of funds for the Project. The options and proposals currently being assessed by the Company include introducing an additional amount of mezzanine debt (unsecured and subordinate to the senior KfW IPEX-Bank loans); taking on a project partner; a traditional equity issue by the Company; and the sale of a royalty stream over future HPA sales revenue. A healthy level of interest in the Company and the Project from potential investors and financiers has been demonstrated to date. A data room containing all project and due diligence information (including the Final Investment Decision Study) is established and has been made available to numerous groups to assist with respective due diligence activities.

### Mezzanine Debt

A number of groups have been appointed to assist the Company with identifying potential financiers and securing indicative terms for proposed mezzanine debt, which will be unsecured and subordinate to the US\$190 million senior loan package. The Project is extremely cash positive and the Company is targeting mezzanine debt of between US\$70 and US\$120 million, which modelling demonstrates the Project can support. To date there has been strong interest and already numerous financiers have commenced accessing the Company's data room. Some groups have commenced more detailed due diligence activities such as site visits (Malaysia and Australia) and have had (or have arranged) direct discussions with KfW IPEX-Bank, due diligence consultants, the off-taker, and EPC contractor. In addition to the mezzanine debt market, there is also interest in financing from the convertible bond market. Altech is also

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considering other sources of funding such as a royalty stream and a US denominated bond issue directly at the project level. Work streams with potential financiers are expected to continue over the next quarter.

### **Joint Venture**

The Company is also exploring the option of a project level joint venture investment with several industrial groups, which if successfully concluded is likely to result in a major reduction in the amount of equity contribution required from Altech shareholders as part of the balance of funds. A partial sale at the project level in conjunction with mezzanine debt is an attractive option for the Company to secure the majority of the balance of funds, as it will significantly reduce shareholder dilution. The Company is targeting potential joint venture partners that have speciality industrial materials experience and a strong balance sheet. Various meetings have already taken place with potential partners and due diligence has been initiated.

### **Project Equity**

Several groups have been appointed to assist the Company with the anticipated equity raising that will likely be necessary to secure the total balance of funds required. The final equity amount has not yet been determined as it will depend on the amount of mezzanine debt secured, the outcome of the joint venture and project sell down option, any royalty stream sale, plus final financing costs, the working capital requirement and any additional contingency amount. Altech is targeting potential equity partners that share its longer-term vision for the Company to be a substantial force in the global HPA market. Roadshows and presentations by Company management will continue in the various target regions like Europe, USA, Australia and the Asia-Pacific in the coming months. Since the KfW IPEX-Bank debt funding was confirmed in early 2018, there is heightened interest in the Company and its HPA project and a number of large equity investment groups have been presented to; several of which have initiated detailed due diligence.

Altech managing director Iggy Tan said that the Company is encouraged by the interest and the rapid recognition of the potential of the high purity alumina market. *"We currently estimate that it may take until mid-2018 to determine the optimal funding solution for our HPA project. The Company's objective remains to achieve a robust project funding solution that maximises shareholder returns and minimises dilution"*, he said.

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*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 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 with the aim of commencing project development in mid-2018.



**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.