



Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

4 March 2015

ALTECH SECURES PARTNER TO FUND BULK KAOLIN STUDY

Highlights

- **Altech secures partner to fund ~\$100,000 bulk kaolin scoping study**
- **MOU provides a First Option over 10Mt of kaolin, for a \$1m share placement and 2% gross sales royalty**
- **Second Option for a further 10Mt of kaolin, for an additional \$1m share placement and 2% gross sales royalty**

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) is pleased to advise that a Memorandum of Understanding (MOU) has been signed with Dana Shipping and Trading S.A. (Dana) to fund a scoping study to assess the commercial viability of mining and processing bulk kaolin from the Company's Meckering kaolin (or aluminous clay) deposit (Meckering Deposit). Bulk kaolin is predominantly used in the ceramics, paper, rubber and paint industries. The estimated cost of the study is approximately \$100,000.

In return for conducting the study, Altech has granted Dana until 30 September 2015 to which it can exercise the exclusive right to mine up to 10Mt of kaolin from the Company's Meckering Deposit (First Option). On exercise of the option, Dana will be required to subscribe to \$1,000,000 of Altech fully paid ordinary shares, to be priced at a 10% premium to the volume weighted average price of the shares as traded on the ASX in the 120 calendar days prior to the option exercise date, and pay the Company a 2% gross sales royalty on all future bulk kaolin sales.

In the event Dana exercises its First Option, Altech will grant Dana a second option (Second Option) to mine an additional 10Mt of kaolin from the Meckering Deposit. The Second Option is exercisable within 3 months from the date of the first sale of commercial bulk kaolin from the Meckering Deposit, and if the Second Option is exercised Dana must subscribe to an additional \$1,000,000 of Altech fully paid ordinary shares, to be priced at a 10% premium to the volume weighted average price of the shares as traded on the ASX in the 120 calendar days prior to the option exercise date, and continue to pay a 2% gross sales royalty on all bulk kaolin sales.

Dana is an Athens-based global shipping company with a focus on dry cargo operations, working with a diversified suite of dry bulk commodities such as coal, iron ore, grains and minor bulks across all dry bulk vessel sizes.

Dana CEO Mr Patrick Hodgins commented, "*Dana is pleased with the agreement that Altech has worked hard to finalise. We believe that our investigation will confirm the great potential in this project to export to markets aligned with this high grade kaolin clay and to supplement our shipping activities in the long term.*"

Commenting on the MOU, Altech managing director Iggy Tan explained, "*The Company remains focused on its High Purity Alumina (HPA) project and the completion of the Bankable Feasibility Study (BFS) for the construction of a 4,000tpa HPA plant in Johor Bahru, Malaysia. However, we have always known that kaolin from the Company's*

Meckering Deposit, with its high brightness and whiteness properties, is attractive as a bulk product for ceramics and paper producers, and with a 65Mt JORC resource, the Meckering Deposit is more than capable of accommodating the annual requirement of ~40,000 tonnes of kaolin for the Company's proposed HPA project, and the 10Mt-20Mt total bulk kaolin requirement for Dana, if it exercises its options.

"The structure of the Dana option agreement has the added advantage of providing the Company with development funds at a share price premium, if the options are exercised, which will be applied towards the current BFS", he concluded.

About the Meckering Deposit

The Company's 100%-owned Meckering Deposit covers approximately 1000km² in area, and has an indicated and inferred kaolin mineral resource estimated at 65Mt @ 83.4% brightness (JORC 2004) (JORC Resource).

Historical exploration and development work was conducted at the Meckering Deposit by Swan River Kaolin (SRK) in the 1990's, which included open-pit mining to obtain bulk samples for bulk kaolin test work. In total 48 tonnes of material was mined from a test pit and beneficiated in SRK's pilot plant near Northam, Western Australia. Approximately 19 tonnes of bulk kaolin was successfully produced to the requisite commercial paper and ceramics quality with samples despatched to potential customers and end-users.

Meckering Deposit

Figure 1 – View of test pit and access road



Figure 2 – Meckering aluminous clay deposit has excellent transport infrastructure





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For more information, please contact:

Corporate

Iggy Tan
Managing Director
Altech Chemicals Limited
Tel: +61 8 9389 5557
Email: info@altechchemicals.com

Media Contact

Tony Dawe
Consultant
Professional Public Relations
Tel (office): +61 8 9388 0944
Email: tony.dawe@ppr.com.au

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)** (Al_2O_3). HPA is a high-value product because it is the major source material for scratch-resistant artificial sapphire glass. Sapphire glass is used to produce a range of high-performance electronic applications such as LEDs, semi-conductors, phosphor display screens, as well as new emerging products such as smartphones and tablet devices. The global HPA market is approximately 19,040tpa (2014) and 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 produces 4N HPA directly from an ore feedstock, aluminous clay, from its Meckering deposit in Western Australia. The Company is now advancing a Bankable Feasibility Study (BFS) to develop a full-scale **4,000tpa HPA production** facility. The Altech process employs conventional and proven "off-the-shelf" plant and technology to extract HPA from its **low-cost** and **low-impurity** aluminous clay feedstock, which results in **lower operating costs**.

Altech is a chemical processing group focused on creating a high-margin product to meet the growing global demand for the next generation of high-performance technologies.



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.

Competent Person Statement

Technical information in this report is based on information compiled by B.Sc. Geology, AMMG Chief Geologist and a member of the Australasian Institute of Geoscientists. Mr O'Mara has sufficient exploration experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC 2012"). Mr O'Mara consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.