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Altech Chemicals Limited

ABN 45 125 301 206

INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 December 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

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AUDITORS

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SHARE REGISTRY

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Perth WA 6000
Telephone: 1300 288 664
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STOCK EXCHANGE LISTING

Securities of the Company are quoted 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
FWB Code:	A3Y

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DIRECTORS' REPORT

The Directors present their report on Altech Chemicals Ltd for the half-year ended 31 December 2019.

BOARD OF DIRECTORS

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

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

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

COMPANY SECRETARY

Shane Volk

REVIEW OF OPERATIONS

During the half-year ended 31 December 2019, the Company continued with stage-1 and stage-2 construction activities at the site of its proposed high purity alumina (HPA) plant in Tanjung Langsat, Johor, Malaysia. In October 2019, the EPC contractor consortium (German engineering firm SMS group and its Malaysian subsidiary Metix) formally handed-over to Altech the completed stage-1 facilities. The facilities consisted of the maintenance workshop building; all site retaining walls; and the on-site stormwater detention tanks. At the time of facilities hand-over the contractor consortium had completed approximately 100,000 lost time injury free working hours with zero first aid or medical treatment incidents and zero lost time injuries – a testament to the professionalism of the consortium and the various sub-contractors working on the site. During the latter part of the period covered by this report, construction activities moved to the electrical sub-station, whilst stage-2 engineering works and the ordering of 3rd party engineering packages was on-going.

Funding for the stage-1 and stage-2 construction and for corporate and other head-office costs during the half-year was provided from the issue of additional equity (shares) by the Company. During the period Altech raised $3.7 million (net of costs) via share placements to existing shareholders MAA Group Berhad (Melewar group) ($2.0 million), Deutsche Balaton / Delfi ($600,000) and to a range of professional and sophisticated investors, many of whom are long-term shareholders. In December 2019, the Company also initiated a share purchase plan (SPP) whereby all existing shareholders could apply for up to $30,000 of new Altech shares at a price of $0.0975 each, free of any brokerage or other transaction costs. The SPP closed in January 2020 and was well supported with a total of $2.8 million raised.

The Company continued with its efforts to finalise overall project financing for its HPA project during the half-year. On 18 July 2019, the Company announced that it had launched a German project equity strategy whereby Altech would acquire a 29% shareholding in a Frankfurt Stock Exchange listed company Youbisheng Green Paper AG (since renamed to Altech Advanced Materials AG)(AAM) and Altech would sell an option to AAM for €500,000, providing the opportunity for AAM to acquire a shareholding of up to a 49% direct interest in the Company's HPA project for US$100 million (via subscribing to shares of Altech Chemicals Australia Pty Ltd, the wholly owned subsidiary of Altech which currently holds 100% of the Company's HPA project).

Completion of Altech's acquisition of 29% of AAM was announced on 16 August 2019, and the Company issued 19,513,204 fully paid ordinary shares and made a cash payment of €500,000 as part consideration, a balance of €1,229,000 (the deferred consideration) was due on 1 March 2020, but has been now deferred to 1 September 2020 by agreement with the vendor, Deutsch Balaton AG. Following completion of the acquisition, Altech's managing director Iggy Tan and alternate director Uwe Ahrens were appointed to AAM's 3-person supervisory board, and the Company also finalised the sale of the option to AAM with the €500,000 of sale funds received. The option is exercisable by AAM in whole (a 49% project interest) or in part (a minimum 20% interest) up until 1 January 2021. During the half-year AAM advised Altech that it had commenced the process of raising funds to position it to exercise its option. AAM is aiming to initially raise up to € 69.4 million (~A$113.7m) of new equity via a 40:1 rights offer to existing shareholders followed by a placement of shares to external investors.

Senior project debt provider, German government owned KfW IPEX-Bank remains committed to the provision of a US$190 million loan facility for the Company's HPA project and the Company continued to work with preferred mezzanine lender Macquarie Bank during the half-year to secure a US$90 million mezzanine loan. In addition to these two facilities the HPA project requires approximately US$100m of further funding to position it for financial close, as in addition to the total project capital cost estimate of US$298m published in the project Financial Investment Decision Study (ASX announcement 23-Oct-2017), the senior lender requires pre-funding of a contingency reserve account of US$28 million, a debt service reserve account of a similar amount, pre-funded working capital of US$21m and various bank fees and lending charges need to be funded. The Company anticipates that the exercise by AAM of its US$100m option to acquire a 49% project interest would be a catalyst for project financial close. The Company is supporting AAM with its capital raising efforts via joint presentations to potential investors, providing data-room access and various due diligence reports, and arranging for the placement of alternate director Uwe Ahrens (a German national) in Germany from January 2020 to assist in raising project awareness and promoting connections with potential European end users of HPA.

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The outlook for HPA demand and pricing continues to be positive and in July 2019 the Company announced the results from an updated base-case HPA demand forecast published by London based CRU Consulting. In its report CRU has forecast both mid-term (2020-23) and long-term (2026-28) supply gaps for HPA, driven by forecast increased demand for high quality 4N+ HPA from the lithium-ion battery industry (ceramic coated battery separators) and also synthetic sapphire producers (light emitting diodes).

In December 2019, Altech was pleased to announce that the Ministry of Finance, Malaysia had approved the application by the Company's wholly owned subsidiary Altech Chemicals Sdn Bhd, for an Investment Tax Allowance (ITA) under the high technology category for the Company's HPA project. The ITA is awarded for a period of 10 years following commencement of operations and modelling by Altech shows that application of the allowance is likely to result in no profits tax on Malaysian statutory business income until after year 10 of operations, which is important as it will make all earning available to service debt or provide for dividends.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the half-year ended 31 December 2019 was $2,250,079 (2018: loss $4,122,088). The Company's basic loss per share for the period was 0.4 cents per share (2018: loss of 0.9 cents per share).

No dividend has been paid during or is recommended for the financial period ended 31 December 2019.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities at 31 December 2019, was net current liabilities of $8,429,756 (30 June 2019: net current assets of $3,214,964).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE 31 DECEMBER 2019

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

- On 6 January 2020, the Company announced the results of a share purchase plan (SPP), whereby existing eligible shareholders could apply to purchase up to $30,000 of new Altech shares at $0.0975 per share free of any brokerage or other transaction costs. The SPP raised $2.8 million, with in excess of 300 shareholders participating.
- On 21 January 2020 the Company announced that its associate entity, Frankfurt Stock Exchange listed Altech Advanced Materials AG (AAM) (in which the Company holds a 29% interest), was denied registration of a €2.0 million (~A$3.275 million) rights offer by the Manheim commercial court, Germany and that all subscription funds were returned to participants. Subsequently on 5 February 2020, Altech announced that AAM had advised it that the rights offer and its capital increase process whereby AAM is aiming to raise up to €69.4m (~A$113.7m) had recommenced, and that a AAM shareholders meeting was scheduled for 12 March 2020 to approve the capital increase. On 30 January 2020, Altech announced that it had been advised by AAM of its appointment of a Swiss based international investment bank as Placement Agent to assist it with its capital raise.
- An exploration drilling campaign at the Company's wholly owned Kerrigan kaolin deposit was announced on 14 January 2020. Whilst Altech's flagship Meckering kaolin deposit will provide the feedstock the Company's HPA project, Kerrigan hosts a high quality kaolin deposit. The drilling program consisted of 27 air-core holes for a total of 765 metres, all holes were drilled vertically with an average hole depth of 28 metres, samples were collected at one metre intervals. The completed drilling program is expected to enable the Company to update the mineral resource estimate for the project to assist in determining the next steps for Kerrigan.
- The Company announced that it had entered into a Controlled Placement Agreement with Acuity Capital on 27 February 2020. The facility provides Altech with up to $10 million of standby equity capital for the period to 31 January 2023. Important features of the facility are that: there are no requirements to utilise the facility; if the facility is used the Company retains fully control of all aspects – including setting the floor price and quantum of any shares issued; there is full flexibility to use all other methods or arrangements to raise capital; and the facility may be terminated at any time. As facility collateral, the Company placed 40,000,000 fully paid ordinary shares from its ASX Listing Rule 7.1A capacity to Acuity Capital for nil consideration on 27 February 2020.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2019 has been received and immediately follows the Directors' Report.

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

Ignatius Tan
Managing Director

Dated at Perth this 12th day of March 2020

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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 31 December 2019, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

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

NEIL PACE	MOORE STEPHENS
PARTNER	CHARTERED ACCOUNTANTS

Signed at Perth this 12th day of March 2020.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	31-Dec-19 $	30-Jun-19 $
Current Assets			
Cash and cash equivalents	5(a)	1,239,034	8,267,032
Trade and other receivables	6	76,412	47,645
Total Current Assets		**1,315,446**	**8,314,677**
Non-Current Assets			
Property, plant and equipment	7	35,716,242	26,655,224
Exploration and evaluation expenditure	8	528,131	401,964
Development expenditure	9	35,814,846	33,204,388
Investments in Associates	15	3,102,736	-
Total Non-Current Assets		**75,161,955**	**60,261,576**
TOTAL ASSETS		**76,477,401**	**68,576,253**
Current Liabilities			
Trade and other payables	10	9,536,536	4,898,849
Provisions	11	208,666	200,864
Total current liabilities		**9,745,202**	**5,099,713**
Non-Current Liabilities			
Provisions	11	73,960	70,911
Total Non-Current Liabilities		**73,960**	**70,911**
TOTAL LIABILITIES		**9,819,162**	**5,170,624**
NET ASSETS		**66,658,239**	**63,405,629**
Equity			
Contributed Equity	12	86,497,330	81,167,075
Reserves	13	7,147,536	6,975,102
Accumulated losses	14	(26,986,627)	(24,736,548)
TOTAL EQUITY		**66,658,239**	**63,405,629**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2019

	Notes	31-Dec-19 $	31-Dec-18 $
Revenue from ordinary activities			
Interest Income	2(a)	14,955	65,455
Other income	2(a)	815,085	-
Total Income		**830,040**	**65,455**
Expenses			
Employee benefit expense (incorporating director fees)		(640,852)	(769,685)
Depreciation		(10,547)	(13,882)
Other expenses	2(b)	(929,255)	(1,009,587)
Share-based payments	12(e)	(172,434)	(2,384,389)
Share in profit/(loss) of associate - Altech Advanced Materials AG		(146,493)	-
Impairment - investment in associate (AAM AG)		(1,180,538)	-
Profit/(loss) before income tax expense		**(2,250,079)**	**(4,112,088)**
Income tax expense		-	-
Net profit/(loss) from continuing operations		**(2,250,079)**	**(4,112,088)**
Other comprehensive loss			
Items that will not be reclassified to profit and loss		-	-
Items that may be reclassified subsequently to profit and loss		-	-
Total comprehensive loss attributable to members of the parent entity		**(2,250,079)**	**(4,112,088)**
Basic profit (loss) per share ($'s per share)	4	(0.004)	(0.009)
Diluted profit (loss) loss per share ($'s per share)	4	(0.004)	(0.009)

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2019

Consolidated statement of changes in equity

	Contributed Equity	Accumulated losses	Reserves	Total
	$	$	$	$
At 1 July 2018	**45,721,596**	**(18,550,938)**	**4,218,670**	**31,389,327**
Profit (Loss) after income tax for the half year	-	(4,112,088)	-	**(4,112,088)**
Total comprehensive profit (loss) for the half year	**-**	**(4,112,088)**	**-**	**(4,112,088)**
Transactions with owners in their capacity as owners:				
Issue of share capital (net of issue costs)	19,935,237	-	-	**19,935,237**
Share based payments (net movement)	-	-	2,384,389	**2,384,389**
At 31 December 2018	**65,656,833**	**(22,663,027)**	**6,603,059**	**49,596,865**

	Contributed Equity	Accumulated losses	Reserves	Total
	$	$	$	$
At 1 July 2019	**81,167,075**	**(24,736,548)**	**6,975,102**	**63,405,629**
Profit (Loss) after income tax for the half year	-	(2,250,079)	-	**(2,250,079)**
Total comprehensive profit (loss) for the half -year	**-**	**(2,250,079)**	**-**	**(2,250,079)**
Transactions with owners in their capacity as owners:				
Issue of share capital (net of issue costs)	5,330,255	-	-	**5,330,255**
Share based payments (net movement)	-	-	172,433	**172,433**
At 31 December 2019	**86,497,330**	**(26,986,627)**	**7,147,536**	**66,658,239**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2019

Consolidated statement of cash flows

	Notes	31-Dec-19 $	31-Dec-18 $
Cash Flows from Operating Activities			
Payments to suppliers, contractors and employees		(1,581,597)	(1,683,535)
Interest received		14,955	65,455
Deposits Paid		(315)	(573)
Net cash flows used in operating activities		**(1,566,957)**	**(1,618,653)**
Cash Flows from Investing Activities			
Purchase of land, property, plant and equipment		(2,545)	(442,489)
Payments for development expenditure		(7,609,791)	(11,753,600)
Payments for loan facility		(1,562,116)	(24,902)
Sale of Right to acquire 49% of HPA Project		815,085	-
Investment in Associates (29% of AAM AG)		(821,018)	-
Net cash used in investing activities		**(9,180,385)**	**(12,220,991)**
Cash Flows from Financing Activities			
Transaction costs relating to financing facilities		-	(2,227,911)
Proceeds from issue of shares		3,719,344	19,860,237
Net cash flows from financing activities		**3,719,344**	**17,632,326**
Net (decrease)/increase in cash and cash equivalents		**(7,027,998)**	**3,792,682**
Cash and cash equivalents at the beginning of the financial period		8,267,032	261,319
Cash and cash equivalents at the end of the financial period	5(a)	**1,239,034**	**4,054,001**

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

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CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

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1. Corporate Information

The financial report of Altech Chemicals Ltd (the Company) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 12th March 2020. Altech Chemicals Ltd is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Altech Chemicals Ltd and its controlled entities (referred to as the consolidated group or the Company). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2019, together with any public announcements made during the following half-year.

Accounting Policies

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

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2019 annual report.

Going concern

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

The company has incurred net cash outflow from operating and investing activities for the half-year ended 31 December 2019 of $10,747,342 (2018: $13,839,644). As at 31 December 2019, the consolidated entity had net current liabilities of $8,429,756 (30 June 2019: net current assets of $3,214,964). As at 31 December 2019, the Malaysian HPA plant construction consortium (SMS group and Metix) had invoiced the Company for all stage-2 construction and has agreed to defer payment of the invoiced amounts until July 2020 (approx. US$3.2 million). 96% of stage-1 construction is invoiced and paid as at 31 December 2019, with the balance (approx. A$582,000) due following the completion of the electrical sub-station which is currently estimated as April 2020.

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

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

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

New and amended Accounting Standards and Interpretations adopted by the Company

The consolidated entity has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- **AASB 16: Leases**

AASB 16: Leases (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: Leases and the related Interpretations. 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;

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

New and amended Accounting Standards and Interpretations adopted by the Company (continued)

- 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;
- inclusion of additional disclosure requirements; and
- accounting for lessors will not significantly change.

AASB 16 will affect primarily the accounting for the Company's operating leases. The adoption of this standard has had no significant impact on the Company's financial statements.

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

	31-Dec-19	31-Dec-18
(a) Revenue	$	$
Interest income	14,955	65,455
Other income (sale of right to acquire 49% of HPA project)	815,085	-
	830,040	**65,455**
(b) Other expenses		
Accounting and audit fees	(21,883)	(12,253)
ASX and share registry fees	(64,515)	(60,764)
Corporate & Consulting	(89,064)	(43,197)
Insurance expense	(196,603)	(164,503)
Occupancy	(59,286)	(61,387)
Legal fees	(78,380)	(73,015)
Investor relations and marketing	(312,571)	(467,580)
Office & Administration	(106,186)	(124,718)
Foreign Exchange Translation	(767)	(2,170)
	(929,255)	**(1,009,587)**

4. Earnings per share

	31-Dec-19	31-Dec-18
	$	$
Basic profit (loss) per share	(0.004)	(0.009)
Diluted profit (loss) per share	(0.004)	(0.009)
The weighted average number of ordinary shares used in the calculation of basic earnings per share was:	**Number**	**Number**
	626,126,514	470,695,947

Options or rights to purchase ordinary shares not exercised at 31 December 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:

	31-Dec-19	30-Jun-19
	$	$
Cash at bank and on hand	1,239,034	8,267,032
	1,239,034	**8,267,032**

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6. Trade and other receivables

	31-Dec-19	30-Jun-19
	$	$
CURRENT RECEIVABLES		
Sundry debtors	26,082	-
GST Receivable	23,855	21,485
Deposit paid	17,342	17,135
Other receivable	9,133	9,025
	76,412	**47,645**

7. Property, Plant and Equipment

	31-Dec-19	30-Jun-19
OFFICE EQUIPMENT	$	$
At cost	**214,357**	**214,357**
Less: disposals	(21,697)	-
Add: additions	2,545	-
Less: accumulated depreciation	(108,176)	(116,556)
Total plant and office equipment	**87,029**	**97,800**
LAND		
At cost	**8,294,660**	**8,294,660**
Less: amortisation	(322,571)	(247,970)
Total land	**7,972,089**	**8,046,690**
PLANT AND EQUIPMENT		
At cost	**15,428**	**16,021**
Less: accumulated depreciation	(7,975)	(8,023)
Total land	**7,453**	**7,998**
MALAYSIAN HPA PLANT (works in progress)		
At cost	**27,649,671**	**18,502,736**
Total HPA Plant	**27,649,671**	**18,502,736**
Total Property, Plant and Equipment	**35,716,242**	**26,655,224**

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

7. Property, Plant and Equipment (continued)

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

	31-Dec-19	30-Jun-19
OFFICE EQUIPMENT	**$**	**$**
Carrying amount at the beginning of the year	**97,800**	**65,374**
Additions	2,545	83,096
Loss on Disposals	-	(2,890)
Depreciation expense (profit & loss account)	(10,547)	(31,006)
Depreciation expense (development expenditure)	(2,769)	(16,774)
Carrying amount at the end of the year	**87,029**	**97,800**

	31-Dec-19	30-Jun-19
LAND	**$**	**$**
Carrying amount at the beginning of the year	**8,046,690**	**8,155,657**
Additions	-	139,003
Less: amortisation	(74,601)	(247,970)
Carrying amount at the end of the year	**7,972,089**	**8,046,690**

	31-Dec-19	30-Jun-19
PLANT AND EQUIPMENT	**$**	**$**
Carrying amount at the beginning of the year	**7,998**	**-**
Additions	-	8,116
Less: depreciation	(545)	(118)
Carrying amount at the end of the year	**7,453**	**7,998**

	31-Dec-19	30-Jun-19
MALAYSIAN HPA PLANT (works in progress)	**$**	**$**
Carrying amount at the beginning of the year	**18,502,736**	**7,367**
Additions	9,146,935	18,495,369
Less: depreciation	-	-
Carrying amount at the end of the year	**27,649,671**	**18,502,736**

8. Exploration and Evaluation expenditure

	31-Dec-19	30-Jun-19
	$	**$**
Carrying amount at the beginning of period	**401,964**	**359,996**
Exploration and evaluation expenditure incurred during the period (at cost)	126,167	41,968
Carrying amount at the end of the year	**528,131**	**401,964**

9. Development expenditure

	31-Dec-19	30-Jun-19
	$	**$**
Carrying amount at the beginning of the period	**33,204,388**	**25,776,306**
Development expenditure incurred during the period (at cost)	2,610,458	7,428,082
Carrying amount at the end of the year	**35,814,846**	**33,204,388**

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CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

10. Trade and other payables

	31-Dec-19	30-Jun-19
	$	$
CURRENT PAYABLES (Unsecured)		
Trade creditors	7,358,330	4,629,208
Accrued expenses	144,398	210,421
Other creditors and accruals	2,033,808	59,220
Total trade and other payables	**9,536,536**	**4,898,849**

11. Provisions

	31-Dec-19	30-Jun-19
	$	$
CURRENT		
Provision for annual leave	208,666	200,864
NON CURRENT		
Provision for long service leave	73,960	70,911
Total provisions	**282,626**	**271,775**

12. Contributed Equity

	31-Dec-19	30-Jun-19
(a) Ordinary shares	$	$
Contributed equity at the beginning of the period	**81,167,075**	**45,721,596**
Shares issued during the period	5,458,956	37,515,937
Transaction costs relating to shares issued	(128,701)	(2,070,458)
Contributed Equity at the end of the reporting period	**86,497,330**	**81,167,075**

Movements in ordinary share capital	**31-Dec-19**	**30-Jun-19**
Ordinary shares on issue at the beginning of reporting period	**722,120,669**	**528,841,148**
Shares issued during the period:		
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
19-Jul-19 Vest of Performance Rights	1,000,000	-
31-Jul-19 Vest of Performance Rights	500,000	-
16-Aug-19 at $0.08415 (Purchase 29% of Youbisheng Green Paper AG)	19,513,204	-
18-Nov-19 at $0.105 (Placement)	18,433,180	-
11-Dec-19 at $0.0975 (Placement)	18,635,062	-
Ordinary shares on issue at the end of the reporting period	**780,202,115**	**722,120,669**

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12. Contributed Equity (continued)

(b) Performance Rights

No performance rights were awarded by the Company during the reporting period and 1,500,000 performance rights vested during the period.

At 31 December 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)	6,700,000
performance rights - non-executive directors (exercise price: nil)	5,500,000
Total performance rights on issue at 31 December 2019	**27,200,000**

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
Total performance rights on issue at 30 June 2019	**28,700,000**

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

(c) Listed Options

The Company did not issue any Listed Options during the reporting period and as at 31 December 2019, the Company did not have any listed options on issue (30 June 2019: nil).

(d) Unlisted Options

The Company did not issue any unlisted options during the reporting period and as at 31 December 2019, the Company did not have any unlisted options on issue (30 June 2019: nil).

(e) Share Based Payments

Consultant

During the period the Company issued 369,600 shares at $0.0975 per share (total value $36,036) as a fee (6%) for the arrangement of a placement of shares, this amount was recorded in the balance sheet as transaction costs relating to share issues.

Acquisition of a 29% interest in Youbisheng Green Paper AG (since re-named Altech Advanced Materials AG)

On 18 August 2019 the Company issued 19,513,204 shares at $0.08415 per share (total value $1,642,036) for the acquisition of 29% of the shares of Frankfurt Stock Exchange listed Youbisheng Green Paper (AG), which has since been re-named Altech Advanced Materials AG. This amount is recorded in the Balance Sheet as an Investment in Associates, which is valued at market price at balance date (31 December 2019).

Performance Rights

The Company did not issue any performance rights during the period. The Company recorded a total share based payments expense of $172,433. 1,500,000 performance rights vested during the period due to the attainment of predetermined vesting conditions.

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.

Performance Rights Plan

The establishment of the Company's 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 no performance rights issued during the reporting period. Details of performance rights that vested during the reporting period are shown in note 12(a), above

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

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13. Reserves

	31-Dec-19	30-Jun-19
	$	$
Share based payments reserve	7,147,536	6,975,102
Carrying amount at the end of the year	**7,147,536**	**6,975,102**
Movements:		
Share based payments reserve		
Balance at the beginning of the period	**6,975,102**	**4,218,670**
Fair value of performance rights issued	172,434	2,756,432
Balance at end of period	**7,147,536**	**6,975,102**

14. Accumulated losses

	31-Dec-19	30-Jun-19
	$	$
Carrying amount at the beginning of the period	**(24,736,548)**	**(18,550,938)**
Profit (loss) for the period	(2,250,079)	(6,185,610)
Carrying amount at the end of the year	**(26,986,627)**	**(24,736,548)**

15. Investment in Associate (Altech Advanced Materials AG)

	31-Dec-19	30-Jun-19
	$	$
Carrying amount at the beginning of the period	-	-
Acquisition of Altech Advanced Materials AG	4,429,767	-
Share of Associate loss for period since acquisition	(146,493)	-
Impairment based on market value of AAM AG shares at balance date	(1,180,538)	-
Carrying amount at the end of the year	**3,102,736**	**-**

A term of the Company's acquisition of its 29% interest in Altech Advanced Materials AG (AAM), is the right for the Company to sell-back its interest to the vendor (Deutsche Balaton AG) for the lower amount of either: (a) €1,729,000 (A$2,881,7667 at € / A$ of 0.60) or (b) the pro-rata amount that the Company's interest represents of the net asset value of AAM (calculated at the sell-back completion date and either agreed between the seller (Deutsche Balaton) and the buyer (Altech), or as determined by the auditor of AAM), plus €1,500,000). The sell back right may be exercised at any time by the Company up to 30 June 2020. As at 31 December 2019 the Company estimated that the lower value of its sell-back right was (b) €1,641,004 (A$2,735,007 at € / A$ of 0.60).

16. Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The financial statements presented above are the same as the reports the directors review. The Company operates predominantly in one segment, which is the development of high purity alumina (HPA) manufacturing, and mineral exploration. Although the Company has established a wholly owned subsidiary in Malaysia, the operations of the Company for the half-year ended 31 December 2019 were largely centred in one geographic segment, being Australia. The board of directors anticipate including a second geographic segment (being Malaysia) when construction of the HPA plant in Malaysia is at a more advanced stage.

17. Related Party Disclosure

The mother of Luke Atkins (non-executive chairman) is the owner of the office premises that the Company rents for its registered office and principal place of business. During the period the Company paid $50,000 (2018: $50,000) rent and outgoings on normal arms-length commercial terms and conditions.

18. Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company as at 31 December 2019 other than:

Native Title and Aboriginal Heritage

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

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19. 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 6 January 2020, the Company announced the results of a share purchase plan (SPP), whereby existing eligible shareholders could apply to purchase up to $30,000 of new Altech shares at $0.0975 per share free of any brokerage or other transaction costs. The SPP raised $2.8 million, with in excess of 300 shareholders participating.
- An exploration drilling campaign at the Company's wholly owned Kerrigan kaolin deposit was announced on 14 January 2020. Whilst Altech's flagship Meckering kaolin deposit will provide the feedstock the Company's HPA project, Kerrigan hosts a high quality kaolin deposit. The drilling program consisted of 27 air-core holes for a total of 765 metres, all holes were drilled vertically with an average hole depth of 28 metres, samples were collected at one metre intervals. The completed drilling program is expected to enable the Company to update the mineral resource estimate for the project to assist in determining the next steps for Kerrigan.
- On 21 January 2020, the Company announced that its associate entity, Frankfurt Stock Exchange listed Altech Advanced Materials AG (AAM) (in which the Company holds a 29% interest), was denied registration of a €2.0 million (~A$3.275 million) rights offer by the Manheim commercial court, Germany and that all subscription funds were returned to participants. Subsequently on 5 February 2020, Altech announced that AAM had advised it that the rights offer and its capital increase process, whereby AAM is aiming to raise up to €69.4m (~A$113.7m), had recommenced and that a AAM shareholders meeting was scheduled for 12 March 2020 to approve the capital increase. On 30 January 2020, Altech announced that it had been advised by AAM of its appointment of a Swiss based international investment bank as Placement Agent to assist it with its capital raise.
- The Company announced that it had entered into a Controlled Placement Agreement with Acuity Capital on 27 February 2020. The facility provides Altech with up to $10 million of standby equity capital for the period to 31 January 2023. Important features of the facility are that: there are no requirements to utilise the facility; if the facility is used the Company retails fully control of all aspects – including setting the floor price and quantum of any shares issued; there is full flexibility to use all other methods or arrangements to raise capital; and the facility may be terminated at any time. As facility collateral, the Company placed 40,000,000 fully paid ordinary shares from its ASX Listing Rule 7.1A capacity to Acuity Capital for nil consideration on 27 February 2020.

20. 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 31 December 2019 the Company had un-invoiced capital commitments of US$154,115 (A$220,164 at USD/AUD of 0.70) and MYR 2,508,248 (A$912,090 at AUD/MYR of 2.75) in relation to future billings payable 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 next 6-months, 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 Company's funding position.

ALTECH CHEMICALS LTD
ABN 45 125 301 206

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

- (i) giving a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date of the Company; and
- (ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board

Ignatius Tan
Managing Director

Perth, Western Australia
12 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Conclusion

We have reviewed the accompanying half-year financial report of Altech Chemicals Limited (the company), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

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

Directors' Responsibility for the Half-Year Financial Report

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

MOORE STEPHENS

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and

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

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 12th day of March 2020.