



**Altech Chemicals**  
Limited

## ASX ANNOUNCEMENT AND MEDIA RELEASE

16 May 2017

# ALTECH APPOINTS SMS GROUP AS EPC CONTRACTOR FOR MALAYSIAN HPA PLANT

### Highlights

- SMS group appointed as EPC contractor
- Leading German global engineering and construction firm
- Additional throughput, process and quality guarantees
- Initial US\$100,000 share subscription
- Project equity or subordinated debt support at financial close

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) (FRA: A3Y) advises that it has appointed German engineering firm SMS group GmbH (SMS) as the engineering, procurement and construction (EPC) contractor for its proposed Malaysian high purity alumina (HPA) plant.

A key condition of Altech's application for German export credit project finance cover is the provision of a throughput guarantee for the HPA plant by the EPC contractor. The previously envisaged EPC contractor was unable to provide this guarantee.

SMS, as the incoming EPC contractor has proposed the following to Altech:

1. Fixed price turnkey EPC contract (existing);
2. Completion and cost guarantees (existing);
3. Process guarantee including final product quality (additional);
4. Throughput guarantee (additional);
5. Commissioning and start up responsibility (additional);
6. Initial subscription of US\$100,000 of Altech shares (additional); and
7. Project equity or subordinated debt support at project financial close (additional).

SMS has proposed a clear and concise guarantee to Altech for HPA 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 and this will significantly strengthen Altech's export credit project finance cover application. The additional guarantees proposed by SMS are extremely positive outcomes that significantly de-risk the project.

SMS has also agreed to an initial US\$100,000 subscription of Altech shares upon formal execution of contract documentation, and has proposed an equity investment or subordinate debt support for Altech at project financial close.

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By mutual agreement, the previously envisaged EPC contractor will cease its preparatory work for the project and transfer all information to the SMS project team. SMS will continue with finalising the project capital cost estimation, which is expected in the coming months following the transition of all project information.

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.

Commenting on the appointment of SMS as EPC contractor, Altech managing director Iggy Tan said, *"The appointment of SMS as EPC contractor for the proposed Malaysian HPA plant, although only recently envisaged, will be a huge positive for the project. Not only does SMS have prior experience with the Company's kaolin to HPA hydrogen chloride acid leaching process, it has demonstrated its confidence in Altech and the process with an initial US\$100,000 equity investment pledge and project equity or subordinated debt support upon financial close. SMS also has extensive experience with German ECA cover and is amongst the top three users of this facility in Germany."*

- Ends -

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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)** ( $\text{Al}_2\text{O}_3$ ).

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.