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ALTECH OPTIMISES KAOLIN BENEFICIATION PLANT LOCATION

Highlights

- Kaolin beneficiation plant to be located at the Company's HPA plant site in Johor, Malaysia
- Lower capital and operating costs for kaolin beneficiation
- Detailed design and optimisation work continues

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) is pleased to provide an update on the detailed design work that is currently underway for its proposed high purity alumina (HPA) project. Detailed design commenced in September 2015, following the appointment of General Manager Operations Dr Jingyuan Liu and is being undertaken with the assistance of Stimulus Engineering, a Perth based multidiscipline engineering consultancy and M+W Group, the EPCM contractor for the project. The detailed design work also includes consideration of optimisation opportunities for process flow design, plant layout, capital equipment and operating costs.

Kaolin beneficiation

On 29 June 2015, the Company announced the positive results of its Bankable Feasibility Study (BFS) for the development of a 4,000tpa HPA processing plant at Johor, Malaysia and an associated aluminous clay (kaolin) beneficiation plant at Meckering, Western Australia to provide feedstock for the HPA plant.

The BFS contemplated the on-site beneficiation of mined kaolin material at Meckering, Western Australia. A four-stage wet screening circuit to remove oversized silica was designed, consisting of a drum scrubber, screening, pressure filter and dryer, bagging unit and supporting infrastructure. The plant was designed to produce an upgraded dry kaolin product of ~30% Al_2O_3 . The dry kaolin was to be delivered to Malaysia in containerised shipments of two-tonne bulk bags, initially transported by road from Meckering to the port of Fremantle, Western Australia, then by sea to the Company's proposed HPA plant in Johor, Malaysia.

However, as a result of the current detailed design and optimisation work, the kaolin beneficiation plant will now be located at the Company's proposed HPA plant site in Johor, Malaysia.

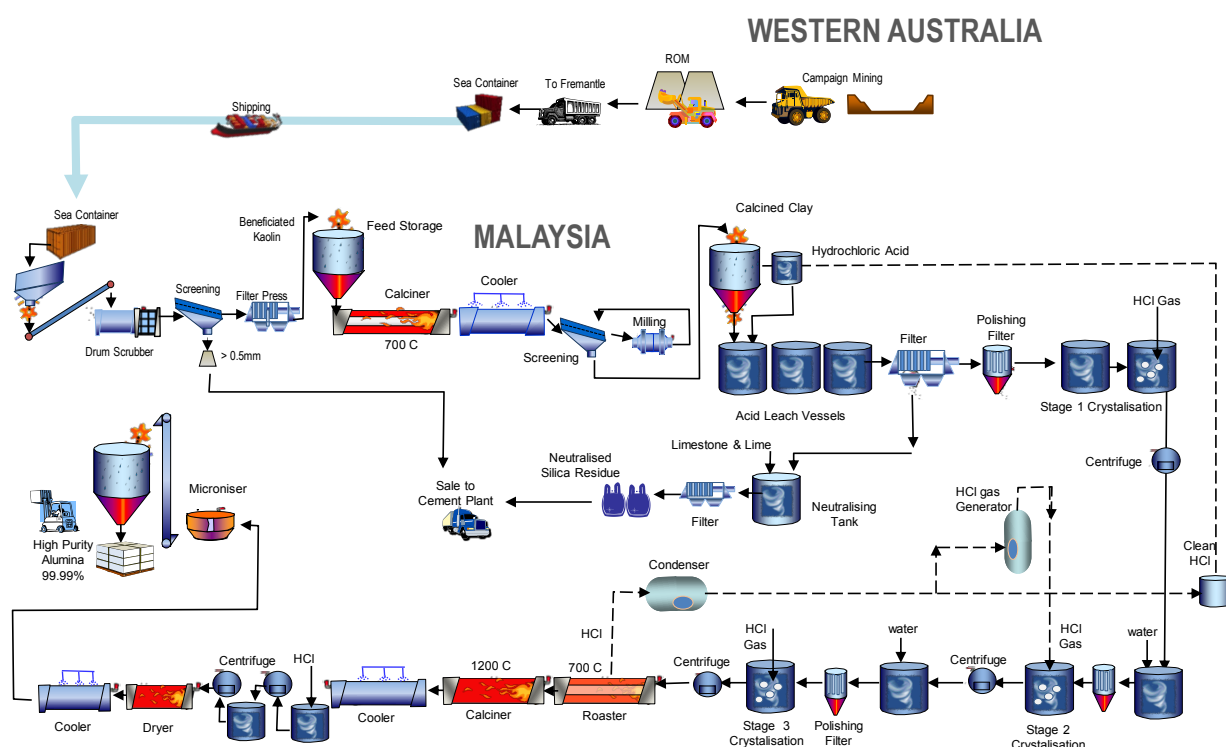
Locating the kaolin beneficiation plant in Malaysia will reduce the capital cost of the plant because it results in the proposed dryer, bagging unit and supporting infrastructure not being required. The removal of these items will also simplify the beneficiation process. A beneficiation plant located in Malaysia will also be smaller in size as it will operate 24hrs/day (as opposed to 12 hrs/day in Australia) and construction costs in Malaysia will be significantly lower. Operating costs for the Malaysian beneficiation plant will also be lower because of much lower power and natural gas charges, lower labour costs and various maintenance and operating synergies.

The estimated lower operating costs for the Malaysian beneficiation plant will more than offset the additional freight associated with transporting un-beneficiated kaolin from Meckering to Malaysia (approximately 40,000tpa of un-beneficiated kaolin, compared to the previously estimated 18,500tpa of beneficiated kaolin).

The revised Meckering operations (post mining) will now consist of the simple loading of raw kaolin material directly into sea containers for shipment to Malaysia.

The Malaysian kaolin beneficiation plant has been designed to accept raw kaolin from sea containers, which will be tipped directly into a hopper (see Figure 1, below), the requirement for handling of bulk bags at both ends of the beneficiation flow sheet has been removed. There will be an additional oversize quartz stream as a consequence of the beneficiation of kaolin in Malaysia, but the quartz will be sold as an aggregate by-product.

Figure 1 – New Process Flow Diagram



Commenting on the change of location of the kaolin beneficiation plant from Meckering to Malaysia, Altech's managing director Mr Iggy Tan said *"identifying the benefits of locating the kaolin beneficiation plant in Malaysia is a credit to the detailed design and optimisation team. The impacts on project NPV will be minimal, however the simplification of the beneficiation flow sheet and the synergies of having all of the major project infrastructure at one site and within one jurisdiction, Malaysia, will deliver both operating and project financing advantages. Detailed design and optimisation work is ongoing and will continue into the first quarter of 2016, in parallel with our project financing and associated activities"*.

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Altech Chemicals
Limited

ASX ANNOUNCEMENT AND MEDIA RELEASE

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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, high margin and highly demanded product, as it is the critical ingredient required for the production of sapphire substrates which are used in the manufacture of LED lights, for the manufacture of alumina semiconductor wafers that are widely used in the electronics industry, and for the manufacture of scratch resistant artificial sapphire glass used for watch faces, camera lenses and by various smartphone manufacturers. There is no substitute for HPA in the manufacture of sapphire substrates, sapphire semiconductor wafers or scratchproof sapphire glass.



Global HPA demand is approximately 19,040tpa (2014) and demand is growing at an annual rate of 28%, primarily driven by the growth in LED's, as this energy efficient, longer lasting and lower operating cost form of lighting replaces traditional incandescent bulbs. HPA demand 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 has completed a Bankable Feasibility Study (BFS) for the construction and operation of a 4,000tpa HPA plant at Tanjung Langsat, 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 acid (HCl) leaching 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 Q1-2016.

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.