



ASX Announcement

For immediate release

Tuesday 30th September 2014

2014 Strategic Review, impairment of non-current assets & rehabilitation provision

Key points:

- 1. Future of Alreco plant dependent on processing Alcoa landfill.**
- 2. Expansion overseas is currently sub-economic.**
- 3. Impairment charges and rehabilitation provisions totalling \$6.695 million.**

The closing of the two main secondary aluminium smelting operations on the east coast of Australia has forced the Company to undertake another strategic review following the one completed in late 2012.

The 2014 Strategic Review has been wide ranging and included examination and analysis of Moolap's current operation, an 'ideal' process, environmental liabilities, Alcoa's landfill as ongoing feedstock, expansion opportunities, potential for Alreco to process alternate materials and improving the value of NMP.

The 2014 Strategic Review is continuing however the Company provides the following synopsis of the status quo:

i) Current Moolap operations

The current operations work adequately enough to process the salt slag into three discrete products, however it is far from 'world class'. The existing plant employs equipment that is old and, in some instances, not fit for purpose. Some equipment has been updated, in particular the new filter press, but since the Yennora closure announcement no further substantive work has been completed.

A thorough analysis of downtime, quality and throughput was undertaken which provided a clear picture of the current operational efficiency and identification of the causes of operational issues. Additional process controls were installed to improve the ability of management to monitor the entire process. The Company now has a clear understanding of the existing operation and has taken significant steps to improve the efficiency and subsequent profitability. This has provided the Company with the confidence that, properly maintained, the Moolap plant has sufficient life to process the 160,000 tonnes of material in

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Alcoa's landfill in the event that Alcoa and the EPA determine that this is required (refer iii below).

ii) Legacy stockpile & EPA

On 9 December 2013, the EPA issued a Pollution Abatement Notice (PAN) due to the Moolap plant site exceeding its licensed limit of storage of salt slag. An agreement was reached with the EPA whereby on or before 1 July 2015, the Company will have reduced its store of salt slag to be within the 3,000 tonne license limit. This situation is a legacy of the former arrangements involving the Project Development Corporation Joint Venture. The Company has developed and implemented a work plan to reduce environmental and associated legacies including, as announced to ASX on 22 September, the issuance of demands on several claims to recover substantial funds against a number of entities including PDC and its Joint Venture parties.

iii) Alcoa's Landfill

It is estimated that Alcoa has approximately 160,000 tonnes of unprocessed salt slag material at Moolap. The Company reviewed the available data and how it could best deal with this salt slag using its current operations at Moolap. The economics of processing the Alcoa Landfill were also reviewed to determine at what level of aluminium content the Alcoa Landfill would become economical.

The 2014 Strategic Review concluded that the Company is adequately equipped to treat the Alcoa Landfill material. The Company has actively engaged with Alcoa and the EPA to understand the requirements of treating this landfill and, to date, awaits a decision as to whether or not the Alcoa Landfill is required to be processed. In the event that the Company secures this remediation work, it will provide several years of feedstock for Moolap to process. In addition it would allow the Company to (i) further improve the Moolap plant's production efficiency, (ii) complete its current investigations to value-add the NMP, and (iii) provide a longer timeline regarding the potential for international or other expansion.

iv) Expansion opportunities

The Company undertook a review of expansion options in the USA and other jurisdictions where salt slag is generated. The process used at the Moolap site was further reviewed to determine whether an 'ideal' process could be implemented in a greenfield operation at its existing Kentucky site in the USA. This 'ideal' process was modelled to determine the feasibility and economics of establishing such a USA based operation and compared to the competing options available to secondary smelters in the USA.

Taking into consideration the current regulatory environment in USA (i.e. unprocessed salt slag can be landfilled) and the significant investment required to establish a greenfield operation (approximately \$20 - \$30 million), the directors concluded that expanding to the USA in the short term is not realistic. Should the environment in USA change, the Company can reassess the opportunity.

The possibility of expanding into other jurisdictions was also explored and where the competitive landscape is 'open' or would accommodate another entrant. In particular, the Middle East was examined where landfill costs are relatively high but potential volumes lower. Again, the directors concluded that the economics are marginal, a joint venture party would be required and the capital investment significant.

v) Value-add of non metallic product (NMP)

A review of possible 'value add' processes that could be undertaken on the NMP was conducted. This included reviewing processes used by current purchasers of the NMP as well as other applications that would be 'new ground'. Areas that were reviewed include metallurgical, refractory and ceramic products.

In order to make the processing of salt slag more economically viable, the Company has looked at various value add scenarios for the fine non metallic product material. The Company is still actively pursuing application in the ceramic industry for the NMP and will continue to work on this. The current testing at CSIRO is aimed at a 'proof of concept' level, the future of this opportunity is dependent on availability of salt slag feedstock.

vi) Transformation

An initial review of other possible waste streams that could be treated with equipment at the Moolap site was undertaken.

Although the process appears to have broader application, most of the alternate waste streams that have been considered do not have adequate volume. The Company will continue to look at other waste streams as they come to light to determine if they are applicable to the Company's Moolap operation. Whilst this item is open it will be more reactive than proactive.

Conclusions

1. The ability of the Company continuing to work in the domestic waste sector treating salt slag is solely dependant on the outcome of decisions by Alcoa (and the EPA of Victoria) regarding the Alcoa landfill.
2. In the event that the Alcoa landfill opportunity does not eventuate, the Company will activate its plan to clean up the Moolap site including the removal of all legacy stockpiles.
3. Expansion into USA (or other jurisdictions) is currently sub-economic even assuming the Company could secure the substantial capital investment. Accordingly the directors have determined that it is in the best interests of the Company to sell Russellville property in Kentucky.

Impairment of non-current assets and provision for rehabilitation

The directors have evaluated the ability of the Alreco processing facility to generate future cash flows beyond 31 December 2014, the end of the Alcoa contract. The uncertainty associated with the future of the Alreco processing facility caused the directors to record a further impairment charge of \$2,500,000 against the carrying value of the Alreco plant and equipment which, when added to the \$3,000,000 charge at 31 December 2013, brings the total impairment charge for the 2014 financial year to \$5,500,000.

Further given any future expansion into the USA is currently sub-economic, the directors have determined that the carrying value of the Company's USA intangible assets of approximately \$500,000 should be impaired to \$Nil.

The directors also have had regard for the Company's obligations to rehabilitate the Moolap site and have recorded a provision of \$688,000 as at 30 June 2014.

END

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