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ALTECH COMPLETES TRANSFER OF EPC TO SMS GROUP

Highlights

- Transfer of all engineering data to SMS group's EPC team successfully completed
- Key engineering personnel remain available to assist SMS's team
- High quality engineering work by previous contractor and excellent co-operation
- Site visit by SMS's project team to Johor, Malaysia completed
- EPC fixed price estimate well advanced

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) is pleased to provide an update on the transition of engineering, procurement and construction (EPC) for its proposed Malaysian high purity alumina (HPA) plant, from the previously appointed EPC contractor to German engineering firm SMS group GmbH (SMS).

On 16 May 2017, the Company announced the appointment of SMS as EPC contractor for the construction of its proposed Malaysian HPA plant. SMS will provide a fixed price turnkey contract and has proposed a clear and concise guarantee to Altech for plant throughput. In addition, having prior experience with the kaolin-HPA hydrogen chloride processing technique that Altech will use, SMS has proposed process and final product guarantees that will strengthen Altech's export credit project finance cover application. The additional guarantees proposed by SMS are extremely positive outcomes that significantly mitigate project risk.

By mutual agreement, the previously appointed EPC contractor has now completed the transfer of all engineering data and information to the SMS/Altech project team. A week-long formal handover was completed in Dusseldorf, Germany during which incoming discipline team leaders were extensively briefed by their respective outgoing counterparts and Altech. Importantly, key-person engineering personnel continue to be available to assist the SMS/Altech team and ensure efficient and complete information handover. The managing director of SMS's Process Technologies division, Mr Herbert Weissenbaeck heads its project development team, with various leaders appointed for each of the key disciplines.

The EPC handover cumulated with a visit by key EPC team members to the Tanjung Langsat Industrial Complex, Johor, Malaysia to inspect the site secured by Altech for the proposed HPA plant. Key local design, permitting and environmental consultants were introduced to the SMS team, and the proposed laydown areas and construction support infrastructure were inspected. SMS, having recently successfully completed the Sakura smelting project, in Sarawak, Malaysia, has an established Malaysian subsidiary that is ideally placed to supervise the construction of Altech's HPA plant.

During the transition, SMS commented on the quality of the engineering work completed before its involvement in the project, and the professional co-operation during handover. Likewise, Altech acknowledges the previous engineering contractor for the quality of its work, its professionalism, co-operation and support.

The managing director of SMS's Process Technologies, Mr Herbert Weissenbaeck said that the engineering completed so far is of a quality compliant with the standards expected from a well-established German plant builder. *"We have conducted a review of most of the proposed plant and process and we are confident the process proposed by Altech will be successful at producing the targeted 99.99% quality alumina. The engineering is well progressed and generally meeting our high standards. Information and knowledge transition from the previous contractor is proceeding well. As announced on 12 July 2017, SMS participated in a US\$100,000 placement of shares as a demonstration of our confidence and support of the project."*



SMS team and Altech management at Altech's Tanjung Langsat site office

SMS will continue finalising the EPC capital cost estimate for the HPA plant, which is well advanced and expected by the end of the current quarter.

Commenting on the transfer to SMS as EPC contractor, Altech managing director Iggy Tan said, *"The process of transitioning to SMS has been very smooth, with the extensive amount of engineering data successfully transferred from the previous engineering contractor. As we stated previously, SMS has been able to pick-up the detail design work where it was left, with minimal re-work required. SMS's immediate focus is to provide an indicative EPC fixed price so that Altech can proceed to finalise its export credit finance (ECA) application, which we are aiming to do by the end of the current quarter. SMS has extensive experience with German ECA cover and is amongst the top three users of this facility in Germany, so it is very familiar with the export credit approval process."*

SMS group

SMS is a large privately owned German engineering company with an annual turnover of approximately 3.3 billion Euros. SMS builds turnkey solutions based on innovative plant technology, complete with buildings, infrastructure and auxiliary equipment for processing plants such as Altech's proposed HPA plant. SMS was founded in 1871 and is based in Düsseldorf, Germany with office locations worldwide. SMS has recent EPC contract experience in Malaysia, having successfully completed the Sakura smelting project, in Sarawak.

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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 Bankable Feasibility Study (BFS) for the construction and operation of a 4,000tpa 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 Q4, 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 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.

Also, there is no certainty that German government project finance export credit cover (ECA) and/or project debt finance will be approved. The Company makes no representations or warranties whatsoever as to the outcome of the ECA application process. In addition, the Company to date has not been provided with any estimates of the capital costs of the project from its appointed proposed EPC contractor, which is still finalising the detailed design of the proposed Malaysian high purity alumina (HPA) plant and has not been provided with sufficient firm quotations of costs to provide the estimate.