



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

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ALTECH APPOINTS M+W GROUP AS EPC CONTRACTOR FOR ITS HPA PROJECT

Highlights

- M+W Group appointed as EPC contractor
- Leading global engineering and construction group with extensive Asian experience
- Project familiarisation and design hand-over meeting held in Germany this week
- Established Singapore and Malaysian offices, with extensive Malaysian construction experience

Following a week long project familiarisation and design hand-over meeting held at the offices of M+W Group in Stuttgart, Germany this week, **Altech Chemicals Limited** (Altech/the Company) (ASX: ATC) has formally appointed M+W Group as its Engineering, Procurement and Construction (EPC) contractor for its high purity alumina (HPA) project.

Attendees at the Stuttgart meeting included Altech management, representatives from Simulus Engineering (the Perth based multi disciplined engineering company and lead consultant for the HPA project bankable feasibility study), M+W Group, and for part of the week representatives from KfW IPEX-Bank.

The appointment of M+W Group as EPC contractor by Altech marks the formal commencement of the final detailed engineering design phase of the Company's HPA project, in preparation for the commencement of construction. M+W Group has advised Altech that it has selected a specialist chemicals processing team to be assigned to the project "We are delighted by the opportunity of being part of this new state of the art chemical facility" said Mr Robert Savarese, Head of M+W Group Global Chemicals Business Development. "We are excited to have been appointed EPC contractor and we look forward to engineering an efficient sustainable solution for Altech".

Background

Following the completion of the HPA project bankable feasibility study (BFS) in June 2015, Altech and Simulus Engineering have focussed on optimising the proposed HPA production process, plant configuration and equipment selection and the update of equipment and consumables pricing, this culminated in the release of an update to the BFS earlier this week (refer ASX Announcement dated 16 March 2016 for details). During this time, the project team also completed initial detailed engineering work which is now in the process of being transitioned to M+W Group in Germany and includes all process instrumentation diagrams, equipment specifications and also the three dimensional plant layouts and design.

Project Financing

As previously announced, Altech has mandated German bank KfW-IPEX Bank Gmbh (KfW-IPEX), to provide structuring and financing services in relation to the provision of senior debt project financing for the Company's proposed HPA project. Furthermore, the Company, with the support of KfW-IPEX intends making application under the export credit insurance guarantee scheme of the Federal Republic of Germany (ECA cover) for ~US\$40.0 million of project debt finance cover on the basis that it has estimated that approximately US\$40 million of project capital expenditure should qualify for ECA cover. Interest rates charged by lenders on debt that is supported by ECA cover is typically at attractive conditions, as the repayment of the debt is insured, also long tenure is usually available in accordance with OECD guidelines. Additional senior debt (currently estimated at ~US\$20.0 million) will be required, and it is expected that this will be at normal commercial terms and rates of interest.

M+W Group

M+W Group GmbH, based in Stuttgart, Germany, is a leading global high-tech engineering company. Established in 1912, the company manages projects of all dimensions on behalf of clients from various sectors, including electronics, chemicals and pharmaceuticals, energy and information technology — from semiconductor plants to nanotechnology research centres. M+W Group offers a full range of services from concept and design to turnkey solutions. During the financial year 2015, the M+W Group generated sales of 3,0 billion euros with around 6,000 employees worldwide. The firm has a strong presence in Asia with – among others – regional offices in both Singapore and Penang, Malaysia, and has successfully completed over 700 projects in the Asia Pacific region where it employs around 2,200 highly skilled and experienced staff. For more information please visit www.mwgroup.net

M+W Group will have responsibility for engineering, procurement and construction of the Malaysian portion of the HPA project (~US\$65.5 million), and intends to make use of its cost effective local Malaysian and Singaporean subsidiaries for the majority of the construction works. Assuming the success of Altech's ECA cover application, M+W group will play an important and critical role in the management and co-ordination of all equipment and services suppliers under the scheme. M+W Group has previous experience at managing projects where ECA cover was made available.

Commenting on the appointment of M+W Group, managing director, Iggy Tan said *"M+W Group brings vast construction experience and knowledge to the project. With a strong presence in Asia, and specifically experience at project construction in Malaysia, the use of its local Singapore and Malaysian offices for construction with detailed design in Germany is a perfect combination for us."*

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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) (Al₂O₃)**.

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 19,040tpa (2014) and demand is growing at an annual rate of 28%, 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. HPA demand is expected to at least double over the coming decade.

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 Q1-2017.



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.