



Altech Chemicals
Limited

QUARTERLY REPORT

March 2018

HIGHLIGHTS

Commitment and final terms executed for US\$190m debt facility

- Loan terms documentation executed with KfW IPEX-Bank
- Total debt package US\$190 million
- US\$170m at long tenure and attractive terms (German government export credit cover)
- US\$20m at commercial terms (5-year repayment)

Final stage of project financing advanced

- US\$190 million senior debt package formalised with KfW IPEX-Bank
- Final Investment Decision Study (FIDS) due diligence data room established
- Mezzanine debt work stream commenced
- Joint venture option advanced
- Project equity work stream to target quality equity partners

Purchase of freehold land over Meckering mining lease completed

- Purchase of freehold land covering mining lease M70/1334
- Ownership secures mining access
- Meckering kaolin mine fully permitted

Malaysian manufacturing licence approved

- Manufacturing licence approved for Altech's Johor-based 4,500tpa high purity alumina (HPA) plant
- Target "Pioneer Status" investment incentive (5-year company income tax exemption)
- Altech's HPA project represents RM1.2 billion investment for Malaysia

Altech lodges new patent application

- New provisional patent application lodged with the Australian Patent Office
- Incorporates finished product technology
- Global Intellectual Property search completed
- Altech's kaolin-to-HPA HCl-based processing technology is novel
- There is no risk of patent infringement
- Altech's patent application affords international protection for its HPA production method

Commitment and final terms executed for US\$190m debt facility

Altech Chemicals Limited (Altech/the Company) executed the commitment and agreed terms and conditions for a US\$190 million project finance debt package with German government-owned KfW IPEX-Bank during the quarter.

This represented the formalisation of the total debt package of US\$190 million for the Company's proposed high purity alumina (HPA) project.

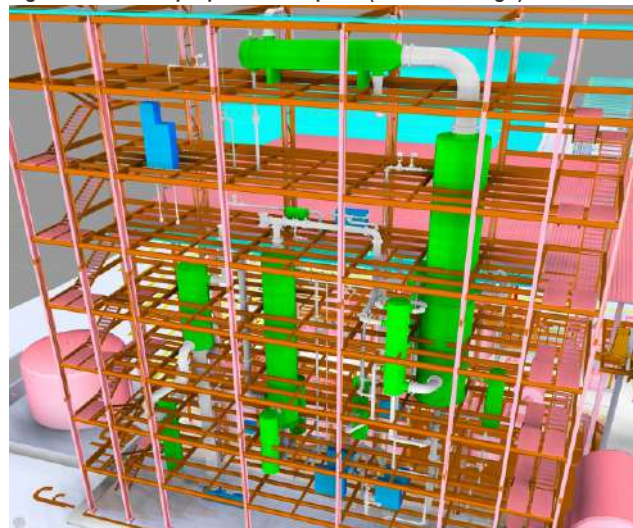
Of the total debt facility committed with KfW IPEX-Bank, US\$170 million of it is project finance covered by the German export credit agency (ECA) with the balance of US\$20 million under normal commercial terms.

The ECA-covered loan (US\$170 million) is at long tenure and highly attractive loan terms. The balance of US\$20 million of borrowing will be a 7-year loan including a 2-year construction period, resulting in a 5-year repayment period and at customary lending terms.

By comparison to typical project finance, the loan terms agreed with KfW IPEX-Bank are extremely attractive.

The final step to finance close is the execution of the facility agreement documentation and the satisfaction of various conditions precedent required before first debt draw-down.

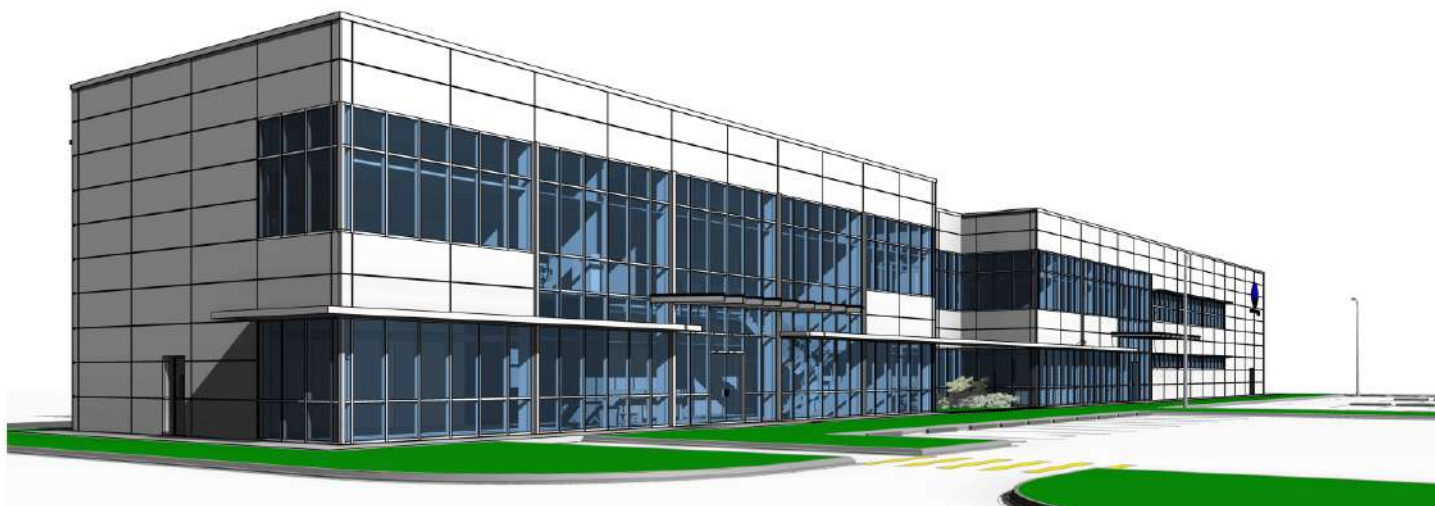
Figure 2. Altech's proposed HPA plant (detailed design)



The Company commenced work on securing the "balance of funds" for the project during the quarter.

The balance of funds is expected to comprise a combination of mezzanine debt (loans that are subordinate to the KfW IPEX-Bank loans); equity issued by Altech; and possibly the introduction of a joint venture partner to the project. Securing the balance of funds is one of the conditions precedent to debt draw-down.

Figure 1. Altech's proposed 4,500tpa high purity alumina (HPA) plant



Final stage of project financing advanced

Subsequent to the formalisation of the US\$190 million senior debt package with German government owned KfW IPEX-Bank, the Company advanced the final stage of project financing during the quarter.

Since the KfW IPEX-Bank debt funding was confirmed in early 2018, there is heightened interest in the Company and its HPA project. The path to finance close and the ability to draw-down on the senior debt package involves the Company satisfying various conditions precedent, which includes securing a balance of funds for the HPA project.

The options and proposals being considered by the Company include mezzanine debt (subordinate to the senior KfW IPEX-Bank loans); potential project partnerships; a traditional equity issue by the Company; and the sale of a royalty stream over future HPA sales revenue.

The Company is encouraged by the interest and the rapid recognition of the potential of the high purity alumina market. Altech currently estimates that it may take until mid-2018 to determine the optimal funding solution for the HPA project. The Company's objective remains to achieve a robust project funding solution that maximises shareholder returns and minimises dilution.

I. Mezzanine Debt

A number of groups were appointed to assist the Company with identifying potential financiers and securing indicative terms for proposed mezzanine debt, which will be subordinate to the US\$190 million senior loan package. The Company's HPA project is extremely cash positive and can support a potential mezzanine debt facility of between US\$70 and US\$120 million.

More detailed due diligence activities by several financier groups including site visits (to both Malaysia and Australia) have occurred during the quarter. Direct discussions between the potential mezzanine debt providers and KfW IPEX-Bank, the due diligence consultants, the Company's off-take partner and the appointed EPC contractor have also taken place.

In addition to the mezzanine debt providers, there is also interest in financing from the convertible bond market. Other options including a potential royalty stream and a US denominated bond issue directly at the project level. Work streams with potential financiers are expected to continue over the next quarter.

ii. Joint Venture

The Company is assessing the option of a project level joint venture investment with several industrial groups, which if successfully concluded, would likely result in a major reduction in the amount of equity contribution required from Altech shareholders as part of the balance of funds.

A partial sale at the project level in conjunction with mezzanine debt is an attractive option for the Company to secure the majority of the balance of funds, as it will significantly reduce shareholder dilution.

The Company is targeting potential joint venture partners that have speciality industrial materials experience and a strong balance sheet. Various meetings were held during the quarter with potential partners.

iii. Project Equity

Several groups were appointed to assist the Company with the anticipated equity raising that is likely to be required to secure the total balance of funds. The final equity amount has not yet been determined, as it will depend on the amount of mezzanine debt secured; the outcome of the joint venture and project sell down option; any royalty stream sale; plus final financing costs, the working capital requirements and any additional contingency amount.

Altech is targeting potential equity partners that share its longer-term vision for the Company, which is to be a substantial force in the global HPA market. Roadshows and presentations by the Company to the various target regions like Europe, USA, Australia and the Asia-Pacific will continue in the coming quarter.



Malaysian manufacturing licence approved

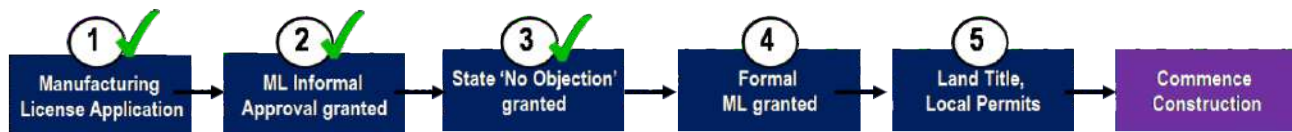
The Company was advised by the Malaysian Investment Development Authority (MIDA) that its manufacturing licence application for its 4,500tpa high purity alumina (HPA) plant at Johor, Malaysia was approved during the quarter.

The formal manufacturing licence will be issued subject to the submission of various additional documents including a letter of 'No Objection' from the Johor state government.

Subsequent to quarter end, the Company received a letter of 'No Objection' from the Johor State Investment Centre in relation to the formal issuance of the manufacturing licence. As illustrated in Figure 3, upon receipt of the manufacturing licence the Company will be in a position to commence construction of its proposed HPA plant, subject to the issue of land title, local construction permitting and finance close.



Figure 3. Malaysian HPA Plant Development Stages



Malaysian Investment Development Authority (MIDA)

Upon issue of the formal manufacturing licence, Altech Malaysia's application for pioneer status (high technology) investment incentive classification will also be confirmed. A project approved as pioneer status (high technology) will benefit from income tax exemption of 100% of its statutory income for a period of five years from the commencement of commercial production. Also, any accumulated losses and unabsorbed capital allowances (depreciation) during the pioneer status period can be carried forward and deducted from post pioneer status period income.

The Company is delighted with the support for its HPA project demonstrated by MIDA and the Johor and Malaysian governments.

The prompt assessment of Altech's manufacturing licence application and the letter of 'No Objection' received is testament to their support for the proposed HPA plant, which will represent a total investment of approximately 1.2 billion ringgit in Malaysia.

Figure 4. Altech & MIDA in Kuala Lumpur, Malaysia



Purchase of freehold land over Meckering mining lease completed

During the quarter the Company's wholly-owned subsidiary Altech Meckering Pty Ltd completed the purchase of approximately 92 hectares of freehold land covering its granted mining lease M70/1334, at Meckering, Western Australia.

Altech previously announced that it had exercised its option to purchase the freehold land on 17 October 2017. Settlement of the purchase was subject to the subdivision of the registered land title; the issuing of certificates of title for the new lots created; and final payment of the purchase price, all of which were completed prior to settlement.

Kaolin ore from the Company's Meckering mining lease M70/1334 will provide feedstock for its proposed Malaysian HPA plant. Altech received mining approval for its Meckering kaolin mine in March 2017 and a works approval for the construction of a kaolin screening and loading facility in August 2017.

Finalising the purchase of the freehold land covering granted mining lease M70/1334 marks the completion of another important milestone in the advancement of our HPA project. The land purchase will ensure unimpeded access to M70/1334 for Altech. The proposed Meckering kaolin mine is fully permitted and construction of the kaolin screening and loading facility and initial mining can proceed once the balance of project finance is secured.

Figure 5. Plan of freehold land subdivision (blue) and mining lease M70/1334 (red)



Figure 6. Proposed Meckering kaolin screening/loading site



Altech lodges new patent application

During the quarter the Company lodged a new provisional patent application with the Australian Patent Office (IP Australia), which incorporates the finished product HPA technology developed by Altech for its HPA project.

The new patent application expands on a previously lodged patent application titled 'A Method for the Preparation of Alumina', which was filed by the Company in October 2014. The existing patent application describes Altech's method of preparing alumina from aluminous material, including kaolin. The new patent application incorporates various refinements and discoveries that were made to the Company's HPA processing route during the due diligence program.

The new application incorporates the Company's most recent process design invention, which relates to the flexible finished product line that is capable of producing HPA product (4N) with specifications required by the synthetic sapphire industry (in the form of high density pellets) as well as specifications required by the lithium-ion battery separator industry (fine powder at sub-micron particle size).

The new patent application covers the following steps (please note the term 'aluminous material' refers to the Company's kaolin):

1. treating aluminous material to reduce particle size and increase the alumina content;
2. calcining the aluminous material;
3. leaching the aluminous material with hydrochloric acid;
4. solid liquid separation to provide a pregnant liquor;
5. crystallising aluminium chloride hexahydrate by adding hydrogen chloride gas;
6. precipitating and separation of aluminium chloride hexahydrate;
7. dissolving the aluminium chloride hexahydrate in water and repeating the crystallisation process;
8. roasting and calcining aluminium chloride hexahydrate to provide alumina; and
9. finishing alumina in either a high-density bead or fine alumina powder.



As part of the project due diligence initiated by KfW IPEX-Bank, a global freedom-to-operate search was also concluded during the quarter to confirm that the Company is able to produce, market, sell, or otherwise distribute HPA that is manufactured by its own unique process. The search, which was conducted by Wrays Patent and Trade Mark Attorneys, involved a comprehensive review of existing alumina manufacturing patents around the world.

The search was conducted across a database covering over 100 patent authorities containing over 60 million patent records. It involved identifying all patents or patent applications in the field of alumina preparation and all patents and patent applications covered by the World Intellectual Property Organisation. The search covered key market countries and areas such as Australia, People's Republic of China, Canada, Federal Republic of Germany, Europe, United Kingdom of Great Britain and Northern Ireland, Japan, Republic of India, Korea, Russian Federation, Taiwan, United States of America and Malaysia.

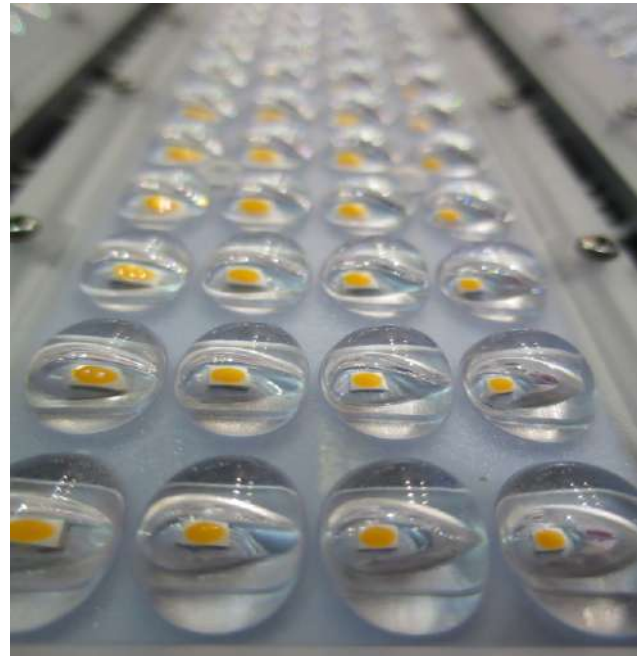
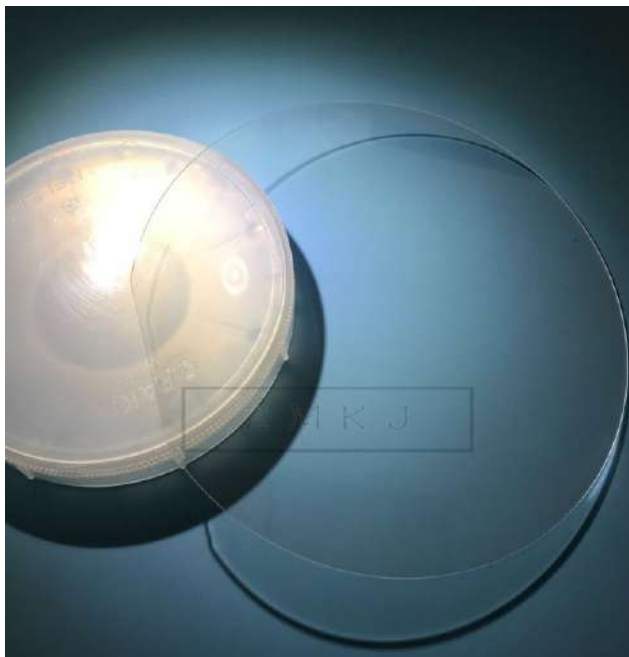
The results of the global search confirmed Altech's unique HPA manufacturing process (Intellectual Property). Wrays did not identify any patent or patent application that could assert to prevent the production of HPA by Altech using its unique process in Malaysia, nor prevent the marketing, selling or distribution of its HPA, or products containing its HPA, globally.

The search confirmed Altech's view that its IP for producing HPA from kaolin/aluminous material using its hydrochloric acid-based processing technology is unique; further, the search confirmed that any other party that employs a similar process to produce HPA would most likely be in breach of Altech's IP.

Engineering update

The Altech team, in conjunction with the HPA project's appointed EPC contractor SMS group (SMS), have been working to progress the plant detailed design in parallel with project funding activities. This has included technical meetings hosted by SMS in Johannesburg during the quarter, which focused on construction methodology and work package sequencing. Meetings were also held with the HPA project's proposed kiln supplier to confirm design parameters in anticipation of equipment orders early in the project execution phase.

Confirmatory test work has also continued at a number of key equipment vendors' facilities. Centrifuge testing is now complete, with the results confirming the excellent filtration performance of Altech's large ACH crystals. Data collected from the filtration test work will be used to finalise the equipment design and operating parameters. Drum scrubber performance has also been tested in order to finalise the beneficiation equipment design. Finally, further testing of the HPA milling and pelletising circuit is underway to finalise equipment sizing and optimise the design for Altech's product specifications.



Corporate

Investor Roadshows

Altech has focused on consolidating support for its HPA project from its existing cornerstone and institutional shareholder base and via introduction of the investment opportunity in Europe, London, Hong Kong and Australia. The Company's HPA project has resonated with a number of institutional investors, high net-worth investors and retail investors. Institutional support for the Company has grown considerably in the last 18 months as a result of Altech's investor roadshow campaigns.

Altech is targeting potential equity partners that share its longer-term vision for the Company, which is to be a substantial force in the global HPA market. Roadshows and presentations by the Company to the various target regions including Australia, continued with investor conferences to Brisbane, Sydney and Melbourne.

The Company participated in the Australian Energy and Battery Minerals Investor Conference in Brisbane, March 2018. The Company also participated in the TechKnow Investor conferences in Melbourne and Sydney in April 2018.



Altech Chemicals
Limited

QUARTERLY REPORT

March 2018

Company Snapshot

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

FINANCIAL INFORMATION

(as at 31 March 2018)

Share Price:	\$0.16
Shares:	426m
Options:	Nil
Performance Rights:*	20.7m
Market Cap:	\$68m
Cash:	\$6.9m

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

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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 2018:

Tenement ID	Registered Holder	Location	Project	Grant Date	Interest end of quarter
E70/4718-I	Canning Coal Pty Ltd	WA Australia	Kerrigan	01/12/2015	100%
M70/1334	Altech Meckering Pty Ltd	WA Australia	Meckering	19/05/2016	100%

ABOUT ALTECH CHEMICALS LTD (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).

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 Final Investment Decision Study (FIDS) for the construction and operation of a 4,500tpa 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 mid-2018.

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.

*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 LTD

ABN

45 125 301 206

Quarter ended ("current quarter")

MARCH 2018

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	-	(25)
(b) development	(1,057)	(7,709)
(c) production	-	-
(d) staff costs	(378)	(1,331)
(e) administration and corporate costs	(544)	(1,365)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	45	77
1.5 Interest and other costs of finance paid	-	(15)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	298
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,934)	(10,070)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,625)	(1,656)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Appendix 5B

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	-	10
(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	(1,625)	(1,646)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,371	17,905
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	(150)	(680)
3.5 Proceeds from borrowings	-	280
3.6 Repayment of borrowings	-	(280)
3.7 Transaction costs related to loans and borrowings	-	(10)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,221	17,215

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	9,269	1,432
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,934)	(10,070)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,625)	(1,646)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,221	17,215
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	6,931	6,931

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	6,931	9,269
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,931	9,269

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	154
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 and 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	(800)
9.3 Production	-
9.4 Staff costs	(350)
9.5 Administration and corporate costs	(400)
9.6 Other (payments for land Malaysia)	(2,550)
9.7 Total estimated cash outflows	(4,100)

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)

30 April 2018
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.