



**Altech Chemicals**  
Limited

ABN 45 125 301 206

**ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED 30 June 2019

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## 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 for Tunku Yaacob Khyra)

### COMPANY SECRETARY

Shane Volk

### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 8, 295 Rokeby Road,  
Subiaco, Western Australia 6008

Phone: +618 6168 1555  
Facsimile: +618 6168 1551  
Email: [info@altechchemicals.com](mailto:info@altechchemicals.com)  
Website: [www.altechchemicals.com](http://www.altechchemicals.com)

### AUDITORS

Moore Stephens  
Level 15, Exchange Tower  
2 The Esplanade  
Perth WA 6000

### SHARE REGISTRY

Automatic Registry Services  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
Telephone: 1 300 288 664  
(Int): +61 2 9698 5414  
Facsimile: +61 2 8583 3040

### STOCK EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Limited (ASX) and its shares are also quoted on the Frankfurt Stock Exchange (Börse Frankfurt)(FWB)

Home Exchange: Perth  
ASX Code: ATC

Frankfurt Stock Exchange  
FWB Code: A3Y

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

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The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2019.

## **DIRECTORS**

The names and details of the directors of Altech Chemicals Limited during the financial year and until the date of this report are:

***Ignatius (Iggy) Tan*** B.Sc, MBA, GAICD  
**Managing Director**  
**Appointed: 25 August 2014**

Mr Tan is a highly experienced mining and chemical executive with a number of significant achievements in commercial mining projects such as capital raisings, funding, construction, start-ups and operations. Mr Tan has over 30 years chemical and mining experience and been an executive director of a number of ASX-listed companies. He holds a Master of Business Administration from the University of Southern Cross, a Bachelor of Science from the University of Western Australia and is a Graduate of the Australian Institute of Company Directors.

Mr Iggy Tan became the Company's Managing Director in August 2014. He is responsible for leading the Company as it proceeds to commercialise its Meckering kaolin deposit via the construction and operation of a high purity alumina (HPA) production plant in Johor, Malaysia. Having been involved in the commissioning and start-up of seven resource projects in Australia and overseas, including high purity technology projects, Mr Tan is an accomplished project builder and developer. Mr Tan previously held Managing Director positions at ASX listed Kogi Iron Limited (ASX: KFE) (23-08-2013 to 1-05-2014) and Galaxy Resources Limited (ASX: GXY) (11-11-2011 to 11-06-2013).

***Luke Frederick Atkins LLB***  
**Non-Executive Chairman**  
**Appointed: 8 May 2007**

A highly qualified mining executive and a lawyer by profession, Mr Atkins has had extensive experience in capital raisings and has held a number of executive and non-executive directorships of private and publicly listed companies including a number of mining and exploration companies.

Mr Atkins is the co-founder and is currently a Non-Executive Director of ASX-listed Bauxite Resources Limited (ASX: BAU). Mr Atkins formerly held the role of executive Chairman of Bauxite Resources Limited after co-founding the company in 2007. Mr Atkins brings to the board extensive experience in the areas of mining, exploration and corporate governance.

***Peter Bailey***  
**Independent Non-Executive Director**  
**Appointed: 8 June 2012**

Mr Peter Bailey is a highly experienced and qualified engineer with over 40 years experience in the mining and industrial chemical production industry. Mr Bailey spent the majority of his career in the alumina chemicals and alumina refining industries. He was previously chief executive officer at Sherwin Alumina, an alumina refinery located in Texas, USA.

Prior to Sherwin, in 1998 Mr Bailey was president of Alcoa Worldwide Chemical's industrial chemicals department. He was responsible for managing the company's 13 alumina plants that were located in eight countries, with combined annual revenue of approximately US\$700 million. In 1996, Mr Bailey was president of Alcoa Bauxite and Alumina and was responsible for 8 alumina plants outside of Australia. He was also the Chairman of the Alcoa Bauxite joint venture in Guinea, Africa. He has a solid business network throughout the global alumina industry. Mr Bailey has not held any other listed company directorships in the past 3 years.

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**Daniel Lewis Tenardi**  
**Non-Executive Director**  
**Appointed: 17 September 2009**

Mr Dan Tenardi is a highly experienced global resource executive with over 40 years of experience in the mining and processing sectors. During his extensive career, Mr Tenardi spent 13 years at Alcoa's alumina refinery in Kwinana as well as the company's bauxite mines in the Darling Ranges of Western Australia.

Mr Tenardi was the founding Managing Director of Bauxite Resources Limited (ASX: BAU), where he led the rapid growth of the company from its initial exploration phase, expansion of land holdings, to the commencement of trial shipments of ore and securing supportive strategic partnerships with key Chinese investors. Having built strong networks with industry leaders in the alumina sector, Mr Tenardi provides valuable alumina-specific industry experience. Mr Tenardi is currently Non-Executive independent director of Australian iron ore producer, Grange Resource Limited (ASX: GRR). He was previously CEO of Ngarda Civil & Mining and has also held senior executive and operational roles at CITIC Pacific, Alcoa, Roche Mining and Rio Tinto.

**Tunku Yaacob Khyra** B.Sc (Hons), CA  
**Non-Executive Director**  
**Appointed: 22 October 2015**

Tunku Yaacob Khyra is the executive Chairman of the Melewar Khyra Group of Companies (Melewar), a Malaysian base diversified financial and industrial services group. He is the major owner and shareholder of Melewar and sits on the boards of Khyra Legacy Berhad, Mycron Steel Berhad, MAA Group Berhad, Melewar Industrial Group Berhad, Ithmaar Bank B.S.C. (listed on Bahrain Stock Exchange) and several other private companies.

Tunku Yaacob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants. He started his career as an Auditor with Price Waterhouse, London from 1982 to 1985 and subsequently joined Price Waterhouse Kuala Lumpur from 1986 to 1987. He joined Malaysian Assurance Alliance Berhad in 1987 and retired as its Chief Executive Officer in 1999. Tunku Yaacob has not held any other Australian listed company directorships in the years.

**Uwe Ahrens**  
**Alternate Non-Executive Director (for Tunku Yaacob Khyra)**  
**Appointed: 22 October 2015**

Mr Uwe Ahrens is executive director of Melewar Industrial Group Berhad and Managing Director of Melewar Integrated Engineering Sdn Bhd. He also sits on the board of several other private limited companies. Mr Ahrens holds Masters degrees in both Mechanical Engineering and Business Administration from the Technical University Darmstadt, Germany. Upon graduation, Mr Ahrens joined the international engineering and industrial plant supplier, KOCH Transporttechnik GmbH in Germany, now belonging to FLSmidth Group, where he held a senior management position for 12 years, working predominantly in Germany, USA and South Africa. Mr Ahrens has not held any other Australian listed company directorships in the past 3 years. Mr Ahrens is the Alternate Non-Executive Director for Tunku Yaacob Khyra.

**COMPANY SECRETARY**

**Shane Volk** B.Bus (Accounting), Grad Dip (Applied Corp. Gov.), AGIA  
**Company Secretary and Chief Financial Officer**  
**Appointed: 12 November 2014**

Mr Volk is an experienced company secretary and chief financial officer having served in these positions for numerous ASX listed companies since 2007. His experience also includes senior management roles in the resources industry (gold and coal) in Indonesia, Papua New Guinea and Australia, with a variety of international resources companies. Mr Volk is a member of the Governance Institute of Australia and has in excess of 30 years of experience in the mining and resources industries.

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

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## PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were, the commencement of construction of its Malaysian high purity alumina (HPA) plant, the continuation of efforts to finalise total project financing for the HPA plant and associated kaolin (aluminous clay) mine at Meckering, Western Australia, and continued research and development activities in support of the commercialisation of the Group's Meckering kaolin deposit.

Aside from the commencement of HPA plant construction, project financing, research and development and commercialisation activities, there have been no other significant changes in the Group's activities during the financial year.

## FINANCIAL POSITION & RESULTS OF OPERATIONS

The financial results of the Group for the financial year ended 30 June 2019 are:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	8,267,032	261,319
Net Assets	63,405,629	31,389,327
Revenue	103,558	87,067
Net loss after tax	(6,185,610)	(4,566,331)
Loss per share	(0.011)	(0.018)
Dividend	-	-

## DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

## REVIEW OF OPERATIONS AND ACTIVITIES

The strategy of the Group during the year has been to commence construction of its high purity alumina (HPA) plant in Johor, Malaysia in parallel with finalising overall project financing. Support from the Group's existing and new shareholders enabled it to successfully completed two capital raisings via share placement and a share purchase plan during the year, which provided funding for the strategy.

### Commencement of HPA plant construction

In July 2018, the Company signed an agreement with its appointed engineering, procurement and construction (EPC) contractor SMS group, of Dusseldorf, Germany to enable Stage 1 construction works to commence at its Malaysian HPA plant site. Site clearance works were completed by mid-July 2018 and a ground-breaking ceremony was held at the site on 8 August 2018. Announcement of the commencement of Stage 1 construction works was made in January 2019, following the receipt of a development order approval from local authorities in Johor, Malaysia.

An inaugural investor visit to the ~4 hectare HPA plant construction site was hosted by the Company in mid-April 2019. Attendees were able to observe progress of construction activities, meet EPC contractor representatives and representatives from senior project lender KfW IPEX-Bank and were informed of the Company's plan to initiate Stage 2 construction. In May 2019, first steel was raised at the site for the erection of the maintenance workshop. By the end of the financial year the workshop building frame was near completion, the site retaining wall construction was well advanced and the excavation of the required on-site detention (OSD) storm water tanks had commenced. Stage 2 construction works were initiated during June 2019, this work includes final engineering and construction planning, third party and supplier engineering and the advancement of various civil loads.

### Project Financing

Efforts to finalise total project financing continued in earnest throughout the year, with the Company announcing in March 2019, that it had officially mandated Macquarie Bank as the preferred lender for the mezzanine debt component of project finance. Completion of any mezzanine debt facility by Macquarie Bank is conditional upon its view of all of the due diligence outcomes that it initiates and reaching satisfactory agreement with the senior lender (German government owned KfW IPEX-Bank) on inter-creditor arrangements. As at financial year end, project technical due diligence had been completed, HPA market due diligence was well advanced and legal and commercial due diligence was pending initiation.

Senior project debt of US\$190 million from KfW IPEX-Bank remained committed during the entire financial year, with draw-down on this debt subject to the satisfaction of various conditions precedent – principal of which is securing the balance of funds for complete project financing. US\$170 million of the KfW IPEX-Bank senior debt is low-interest long-tenure export credit finance, with the balance of debt at normal commercial terms. The target for the Macquarie Bank mezzanine debt facility is US\$90 million.

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During the year, the Company also announced that it was prepared to sell a 49% direct interest in the HPA project as part of total project financing, and at the end of the financial year the Company continued to engage with a number of prospective project partners and work on other initiatives to complete the required total project financing.

#### Capital Raisings

The two capital raisings (via share placement) undertaken during the year raised approximately \$35 million, with a share purchase plan adding an additional \$4.3 million. In July 2018, the Company completed a \$17 million share placement to a variety of professional and sophisticated investors and in April 2019, the Company announced a \$18 million share placement that was supported by new German shareholders Deutsche Balaton AG and Dephi Unternehmensberatung AG (each \$5.25 million); appointed EPC contractor SMS Investments (\$2.0 million); key Malaysian shareholder Melewar Group (\$2.0 million, however this commitment remains outstanding as at the date of this report – but is expected to be received); and the balance of funds to a variety of professional and sophisticated investors (\$2.5 million). Funds from the capital raisings were applied to HPA plant engineering and design; the commencement of Stage 1 and Stage 2 construction of the HPA plant; for corporation and administration costs, and for general working capital purposes.

#### Other

Other significant activities or developments during the year ended 30 June 2019 were:

- The award of a Certificate of Grant for an Innovation Patent from the Australian Patent Office (IP Australia) for the Company's process of producing high purity alumina from kaolin (aluminous clay), which was granted in October 2018.
- A detailed geotechnical survey of the Malaysian high purity alumina plant site was successfully concluded prior to the commencement of Stage 1 construction.
- A positive Green Credentials study of the Company's high purity alumina production process was completed. The study concluded that the Company's production process will have a comparative carbon footprint of 6.6 tonnes of CO<sub>2</sub> per tonne of HPA versus 12.3 tonne of CO<sub>2</sub> for the current standard "alkoxide" manufacturing process, and will also realize a 41% reduction of energy consumption per tonne of HPA.
- EPC contracts for the Malaysian HPA plant and the Australian kaolin loading facility were executed with SMS group and Simulus Engineering in late 2018. There were no changes to the price of either contract from the amounts assumed in the Company's Final Investment Decision Study (FIDS); US\$280 million for the HPA plant; and US\$2.5 million for the Meckering contain loading facility.
- Throughout the year positive updates on the outlook for the high purity alumina market were observed by the Company. Specifically it is apparent that the transition to HPA coated separator sheets used in the lithium-ion battery sector is increasing and that HPA is also now applied directly onto lithium-ion battery cathodes and anodes. Such developments are positive in terms of forecast future demand growth and pricing for HPA.

#### Risk Management

Due to its size and scope of operations, the Group does not have a dedicated Risk Management Committee. The board, as a whole is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group, with the Managing Director having ultimate responsibility to the board for the risk management and control framework.

The Managing Director highlights areas of significant business risk and the board has arrangements in place whereby it monitors risk management, including the periodic reporting to the board in respect of operations and the financial position of the Company.

The Company does not have a dedicated internal audit function, however it works closely with its external auditors and management for the evaluation and continual improvement of the effectiveness of its risk management and internal control procedures.

#### EMPLOYEES

The Company had 10 permanent employees and no casual employees as at 30 June 2019 (2018: 8 permanent employees).

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group is currently primarily focussed on securing the balance of project finance (mezzanine debt and equity) that will enable it to draw-down on the project finance senior debt that has been committed by KfW IPEX-Bank, thereby enabling it to ramp-up to full-scale construction at its Malaysian HPA plant site. Post financial year end, the Company announced that it had acquired a 29% equity interest in a German public company that is listed on the Frankfurt Stock Exchange; that the company had been re-named Altech Advanced Materials, and that Altech had sold the company an option to acquire up to a 49% interest in the HPA project for US\$100 million via the subscription of shares in Altech's 100% owned subsidiary – Altech Chemicals Australia Pty Ltd (refer to events subsequent to balance date below, for further details).

In the opinion of the directors, there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

#### EVENTS SUBSEQUENT TO BALANCE DATE

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There has not arisen since the end of the financial 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years apart from:

- On 18 July 2019, the Company announced that it had launched a German project equity strategy, whereby investors would be provided with an avenue to acquire a shareholding of up to a 49% direct interest in the Company's HPA project via subscribing to shares in a German domiciled public company that is listed on the Frankfurt Stock Exchange. The strategy involved the Company acquiring a 29% shareholding in Frankfurt Stock Exchange listed Youbisheng Green Paper AG (since renamed to Altech Advanced Materials AG) and the Company selling to Altech Advanced Materials AG a right to subscribe to up to a 49% equity interested for US\$100 million, in the shares of Altech Chemicals Australia Pty Ltd, the wholly owned subsidiary of Altech which holds the HPA project.

Completion of the transactions described in the 18 July 2019, ASX announcement were subject to the satisfaction of various conditions precedent, which included the approval of the Company's board and the conduct of due diligence satisfactory to the Company. On 14 August 2019, the Company announced that all of the conditions precedent for completion of the transactions had been satisfied, and on 16 August 2019, the Company issued 19,513,204 fully paid ordinary shares and made a cash payment of Euro 500,000 as part consideration for its acquisition of 29% of Youbisheng Green Paper AG, a balance of Euro 1,229,000 (the deferred consideration) is due on 1 March 2020.

**OPTIONS OVER UNISSUED CAPITAL**

During the financial year, the Company did not grant any options to directors or Key Management Personnel.

Since 30 June 2019 and up until the date of this report there have been no options issued by the Company and at the date of this report there are no unissued ordinary shares of the Company under option.

**PERFORMANCE RIGHTS OVER UNISSUED CAPITAL**

As at the date of this report unissued ordinary shares of the Company subject to performance rights are:

Performance Right Series	Rights outstanding	Exercise Price	Rights Vested	Rights not Vested	Expiry Date
Managing Director	10,000,000	Nil	Nil	10,000,000	19/11/22
Managing Director	5,000,000	Nil	Nil	5,000,000	11/6/25
Non-executive Directors	5,500,000	Nil	Nil	5,500,000	17/3/20
Employees	3,400,000	Nil	Nil	3,400,000	1/1/22
Employees	200,000	Nil	Nil	200,000	1/2/23
Employees & consultants	1,400,000	Nil	Nil	1,400,000	4/8/23
Employees	1,000,000	Nil	Nil	1,000,000	27/9/25
Employees	700,000	Nil	Nil	700,000	27/9/25
<b>Total</b>	<b>27,200,000</b>		<b>Nil</b>	<b>27,200,000</b>	

Details of performance rights issued to the directors and Key Management Personnel of the Company during the period of this report are contained in the Remuneration Report.

The above performance rights represent unissued ordinary shares of the Company under option as at the date of this report. These performance rights do not entitle the holder to participate in any share issue of the Company. The holders of performance rights are not entitled to any voting rights until the performance rights are exercised into ordinary shares, which is only possible if the vesting conditions attached to the performance rights have been attained.

The names of all persons who currently hold performance rights granted are entered in a register kept by the Company pursuant to Section 168(1) of the *Corporations Act 2001* and the register may be inspected free of charge.

**CORPORATE STRUCTURE**

Altech Chemicals Limited (ACN 125 301 206) is a Company limited by shares that was incorporated on 8 May 2007 and is domiciled in Australia.



**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

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## **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The near term focus for the Group is to secure the necessary debt and equity funding that will enable it to continue with the construction of its proposed Malaysian HPA plant beyond the current Stage 1 and Stage 2 works that have been initiated, and to enable the Group to construct the associated kaolin mine and loading facility at Meckering, Western Australia. As at the date of this report, the Group was continuing to work with Macquarie Bank on its due diligence activities (legal due diligence) for a mezzanine debt facility of up to US\$90 million, and as announced by the Company on 18 July 2019, an option to acquire up to a 49% equity interest in Altech's HPA project has been sold to a German public company (since re-named Altech Advanced Materials AG), whereby the company may subscribe to up to 49% of the issued share capital of the Company's wholly owned subsidiary, Altech Chemicals Australia Pty Ltd (ACA) for an amount of US\$100 million. At the date of this report, the Company had completed its acquisition of 29% of the shares of Altech Advanced Materials AG (AAM), and AAM had completed its acquisition of the right from Altech to subscribe to up to a 49% interest in ACA. AAM has until 30 June 2020 to exercise its right and the Company expects that AAM will exercise the right to the extent available to it.

### *Business Strategy and Reasoning*

HPA is a high-value, high margin and highly demanded product because it is the critical ingredient required for the production of sapphire substrates which are used in the manufacture of light emitting diode (LED) lighting, for the manufacture of alumina semiconductors and for the manufacture of scratch resistant synthetic sapphire glass. Increasingly, HPA is used as a coating on the separator sheets in lithium-ion batteries. HPA is a premium priced material (selling for up to US\$40 per kg – 4N quality) with forecast significant annual demand growth driven primarily by the rapidly expanding lithium-ion battery and LED industries. There is currently no substitute for HPA for the manufacture of synthetic sapphire.

Global HPA demand is estimated at approximately 25,315tpa (2016) and demand is forecast to grow at an annual rate of 16.7% during the period 2016-2024. HPA demand growth is primarily driven by the LED lighting industry, as this energy efficient, longer lasting and lower operating cost lighting rapidly replaces traditional but energy hungry incandescent globes. Global HPA demand is forecast to at least double over the coming decade.

The successful construction and operation of its proposed HPA plant will see the Company positioned as the world's largest single producer of HPA (based on 2014 annual HPA production data), and with annual HPA demand expected to increase to approximately 86,830 tonnes by 2024 (from an estimated 25,315 tonnes in 2016), the HPA market is expected to more than fully absorb the planned additional HPA supply from the Company's plant. Current HPA producers predominantly use an expensive and highly processed feedstock material such as aluminium metal to produce HPA. The Company's proposed plant will produce HPA directly from kaolin clay via hydrogen chloride (HCl) leaching, using a production process that will employ conventional "off-the-shelf" plant and equipment. HPA production costs from the Company's plant are anticipated to be considerably lower than established HPA producers.

### *Development Risk*

The proposed mining, beneficiation and HPA plant construction and operation activities are all high-risk undertakings. The Company is on a proposed development path and in 2015 completed a bankable feasibility study (BFS) that determined the technical and commercial viability for the construction and operation of a 4,000tpa high purity alumina (HPA) processing plant at Tanjung Langsat, Johor, Malaysia, and an associated kaolin quarry and container loading facility at Meckering, Western Australia to provide feedstock for the HPA plant. The BFS was updated in March 2016 and this update confirmed the technical and commercial viability of the project compared to the original study. In October 2017, the Company published a final investment decision study (FIDS) for the project based on an increased plant output of 4,500tpa, and in February 2018 announced that it had executed definitive terms for a US\$190 million senior project finance debt facility with German government owned KfW IPEX-Bank. However, there is no certainty that the financing, mining, construction and operation of the abovementioned operations and facilities will be able to proceed as envisaged, and if they do proceed as envisaged – that the operations will function as expected in the FIDS (or any subsequent study update) and deliver the results that were foreshadowed. Amongst other things, equity and additional debt financing at terms acceptable to the Company and the senior lender (KfW IPEX-Bank) must be secured, capital cost and operating cost estimates and assumptions must be confirmed and various design, operational, processing, supply chain, market, regulatory, industrial and development risks, amongst others, will need to be identified and successfully managed to deliver the development and operating outcomes envisaged in the FIDS and any subsequent study updates. Inescapably, the FIDS and subsequent study updates are detailed studies of what is possible based on a combination of detailed information on hand at the time, and a series of professional judgements, assumptions and estimates at the time; inevitably situations and circumstances change, judgements, assumptions and estimates are different from what actually transpires, debt and equity markets constantly change and as a result actual outcomes will almost certainly vary from those contemplated in a FIDS and any subsequent study updates.

## **MINERAL RESOURCE STATEMENT AND MINERAL RESOURCE ORE RESERVE ESTIMATION GOVERNANCE STATEMENT**

Altech Chemicals Limited ensures that its Mineral Resource and Ore Reserve estimates are subject to appropriate levels of governance and internal controls. Mineral Resource and Ore Reserve estimation procedures are well established and are subject to periodic systematic peer and technical review by competent and qualified professionals.

Altech reviews and reports its Mineral Resource and Ore Reserve estimates at a minimum on an annual basis and in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. The most recent annual review for the year ended 30 June 2019 has not identified any material issues.

The table below sets out the Mineral Resources and Ore Reserves comparatives as at 30 June 2019 and 30 June 2018.

**ALTECH CHEMICALS LIMITED**  
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**Meckering kaolin (aluminous clay) deposit**

Classification	Mineral Resource estimate (JORC 2012) as at 30 June 2019					Mineral Resource estimate (JORC 2012) as at 30 June 2018				
	In Fraction < 300µ					In Fraction < 300µ				
	Tonnes	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	Yield %	Tonnes	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	Yield %
Measured	1,500,000	30.0	1.01	0.62	69	1,500,000	30.0	1.01	0.62	69
Indicated	3,300,000	30.0	0.97	0.61	69	3,300,000	30.0	0.97	0.61	69
Inferred	7,900,000	29.1	1.0	0.63	69	7,900,000	29.1	1.0	0.63	69
<b>Total Mineral Resources*</b>	<b>12,700,000</b>	<b>29.5</b>	<b>0.99</b>	<b>0.62</b>	<b>69</b>	<b>12,700,000</b>	<b>29.5</b>	<b>0.99</b>	<b>0.62</b>	<b>69</b>

\* rounded to the nearest one hundred thousand tonnes

- Notes:
1. The minus 45 micron percentage was measured by wet screening
  2. Brightness is the ISO brightness of the minus 45 micron material

Classification	Mineral Reserve estimate (JORC 2012) as at 30 June 2019						Mineral Reserve estimate (JORC 2012) as at 30 June 2018					
	Tonnes	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	K <sub>2</sub> O %	Yield %	Tonnes	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	K <sub>2</sub> O %	Yield %
	Proven	454,000	30.1	0.9	0.6	0.5	69	454,000	30.1	0.9	0.6	0.5
Probable	770,000	30.0	0.9	0.6	0.4	71	770,000	30.0	0.9	0.6	0.4	71
<b>Total Proven &amp; Probable*</b>	<b>1,224,000</b>	<b>30.0</b>	<b>0.9</b>	<b>0.6</b>	<b>0.4</b>	<b>70</b>	<b>1,224,000</b>	<b>30.0</b>	<b>0.9</b>	<b>0.6</b>	<b>0.4</b>	<b>70</b>

\* rounded to the nearest one thousand tonnes

**Competent Persons Statement – Meckering kaolin deposit Mineral Resource estimate**

The information in this report that relates to Mineral Resources for the Company's Meckering kaolin (aluminous clay) deposit is based on information compiled by Ms Sue Border, who is a Fellow of the AusIMM and of AIG and is a consultant to the Company and is employed by Geos Mining mineral consultants. Ms Border has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that she 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". The information contained in this report pertaining to the Mineral Resource estimate as at 30 June 2018 is extracted from the ASX announcement entitled "Altech updates kaolin resource for its Meckering Mining Lease" dated 8 July 2016, and for the Mineral Resource estimate as at 30 June 2019 is extracted from the ASX announcement entitled "Maiden Ore Reserve at Altech's Meckering Kaolin Deposit" dated 11 October 2016. Both announcements are available to view on the Company web site [www.altechchemicals.com](http://www.altechchemicals.com). The Company confirms that there are no material changes to the Company's Mineral Resources since its ASX announcement of 11 October 2016. Ms Sue Border has reviewed and approved this annual statement of resources and approves the form and context in which it appears.

**Competent Persons Statement – Meckering kaolin deposit Mineral Reserve estimate**

The information in this report that relates to Mineral Reserves for the Company's Meckering kaolin (aluminous clay) deposit is based on information compiled by Mr Carel Moormann who is employed by Orelogy Consulting Pty Ltd as a Principal Consultant. Orelogy Consulting Pty Ltd is an independent mine planning consultancy based in Perth, Western Australia. Orelogy was requested by Altech Chemicals Ltd to prepare a reserve estimate for the Meckering kaolin deposit to provide feedstock for high purity alumina production. Mr Moormann is a Fellow of the Australasian Institute of Mining and Metallurgy and a Competent Person as defined by the 2012 JORC Code. Mr Moormann has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. The information contained in this report pertaining to the Mineral Reserve estimate as at 30 June 2019 is extracted from the ASX announcement entitled "Maiden Ore Reserve at Altech's Meckering Kaolin Deposit" dated 11 October 2016. The announcement is available to view on the Company web site [www.altechchemicals.com](http://www.altechchemicals.com). The Company confirms that there are no material changes to the Company's Mineral Reserve estimate and the assumptions underpinning the Mineral Reserve estimate since its ASX announcement of 11 October 2016. Mr Carel Moormann has reviewed and approved this annual statement of resources and approves the form and context in which it appears.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Company holds an exploration licence and a mining licence that regulate its exploration and future mining activities in Western Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration or future mining activities. So far as the directors are aware, there has been no known breach of the Company's licence conditions and all exploration activities comply with relevant environmental regulations.

# ALTECH CHEMICALS LIMITED

## DIRECTORS' REPORT

For the year ended 30 June 2019

### DIRECTORS' SHARE HOLDINGS, OPTION HOLDINGS AND PERFORMANCE RIGHTS HOLDINGS

As at the date of this report the directors interests in shares and unlisted options of the Company are as follows:

Director	Interest in Ordinary Shares	Interest in Listed options	Interest in Unlisted Options	Interest in Performance Rights
Ignatius Tan	7,817,000	-	-	15,000,000
Luke Atkins	10,049,746	-	-	1,000,000
Daniel Tenardi	7,794,915	-	-	1,000,000
Peter Bailey	3,774,710	-	-	1,500,000
Tunku Yaacob Khyra	51,005,631	-	-	1,000,000
Uwe Ahrens	1,000,000	-	-	1,000,000

### DIRECTORS' MEETINGS

The number of meetings of the Company's directors held in the period each director held office during the financial year and the numbers of meetings attended by each director were:

Director	Board of Director Meetings	
	Meetings Attended	Meetings held whilst a director
Luke Atkins	8	8
Ignatius Tan	8	8
Daniel Tenardi	8	8
Peter Bailey	7	8
Tunku Yaacob Khyra	-	8
Uwe Ahrens (alternate director)	4	8

### REMUNERATION REPORT

#### Remuneration Committee

Recommendation 8.1 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3rd edition)* states that the board should establish a Remuneration Committee. The board has formed the view that given the number of directors on the board, this function could be performed just as effectively with full board participation. Accordingly it has been determined that there is no separate board sub-committee for remuneration purposes.

#### Use of Remuneration Consultants

The board did not engage a remuneration consultant to make any recommendations in relation to its remuneration policies for any of the key management personnel for the Company during the financial year covered by this report. However, the board did benchmark key management personnel and board remuneration against independently prepared remuneration reports during the year.

#### Voting and comments made at the Company's 2018 Annual General Meeting

The Company received 40,000 proxy votes against its 2018 remuneration report (from the 19,741,507 proxy votes received and eligible to vote on the resolution) tabled at the 2018 Annual General Meeting. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

This report details the amount and nature of remuneration of each director of the Company and executive officers of the Company during the year.

### Overview of Remuneration Policy

The board of directors is responsible for determining and reviewing compensation arrangements for the directors and executive management. The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The board believes that the best way to achieve this objective is to provide the non-executive directors, executive director and the executive management with a remuneration package consisting of both fixed and variable components that together reflects the positions, responsibilities, duties and personal performance. An equity based remuneration arrangement for the board and executive management is in place. The remuneration policy is to provide a fixed remuneration component and a specific equity related component, with appropriate vesting (performance) conditions. The board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities that it undertakes, and is appropriate in aligning director and executive objectives with shareholder and business objectives.

#### REMUNERATION REPORT (continued)

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

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The remuneration policy in regard to setting the terms and conditions for the non-executive directors has been developed by the board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

All remuneration paid to directors is valued at cost to the Company and expensed. Performance rights are valued using the Black-Scholes methodology. In accordance with current accounting policy the value of these performance rights are expensed over the relevant vesting period.

#### **Non-Executive Directors**

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting, and has been set not to exceed \$500,000 per annum. Actual remuneration paid to the Company's non-executive directors is disclosed below. Cash remuneration fees paid to non-executive directors are not linked to the performance of the Company. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the Company and the directors are awarded performance rights that are subject to vesting conditions, with the approval of Shareholders.

#### Board fees (per year)

	<b>2019</b>	<b>2018</b>
Chairman	\$95,000	\$60,000
Other non-executive directors (excluding alternate director)	\$70,000	\$40,000

The Chairman's board fees are paid monthly, other non-executive director board fees are paid quarterly, in arrears. Effective 1 January 2019, Mr Uwe Ahrens, the alternate director for non-executive director Tuku Yaacob Khyra, has been paid a consulting fee of \$5,000 per month for non-board related services provided to the Company. These services are performed in Germany and Malaysia.

#### **Executive management**

The remuneration of the executive management is stipulated in individual services agreements.

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Reward executives in line with the strategic goals and performance of the Company; and
- Ensure that total remuneration is competitive by market standards.

#### Structure

Remuneration consists of the following key elements:

- fixed remuneration;
- short term incentive scheme; and
- performance rights

#### Fixed remuneration

Fixed remuneration consists of a fixed monthly salary, which is set so as to provide a base level of remuneration that is both appropriate to the position and is competitive in the market.

Remuneration packages for the staff that report directly to the Managing Director are based on the recommendation of the Managing Director, subject to the approval of the board.

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

**REMUNERATION REPORT** *(continued)*

Short term incentive scheme

Executives and employees of the Company participate in a short-term incentive scheme that makes available an annual cash incentive (bonus) to individuals based on the attainment of overall Company and group objectives, which are set annually. The scheme is structured to encourage executives and employees to work as a team for the attainment of the Company's overall objectives, as opposed to prescriptive individual performance objectives. Under the scheme, executives and employees can be awarded a cash bonus up to a maximum of between 40% and 10% of individual annual base salary, depending upon their role in the Company.

The board, on the recommendation of the Managing Director, sets annual bonus objectives, and the board also on the recommendation of the Managing Director, approves annual bonus awards. The board has complete discretion over the short-term incentive scheme.

During the period covered by this report short-term incentives were awarded by the board to executives for the attainment of pre-determined milestones. Mr Tan was awarded an amount of \$158,000, plus superannuation of 9.5% (2018: \$142,466 plus superannuation of 9.5%) and Mr Volk \$82,620, plus superannuation of 9.5% (2018: \$70,740 plus superannuation of 9.5%). The board does not participate in the short term incentive scheme.

Performance rights

The board considers equity based incentive compensation to be an integral component of the Company's remuneration platform enabling it to offer market-competitive remuneration arrangements, the award of performance rights is intended to enable recipients to share in any increase in the Company's value (as measured by share price) beyond the date of allocation of the performance rights, provided the specific performance conditions (milestones) are met.

The performance conditions that were chosen for the performance rights issued to the directors, executive management, employees and key consultants of the Company are on the basis that the achievement of each milestone will represent a significant and challenging performance outcome which will require the performance rights recipients to devote effort, time and skill above and beyond what would normally be expected for their respective fixed compensation. The attainment of each vesting condition (milestone) is not certain, but if achieved could be expected to see an increase in the value of the Company (as measured by share price), enabling the individuals to participate in this increase in value. Each milestone is transparently measureable, with the vesting condition either achieved or not achieved, with the achievement publicly announced to the ASX. The respective recipients must be employed or otherwise retained by the Company at the time of vesting for the performance rights to vest, subject to a milestone being achieved.

During the financial year, no performance rights were awarded to the directors.

The objectives of the award of performance rights are to provide a remuneration mechanism, through share ownership, to motivate, retain and reward the performance of employees, key consultants and Company directors. All performance rights vest based on pre-determined vesting conditions.

No performance rights held by directors or key management personnel that were outstanding as at 30 June 2019 or awarded since that date, have vested.

**Details of remuneration**

The following tables show details of the remuneration received by Altech Chemicals Limited key management personnel for the current and previous financial year.

2018/19	Primary Compensation		Post-Employment	Equity Compensation	Total
	Base Salary/Fees \$	Short Term Incentive \$	Superannuation Contributions \$	Performance Rights \$	
<b>Directors</b>					
I Tan – managing director	395,000	158,000	52,535	1,130,309	<b>1,735,844</b>
L Atkins – non-executive chairman	95,000	-	9,025	112,777	<b>216,802</b>
D Tenardi – non-executive	70,000	-	6,650	112,777	<b>189,427</b>
P Bailey – non-executive <sup>(i)</sup>	70,000	-	-	114,879	<b>184,879</b>
Tunku Yaacob Khyra - non-executive	70,000	-	-	122,029	<b>192,029</b>
U Ahrens - alternate director <sup>(ii)</sup>	30,000	-	-	122,029	<b>152,029</b>
<b>Executives</b>					
S Volk – CFO & company secretary	272,700	82,620	33,755	242,617	<b>631,692</b>
<b>TOTAL</b>	<b>1,002,700</b>	<b>240,620</b>	<b>101,965</b>	<b>1,957,417</b>	<b>3,302,702</b>

(i) Directors' fees were all paid to Waylen Bay Capital Pty Ltd.

(ii) Services were provided in Germany and Malaysia pursuant to a consultancy agreement with the Company, effective from 1 January 2019.

Note: The fair value of performance rights is estimated at each balance date taking into account, amongst other factors, the likelihood that the various tranches of performance rights will vest to the respective participants by the vesting date. At 30 June 2019, in the case of all participants, it was deemed likely that the vesting conditions pertaining to the respective tranches of performance rights would be achieved by the vesting dates and accordingly a pro-rata portion of the deemed value of the rights has been expensed to the Profit and Loss account and accordingly has been disclosed as deemed income for each key management personnel.

# ALTECH CHEMICALS LIMITED

## DIRECTORS' REPORT

For the year ended 30 June 2019

### REMUNERATION REPORT *(continued)*

2017/18	Primary Compensation		Post-Employment	Equity Compensation	Total
	Base Salary/Fees	Short Term Incentive	Superannuation Contributions	Performance Rights/Options	
	\$	\$	\$	\$	
<b>Directors</b>					
I Tan – Managing Director	365,873	142,466	48,292	364,161	920,792
L Atkins – Non-Executive Chairman (i)	76,767	-	5,700	54,217	136,684
D Tenardi – Non-Executive	40,000	-	3,800	54,217	98,017
P Bailey – Non-Executive (ii)	40,000	-	-	55,611	95,611
Tunku Yaacob Khyra - Non-Executive	40,000	-	-	59,486	99,486
U Ahrens - Alternate Director	-	-	-	59,486	59,486
<b>Executives</b>					
S Volk – CFO & Company Secretary	252,900	70,740	30,746	115,950	470,336
<b>TOTAL</b>	<b>815,540</b>	<b>213,206</b>	<b>88,538</b>	<b>763,128</b>	<b>1,880,412</b>

(i) Service fees were paid to Executive Resource Personnel Pty Ltd (\$187,043) and the balance, including superannuation directly to L Atkins as director fees.

(ii) Directors' fees were all paid to Waylen Bay Capital Pty Ltd.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk remuneration	
	2019	2018	2019	2018
<b>Directors</b>				
I Tan – managing director	26%	45%	74%	55%
L Atkins – non-executive Chairman	48%	60%	52%	40%
D Tenardi – non-executive	40%	45%	60%	55%
P Bailey – non-executive	38%	42%	62%	58%
Tunku Yaacob Khyra - non-executive	36%	40%	64%	60%
U Ahrens - alternate director	20%	n/a	80%	n/a%
<b>Executives</b>				
S Volk – CFO & company secretary	49%	60%	51%	40%

#### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the board's discretion. Other major provisions of the services agreements are set out below.

Name	Term of agreement and notice period *	Base salary (including superannuation)	Termination payments **
<b>Ignatius Tan</b> <i>Managing Director</i>	No fixed term 6 months notice	432,525 p.a.	6 months, plus 3 months if terminated because of a change in control of the Company
<b>Shane Volk</b> <i>Chief Financial Officer &amp; Company Secretary</i>	No fixed term 1 month notice	301,563 p.a.	1 month, plus 3 months if terminated because of a change in control of the Company

Non-executive director service arrangements are detailed on the first page of the remuneration report.

\* The notice period applies equally to either party

\*\* Termination benefit is payable if the Company terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance or gross misconduct).

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

**REMUNERATION REPORT** *(continued)*

**Details of share based compensation**

There was no share-based compensation issued to directors and other key management personnel as part of remuneration during the year ended 30 June 2019 (2018: 17,000,000 performance rights were issued to directors and other key management personnel).

Details of performance rights (subject to vesting conditions), awarded to directors and other key management personnel as part of remuneration in prior periods and held as at 30 June 2019, are set out below:

Name	Record Date	No. of Performance Rights	Issue price	Fair Value at issue date \$	Vested & Exercised at 30/06/19	Un-vested at 30/06/19	Final date for vesting
<b>Directors</b>							
Mr Iggy Tan	19/11/14	10,000,000	nil	1,500,000	-	10,000,000	18/11/21
Mr Iggy Tan	12/6/18	5,000,000	nil	820,313	-	5,000,000	11/6/25
Mr Luke Atkins	18/3/15	1,000,000	nil	70,000	-	1,000,000	17/3/20
Mr Dan Tenardi	18/3/15	1,000,000	nil	70,000	-	1,000,000	17/3/20
Mr Peter Bailey	18/3/15	1,500,000	nil	105,000	-	1,500,000	17/3/20
Tunku Yaacob Khyra	4/8/16	1,000,000	nil	131,250	-	1,000,000	3/8/21
Mr Uwe Ahrens	4/8/16	1,000,000	nil	131,250	-	1,000,000	3/8/21
<b>Executives</b>							
Mr Shane Volk	30/4/15	1,000,000	nil	90,000	-	1,000,000	1/1/22

The assessed fair value of the performance rights at issue date to recipients is allocated equally over the period from the grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at issue date and at each subsequent reporting date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

**Equity instruments held by key management personnel (KMP)**

The tables below show the number of:

- (i) shares in the Company;
- (ii) options over ordinary shares in the Company (both listed and unlisted options); and
- (iii) rights over ordinary shares in the Company

that were held during the financial year by the directors and key management personnel of the Company directly, indirectly or beneficially.

# ALTECH CHEMICALS LIMITED

## DIRECTORS' REPORT

For the year ended 30 June 2019

### REMUNERATION REPORT *(continued)*

#### KMP Holdings of Ordinary Shares

30 June 2019	Balance at Beginning of year	Vested as Remuneration during the year	Acquired/(disposed) during year	Other changes during the year	Balance at End of Year
<b>Directors</b>					
I Tan	2,817,000	5,000,000	-	-	7,817,000
L Atkins	8,958,837	1,000,000	90,909	-	10,049,746
D Tenardi	6,794,915	1,000,000	-	-	7,794,915
P Bailey	2,683,801	1,000,000	90,909	-	3,774,710
Tunku Yaacob Khyra	50,005,631	1,000,000	-	-	51,005,631
U Ahrens	-	1,000,000	-	-	1,000,000
<b>Executives</b>					
S Volk	435,994	2,000,000	-	(438,267)	1,997,727

30 June 2018	Balance at Beginning of year	Vested as Remuneration during the year	Acquired/(disposed) during year	Other changes during the year	Balance at End of Year
<b>Directors</b>					
I Tan	3,167,000	-	-	(350,000)	2,817,000
L Atkins	8,958,837	-	-	-	8,958,837
D Tenardi	9,194,915	-	(2,400,000)	-	6,794,915
P Bailey	2,683,801	-	-	-	2,683,801
Tunku Yaacob Khyra	42,862,774	-	7,142,857	-	50,005,631
U Ahrens	-	-	-	-	-
<b>Executives</b>					
S Volk	435,994	-	-	-	435,994

#### KMP Holdings of Options

30 June 2019	Balance at beginning of year	Acquired during the year	Expired unexercised during the year	Exercised during the year	Balance at end of Year	Vested and exercisable at year end	Unvested and unexercisable at year end
<b>Directors</b>							
I Tan	-	-	-	-	-	-	-
L Atkins	-	-	-	-	-	-	-
D Tenardi	-	-	-	-	-	-	-
P Bailey	-	-	-	-	-	-	-
Tunku Yaacob Khyra	-	-	-	-	-	-	-
U Ahrens	-	-	-	-	-	-	-
<b>Executives</b>							
S Volk	-	-	-	-	-	-	-

30 June 2018	Balance at beginning of year	Acquired during the year	Expired unexercised during the year	Exercised during the year	Balance at end of Year	Vested and exercisable at year end	Unvested and unexercisable at year end
<b>Directors</b>							
I Tan	-	-	-	-	-	-	-
L Atkins	-	-	-	-	-	-	-
D Tenardi	-	-	-	-	-	-	-
P Bailey	3,000,000	-	3,000,000	-	-	-	-
Tunku Yaacob Khyra	-	-	-	-	-	-	-
U Ahrens	-	-	-	-	-	-	-
<b>Executives</b>							
S Volk	-	-	-	-	-	-	-



# ALTECH CHEMICALS LIMITED

## DIRECTORS' REPORT

For the year ended 30 June 2019

### REMUNERATION REPORT *(continued)*

#### KMP Holdings of Performance Rights

30 June 2019	Balance at beginning of year	Awarded or Acquired during the year	Expired unexercised during the year	Exercised during the year	Balance at end of Year	Vested and exercisable at year end	Unvested and unexercisable at year end
<b>Directors</b>							
I Tan	20,000,000	-	-	(5,000,000)	15,000,000	-	15,000,000
L Atkins	2,000,000	-	-	(1,000,000)	1,000,000	-	1,000,000
D Tenardi	2,000,000	-	-	(1,000,000)	1,000,000	-	1,000,000
P Bailey	2,500,000	-	-	(1,000,000)	1,500,000	-	1,500,000
Tunku Yaacob Khyra	2,000,000	-	-	(1,000,000)	1,000,000	-	1,000,000
U Ahrens	2,000,000	-	-	(1,000,000)	1,000,000	-	1,000,000
<b>Executives</b>							
S Volk	3,000,000	-	-	(2,000,000)	1,000,000	-	1,000,000

30 June 2018	Balance at beginning of year	Awarded or Acquired during the year	Expired unexercised during the year	Exercised during the year	Balance at end of Year	Vested and exercisable at year end	Unvested and unexercisable at year end
<b>Directors</b>							
I Tan	10,000,000	10,000,000	-	-	20,000,000	-	20,000,000
L Atkins	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000
D Tenardi	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000
P Bailey	1,500,000	1,000,000	-	-	2,500,000	-	2,500,000
Tunku Yaacob Khyra	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000
U Ahrens	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000
<b>Executives</b>							
S Volk	1,000,000	2,000,000	-	-	3,000,000	-	3,000,000

*This concludes the remuneration report, which has been audited*

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

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**INDEMNIFYING OFFICERS AND AUDITOR**

During the year, the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the directors and the company secretary named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. The insurers do not permit the premium amount paid by the Company for this insurance to be disclosed.

The Company has not provided any insurance for an auditor of the Company.

**AUDITORS' INDEPENDENCE DECLARATION**

Section 370C of the *Corporations Act 2001* requires the Group's auditors Moore Stephens, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

**NON-AUDIT SERVICES**

There were no non-audit services provided by the external auditors during the year.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

**CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance for a Company of the current size. The Company's corporate governance statement is contained in the Annual Report.

Signed in accordance with a resolution of the directors.



**Iggy Tan**  
**Managing Director**

DATED at Perth this 20th day of September 2019

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2019

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**MOORE STEPHENS**

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Level 15, Exchange Tower,  
2 The Esplanade, Perth, WA 6000  
PO Box 5785, St Georges Terrace,  
WA 6831

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

[www.moorestephens.com.au](http://www.moorestephens.com.au)

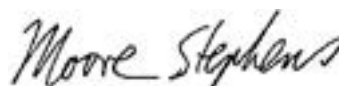
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION  
307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS  
OF ALTECH CHEMICALS LIMITED & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



NEIL PACE  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 20th day of September 2019

**ALTECH CHEMICALS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended 30 June 2019

	Notes	30-Jun-19 \$	30-Jun-18 \$
<b>Revenue from ordinary activities</b>			
Interest Income	2(a)	103,558	87,067
<b>Total Income</b>		<b>103,558</b>	<b>87,067</b>
<b>Expenses</b>			
Employee benefit expense (incorporating director fees)		(1,753,444)	(1,792,003)
Depreciation		(31,006)	(9,692)
Other expenses	2(b)	(1,748,286)	(1,834,036)
Exploration & evaluation		-	7,904
Share-based payments to employees	12(e)	(2,756,432)	(1,025,571)
<b>Profit/(loss) before income tax expense</b>		<b>(6,185,610)</b>	<b>(4,566,331)</b>
Income tax expense		-	-
<b>Net profit/(loss) from continuing operations</b>		<b>(6,185,610)</b>	<b>(4,566,331)</b>
<b>Other comprehensive loss</b>			
Items that will not be reclassified to profit and loss		-	-
Items that may be reclassified subsequently to profit and loss		-	-
<b>Total comprehensive loss attributable to members of the parent entity</b>		<b>(6,185,610)</b>	<b>(4,566,331)</b>
Basic profit (loss) per share (\$'s per share)	4	(0.011)	(0.018)
Diluted profit (loss) loss per share (\$'s per share)	4	(0.011)	(0.018)

*The above consolidated statement of Profit & Loss and Comprehensive Income should be read in conjunction with the accompanying notes.*

**ALTECH CHEMICALS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2019

	Notes	30-Jun-19 \$	30-Jun-18 \$
<b>Current Assets</b>			
Cash and cash equivalents	5(a)	8,267,032	261,319
Trade and other receivables	6	47,645	55,456
<b>Total Current Assets</b>		<b>8,314,677</b>	<b>316,775</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	26,655,224	8,228,399
Exploration and evaluation expenditure	8	401,964	359,996
Development expenditure	9	33,204,388	25,776,306
<b>Total Non-Current Assets</b>		<b>60,261,576</b>	<b>34,364,701</b>
<b>TOTAL ASSETS</b>		<b>68,576,253</b>	<b>34,681,476</b>
<b>Current Liabilities</b>			
Trade and other payables	10	4,898,849	3,113,504
Provisions	11	200,864	139,704
<b>Total current liabilities</b>		<b>5,099,713</b>	<b>3,253,208</b>
<b>Non-Current Liabilities</b>			
Provisions	11	70,911	38,941
<b>Total Non-Current Liabilities</b>		<b>70,911</b>	<b>38,941</b>
<b>TOTAL LIABILITIES</b>		<b>5,170,624</b>	<b>3,292,149</b>
<b>NET ASSETS</b>		<b>63,405,629</b>	<b>31,389,327</b>
<b>Equity</b>			
Contributed Equity	12	81,167,075	45,721,596
Reserves	13	6,975,102	4,218,670
Accumulated losses	15	(24,736,548)	(18,550,939)
<b>TOTAL EQUITY</b>		<b>63,405,629</b>	<b>31,389,327</b>

*The above consolidated Statement of Financial Position should be read  
in conjunction with the accompanying notes.*

**ALTECH CHEMICALS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2019

	Contributed Equity \$	Accumulated losses \$	Reserves \$	Total \$
<b>At 1 July 2018</b>	<b>45,721,596</b>	<b>(18,550,939)</b>	<b>4,218,670</b>	<b>31,389,327</b>
Profit (Loss) after income tax for the half year	-	(6,185,610)	-	<b>(6,185,610)</b>
<b>Total comprehensive profit (loss) for the year</b>	-	<b>(6,185,610)</b>	-	<b>(6,185,610)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital (net of issue costs)	35,445,479	-	-	<b>35,445,479</b>
Share based payments to employees (net movement)	-	-	2,756,432	<b>2,756,432</b>
<b>At 30 June 2019</b>	<b>81,167,075</b>	<b>(24,736,549)</b>	<b>6,975,102</b>	<b>63,405,628</b>

	Contributed Equity \$	Accumulated losses \$	Reserves \$	Total \$
<b>At 1 July 2017</b>	<b>28,365,517</b>	<b>(13,984,608)</b>	<b>3,193,100</b>	<b>17,574,009</b>
Profit (Loss) after income tax for the half year	-	(4,566,331)	-	<b>(4,566,331)</b>
<b>Total comprehensive profit (loss) for the year</b>	-	<b>(4,566,331)</b>	-	<b>(4,566,331)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital (net of issue costs)	17,356,079	-	-	<b>17,356,079</b>
Share based payments to employees (net movement)	-	-	1,025,571	<b>1,025,571</b>
<b>At 30 June 2018</b>	<b>45,721,596</b>	<b>(18,550,939)</b>	<b>4,218,670</b>	<b>31,389,327</b>

*The above consolidated Statement of Changes in Equity should be read  
in conjunction with the accompanying notes.*

**ALTECH CHEMICALS LIMITED**  
**CONSOLIDATED STATEMENT OF CASHFLOWS**  
For the year ended 30 June 2019

	Notes	30-Jun-19 \$	30-Jun-18 \$
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers, contractors and employees		(3,255,978)	(2,386,171)
Interest received		103,558	86,841
Deposits Paid		(4,057)	(17,195)
<b>Net cash flows used in operating activities</b>		<b>(3,156,476)</b>	<b>(2,316,524)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of land, property, plant and equipment		(573,564)	(7,214,311)
Sale of plant and equipment and other interests		-	10,000
Payments for development expenditure		(20,547,825)	(8,260,960)
Payments for loan facility		(3,160,699)	(898,803)
Research and development tax refund		73,799	298,492
<b>Net cash used in investing activities</b>		<b>(24,208,289)</b>	<b>(16,065,583)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		35,370,479	17,221,079
Borrowing costs		-	(10,000)
<b>Net cash flows from financing activities</b>		<b>35,370,479</b>	<b>17,211,079</b>
<b>Net decrease in cash and cash equivalents</b>		<b>8,005,713</b>	<b>(1,171,028)</b>
Cash and cash equivalents at the beginning of the financial period		261,319	1,432,347
<b>Cash and cash equivalents at the end of the financial period</b>	5(a)	<b>8,267,032</b>	<b>261,319</b>

*The above consolidated Statement of Cash Flows should be read  
in conjunction with the accompanying notes.*

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### GENERAL INFORMATION

The financial statements cover Altech Chemicals Limited as a consolidated entity consisting of Altech Chemicals Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Altech Chemicals Limited's functional and presentation currency.

Altech Chemicals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 8, 295 Rokeby Road  
Subiaco  
Western Australia 6008

The financial statements were authorised for issue, in accordance with the resolution of directors. The directors have the power to amend and reissue the financial statements.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Altech Chemicals Limited ("ATC" or "Company"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise indicated.

Altech Chemicals Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Securities Exchange (ASX). The financial statements are presented in Australian dollars, which is the Group's functional currency.

#### (a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial report is presented in Australian dollars. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (b) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### (d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.



# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### (e) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

### (f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

#### Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

#### Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(q) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

#### Land

Land is recorded at the total cost of acquisition. The value of land in Australia (Meckering) is not amortised. Land in Malaysia (Johor HPA plant site) is recorded at the total cost of acquisition and is amortised on a straight-line basis over the 30-year term of the land lease.

The carrying amount of land is reviewed annually to ensure that it is not in excess of the recoverable amount from its disposal. In the event that the carrying amount of any land is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss account or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(q) for details of impairment).

#### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant & equipment	33% to 66%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### (g) Employee Benefits

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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### Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

### Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### Share-based payment transactions

The Group currently operates a performance rights plan and also awards Performance Rights to its directors outside of the plan but on the same terms and conditions, which provides benefits to directors, consultants, executives and employees. The Group may also award performance rights or other equity instruments outside of the performance rights plan to directors, consultants, executives and employees.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Any underlying assumptions are detailed in Note 12(e).

The cost of equity-settled transactions is recognised as a share based payment expense in the profit and loss account with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Where the Group grants equity instruments (i.e. fully paid ordinary shares, or options to acquire fully paid ordinary shares of the Group) to service providers' as consideration for services provided to the Group, the consideration is classified as a share-based payment transaction, and the fair value of the equity instruments granted is measured at grant date by using a Black-Scholes valuation model. The value of equity securities (as measured by the Black-Scholes model) is taken to the profit and loss account or the balance sheet as applicable, together with a corresponding increase in equity.

### **(h) Exploration and Development Expenditure**

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

**(h) Exploration and Development Expenditure** *(continued)*

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(i) Research and Development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs will be amortised over their expected useful life once commercial sales commence.

The value of research and development tax incentives received in relation to research and development assets is recognised by deducting the actual rebate/incentive received from the carrying value of the asset.

**(j) 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 Group has incurred net cash outflow from operating and investing activities for the year ended 30 June 2019 of \$ 27,364,766, (2018: \$18,382,107). As at 30 June 2019, the Group had net current assets of \$3,214,964 (30 June 2018: net current liabilities \$2,936,433).

The directors believe that there are sufficient funds to meet the Group's immediate working capital requirements. However, the directors recognise that the ability of the Group to continue as a going concern is dependent on the Group 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 HPA plant construction, ongoing development, exploration and for working capital.

Based on the above, the Group believes 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 Group be unsuccessful in securing future funding the Group may not be able to continue as a going concern.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. GST incurred is claimed from the ATO when a valid tax invoice is provided. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(l) Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

(m) **Issued Capital  
Contributed Equity**

Issued capital is recognised as the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**Earnings per Share**

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

(n) **Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lesser effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease.

(o) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) **Financial risk management**

The board of directors has overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the Group. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Group has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited Banks with a minimum credit rating of A1 from Standard & Poors. Working capital is maintained at its highest level possible and regularly reviewed by the full board.

(q) **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(r) **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

**Share based payment transactions**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 12(e).

**Exploration and evaluation assets**

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer Note 1(h)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy in Note 1(h), a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss in accordance with the Group's accounting policy in Note 1(q). The carrying amounts of exploration and evaluation assets are set out in Note 8.

**Development expenditure**

Judgment is applied by management in determining when development expenditure relating to a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the Statement of Profit or Loss & Other Comprehensive Income.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### (s) New and Amended Accounting Policies Adopted by the Group

The Group 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.

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).
- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).
- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The impact of adopting these standards has not impacted the Group's financial statements.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

### (t) New Accounting Standards for Application in Future Periods

- AASB 16 Leases

AASB 16: Leases (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: Leases and the related Interpretations from its application date of 1 July 2019. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership.

The key requirements of AASB 16 are summarised as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components, instead accounting for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The Group is likely to apply the latter option in which case comparative information shall not be restated.

The Group has assessed the full impact of the Standard and assuming no significant changes to its existing lease arrangements expects to not recognise any Right of Use Asset and Lease Liability in the consolidated balance sheet.

### (u) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Altech Chemicals Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 24.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Company from the date on which control is obtained by the Company. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Company.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Company are presented as "non-controlling interests". The Company initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### (v) Financial Instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

#### Classification and subsequent measurement

##### *Financial liabilities*

Financial instruments are subsequently measured at:

- amortised cost; or
  - fair value through profit or loss.
- A financial liability is measured at fair value through profit and loss if the financial liability is:
- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
  - held for trading; or
  - initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

##### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair values (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with AASB 9.3.25.3; and
- the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies.

##### *Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### (v) Financial Instruments (continued)

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;

it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

#### *Equity instruments*

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

#### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

#### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### **Derivative financial instruments**

The Group enters into various derivative financial instruments (ie foreign exchange forward contracts and interest rate swaps) to manage its exposure to interest rate and foreign exchange rate risks.

Derivative financial instruments are initially and subsequently measured at fair value. All gains and losses subsequent to the initial recognition are recognised in profit or loss.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### (v) Financial Instruments (continued)

#### Hedge accounting

At the inception of a hedge relationship, the Group identifies the appropriate risks to be managed by documenting the relationship between the hedging instrument and the hedged item, along with risk management objectives and the strategy for undertaking various hedge transactions.

The Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. That is, whether the hedging relationships meet all of the following hedge effective requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedged ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group uses to hedge the quantity of hedged item.

When the hedging relationship ceases to meet the hedging ratio requirement, the Group rebalances the hedge so that it meets the qualifying criteria again.

Discontinuation of hedge is not voluntary and is only permitted if:

- the risk management objective has changed;
- there is no longer an economic relationship between the hedged item and the hedging instrument; or
- the credit risk is dominating the hedge relationship.

#### Qualifying items

Each eligible hedged item must be reliably measurable and will only be designated as a hedge item if it is made with a party which is not part of the Group and is from one of the following categories:

- a recognised asset or liability (financial or non-financial);
- an unrecognised firm commitment (binding agreement with specified quantity, price and dates); or
- a highly probable forecast transaction.

#### Fair value hedges

At each reporting date, except when the hedging instrument hedges an equity instrument designated as at fair value through other comprehensive income, the carrying amount of the qualifying hedge instruments will be adjusted for the fair value change and the attributable change is recognised in profit or loss, at the same line as the hedged item.

When the hedged item is an equity instrument designated as at fair value through other comprehensive income, the hedging gain or loss remains in other comprehensive income to match the hedging instrument.

#### Cash flow hedges

The effective portion of the changes in fair value of the hedging instrument is not recognised directly in profit and loss, but to the extent the hedging relationship is effective, it is recognised in other comprehensive income and accumulated under the heading Cash Flow Hedging Reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion (balancing figure) is recognised immediately in profit or loss.

Hedge accounting on cash flow hedge instruments is discontinued prospectively when the hedge relationship no longer meets the qualifying criteria. Amounts recognised in the cash flow hedging reserve that are related to the discontinued hedging instrument will immediately be reclassified to profit or loss.

#### Preference shares

Preferred share capital is classified as equity if it is non-redeemable or redeemable only at the discretion of the Parent Entity, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors. Preferred share capital is classified as a liability if it is redeemable on a set date or at the option of the shareholders, or where the dividends are mandatory. Dividends thereon are recognised as interest expense in profit or loss.

#### Compound financial instruments

Compound instruments (convertible preference shares) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangements. An option that is convertible and that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments will be classified as equity.

The fair value of the liability component is estimated on date of issue. This is done by using the prevailing market interest rate of the same kind of instrument. This amount is recognised using the effective interest method as a liability at amortised cost until conversion or the end of life of the instrument.

The equity portion is calculated by deducting the liability amount from the fair value of the instrument as a whole. The equity portion is not remeasured after initial recognition. Equity will remain as such until the option is exercised. When the option is exercised a corresponding amount will be transferred to share capital. If the option lapses without the option being exercised the balance in equity will be recognised in profit or loss.

Costs of the transaction of the issue of convertible instruments are proportionally allocated to the equity and liability. Transaction costs in regards to the liability are included in the carrying amount of the liability and are amortised over its life using the effective interest method. Transaction cost in equity is directly recognised in equity.



# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### (v) Financial Instruments (continued)

#### Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

#### General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

#### Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Purchased or originated credit-impaired approach

For a financial asset that is considered credit-impaired (not on acquisition or origination), the Group measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender granting to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- high probability that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

#### Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

(v) **Financial Instruments** (continued)

*Recognition of expected credit losses in financial statements*

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(w) **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the reporting date.

(x) **Foreign Currency**

**Functional and presentation currency**

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

**Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each consolidated statement of profit and loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit and loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit and loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

<b>2. Loss for the year includes the following specific income and expenses</b>	<b>30-Jun-19</b>	<b>30-Jun-18</b>
(a) Revenue	<b>\$</b>	<b>\$</b>
Interest income	103,558	87,067
	<b>103,558</b>	<b>87,067</b>
(b) Other expenses		
Accounting and audit fees	(39,314)	(33,491)
ASX and share registry fees	(69,055)	(116,951)
Corporate & Consulting	(193,660)	(130,523)
Insurance expense	(178,427)	(118,526)
Occupancy	(120,698)	(105,056)
Legal fees	(127,653)	(40,496)
Investor relations and marketing	(706,011)	(979,831)
Office & Administration	(311,299)	(319,664)
Foreign Exchange Translation	(2,169)	10,502
	<b>(1,748,286)</b>	<b>(1,834,036)</b>

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

<b>3. Income Tax</b>	<b>30-Jun-19</b>	<b>30-Jun-18</b>
<b>Income tax expense</b>	<b>\$</b>	<b>\$</b>
Current income tax expense	-	-
Deferred income tax expense	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>
<b>Tax reconciliation</b>		
Accounting profit (loss) before tax from continuing operations	(6,185,610)	(4,566,331)
At statutory tax rate of 30%	(1,855,683)	(1,369,899)
<b>Adjustment for:</b>		
Expenditure subject to the R&D tax offset	-	-
Share based payments to employees	826,930	343,671
Other non-deductible expenses	979,734	886,381
Other deductible expenses	(13,899)	(31,712)
Deferred tax assets not recognised	62,918	171,560
Tax rate differential	-	-
	-	-
<b>Deferred tax assets</b>		
Provisions, accruals and other	17,814	11,004
Tax losses	1,242,425	778,539
	1,260,239	789,544
Offset by deferred tax liabilities	(1,260,239)	(789,544)
	-	-
<b>Deferred tax liabilities</b>		
Capitalised mineral exploration and evaluation expenditure	(94,366)	(86,502)
Development expenditure	(1,165,872)	(703,042)
	(1,260,238)	(789,544)
Offset by deferred tax assets	1,260,238	789,544
	-	-
<b>Deferred tax assets not recognised</b>		
Share issue costs	129,809	21,090
Tax losses	1,254,019	1,314,878
Capital losses	5,102	4,677
	<b>1,388,930</b>	<b>1,340,645</b>

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**4. Earnings per share**

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
	<b>\$</b>	<b>\$</b>
Basic profit (loss) per share	(0.011)	(0.018)
Diluted profit (loss) per share	(0.011)	(0.018)

The weighted average number of ordinary shares used in the calculation of basic earnings per share was:

	<b>Number</b>	<b>Number</b>
	587,803,311	333,832,236

Options or rights to purchase ordinary shares not exercised at 30 June 2019 have not been included in the determination of basic earnings per share.

**5. Cash and cash equivalents**

(a) 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:

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	8,267,032	261,319
	<b>8,267,032</b>	<b>261,319</b>

(b) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities:

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
	<b>\$</b>	<b>\$</b>
Loss from ordinary activities after income tax	(6,185,610)	(4,566,331)
<i>Non-cash items:</i>		
- Depreciation expense (Operations)	31,006	9,692
- Share based payments to employees	2,831,432	1,160,571
- Loss on disposal of assets	2,890	2,916
Reclassification in cash flow statement		
- Sale of plant, equipment and other interests	-	(10,000)
<i>Change in operating assets and liabilities:</i>		
- Increase / (decrease) in Operating trade and other payables	101,469	1,030,355
- (Increase) / decrease in Operating trade and other receivables	(15,231)	24,469
- Increase / (decrease) in Operating provisions	77,568	31,804
<b>Net cash outflows from Operating Activities</b>	<b>(3,156,476)</b>	<b>(2,316,524)</b>

**6. Trade and other receivables**

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT RECEIVABLES</b>		
Sundry debtors	-	15,231
GST Receivable	21,485	18,122
Deposit paid	17,135	16,672
Other receivable	9,025	5,431
	<b>47,645</b>	<b>55,456</b>

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**7. Property, Plant and Equipment**

	30-Jun-19	30-Jun-18
<b>OFFICE EQUIPMENT</b>	<b>\$</b>	<b>\$</b>
At cost	214,357	154,941
Less: accumulated depreciation	(116,556)	(89,567)
<b>Total plant and office equipment</b>	<b>97,800</b>	<b>65,374</b>
<b>LAND</b>		
At cost	8,294,660	8,182,271
Less: amortisation	(247,970)	(26,614)
<b>Total land</b>	<b>8,046,690</b>	<b>8,155,657</b>
<b>PLANT AND EQUIPMENT</b>		
At cost	16,021	7,905
Less: accumulated depreciation	(8,023)	(7,905)
<b>Total land</b>	<b>7,998</b>	<b>-</b>
<b>MALAYSIAN HPA PLANT</b> (works in progress)		
At cost	18,502,736	7,367
<b>Total HPA Plant</b>	<b>18,502,736</b>	<b>7,367</b>
<b>Total Property, Plant and Equipment</b>	<b>26,655,224</b>	<b>8,228,399</b>

**Reconciliation**

Reconciliation of the carrying amounts for each class of plant and equipment are set out below:

	30-Jun-19	30-Jun-18
<b>OFFICE EQUIPMENT</b>	<b>\$</b>	<b>\$</b>
Carrying amount at the beginning of the year	65,374	71,002
Additions	83,096	18,879
Loss on Disposals	(2,890)	(2,918)
Depreciation expense (profit & loss account)	(31,006)	(9,692)
Depreciation expense (development expenditure)	(16,774)	(11,897)
<b>Carrying amount at the end of the year</b>	<b>97,800</b>	<b>65,374</b>
<b>LAND</b>	<b>\$</b>	<b>\$</b>
Carrying amount at the beginning of the year	8,155,657	5,680,563
Additions	139,003	2,501,708
Less: amortisation	(247,970)	(26,614)
<b>Carrying amount at the end of the year</b>	<b>8,046,690</b>	<b>8,155,657</b>
<b>PLANT AND EQUIPMENT</b>	<b>\$</b>	<b>\$</b>
Carrying amount at the beginning of the year	-	7,905
Additions	8,116	-
Less: depreciation	(118)	(7,905)
<b>Carrying amount at the end of the year</b>	<b>7,998</b>	<b>-</b>

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

	30-Jun-19	30-Jun-18
<b>MALAYSIAN HPA PLANT</b> (works in progress)	\$	\$
<b>Carrying amount at the beginning of the year</b>	7,367	-
Additions	18,495,369	7,367
Less: depreciation	-	-
<b>Carrying amount at the end of the year</b>	18,502,736	7,367

**8. Exploration and Evaluation expenditure**

	30-Jun-19	30-Jun-18
	\$	\$
<b>Carrying amount at the beginning of period</b>	359,996	334,481
Exploration and evaluation expenditure incurred during the period (at cost)	41,968	25,515
<b>Carrying amount at the end of the year</b>	401,964	359,996

**9. Development expenditure**

	30-Jun-19	30-Jun-18
	\$	\$
<b>Carrying amount at the beginning of the period</b>	25,776,306	17,198,222
Development expenditure incurred during the period (at cost)	7,428,082	8,578,084
<b>Carrying amount at the end of the year</b>	33,204,388	25,776,306

**10. Trade and other payables**

	30-Jun-19	30-Jun-18
	\$	\$
<b>CURRENT PAYABLES</b> (Unsecured)		
Trade creditors	4,629,208	2,082,746
Accrued expenses	210,421	984,891
Other creditors and accruals	59,220	45,867
<b>Total trade and other payables</b>	4,898,849	3,113,504

**11. Provisions**

	30-Jun-19	30-Jun-18
	\$	\$
<b>CURRENT</b>		
Provision for annual leave	200,864	139,704
<b>NON CURRENT</b>		
Provision for long service leave	70,911	38,941
<b>Total provisions</b>	271,775	178,645

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

<b>12. Contributed Equity</b>	<b>30-Jun-19</b>	<b>30-Jun-18</b>
<b>(a) Ordinary shares</b>	<b>\$</b>	<b>\$</b>
<b>Contributed equity at the beginning of the period</b>	<b>45,721,596</b>	<b>28,365,517</b>
Shares issued during the period	37,515,937	18,055,418
Transaction costs relating to shares issued	(2,031,012)	(699,339)
<b>Contributed Equity at the end of the reporting period</b>	<b>81,206,521</b>	<b>45,721,596</b>

<b>Movements in ordinary share capital</b>	<b>30-Jun-19</b>	<b>30-Jun-18</b>
<b>Ordinary shares on issue at the beginning of reporting period</b>	<b>426,540,542</b>	<b>297,324,057</b>
Shares issued during the period:		
12-Jul-17 at \$0.11 per share (Placement SMS group)	-	1,162,979
1-Nov-17 at \$0.14 per share (Placement)	-	65,942,561
4-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
3-Jan-18 at \$0.14 per share (Placement)	-	14,334,287
16-Jul-18 at \$0.165 (Placement)	102,300,606	-
6-Aug-18 at \$0.165 (Placement)	240,000	-
6-Aug-18 Vest of Performance Rights	17,000,000	-
6-Aug-18 at \$0.165 (Share Purchase Plan)	26,478,844	-
26-Apr-19 at \$0.105 (Placement)	131,127,497	-
14-Jun-19 at \$0.105 (Placement SMS group)	18,433,180	-
<b>Ordinary shares on issue at the end of the reporting period</b>	<b>722,120,669</b>	<b>426,540,542</b>

**(b) Performance Rights**

The Company issued 3,200,000 performance rights at nil per performance right during the reporting period to various employees pursuant to the Altech Chemicals Limited performance rights plan ("the Plan").

19,000,000 performance rights vested during the period and 200,000 performance rights expired unexercised during the period.

At 30 June 2019, the Company had the following unlisted performance rights on issue:

performance rights - managing director (exercise price: nil)	15,000,000
performance rights - employee's & consultants (exercise price: nil)	8,200,000
performance rights - non-executive directors (exercise price: nil)	5,500,000
<b>Total performance rights on issue at 30 June 2019</b>	<b>28,700,000</b>

At 30 June 2018, the Company had the following unlisted performance rights on issue:

performance rights - managing director (exercise price: nil)	20,000,000
performance rights - employee's & consultants (exercise price: nil)	12,200,000
performance rights - non-executive directors (exercise price: nil)	10,500,000
<b>Total performance rights on issue at 30 June 2018</b>	<b>42,700,000</b>

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 pre-determined vesting conditions.



**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**12. Contributed Equity** (continued)

**(c) Listed Options**

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

At 30 June 2019, the Company did not have any listed options on issue (2018: nil).

**(d) Unlisted Options**

The Company did not issue any unlisted options during the reporting period.

At 30 June 2019, the Company did not have any unlisted options on issue (2018: nil).

**(e) Share Based Payments**

Consultant & Interest Expense Shares

During the period the Company issued 454,545 shares at \$0.165 per share (total value \$75,000) to a consultant for investor relations services and the Company also issued 276,498 shares at \$0.1085 per share (total value \$30,000) to a consultant for capital raising services. An expense of \$75,000 was recorded in the profit and loss account in relation to the investor relations services, with \$30,000 recorded in the balance sheet as transaction costs relating to share issues.

Performance Rights

The Company issued 3,200,000 performance rights during the period to various employees and recorded a total share based payments expense of \$2,756,432.

The fair value of performance rights is estimated at the date of grant using a Black-Scholes valuation model taking into account the terms and conditions upon which the performance rights were awarded, and the fair value of performance rights is re-assessed each balance date by reference to the fair value of the performance rights at the time of award, adjusted for the probability of achieving the vesting conditions, which may change from balance date to balance date and consequently impact the amount to be expensed via profit and loss account in future periods.

**Fair Value of Performance Rights**

The fair value of the performance rights awarded during the period at the award date was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate. Inputs used for each series granted included:

**Performance Rights -  
Valuation Assumptions**

Variable	employees
Exercise price for the performance right	\$0.00
Market price for the shares at date of valuation / issue	\$0.145
Volatility of Company share price	118.2%
Dividend yield	0%
Risk free rate	2.10%
Expiry from date of grant (number of years)	7.00
<b>Number of Rights issued</b>	<b>3,200,000</b>

The expected volatility during the term of the shares is based around assessments of the historical volatility of the Company share price and the dividend yield of 0% is on the basis that the Company does not anticipate paying dividends in the period between the issue date and the final vesting date for the shares.

The value of the performance rights has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the performance rights that were issued during the period has accounted as an expense in the share based payments reserve, the amount for these performance rights is \$186,822. Vesting of the performance rights are subject to the attainment of the applicable performance milestones and at the end of the period none of these performance rights had vested.

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**12. Contributed Equity (continued)**

*Performance Rights Plan*

The establishment of the Altech Chemicals Limited employee Performance Rights Plan ("the Plan") was approved by ordinary resolution at a General Meeting of shareholders on 5 November 2014 and re-approved by shareholders in General Meeting on 12 June 2018. 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.

There were 3,200,000 performance rights issued during the reporting period. Details of performance rights that vested during the reporting period are shown in Note 12(a), above

**13. Reserves**

	<b>30-Jun-19</b>	<b>30-Jun-18</b>
	\$	\$
Share based payments reserve	6,975,102	4,218,670
<b>Carrying amount at the end of the year</b>	<b>6,975,102</b>	<b>4,218,670</b>

**Movements:**

**Share based payments reserve**

Balance at the beginning of the period	4,218,670	3,193,100
Fair value of performance rights issued	2,756,432	1,025,571
<b>Balance at end of period</b>	<b>6,975,102</b>	<b>4,218,670</b>

**14. Financial Instruments**

The Group's activities expose it to a variety of financial risks and market risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

**(a) Interest rate risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets, is as follows:

	<b>Notes</b>	<b>Weighted Average Effective Interest %</b>	<b>Funds Available at a Floating Interest Rate \$</b>	<b>Fixed Interest Rate \$</b>	<b>Assets/ (Liabilities) Non Interest Bearing \$</b>	<b>Total \$</b>
<b>2019</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	5(a)	1.30%	8,267,032	-	-	8,267,032
Other receivables	6		-	-	47,645	47,645
<b>Total Financial Assets</b>			<b>8,267,032</b>	<b>-</b>	<b>47,645</b>	<b>8,314,677</b>
<b>Financial Liabilities</b>						
Payables	10	0.00%	-	-	4,895,615	4,895,615
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>4,895,615</b>	<b>4,895,615</b>
<b>Net Financial Assets/Liabilities</b>			<b>8,267,032</b>	<b>-</b>	<b>(4,847,970)</b>	<b>3,419,062</b>

**ALTECH CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

2018	Notes	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate \$	Fixed Interest Rate \$	Assets/ (Liabilities) Non Interest Bearing \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	5(a)	2.25%	261,319	-	-	261,319
Other receivables	6		-	-	55,456	55,456
<b>Total Financial Assets</b>			<b>261,319</b>	<b>-</b>	<b>55,456</b>	<b>316,775</b>
<b>Financial Liabilities</b>						
Payables	10	0.00%	-	-	3,113,504	3,113,504
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>3,113,504</b>	<b>3,113,504</b>
<b>Net Financial Assets/Liabilities</b>			<b>261,319</b>	<b>-</b>	<b>(3,058,048)</b>	<b>(2,796,729)</b>

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and in the notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

**(c) Commodity Price Risk & Liquidity Risk**

At the present state of the Group's operations it has minimal commodity price risk and limited liquidity risk due to the level of payables and cash reserves held. The Group's objective is to maintain a balance between continuity of development funding and flexibility through the use of available cash reserves.

**(d) Net Fair Values**

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Group has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

**15. Accumulated losses**

	30-Jun-19	30-Jun-18
	\$	\$
Carrying amount at the beginning of the period	(18,550,939)	(13,984,608)
Profit (loss) for the period	(6,185,610)	(4,566,331)
<b>Carrying amount at the end of the year</b>	<b>(24,736,549)</b>	<b>(18,550,939)</b>

**16. Auditors' remuneration**

	30-Jun-19	30-Jun-18
	\$	\$
<b>Audit - Moore Stephens</b>		
Audit and review of the financial reports	39,314	33,491

**17. Related Parties**

	30-Jun-19	30-Jun-18
	\$	\$
<b>Key management personnel compensation</b>		
Short-term employee benefits	730,000	562,640
Short-term Incentives	158,000	142,466
Post-employment benefits	68,210	57,792
Share-based payments	1,714,800	647,178
	<b>2,671,010</b>	<b>1,410,076</b>

During the financial year there were no loans made or outstanding at year end (2018:Nil)

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 17. Related Parties (continued)

#### Other transactions with key management personnel

The mother of Luke Atkins (non-executive chairman) is the owners of the office premises that the Company rents for its registered office and principal place of business. During the year the Company paid \$100,000 (2018:\$100,000) rent and outgoings on normal commercial terms and conditions.

### 18. Expenditure commitments

#### (a) Exploration

The Group has certain obligations to perform minimum exploration work on the various mineral leases that it holds. These obligations may vary over time, depending on the Group's exploration programs and priorities. As at 30 June 2019, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and those which cover the following twelve month period amount to \$135,250 (2018: \$166,000). These obligations are also subject to variations, may be subject to farm-out arrangements, sale of relevant tenements or via application for expenditure exemptions from prior-year commitments from the relevant government department.

#### (b) Capital commitments

EPC contracts for the construction of the Malaysian HPA plant and the Australian kaolin loading facility have been executed with SMS group GmbH and Simulus Engineering Pty Ltd for prices of US\$280 million and US\$2.5 million respectively. The contracted expenditure is subject to a number of conditions being met including the securing of the total targeted project funding. As at 30 June 2019 the Group had capital commitments of US\$8,269,091 (A\$11,812,987 at USD/AUD of 0.70) and MYR 3,788,916 (A\$1,306,523 at AUD/MYR of 2.9) in relation to future payments for Stage 1 and Stage 2 construction works - all amounts are payable to SMS group GmbH or its wholly owned subsidiaries (2018: nil). It is currently anticipated that all of the commitment amounts will become payable during the subsequent financial year (2019/20), however based on past practice it is anticipated that the exact timing for the payments to SMS group can be negotiated from time-to-time, if required, in order to align the actual payments to the Group's funding position.

### 19. Segment Information

The Group 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 Group operates predominantly in one segment, which is the development of high purity alumina (HPA) manufacturing, and mineral exploration. Although the Group has established a wholly owned subsidiary in Malaysia, the operations of the Group for the year ended 30 June 2019 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.

### 20. Employee entitlements and superannuation commitments

#### Employee Entitlements

There are the following employee entitlements at 30 June 2019: Annual Leave Provision \$200,864 (2018: \$139,704) and Long Service Leave Provision \$70,912 (2018: \$38,941).

#### Directors, officers, employees and other permitted persons performance rights Plan

Details of the Company's performance rights plan are disclosed in the Remuneration Report.

#### Superannuation commitments

The Company contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability. Accordingly no actuarial assessment of the plans is required.

Funds are available for the purposes of the plans to satisfy all benefits that would have been vested under the plans in the event of:

- termination of the plans;
- voluntary termination by all employees of their employment; and
- compulsory termination by the employer of the employment of each employee.

During the year employer contributions (including salary sacrifice amounts) to superannuation plans totalled \$220,727 (2018: \$183,628).

### 21. Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2019 other than:

#### Native Title and Aboriginal Heritage

Native title claims have or could be made with respect to areas which may include tenements in which the Group has an interest. The Group 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 Group 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 Group has an interest.

# ALTECH CHEMICALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

### 22. Events subsequent to balance date

There has not arisen, since the end of the financial 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 financial years apart from:

- On 18 July 2019, the Company announced that it had launched a German project equity strategy, whereby investors would be provided with an avenue to acquire a shareholding in up to a 49% direct interest in the Company's high purity alumina project via subscribing to shares in a German domiciled public company that is listed on the Frankfurt Stock Exchange. The strategy involved the Company acquiring a 29% shareholding in Frankfurt Stock Exchange listed Youbisheng Green Paper AG (since renamed to Altech Advanced Materials AG) and the Company selling to Altech Advanced Materials AG a right to subscribe to up to a 49% equity interested for US\$100 million, in the shares of Altech Chemicals Australia Pty Ltd, the wholly owned subsidiary of Altech which holds the HPA project.

Completion of the transactions described in the 18 July, 2019 announcement were subject to the satisfaction of various conditions precedent, which included the approval of the Company's board and the conduct of due diligence satisfactory to the Company. On 14 August 2019, the Company announced that all of the conditions precedent for completion of the transactions had been satisfied, and on 16 August 2019, the Company issued 19,513,204 fully paid ordinary shares and made a cash payment of Euro 500,000 as part consideration for its acquisition of 29% of Youbisheng Green Paper AG, a balance of Euro 1,229,000 (the deferred consideration) is due on 1 March 2020.

### 23. Parent entity disclosure

#### STATEMENT OF FINANCIAL POSITION

	30-Jun-19	30-Jun-18
	\$	\$
<b>ASSETS</b>		
Current assets	7,452,664	263,664
Non-Current assets	56,768,365	33,990,090
<b>TOTAL ASSETS</b>	<b>64,221,029</b>	<b>34,253,754</b>
<b>LIABILITIES</b>		
Current liabilities	742,566	2,823,827
Non-Current liabilities	70,912	38,941
<b>TOTAL LIABILITIES</b>	<b>813,478</b>	<b>2,862,768</b>
<b>NET ASSETS</b>	<b>63,407,551</b>	<b>31,390,986</b>
<b>EQUITY</b>		
Issued capital	81,167,075	45,721,596
Accumulated losses	(24,734,626)	(18,530,614)
Share based payments reserve	6,975,102	4,200,004
<b>TOTAL EQUITY</b>	<b>63,407,551</b>	<b>31,390,986</b>

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Net profit (loss)	(6,185,346)	(4,555,063)
<b>Total comprehensive loss for the year</b>	<b>(6,185,346)</b>	<b>(4,555,063)</b>

### 24. Controlled entities

Investments in controlled entities comprise:

Name	Beneficial percentage held by economic entity		Principal activities
	2019	2018	
	%	%	
Altech Chemicals Ltd			Parent entity
Wholly owned controlled entities:			
Altech Chemicals Sdn Bhd (Malaysia)	100	100	HPA Plant
Altech Meckering Pty Ltd	100	100	Kaolin Mine
Altech Chemicals Australia Pty Ltd	100	100	Intellectual
Canning Coal Pty Ltd	100	100	Property/Patent Holder Mineral exploration

Altech Chemicals Sdn Bhd is incorporated in Malaysia, all other controlled entities are incorporated in Australia. Altech Chemicals Limited is the head entity of the consolidated group, which includes all of the controlled entities.

**ALTECH CHEMICALS LIMITED**  
**DIRECTORS' DECLARATION**  
For the year ended 30 June 2019

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The Directors of the Company declare that:

1. The financial statements and note, as set out on pages 1-42, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated group.
2. The Managing Director and Chief Financial Officer have given the declaration required by s295A of the Corporations Act 2001.
3. 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.

This declaration is made in accordance with a resolution of the board of directors and is signed by authority for and on behalf of the directors by:



Iggy Tan

Managing Director

DATED at Perth this 20th day of September 2019

**ALTECH CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
For the year ended 30 June 2019

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**MOORE STEPHENS**

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Level 15, Exchange Tower,  
2 The Esplanade, Perth, WA 6000  
PO Box 5785, St Georges Terrace,  
WA 6831

T +61 (0)8 9225 5355  
F +61 (0)8 9225 6181

[www.moorestephens.com.au](http://www.moorestephens.com.au)

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ALTECH CHEMICALS LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

**Opinion**

We have audited the financial report of Altech Chemicals Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1(j) to the financial statements concerning the Group's ability to continue as a going concern. The Group is dependent upon various funding initiatives in order to fund its working capital and discharge its liabilities in the normal course of business. This condition as explained in Note 1(j) to the financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

**Independence**

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

**ALTECH CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
For the year ended 30 June 2019

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF ALTECH CHEMICALS LIMITED (CONTINUED)**

**Key Audit Matters**

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Carrying value of Property, Plant and Equipment & Capitalised Development Expenditure (relating to the High Purity Alumina HPA Project)**

**Refer to Notes 1(f & i), Notes 7 Property Plant Equipment & 9 Development Expenditure**

Property, plant and equipment (PPE) totalling \$26.65 million as disclosed in Note 7 and capitalised development expenditure (DE) totalling \$33.20 million as disclosed in Note 9 represent significant balances recorded in the consolidated statement of financial position.

These assets are predominantly related to the freehold land hosting the Meckering Kaolin deposit, the site lease and preliminary and design costs of the Company's High Purity Alumina (HPA) Project which comprises the proposed construction and operation of a HPA processing plant located in Malaysia. As detailed in the Directors' Report, the final Investment Decision Study results for the HPA project were published in October 2017 and the Company is currently at an advanced stage of securing the final components of project funding.

The evaluation of the recoverable amount of these assets requires significant judgment in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.

Our procedures included, amongst others:

- Critically evaluating management's methodologies and their documented basis for key assumptions utilised in the valuation models adopted in their HPA Bankable Feasibility Study (BFS) and the final Investment Decision Study, including consideration of impacts, if any, of recent changes to market conditions.
- Assessing and challenging:
  - the identification of cash generating units, including any property, plant and equipment which are critical to the HPA Project and for the purposes of assessing the recoverable amount of the projected cash generating units;
  - key assumptions for long-term growth rates in the forecast cash flows by comparing them to economic and industry forecasts;
  - other key inputs that are material to the BFS NPV model such as anticipated commodity pricing and direct operating costs against available industry data; and
  - the discount rate applied.
- Testing HPA Project related expenditures capitalised during the year on a sample basis against supporting documentation such as supplier invoices and various cost agreements and ensuring such expenditures are appropriately recorded in accordance with applicable Accounting Standards.
- Discussed indicators of possible impairment with management and the directors. This included assessing the market capitalisation of the Group (\$72.0 million) against its net asset position (\$63.4 million) at balance date to gauge whether there are any indicators the total capitalised PPE and DV costs relating to the HPA Project were impaired. There were no indicators of impairment.
- Assessing the appropriateness of the relevant disclosures included in Notes 7 & 9 to the financial report



**ALTECH CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
For the year ended 30 June 2019

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ALTECH CHEMICALS LIMITED (CONTINUED)**

**Key Matters (continued)**

Group's ability to continued as a Going Concern	
Refer to Note 1(j)	
<p>The financial statements are prepared on a going concern basis in accordance with AASB 101 Presentation of Financial Statements. The Group continues to incur significant operating losses in its ongoing efforts to advance the commercialisation and development of its HPA Project. As the directors' assessment of the Group's ability to continue as a going concern is subject to significant judgement, we identified going concern as a significant risk requiring special audit consideration.</p>	<p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• An evaluation of the directors' assessment of the Group's ability to continue as a going concern. In particular, we reviewed budgets and cashflow forecasts for at least the next 12 months and reviewed and challenged the directors' assumptions.</li> <li>• Reviewed plans by the directors to secure additional funding through either the issue of further shares and/or debt funding or a combination thereof.</li> <li>• An evaluation of the directors plans for future operations and actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end, through discussion with the directors.</li> <li>• Review of disclosure in the financial statements to ensure appropriate.</li> </ul> <p>Based on our work, we agree with the directors' assessment that the going concern basis of preparation is appropriate and our conclusion on going concern is set out below. However, we also concur that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern because of the uncertainty over securing future funding. The disclosures in the financial statements appropriately identify this risk.</p>

**ALTECH CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
For the year ended 30 June 2019

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF ALTECH CHEMICALS LIMITED (CONTINUED)**

**Key Matters (continued)**

Accounting for Share Based Payments	
Refer to Note 1(p) and 12	
<p>As detailed in Note 1(p), the Company currently operates a Performance Rights Plan (PRP) which provides benefits to stakeholders including directors, consultants, executives and employees. The total share based payment (SBP) expense during the financial year ended 30 June 2018 was \$2.756 million as detailed in the Statement of Profit or Loss and Other Comprehensive Income.</p> <p>The fair value of the SBP is determined by using the Black Scholes model which takes into account the terms and conditions upon which the instruments were granted and a number of key underlying assumptions.</p> <p>Given the significance of the expense and the level of judgment and estimation in determining the valuation of the SBP, the accounting for share based payments was considered a key audit matter.</p>	<p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Critically evaluating management's valuation methodology and their documented basis for key assumptions utilised in the Black Scholes valuation model. This also included:</li> <li>• Assessing and evaluating: <ul style="list-style-type: none"> <li>– the assessment of the key assumptions used in the valuation model such as the share price volatility, dividend yield and risk free interest rate against available market data</li> <li>– the proper expensing of SBP on a proportionate basis across the relevant financial period from grant date to vesting date.</li> </ul> </li> <li>• Performing our own internal re-computation to ensure the total reported SBP expense is not materially misstated.</li> </ul>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**ALTECH CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
For the year ended 30 June 2019

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ALTECH CHEMICALS LIMITED (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**ALTECH CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
For the year ended 30 June 2019

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF ALTECH CHEMICALS LIMITED (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Report (continued)**

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**REPORT ON THE REMUNERATION REPORT**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2019.

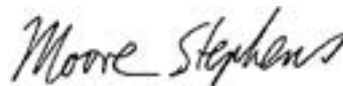
In our opinion, the Remuneration Report of Altech Chemicals Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



NEIL PACE  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth on the 20th day of September 2019

**ALTECH CHEMICALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**

For the year ended 30 June 2019

The board of directors of Altech Chemicals Limited (“ATC”) is committed to conducting the Company’s business in accordance with the highest standards of corporate governance. The board is responsible for the Company’s Corporate Governance and the governance framework, policy and procedures, and charters that underpin this commitment. The board ensures that the Company complies with the corporate governance requirements stipulated in the Corporations Act 2001 (Cth), the ASX Listing Rules, the constitution of the Company and any other applicable laws and regulations.

The table below summarises the Company’s compliance with the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition), in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations	Disclosure	Compliance	
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management	These matters are disclosed in the Company’s Board Charter, which is available on the Company’s website	Complies
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (c) provide security holders with all material information in its possession relevant to a decision on whether to not to elect or re-elect a Director	When a requirement arises for the selection, nomination and appointment of a new directors, the board forms a sub-committee that is tasked with this process, and includes undertaking appropriate checks and any potential candidates.  When directors retire and nominate for re-election, the board does not endorse a director who has not satisfactorily performed their role.	Complies  Complies
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The company executes a letter of appointment with each director and services agreements with senior executives.	Complies
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with the proper functioning of the board.	The Company Secretary reports to the chair of the board on all matters to do with the proper function of the board.	Complies
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objective for achieving gender diversity set by the boards or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either: 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or 2. if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under the Act.	Due to its size and limited scope of operations, the Company does not currently have a diversity policy.  As the Company’s activities increase in size, scope and/or nature, the board will consider the appropriateness of adopting a diversity policy.	Does not comply

**ALTECH CHEMICALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
For the year ended 30 June 2019

Principles and Recommendations		Disclosure	Compliance
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Currently, the board does not formally evaluate the performance of the board and individual directors, however the board Chairman provides informal feedback to individual board members on their performance and contribution to board meetings, on an ongoing basis.</p>	Does not comply
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The performance of all senior executives is evaluated on an annual basis by the Managing Director and in the case of the Managing Director, by the board.</p>	Complies
<b>Principle 2 – Structure the board to add value</b>			
2.1	<p>A listed entity should:</p> <p>(a) have a nomination committee which;</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent Director; and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have a nomination committee, however board sub-committees are formed, as required, to manage matters that would normally be dealt with by a formally constituted nomination committee, as was the case with the search and appointment of the current Managing Director.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a nomination committee.</p>	Does not comply
2.2	<p>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>A copy of the board skill matrix is appended to this Corporate Governance Statement.</p>	Complies
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors; and</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box .2.3 but the board is of the opinion that it does no compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each Director.</p>	<p>Mr Peter Bailey is considered by the board to be an independent director and this is disclosed on the Company web site and in its annual and half-yearly director reports.</p> <p>The length of service of each director is disclosed in the Company's annual and half yearly director reports and in notices of meetings when directors are nominated for re-election.</p>	Complies

**ALTECH CHEMICALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
For the year ended 30 June 2019

Principles and Recommendations		Disclosure	Compliance
2.4	A majority of the board of a listed entity should be independent directors.	Mr Peter Baily is the only independent member of the Company's board.	Does not comply however the board is of the view that the skills and experience of the directors allow the board to act in the best interests of shareholders and is appropriate for the size of the Company.
2.5	The chair of the board of a listed entity should be an independent director and, in particular; should not be the same person as the CEO of the entity.	Mr Luke Atkins is the Chairman and is not an independent Non-Executive Director.	Does not comply, however the board is of the view that this is appropriate for the Company, considering its size and stage of development.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Company Secretary and Managing Director ensure the comprehensive induction of all new directors to the Company, this includes site visits, presentations and meetings with executives. All directors are afforded opportunities for ongoing professional development at Company expense.	Complies
<b>Principle 3 – A listed entity should act ethically and responsibly</b>			
3.1	A listed entity should: (a) have a code of conduct of its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company code of conduct is available on the Company web site.	Complies
<b>Principle 4 – Safeguard integrity in corporate reporting</b>			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director; who is not the chair of the board, and disclose (3) the relevant qualifications and experience of the members of the committee; and (4) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotations of the engagement partner.	Due to its size and limited scope of operations, the Company does not currently have an audit committee, however the auditors do meet with the full board, without management present to its audit report and any other matters that have arisen during its audit work.  As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of an audit committee.	Does not comply, however the auditors have met with the board Chairman without management present and the results of this meeting have been conveyed by the Chairman to the full board.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management, and internal control which is operating effectively.	The board does receive a statement signed by the Managing Director and the Chief Financial Officer.	Complies

**ALTECH CHEMICALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
For the year ended 30 June 2019

Principles and Recommendations		Disclosure	Compliance
4.3	A listed entity that has an Annual General Meeting (AGM) should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit,	The Company's auditors are present at the Annual General Meeting	Complies
<b>Principle 5 – Make timely and balanced disclosure</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company does have a Continuous Disclosure policy, which is available on the Company web site.	Complies
<b>Principle 6 – Respect the rights of security holders</b>			
6.1	A listed entity should provide information about itself and its governance to investor via its website.	The company does provide information about its governance on the Company's web site.	Complies
6.2	A Listed entity should design and implement an investor relations program to facilitate effective tow-way communication with investors.	The Company has implemented an investor relations program targeting retail investors and encourages all investors or potential investors to communicate with the Company via its web site.	Complies
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company Shareholder Communication Policy is available on the Company web site.	Complies
6.4	A listed entity should give security holder the option to receive communications from, and send communication to the entity and is security registry electronically.	Security holder can elect to receive communications from the Company electronically either by contacting the Company's share registrar, or the Company directly.	Complies
<b>Principal 7 – Recognise and manage risk</b>			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Due to its size and limited scope of operations, the Company does not currently have a risk committee, however management does present and discuss risk with the full board at scheduled board meetings.  As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a risk committee.	Does not comply
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The board reviews and manages risk on an ongoing basis, however it does not formally set and review the management framework annually nor disclose this in each periodic report.	Does not comply



**ALTECH CHEMICALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
For the year ended 30 June 2019

Principles and Recommendations	Disclosure	Compliance
7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company does not have an internal audit function.	Does not comply
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Company does make these disclosures	Complies

<b>Principle 8 – Remunerate fairly and responsibly</b>		
8.1 The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Due to its size and limited scope of operations, the Company does not currently have a remuneration committee.  As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a remuneration committee.	Does not comply
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Director and other senior executive.	The Company discloses its practices in relation to the remuneration of non-executive directors and senior executives in its annual remuneration report.	Complies
8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it	The company's Security Trading Policy obliges all directors, officers and employees of the Company to advise the Company, via the company secretary, or any securitisation of Company securities. A copy of the policy is available on the Company's web site.  As at the date of this statement the company secretary has not been advised by an officer or employee of the Company of any securitisation of Company securities that they own.	Complies

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the board and amended as appropriate.

Further details of the Company's corporate governance policies and practices are available on the Company's website at [www.altechchemicals.com](http://www.altechchemicals.com).

**ALTECH CHEMICALS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
For the year ended 30 June 2019

Board experience, skills and attributes matrix

Experience, skills and attributes	Altech Chemicals Limited board
Total directors	5
<b>Experience</b>	
Corporate leadership	5
International experience	4
Resources Industry experience	4
Other board level experience	4
Capital projects experience	4
Equity and debt raising / capital markets	4
Alumina and/or chemicals industry experience	3
<b>Knowledge and skills</b>	
Legal	1
Minerals and/or chemicals processing	3
Engineering and project development	3
Finance and Accounting	2
<b>Tertiary qualifications</b>	
Law	1
Engineering	1
Commerce/Business	2

**ALTECH CHEMICALS LIMITED**  
**ADDITIONAL INFORMATION**  
For the year ended 30 June 2019

The shareholder information set out below was applicable as at 20 August 2019.

**TWENTY LARGEST HOLDERS OF LISTED SECURITIES**

The names of the twenty largest holders of each class of listed securities are listed below:

**Ordinary Shares**

Name	No of Ordinary Shares Held	Percentage % of Issued Shares
DEUTSCHE BALATON AKTIENGESELLSCHAFT	69,513,204	9.35%
SMS INVESTMENTS S A	57,418,528	7.73%
DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT	50,650,000	6.82%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,160,793	4.87%
MAA GROUP BERHAD	33,056,478	4.45%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	27,064,837	3.64%
CITICORP NOMINEES PTY LIMITED	23,372,288	3.15%
LAKE MCLEOD GYPSUM PTY LTD	18,773,890	2.53%
GWYNVILL TRADING PTY LTD	7,943,318	1.07%
MR LINDSAY GEORGE DUDFIELD & MRS YVONNE SHEILA DOLING DUDFIELD	7,645,497	1.03%
MR PETER JOSEPH BOURKE & MRS KERRIE LEEANNE JONES <BOURKE SUPER FUND A/C>	7,573,000	1.02%
MR SI FOCK CHANG	6,500,000	0.87%
MR DANIEL LEWIS TENARDI <TENARDI FAMILY A/C>	6,294,915	0.85%
MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	5,800,000	0.78%
LJ & K THOMSON PTY LTD <LJT & KT SUPER FUND A/C>	5,600,000	0.75%
MRS JUDITH MELISSA TAN <TAN FAMILY A/C>	5,000,000	0.67%
MS KERRIE LEE-ANNE JONES	4,636,545	0.62%
RDP PATERSON SUPERFUND PTY LTD <RDP PATERSON SUPERFUND A/C>	4,088,605	0.55%
MR LUKE FREDERICK ATKINS	3,867,473	0.52%
CAREY ENTERPRISES PTY LTD <SUPERANNUATION ACCOUNT>	3,800,000	0.51%
<b>Total Top 20</b>	<b>384,759,371</b>	<b>51.78%</b>
<b>Others</b>	<b>358,374,502</b>	<b>48.22%</b>
<b>Total Ordinary Shares on Issue</b>	<b>743,133,873</b>	<b>100.00%</b>

**DISTRIBUTION OF EQUITY SECURITIES**

Analysis of numbers of security holders by size of holding as at 20 August 2019:

**Ordinary Shares**

Distribution	Number of Shareholders	Number of Shares	% of Issued Shares
1 – 1,000	124	5,976	0.00%
1,001 – 5,000	200	766,275	0.10%
5,001 – 10,000	350	2,966,652	0.40%
10,001 – 100,000	1,431	61,325,900	8.25%
100,001 – and over	723	678,069,070	91.25%
<b>Totals</b>	<b>2,828</b>	<b>743,133,873</b>	<b>100.00%</b>

There were 281 holders of less than a marketable parcel of ordinary shares.

**ALTECH CHEMICALS LIMITED**  
**ADDITIONAL INFORMATION**  
For the year ended 30 June 2019

**SUBSTANTIAL SHAREHOLDERS**

The names of the substantial shareholders listed in the holding Company's register as at 20 August 2019 are:

Substantial Shareholder	Number of Shares	% of Issued Shares
DEUTSCHE BALATON AKTIENGESELLSCHAFT/ DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT	120,163,204	16.17%
MELEWAR EQUITIES (BVI) LIMITED & MAA GROUP BERHAD	51,005,631	6.86%
SMS INVESTMENTS SA	57,418,528	7.73%

**UNQUOTED SECURITIES**

The names of the holders holding more than 20% of each class of unlisted securities are listed below:

**1 Performance Rights**

Holder	Number
<b>Employee Performance Rights</b>	
Jane Carew-Reid	1,000,000
Jingyuan Liu	1,000,000
Shane Volk	1,000,000
Roger Pover	1,000,000
Mark Griffiths	1,000,000
<b>Managing Director Performance Rights</b>	
Iggy Tan	15,000,000
<b>Non-Executive Director Performance Rights</b>	
Peter Bailey	1,500,000
Luke Atkins	1,000,000
Dan Tenardi	1,000,000
Tunku Yaacob Khyra	1,000,000
Uwe Ahrens	1,000,000

**VOTING RIGHTS**

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

**ON-MARKET BUY BACK**

There is currently no on-market buyback program for any of Altech Chemicals Limited's listed securities.

**ALTECH CHEMICALS LIMITED**  
**ADDITIONAL INFORMATION**  
For the year ended 30 June 2019

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**EXPLORATION AND MINING INTERESTS**

As at 30 June 2019, the Company has an interest in the following tenements:

Tenement ID	Registered Holder	Location	Project	ATC Interest	Grant Date
M70/1334	Altech Meckering Pty Ltd	WA Australia	Meckering	100%	19/05/16
E70/4718-1	Canning Coal Pty Ltd	WA Australia	Kerrigan	100%	1/12/15