Altech Chemicals Limited

ABN 45 125 301 206

INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 December 2017

CONTENTS PAGE

DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF CASH FLOWS	11
CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS	12
DIRECTORS' DECLARATION	19
INDEPENDENT AUDITOR'S REVIEW REPORT	20

CORPORATE DIRECTORY

DIRECTORS

Luke Atkins	Chairman
Ignatius Tan	Managing Director
Daniel Tenardi	Non-Executive Director
Peter Bailey	Non-Executive Director
Tunku Yaacob Khyra	Non-Executive Director
Uwe Ahrens	Alternate Director

COMPANY SECRETARY

Shane Volk

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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AUDITORS

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SHARE REGISTRY

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STOCK EXCHANGE LISTING

Securities of the Company are quoted on the Australian Securities Exchange Limited (ASX) and its shares are quoted on the Frankfurt Stock Exchange (Börse Frankfurt) (FWB)

Home Exchange:	Perth
ASX Code:	ATC
FWB Code:	A3Y

DIRECTORS' REPORT

The Directors present their report on Altech Chemicals Ltd for the half-year ended 31 December 2017.

BOARD OF DIRECTORS

The names and details of the Altech Chemicals Ltd ("Company") directors in office during the financial period and until the date of this report are as follows:

Luke Atkins	Chairman
Ignatius Tan	Managing Director
Daniel Tenardi	Non-Executive Director
Peter Bailey	Non-Executive Director
Tunku Yaacob Khyra	Non-Executive Director
Uwe Ahrens	Alternate Director

Directors were in office for this entire period unless otherwise stated.

COMPANY SECRETARY

Shane Volk

REVIEW OF OPERATIONS

During the half-year ended 31 December 2017 the Company made significant progress towards arranging the funding that will be required for the commencement of construction of its proposed Malaysian high purity alumina (HPA) plant and associated kaolin mine in Meckering, Western Australia (HPA Project).

On 15 December 2017 Altech was pleased to announce that it had been advised that the German government inter-ministerial committee (IMC) had reached a positive decision on its application for project finance export credit cover relating to the Company's proposed Malaysian high purity alumina (HPA) plant. Following the IMC decision, the Company was advised by German government owned KfW IPEX-Bank that it had successfully processed credit approval for a project finance debt package of US$190 million, comprising US$170 million of project finance export credit cover (available at long tenure and at highly attractive terms) and US$20 million at customary lending terms.

Subsequent to half-year end, the Company executed commitment, terms and conditions documentation with KfW IPEX-Bank to formalise the US$190 million debt package. A condition precedent to draw-down of the KfW IPEX-Bank debt is that the Company secures the necessary project equity. The final equity component of project funding will be determined as the Company works through various funding options, which may include the inclusion of mezzanine finance, and/or project level equity participation. Finalisation of this balance of project funding will be the focus of the Company during the first half of 2018.

The Final Investment Decision Study (FIDS) results for the Company's HPA Project were published in October 2017. The FIDS incorporated up-to-date project assumptions including the final capital cost estimate which includes a fixed-price lump-sum engineering, procurement and construction (EPC) contract value for the proposed Malaysian HPA plant; a fixed-price lump-sum EPC contact value for construction of a container loading facility at Meckering, Western Australia; and the capital cost for the initial kaolin mining campaign. The financial metrics for the FIDS are extremely robust. Project Net Present Value (NPV) is US$505.6 million at a discount rate of 7.5%, payback (at full rate) is 3.9 years and annual EBITDA at full production is US$75.7 million. The internal rate of return (IRR) is 21.9% with a gross margin on sales of 63%. Publication of the FIDS results was a significant milestone for the Company. The FIDS results, combined with the extensive and detailed project due diligence conducted by bank appointed independent due diligence consultants, provided the foundation for the US$190 million debt package negotiated with KfW-IPEX Bank.

In October 2017 the Company was successful in arranging a $17.0 million placement of new shares to a variety of existing and new shareholders. Proceeds from the placement were used to continue the development of the Company's HPA project and will include payments for land at Meckering and Johor, plus final HPA plant design and engineering as well as working capital and corporate costs. The placement was strongly supported by the appointed EPC contractor for the proposed Malaysian HPA plant, German engineering firm SMS group, which subscribed to US$4.0 million (A$5.3 million) of shares; SMS group now holds approximately 9% of the Company's total issued capital. The Melewar group, an existing major shareholder, and associates subscribed to A$3.0 million of new shares.

DIRECTORS' REPORT (CONT.)

Other significant developments during the half-year ended 31 December 2017 included:

- Works approval was received from the Western Australian Department of Water and Environmental Regulation for construction of the proposed kaolin screening and loading facility at the Company's Meckering kaolin deposit.
- The Company exercised its option to purchase the ~94Ha of freehold farm-land, within which sits granted mining lease M70/1334 which hosts its Meckering kaolin deposit.
- The design of the proposed Malaysian HPA plant was finalised. The final design resulted in an increase in plant capacity to 4,500tpa (was 4,000tpa) and the design now incorporates a flexible finished product line capable of producing HPA for both the synthetic sapphire industry and HPA for the lithium-ion battery industry.
- SMS group Gmbh, the German engineering firm appointed as the engineering, procurement and construction (EPC) contractor for the Company's proposed HPA plant committed to US$15.0 million of equity support for the Company. US$4.0 million was provided to the Company as part of the $17.0 million share placement announced in October 2017. The balance of equity support (US$11.0 million) is proposed at project funding financial close upon satisfaction of the various conditions precedent to draw-down of the KfW-IPEX project finance debt.
- The Company launched a German language version of its website in response to the increased interest in its HPA project from European based retail and institutional investors and various German-based stakeholders.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the half-year ended 31 December 2017 was $1,932,043 (2016: loss $2,393,345). The Company's basic loss per share for the period was 0.6 cents (2016: loss of 1.0 cents).

No dividend has been paid during or is recommended for the financial period ended 31 December 2017.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities at 31 December 2017 was $2,891,541 (30 June 2017: negative $5,710,258). The majority of the current liabilities as at 31 December 2017 pertain to the balance of payment for the 30-year lease of land in Johor, Malaysia as the site for the Company's proposed HPA plant (MYR15,064,033 or A$4,561,679), which is included as property, plant and equipment in the balance sheet, as a pre-paid 30-year lease. It has been negotiated that the outstanding amount is to be paid on or before 30 March 2018, plus interest on the outstanding amount at 10% p.a.. It is anticipated that a portion of the outstanding amount due as at 30 March 2018 can be further deferred via negotiation and the payment of an additional penalty and/or interest charge.

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the company during the financial half year.

EVENTS SINCE 31 DECEMBER 2017

There has not arisen since the end of the half-year any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent periods, apart from:

- On 2 February 2018 the Company announced that it had executed commitment together with agreed terms and conditions with the German government owned KfW-IPEX Bank formalising the total debt package of US$190 million for its proposed Malaysian high purity alumina (HPA) project and associated kaolin mine in Meckering, Western Australia.
- On 21 February 2018 it was announced that the Company had received advice from the Malaysian Investment Development Authority (MIDA) that the manufacturing licence for operation of a 4,500tpa high purity alumina plant at Johor, Malaysia has been approved and that following the submission of various documentation the manufacturing licence would be issued.
- The Company issued 21,477,144 fully paid ordinary shares on 3 January 2018, following settlement by the Melewar group and associates of the balance of funds (~$3.0 million) from the share placement announced in October 2017. Settlement was deferred until December 2017/January 2018 ,as shareholder approval was required (and obtained) for the participation of Melewar in the share placement.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2017 has been received and immediately follows the Directors' Report.

This report has been made in accordance with a resolution of the Board of Directors.

Ignatius Tan
Managing Director

Dated at Perth this 15th day of March 2018

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AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF ALTECH CHEMICALS LIMITED

As lead auditor for the review of Altech Chemicals Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in Relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Neil Pace | Moore Stephens

NEIL PACE
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 15th day of March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	31-Dec-17 $	30-Jun-17 $
Current Assets			
Cash and cash equivalents	5	9,234,791	1,432,347
Trade and other receivables	6	62,892	67,255
Total Current Assets		**9,297,683**	**1,499,603**
Non-Current Assets			
Property, plant and equipment	14	5,742,376	5,751,565
Exploration and evaluation expenditure	7	359,742	334,481
Development expenditure	8	21,952,068	17,198,222
Total Non-Current Assets		**28,054,186**	**23,284,268**
TOTAL ASSETS		**37,351,869**	**24,783,870**
Current Liabilities			
Trade and other payables	9	6,258,697	7,067,201
Provisions	10	147,445	142,660
TOTAL CURRENT LIABILITIES		**6,406,142**	**7,209,861**
TOTAL LIABILITIES		**6,406,142**	**7,209,861**
NET ASSETS		**30,945,727**	**17,574,009**
Equity			
Contributed Equity	11	43,704,621	28,365,517
Reserves	12	3,157,757	3,193,100
Accumulated losses	13	(15,916,651)	(13,984,608)
TOTAL EQUITY		**30,945,727**	**17,574,009**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2017

	Notes	31-Dec-17 $	31-Dec-16 $
Revenue from ordinary activities			
Interest Income		18,390	62,486
Total Income		**18,390**	**62,486**
Expenses			
Employee benefit expense (incorporating director fees)		(1,103,514)	(846,929)
Depreciation		(3,526)	(8,209)
Other expenses	3	(878,736)	(1,041,089)
Exploration & evaluation		-	(61,221)
Share-based payments	11(e)	35,343	(498,383)
Profit/(loss) before income tax expense		**(1,932,043)**	**(2,393,345)**
Income tax expense		-	-
Net profit/(loss) from continuing operations		**(1,932,043)**	**(2,393,345)**
Other comprehensive loss			
Items that will not be reclassified to profit and loss		-	-
Items that may be reclassified subsequently to profit and loss		-	-
Total comprehensive loss attributable to members of the parent entity		**(1,932,043)**	**(2,393,345)**
Basic profit (loss) per share ($'s per share)	4	(0.006)	(0.010)
Diluted profit (loss) loss per share ($'s per share)	4	(0.006)	(0.010)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2017

	Contributed Equity	Accumulated losses	Reserves	Total
	$	$	$	$
At 1 July 2016	**13,868,236**	**(10,193,106)**	**2,661,970**	**6,337,100**
Profit (Loss) after income tax for the half year	-	(2,393,345)	-	**(2,393,345)**
Total comprehensive profit (loss) for the half year	**-**	**(2,393,345)**	**-**	**(2,393,345)**
Transactions with owners in their capacity as owners:				
Issue of share capital (net of issue costs)	10,653,381	**-**	**-**	**10,653,381**
Share based payments (net movement)	-	-	250,383	**250,383**
At 31 December 2016	**24,521,617**	**(12,586,451)**	**2,912,353**	**14,847,519**

	Contributed Equity	Accumulated losses	Reserves	Total
	$	$	$	$
At 1 July 2017	**28,365,517**	**(13,984,608)**	**3,193,100**	**17,574,009**
Profit (Loss) after income tax for the half year	-	(1,932,043)	-	**(1,932,043)**
Total comprehensive profit (loss) for the half year	**-**	**(1,932,043)**	**-**	**(1,932,043)**
Transactions with owners in their capacity as owners:				
Issue of share capital (net of issue costs)	15,339,104	**-**	**-**	**15,339,104**
Share based payments (net movement)	-	-	(35,343)	**(35,343)**
At 31 December 2017	**43,704,621**	**(15,916,651)**	**3,157,757**	**30,945,727**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2017

	Notes	31-Dec-17 $	31-Dec-16 $
Cash Flows from Operating Activities			
Miscellaneous Receipts			
Payments to suppliers, contractors and employees		(1,763,978)	(1,546,194)
Interest received		32,038	61,502
Deposits Paid		-	(5,019)
Net cash flows used in operating activities		**(1,731,940)**	**(1,489,711)**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(20,332)	(607,122)
payments for development expenditure		(6,327,805)	(4,702,971)
Payments for research and development		(105,074)	(494,439)
Research and development tax refund		298,492	-
Net cash used in investing activities		**(6,154,720)**	**(5,804,532)**
Cash Flows from Financing Activities			
Proceeds from borrowings		280,000	-
Repayment of borrowings (incl interest exp.)		(295,000)	-
Proceeds from issue of shares (net of transaction costs)		15,704,104	10,405,381
Net cash flows from financing activities		**15,689,104**	**10,405,381**
Net decrease in cash and cash equivalents		**7,802,444**	**3,111,138**
Cash and cash equivalents at the beginning of the financial period		1,432,347	1,618,840
Cash and cash equivalents at the end of the financial period	5	**9,234,791**	**4,729,978**

The above statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Altech Chemicals Ltd (the Company) for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 15th March 2018. Altech Chemicals Ltd is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described on pages 4 and 5 of this report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Altech Chemicals Ltd and its controlled entities (referred to as the consolidated group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2017 annual report.

Going concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The company has incurred net cash outflow from operating and investing activities for the half year ended 31 December 2017 of $7,886,660 (2016: $7,294,243). As at 31 December 2017, the consolidated entity had net current assets of $2,891,541 (30 June 2017: net current liabilities $5,710,258.

The majority of the current liabilities as at 31 December 2017 pertain to the balance of payment for the 30-year lease of land in Johor, Malaysia as the site for the company’s proposed HPA plant (MYR15,064,033 or ~A$4,755,361,). The balance of payment is due by 30 March 2018, however it is possible that an extension to the date for payment of the remaining balance may be negotiated and/or further staged payment terms agreed.

The Directors recognise that the ability of the company to continue as a going concern is dependent on the ability of the company being able to secure additional funding through either the issue of further shares and/or options or convertible notes or a combination thereof as required to fund ongoing project development, test work and for additional working capital.

Based on the above, the company is confident that it will successfully raise additional funds, if required, to meet its financial obligations in future periods. As a result, the financial report has been prepared on a going concern basis. However, should the consolidated entity be unsuccessful in securing further working capital, the consolidated entity may not be able to continue as a going concern.

The financial statements do not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the company not be able to continue as a going concern.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. Loss for the year includes the following specific income and expenses

	31-Dec-17	31-Dec-16
Other expenses		
Accounting and audit fees	(8,064)	(17,643)
ASX and share registry fees	(98,497)	(85,849)
Corporate & Consulting	(98,149)	(103,476)
Insurance	(118,526)	(118,345)
Occupancy	(47,895)	(64,782)
legal fees	(5,118)	(9,103)
Investor relations	(385,019)	(173,644)
Office & administration	(212,385)	(279,846)
Foreign Exchange Translation	94,917	(175,688)
Income tax expense	-	(12,713)
	(878,736)	**(1,041,089)**

4. Earnings per share

	31-Dec-17	31-Dec-16
	$	$
Basic profit (loss) per share	(0.006)	(0.010)
Diluted profit (loss) per share	(0.006)	(0.010)

	Number	Number
The weighted average number of ordinary shares used in the calculation of basic earnings per share was:	324,600,171	241,968,878

Options or rights to purchase ordinary shares not exercised at 31 December 2017 have not been included in the determination of basic earnings per share.

5. Cash and cash equivalents

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	31-Dec-17	30-Jun-17
	$	$
Cash at bank and on hand	9,234,791	1,432,347
	9,234,791	**1,432,347**

6. Trade and other receivables

	31-Dec-17	30-Jun-17
	$	$
CURRENT RECEIVABLES		
Sundry debtors	1,161	12,562
GST Receivable	52,824	49,786
Deposit paid	5,116	-
Other receivable	3,790	4,908
	62,892	**67,255**

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

7. Exploration and Evaluation expenditure

	31-Dec-17	30-Jun-17
	$	$
Carrying amount at the beginning of period	**334,481**	**571,904**
Exploration and evaluation expenditure incurred during the period (at cost)	25,261	-
Exploration expenditure transferred to Development (at cost)(Meckering)	-	(199,934)
Exploration expenditure impaired to profit and loss during the period	-	(37,489)
Carrying amount at the end of the year	**359,742**	**334,481**

8. Development expenditure

	31-Dec-17	30-Jun-17
	$	$
Carrying amount at the beginning of the period	**17,198,222**	**3,825,383**
Development expenditure incurred during the period (at cost)	4,753,846	13,172,905
Development expenditure transferred from exploration expenditure (at cost)	-	199,934
Less: Research and Development tax offset received/receivable	-	-
Carrying amount at the end of the year	**21,952,068**	**17,198,222**

9. Trade and other payables

	31-Dec-17	30-Jun-17
	$	$
CURRENT PAYABLES (Unsecured)		
Trade creditors	784,017	1,932,978
Accrued expenses	4,772,612	5,086,640
PAYG Payable	183,899	38,159
Other creditors and accruals	518,169	9,425
Total trade and other payables	**6,258,697**	**7,067,201**

10. Provisions

	31-Dec-17	30-Jun-17
	$	$
CURRENT		
Provision for annual leave	147,445	142,660
Total provisions	**147,445**	**142,660**

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

11. Contributed Equity

(a) Ordinary shares	31-Dec-17 $	30-Jun-17 $
Contributed equity at the beginning of the period	**28,365,517**	**13,868,236**
shares issued during the period	16,867,572	15,316,235
transaction costs relating to shares issued	(1,528,468)	(818,954)
Contributed Equity at the end of the reporting period	**43,704,621**	**28,365,517**

Movements in ordinary share capital	**31-Dec-17**	**30-Jun-17**
Ordinary shares on issue at the beginning of reporting period	**297,324,057**	**179,781,733**
Shares issued during the period:		
03-Aug-16 at $0.14 per share (Placement - Tranche 1)	-	43,911,209
04-Aug-16 at $0.086 per share (Placement to MAA Group Berhad)	-	11,627,907
04-Aug-16 at $0.086 per share (Placement)	-	116,280
21-Sept-16 at $0.14 per share (Placement - Tranche 2)	-	30,751,183
31-May-17 at $0.14 per share (Placement - MAA Group Berhad)	-	14,285,714
9-June-17 at $0.11 per share (Share Purchase Plan)	-	15,090,939
9-June-17 at $0.11 per share (Placement)	-	1,759,092
12-Jul-17 at $0.11 per share (Placement)	1,162,979	-
01-Nov-17 at $0.14 per share (Placement)	65,942,561	-
01-Dec-17 at $0.14 per share (Placement)	2,811,432	-
11-Dec-17 at $0.14 per share (Placement)	37,822,369	-
28-Dec-17 at $0.14 per share (Placement)	7,142,857	-
Ordinary shares on issue at the end of the reporting period	**412,206,255**	**297,324,057**

(b) Employee Performance Rights

No Performance Rights were issued during the reporting period.

No Performance Rights vested during the period.

At 31 December 2017, the Company had the following unlisted Performance Rights on issue:

Performance Rights - Managing Director (exercise price Nil)	10,000,000
Performance Rights - Employee's & Consultants (exercise price Nil)	5,200,000
Performance Rights - Non-Executive Directors (exercise price Nil)	5,500,000
Total Performance Rights on issue at 31 December 2017	**20,700,000**

Each performance Right converts to one fully paid ordinary share of the Company and the conversion of each Performance Right is subject to the holder attaining certain vesting conditions.

11. Contributed Equity (continued)

(c) Listed Options

The Company did not issue any Listed Options during the reporting period.

At 31 December 2017, the Company did not have any Listed Options on issue.

(d) Unlisted Options

The Company did not issue any Unlisted Options during the reporting period.

During the period the following Unlisted Options expired.

Exercise price $0.20, expiry date 18-12-2017	1,000,000
Exercise price $0.25, expiry date 18-12-2017	1,000,000
Exercise price $0.30, expiry date 18-12-2017	1,000,000

At 31 December 2017 the Company had no Unlisted Options on issue:

(e) Share Based Payments

Consultant Shares

The Company issued 1,071,429 fully paid ordinary shares at $0.14 per share (total value $150,000) during the period to a consultant for corporate advisory and capital raising services. An expense of $120,000 was recorded in the profit and loss account as a consulting fee - investor relations, with $30,000 recorded in the balance sheet as transaction costs relating to share issues.

Performance Rights

The Company did not issue any Performance Rights during the period.

Performance Rights Plan

The establishment of the Altech Chemicals Limited Employee Incentive Rights Plan ("the Plan") was approved by ordinary resolution at a General Meeting of shareholders on 5 November 2014. All eligible directors, executive officers, employees and consultants of Altech Chemicals Limited, who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue rights to eligible persons for nil consideration. The rights can be granted free of charge, vesting is subject to the attainment of certain pre-determined conditions, and exercise is at a pre-determined fixed price calculated in accordance with the Plan.

The fair value of any Performance Rights issued by the Company during the reporting period is determined at the date of grant using a Black-Scholes valuation model taking into account the terms and conditions upon which the Performance Rights are awarded. At each balance date the fair value of all Performance Rights is re-assessed by reference to the fair value of the Performance Rights at the time of award, adjusting for the probability of achieving the vesting conditions, which may change from balance date to balance date and consequently impact the amount that is expensed or reversed in the profit and loss account for the relevant reporting period.

12. Reserves

	31-Dec-17	30-Jun-17
	$	$
Share based payments reserve	3,157,757	3,193,100
Carrying amount at the end of the year	**3,157,757**	**3,193,100**
Movements:		
Share based payments reserve		
Balance at the beginning of the period	**3,193,100**	**2,661,970**
Fair value of Performance Rights issued	(35,343)	531,130
Balance at end of period	**3,157,757**	**3,193,100**

13. Accumulated losses

	31-Dec-17	30-Jun-17
	$	$
Carrying amount at the beginning of the period	**(13,984,608)**	**(10,193,106)**
Profit (loss) for the period	(1,932,043)	(3,791,502)
Carrying amount at the end of the year	**(15,916,651)**	**(13,984,608)**

14. Property, Plant and Equipment

	31-Dec-17	30-Jun-17
PLANT AND OFFICE EQUIPMENT	$	$
At cost	**146,916**	**166,172**
Less: accumulated depreciation	(85,103)	(95,170)
Total plant and office equipment	**61,813**	**71,002**
LAND (30 year lease - Malaysia)		
At cost	**5,680,563**	**5,680,563**
Less: accumulated depreciation	-	-
Total land	**5,680,563**	**5,680,563**
MOTOR VEHICLES		
At cost	**33,182**	**33,182**
Less: accumulated depreciation	(33,182)	(33,182)
Total motor vehicles	**-**	**-**
Total property, plant and equipment	**5,742,376**	**5,751,565**

15. Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The financial statements presented above are the same as the reports the directors review. The Company operates predominantly in one segment, which is the development of high purity alumina (HPA) manufacturing, and mineral exploration. Although the Company has established a wholly owned subsidiary in Malaysia, the operations of the Company for the half-year ended 31 December 2017 were largely centred in one geographic segment, being Australia. The board of directors anticipate including a second geographic segment (being Malaysia) when the proposed construction of the HPA plant in Malaysia is at an advanced stage.

16. Related Party Disclosures

Mrs Elizabeth M Atkins and the estate of Mr Peter H Atkins (the parents of Luke Atkins, a director of the Company) are the Registered Proprietors of the premises that the Company rented for its registered office during the half year, Suite 8, 295 Rokeby Road, Subiaco WA 6005. The property is held by the Registered Proprietors on trust for the PH Atkins Children's Trust of which Luke Atkins is a beneficiary. During the half year the Company paid $49,999 (2016: $49,999) to, or on behalf of the Registered Proprietors on normal commercial terms and conditions.

Mr Luke Atkins' remuneration as Chairman of the Company is $60,000 p.a. (2016/17: $60,000 p.a.). In addition to his role as Chairman, Executive Resource Personnel Pty Ltd, a company controlled by Mr Atkins provided consulting services to the Company up until 31 July 2017 at the rate of $16,767 per month (2016: $16,767 per month); the agreement ceased effective 31 July 2017.

17. Contingent Liabilities

There are no material contingent liabilities not provided for in the financial statements of the company as at 31 December 2017.

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

18. Events subsequent to balance date

There have been no significant developments for the Company since 31 December 2017 other than:

- On 2 February 2018 the Company announced that it had executed commitment together with agreed terms and conditions with the German government owned KfW-IPEX Bank formalising the total debt package of US$190 million for its proposed Malaysian high purity alumina (HPA) project and associated kaolin mine in Meckering, Western Australia.
- On 21 February 2018 it was announced that the Company had received advice from the Malaysian Investment Development Authority (MIDA) that the manufacturing licence for operation of a 4,500tpa high purity alumina plant at Johor, Malaysia has been approved and that following the submission of various documentation the manufacturing licence would be issued.
- The Company issued 21,477,144 fully paid ordinary shares on 3 January 2018, following settlement by the Melewar group and associates of the balance of funds (~$3.0 million) from the share placement announced in October 2017. Settlement was deferred until December 2017/January 2018, as shareholder approval was required (and obtained) for the participation of Melewar in the share placement.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Altech Chemicals Ltd, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the financial position as at 31 December 2017 and of the performance for the half-year ended on that date of the Company; and

 (ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Ignatius Tan
Managing Director

Perth, Western Australia
15 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALTECH CHEMICALS LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Altech Chemicals Limited which comprises the consolidated condensed statement of financial position as at 31 December 2017, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Altech Chemicals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Altech Chemicals Limited's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Altech Chemicals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Altech Chemicals Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

MOORE STEPHENS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALTECH CHEMICALS LIMITED AND ITS CONTROLLED ENTITIES (CONTINUED)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Altech Chemicals Limited is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which indicate that the consolidated entity is dependent upon various funding alternatives in order to fund its working capital and discharge its liabilities in the ordinary course of business. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. Should the consolidated entity be unable to continue as a going concern, it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 15th day of March 2018