



Altech Chemicals
Limited

QUARTERLY REPORT

March 2017

HIGHLIGHTS

Debt due diligence at an advanced stage

- Confirmatory pilot plant test work completed in South Africa, Australia and Germany
- HPA market study completed
- Technical due diligence at an advanced stage
- Permitting in Malaysia and Australia progressed

Fixed price EPC contract targeted for HPA plant construction

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

Mining approval received for Meckering kaolin deposit

- Mining proposal approved for Altech's Meckering kaolin deposit (M70/1334)
- Important development milestone for supply of kaolin feedstock to Malaysian HPA plant
- Mining can proceed immediately when required
- Initial mining campaign of two-months to stockpile 3 years' supply of kaolin for HPA plant feedstock

Frankfurt Stock Exchange dual listing of Altech shares

- Dual listing of Altech shares on Frankfurt Stock Exchange
- Altech shares trade under the symbol "A3Y"
- Broadens Altech's European investor appeal, particularly in Germany
- Overcomes time zone and account issues for European retail investors

A\$2 million share placement to cornerstone investor

- A\$2 million raised via share placement to existing cornerstone investor
- Placement priced at \$0.14 per share, an 8% premium
- Existing Malaysian shareholder MAA Group Berhad
- Funds applied to detailed design and engineering

HPA plant detailed engineering well advanced

- Plant detailed design and engineering well advanced
- 55 M+W Group personnel allocated to the project
- Progressing in accordance with revised schedule
- Supplier and vendor firm quotations being submitted
- Final design incorporates scope changes and recommendations from due diligence

Altech Debt Due Diligence at an Advanced Stage

Altech Chemicals Limited (Altech/the Company) provided an update on the due diligence activities associated with the financing of its proposed high purity alumina (HPA) project during the quarter.

The various independent reviews and associated confirmatory pilot plant test work were announced as well advanced and nearing completion.

Altech has been working exclusively with German KfW IPEX-Bank on project finance structuring. The Company is currently targeting US\$70 million of project debt; the majority of which is aimed to be subject to German export credit cover (ECA), typically offered at attractive interest rates and terms; the remainder is expected to be available on normal commercial loan terms. The appointment of due diligence consultants by Altech and KfW IPEX-Bank was announced on 10 August 2016.

The consultants are engaged to undertake definitive technical, market and legal reviews of the Company's HPA project, with an independent "expert opinion" report presented at the conclusion of the reviews.

The due diligence consultants completed site visits to Meckering, Fremantle and Perth, Western Australia and to Johor, Malaysia and their respective initial reviews did not identify any major flaws in the HPA project. However various pilot plant confirmatory test work programs were requested and detailed audits initiated accordingly. The test work programs and audits are now well advanced.

Commenting on the due diligence activities, Altech managing director Iggy Tan said, "The last five months have been extremely busy for the Company as we worked with the various due diligence consultants to complete confirmatory pilot plant test work and respond to a large number of detailed information requests".

Confirmatory Test Work



Figure 1. Acid leach test work – Simulus Laboratories



Figure 3. Roaster test work - Drytech



Figure 5. Jet mill test work – Netzsch



Figure 2. Crystalliser test work – Simulus Laboratories



Figure 4. Roaster internal temperature at 700°C

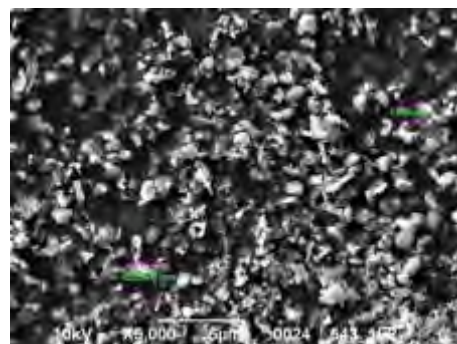


Figure 6. SEM photograph of jet milled final product HPA

Altech Targets Fixed Price Contract for HPA Plant Construction

During the quarter Altech announced that it had 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 its proposed Malaysian 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.

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.

Figure 7. Proposed HPA plant in Johor, Malaysia



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”.*

Figure 8. Proposed HPA plant in Johor, Malaysia



Altech Gains Mining Approval For Meckering

During the quarter the Company announced that the Department of Mines and Petroleum (WA) approved the mining proposal and the associated mine closure plan for its Meckering kaolin deposit. The mining approval marks an important stage in the development of the Company's proposed Meckering kaolin mine, which will provide feedstock for Altech's proposed Malaysian HPA plant.

The approved submission specifically allows for mining activities to commence within the Company's 100%-owned Meckering mining lease M70/1334, which is located approximately 140km east of Perth. At Meckering, Altech plans to mine approximately 140,000 tonnes of kaolin once every three years; mining will take place in short two-month mining campaigns. The resultant raw kaolin ore will be stockpiled on site, then containerised into standard shipping containers at the rate of approximately 40,000tpa and shipped to Johor, Malaysia via the port of Fremantle, Western Australia.

Altech managing director Mr Iggy Tan said, "The Company is delighted to have received mining approval for the Meckering kaolin deposit. Whilst the Company will not need to commence mining kaolin until 2018, the approval of the mine is an important developmental milestone that has now been ticked off.

"The next step is the works approval application for the proposed loading facility at Meckering, which is assessed by the Department of Environment Regulation", Mr Tan concluded.

Altech Dual Lists on Frankfurt Stock Exchange

Altech was pleased to announce the completion of a dual listing of the Company's shares on the Frankfurt Stock Exchange during the quarter. The Company's shares trade under the symbol "A3Y" on the exchange (**FRA: A3Y**).

The successful Frankfurt Stock Exchange dual listing supports Altech's strategy to broaden its European investor base, particularly in Germany where there is growing interest in the Company's HPA project.

The Company's application for German export credit agency project finance cover, the high level of German and other European equipment for its proposed HPA plant and the appointment of a German engineering, procurement and construction (EPC) contractor for the project has heightened Altech's investment appeal for German and other European investors. Also, the Frankfurt Stock Exchange listing overcomes time difference and account issues for European retail investors.

As Altech's shares were already quoted on the Australian Securities Exchange (ASX), which is a Frankfurt Stock Exchange approved "like" exchange, the dual listing was possible without primary listing procedures such as the filing of a prospectus; consequently the listing was conducted at minimal cost and time.

About the Frankfurt Stock Exchange

The Frankfurt Stock Exchange is the world's third largest exchange-trading market as measured by trading volume, behind the New York Stock Exchange and NASDAQ. More than 50 percent of the total trades on the Frankfurt Stock Exchange are from investors located in countries outside of Germany.



BÖRSE
FRANKFURT

\$2 Million Share Placement to Cornerstone Investor

Subsequent to quarter end Altech announced a \$2 million share placement (the Placement) to existing cornerstone investor, MAA Group Berhad (MAAG).

The Placement shares will be issued at 14 cents per share, which represents an ~8% premium to the closing price of the Company's shares as traded on the ASX on the day prior to the Placement announcement (12 April 2017). Funds raised from the Placement will be applied to the completion of detailed design and engineering of the Company's proposed Malaysian HPA plant.

MAAG is a Malaysian publicly listed insurance, investment, credit and finance group and is an existing shareholder of Altech. Altech non-executive director, Tunku Yaacob Khyra is the executive chairman and majority shareholder of MAAG, consequently the placement shares to MAAG will be subject to the approval of Altech shareholders.



HPA Plant Detailed Engineering Well Advanced

Subsequent to quarter end the Company provided an update on the extensive detailed design and engineering work for its proposed Malaysian HPA plant.

Detailed design and engineering is now well advanced and progressing in accordance with the revised schedule agreed between the Company and its appointed EPC contractor M+W Group, following settlement on a fixed price construction contract framework.

Design and engineering has advanced to a stage where the majority of the supply and installation engineering packages have been released to suppliers and installation vendors to obtain firm quotations for incorporation into a final construction cost and EPC contract value.

Process engineering equipment and piping designs are being managed by M+W Group's German office. The civil, buildings, electrical, instrumentation and associated installation and engineering works are being managed by M+W Group's Singapore and Malaysian offices. Overall project management and co-ordination is under M+W Group's German office. In Germany, the majority of the bills of quantities and supply packages have been completed and released to suppliers; the firm quotation response rates for these items are well advanced.

M+W Group's Singapore office is more advanced with the electrical equipment and design packages, with a majority of supplier firm quotations received. Civil and building designs are substantially complete with almost all packages released to suppliers; firm quotation response rates for these packages are well advanced.

Electrical design, which is being managed by M+W Group Singapore and includes all HPA plant site power requirements such as substations, incoming high-voltage power feed and utility supplier high-voltage substation is substantially complete.

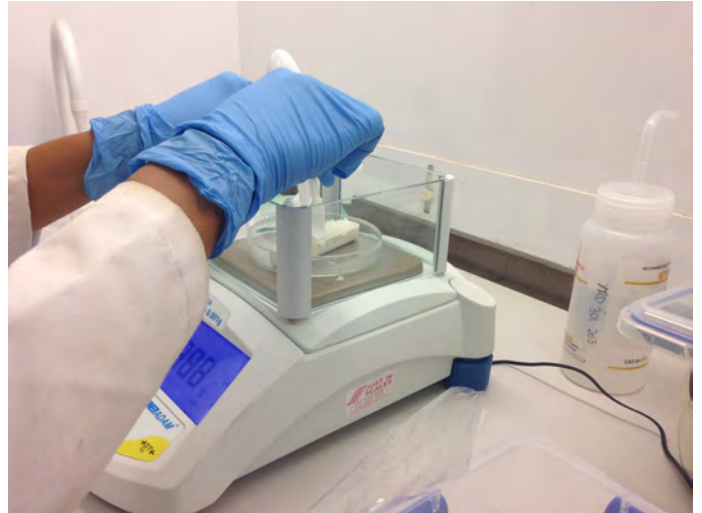
HPA Plant Detailed Engineering Well Advanced (cont.)

Instrumentation and process control designs are at an advanced stage, a majority of the packages have been released to suppliers and firm quotations are being received. Installation packages for CSA, piping, electrical, mechanical, instruments and building and site services, are however less advanced.

As is typical during project due diligence, design and engineering; plant design alterations, equipment selection adjustments and flow sheet optimisations have been made since the Bankable Feasibility Study (BFS) was released. This included building steel requirements and associated civil works, which have increased significantly (approximately 3 fold) due to local building regulations (e.g. typhoon requirements); an increase in overall equipment loads; increases in building heights; and additional requirements in laboratory, admin and process control buildings.

In the process plant both kilns and the hydrogen chloride (HCl) recycle plant have been upsized to provide improved temperature stability and conversion performance. "Inconel 600" acid resistance steel has been added to kiln and waste gas handling systems to reduce the likelihood of impurity pickup and there has been extensive use of alumina linings on various equipment for impurity management.

Overall, piping requirements have increased due to improved detailed 3D piping design and engineering. In the process control area additional electrical instrumentation is required and process control units have been upgraded for the final design. Installation of a high-voltage substation to take the high-voltage power feed for the HPA plant and an expansion of the substation requirement due to additional equipment was required.



On the environmental side, the online storm water management system was upgraded to align with local storm water surge management requirements. On 22 February 2017 the Company announced a significant de-risking of the project when it reached agreement with M+W Group on a framework for a fixed price EPC contract for the HPA plant. A fixed price EPC contract is an extremely positive outcome 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).

M+W Group is not yet in a position to provide the Company with an estimate of the fixed price EPC contract value, or the final capital cost estimate for the HPA plant. These will be provided when the majority of firm quotations are received from equipment suppliers and installation vendors, which are expected towards the end of this current quarter.

Commenting on the progress of detailed engineering and design activities, Altech managing director Iggy Tan said, *"overall, the detailed design, engineering and associated final EPC contract price formation is progressing at the required rate to align with the German government export credit agency project finance cover application and approval processes. Altech continues to fund all detailed design and engineering activities in order to expedite project development."*

Corporate

During the quarter Altech participated in the ASX CEO Sessions event in Sydney on 21 February 2017. The CEO Sessions are filmed and broadcast across Finance News Network and ASX's online channels for wide scale distribution providing a unique opportunity to reach investors beyond the event. To view the interview and presentation by Altech managing director Iggy Tan please visit our website www.altechchemicals.com

The initiation of coverage on Altech by equity investment analysis firm The Sophisticated Investor (TSI) (Adam Kiley) occurred during the quarter. The unique aspect of TSI's analysis is that it is in the form of short informative videos which "show and tell" the Company and its proposed HPA project.

The written report titled, "Stars align for HPA developer" includes a three part video analyses (9 videos in total):

Summary & Analysis

1. Initiation Report
2. Company valuation analysis
3. Investment analysis
4. Risk assessment

Operations

5. Why Malaysia
6. Virtual site trip

Technology, Product and Marketing

7. What is HPA?
8. Offtake and pricing
9. The pitch

To read the research report and watch the TSI suite of videos please visit: altechchemicals.com/sophisticated-investor



Schedule of Tenements

As per ASX Listing Rule 5.3.3, the Company held the following tenements (exploration and mining leases) as at 31 March 2017:

Tenement ID	Registered Holder	Location	Project	Grant Date	Interest start of quarter	Interest end of quarter
E70/4718	Canning Coal Pty Ltd	WA Australia	Kerrigan	01/12/2015	100%	100%
M70/1334	Altech Meckering Pty Ltd	WA Australia	Meckering	19/05/2016	100%	100%
E70/4643	Australian Mineral Sands Pty Ltd	WA Australia	SW Titanium	16/01/2013	100%	0%



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QUARTERLY REPORT

March 2017

Company Snapshot

Altech Chemicals Limited (ASX:ATC) (FRA:A3Y)
ABN 45 125 301 206

FINANCIAL INFORMATION

(as at 31 March 2017)

Share Price:	\$0.135
Shares:	266m
Options:	3.0m
Performance Rights:*	20.7m
Market Cap:	\$35.9m
Cash:	\$0.8m

DIRECTORS

Luke Atkins	Non-executive Chairman
Iggy Tan	Managing Director
Peter Bailey	Non-executive Director
Dan Tenardi	Non-executive Director
Tunku Yaacob Khya	Non-executive Director
Uwe Ahrens	Alternate Director

COMPANY SECRETARY/CFO

Shane Volk

INVESTOR RELATIONS (EUROPE)

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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) (Al₂O₃).

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

The Company reports that the ECA application process is set for mid-2017 and there is no certainty that the export credit and debt finance will be approved. The Company makes no representations or warranties whatsoever as to the outcome of the ECA approval process. In addition, the Company to date has not been provided with any estimates of the capital costs of the project from EPC contractor, M+W Group. M+W Group is currently in the detailed design phase and has not reached sufficient firm quotations to provide any estimates. The Company expects a final EPC fixed price from M+W Group around mid-2017.

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.

**subject to vesting conditions*

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ALTECH CHEMICALS LIMITED

ABN

45 125 301 206

Quarter ended ("current quarter")

MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	45	(20)
(b) development	(3,063)	(8,222)
(c) production	-	-
(d) staff costs	(429)	(1,271)
(e) administration and corporate costs	(423)	(1,091)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17	78
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	500	500
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,353)	(10,026)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(601)	(1,203)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(601)	(1,203)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	11,005
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(599)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	10,406
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,731	1,600
4.2	Net cash from / (used in) operating activities (item 1.9 above)		
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	777	777

Mining exploration entity and oil and gas exploration entity quarterly report

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	777	4,731
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details) (Security Deposit)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	777*	4,731

* \$2.0 million share placement announced 13 April 2017

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	162
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Director Remuneration & Rent of office premises	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	1,500
9.3 Production	-
9.4 Staff costs	400
9.5 Administration and corporate costs	350
9.6 Placement of shares to related party (as announced on 13 April 2017)	(2,000)
9.7 Total estimated cash outflows	250

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
 (Director/Company secretary)

28 APRIL 2017
 Date:

SHANE VOLK
 Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.