



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

22 February 2017

ALTECH TARGETS FIXED PRICE CONTRACT FOR HPA PLANT CONSTRUCTION

Highlights

- Fixed price contract framework agreed for HPA plant
- Warranty, performance and completion guarantees
- Liquidated damages for late completion and bonus for early delivery of plant
- Significantly de-risks project for shareholders and debt providers
- Detailed engineering ongoing to determine final fixed contract price

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) is pleased to advise that it has reached agreement with its appointed engineering, procurement and construction (EPC) contractor M+W Group on a framework for a fixed price EPC contract for the construction of the Company's proposed Malaysian high purity alumina (HPA) plant.

A fixed price EPC contract is a very positive outcome for shareholders, project financiers and the HPA project as it significantly de-risks the construction phase of the project; specifically, completion risk (cost and timeline) and project operability risk (at completion and handover). Further, typical fixed price contract provisions will apply such as throughput performance guarantees and warranty periods, a performance bond, warranty bond, liquidated damages for delay in completion and a bonus for early completion. The process guarantee remains with Altech and the technical risks have been minimised through extensive test work and pilot plant testing.

Figure 1. Proposed HPA plant in Johor, Malaysia



Work is ongoing with M+W Group to finalise details of the fixed price EPC contract. Information from the continuing detailed engineering and design work is required to enable the various equipment suppliers to submit binding quotations for incorporation into the final contract price. Up to 50 M+W Group engineers, situated in both Germany and Singapore, are engaged in plant engineering and design, such is the level of resource required to deliver the fixed price contract.

Detailed engineering has been ongoing since mid-2016 with the work anticipated to be completed during Q2 2017, which will enable the Company to submit its application for German government-backed export credit finance and the total debt package.

Commenting on the fixed price contract, Altech managing director Iggy Tan said, *“Reaching conceptual agreement with M+W Group on a fixed price construction contract is a significant de-risking accomplishment for Altech shareholders. The fixed price contract also delivers to debt providers a high level of comfort in terms of total project costs, potential cost overruns and completion delays. This is a great outcome and achievement for the Company”*, he said.

- 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)** (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 artificial sapphire. Artificial sapphire is used in the manufacture of substrates for LED lights, semiconductor wafers used in the electronics industry, and scratch-resistant artificial sapphire glass used for wristwatch faces, optical windows and smartphone components. There is no substitute for HPA in the manufacture of artificial 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 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 (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 Q3, 2017.



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.