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Altech Chemicals
Limited

ABN 45 125 301 206

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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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 |
| Hansjoerg Plaggemars | Non-Executive Director |
| Uwe Ahrens | Alternate Director (for Tunku Yaacob Khyra) |

COMPANY SECRETARIES

Martin Stein
Shane Volk

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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Subiaco, Western Australia, 6008

Phone: +61 8 6168 1555
Email: info@altechchemicals.com
Website: www.altechchemicals.com

AUDITOR

Moore Australia Audit (WA)
Level 15, Exchange Tower
2 The Esplanade
Perth, WA 6000

SHARE REGISTRY

Automic Pty Ltd
Level 5, 191 St Georges Terrace
Perth, WA 6000
Telephone: 1300 288 664
+61 2 9698 5414

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 (shares)

FWB Code: A3Y

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ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2022

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 2022.

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 Tan became the Company's Managing Director in August 2014. 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 Australian Silica Quartz Group Limited (formally Bauxite Resources Limited) (ASX: ASQ). 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 Bailey is a highly experienced and qualified engineer with over 40 years of 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 Chemicals' 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.

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

Mr 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 (since renamed Australian Silica Quartz Group Limited (ASX: ASQ)), 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 previously served as a Non-Executive independent director of Australian iron ore producer, Grange Resources Limited (ASX: GRR), was CEO of Ngarda Civil & Mining and has also held senior executive and operational roles at CITIC Pacific, Alcoa, Roche Mining and Rio Tinto.

ALTECH CHEMICALS LIMITED

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For the year ended 30 June 2022

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-based 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 last 3 years.

Hansjoerg Plaggemars

Non-Executive Director

Appointed: 19 August 2020

Mr Plaggemars was a previous member of the board of Delphi Unternehmensberatung AG and Deutsche Balaton AG (ATC major shareholder) and currently acts as their representative. Mr Plaggemars is based in Heidelberg, Germany and is an experienced company director and manager. He studied business administration at the University of Bamberg from 1990 to 1995.

Mr Plaggemars has been a management consultant since June 2017, and is a board member of various companies within the scope of projects. Mr Plaggemars is currently a member of the management board of Frankfurt Stock Exchange listed Altech Advanced Materials AG. Mr Plaggemars also currently serves as a non-executive director of ASX listed Devenport Resources Limited, Kin Mining Limited and Azure Minerals Limited.

Uwe Ahrens

Alternate Non-Executive Director (for Tunku Yaacob Khyra)

Appointed: 22 October 2015

Mr 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 SECRETARIES

Martin Stein Chartered Accountant, B. Bus, Chartered Secretary

Chief Financial Officer and Company Secretary

Appointed: Chief Financial Officer 1 November 2021 and Company Secretary 9 March 2022

Mr Stein is a finance and corporate executive with over 20 years' of international experience. Mr Stein has held the positions of Chief Financial Officer and Company Secretary in several ASX listed companies. In these roles, Mr Stein has been responsible for all aspects of capital raising, financial management, shareholder liaison and corporate governance. Prior to this, Mr Stein held senior positions with Anvil Mining Limited as well as with PwC at its London office. Whilst with PwC, Mr Stein provided corporate services for companies listed on the LSE, NYSE and AIM, including Colgate-Palmolive, Sony, Heinz, DHL Express and Bosch.

Shane Volk B.Bus (Accounting), Grad Dip (Applied Corp. Gov.), AGIA

Company Secretary

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 2022

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

- Achievement of game changing proprietary technology by cracking the "silicon barrier" and producing the Silumina Anodes™ Lithium-ion battery anode material with 30% higher energy retention and capacity than conventional graphite only anodes.
- Finalising the Preliminary Feasibility Study, with outstanding economics, for the Silumina Anodes™ Battery Materials Project to produce 10,000tpa of Silumina Anodes™ in Saxony, Germany. Altech acquired an ~14Ha industrial site in Saxony, Germany that is an ideal location for the full-scale plant.
- Commencement of construction by Küttner GmbH & Co to build a Silumina Anodes™ Pilot Plant in Germany that will produce 120kg per day (~37,000 kg per year) of the Silumina Anodes™ product for product qualification with end users, that will assist in securing an offtake agreement for the full-scale plant.
- Continuing the process of securing the remaining green bond and project level equity to finance the remaining construction for the Johor, Malaysia high-purity alumina production plant.

FINANCIAL POSITION & RESULTS OF OPERATIONS

The financial results of the Group for the financial year ended 30 June 2022 are:

| | 2022 | 2021 |
|------------------------------|-------------|------------|
| | \$ | \$ |
| Cash and cash equivalents | 10,912,939 | 6,728,978 |
| Net Assets | 97,537,643 | 88,926,622 |
| Revenue | 468,659 | 8,059,423* |
| Net profit /(loss) after tax | (5,802,429) | 2,325,866 |
| Profit / (Loss) per share | (0.004) | 0.002 |
| Dividend | - | - |

* Includes \$7,941,108 in relation to the sale of 25% equity of Altech Industries Germany GmbH.

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 year ended 30 June 2022 enabled the Company to continue to successfully move forward with its patented Silumina Anodes™ technology, as well as continuing to secure bond and equity project finance for its HPA production plant in Malaysia.

Silumina Anodes™ Project

In relation to the Silumina Anodes™ project, which involves combining silicon and graphite and coating this composite product with a nanometre layer of high-purity alumina for inclusion in lithium battery anodes, Altech advanced this technology and achieved the following results.

- Establishment of a dedicated Research and Development laboratory in Western Australia.
- Achievement of game changing proprietary technology by cracking the "silicon barrier" and producing the Silumina Anodes™ Lithium-ion battery anode material with 30% higher energy retention and capacity than conventional graphite only anodes.
- Achievement of stable battery and sound cycling performance.
- Phase 2 R&D will strive to attain capacity retention beyond the current 30%.
- "Silumina Anodes™" registered as name for Altech's composite anode material.
- Patent protection for Silumina Anodes™ battery materials technology in place.

Altech has now moved to commercialise the Silumina Anodes™ project in Saxony, Germany, and has achieved the following exciting milestones in relation to the construction of a pilot plant for the product.

- Executing an Engineering, Procurement and Construction Contract with Küttner GmbH & Co to build the Silumina Anodes™ Pilot Plant that will produce 120kg per day (~37,000 kg per year) of Silumina Anodes™ product for product qualification with end users, that will assist in securing an offtake agreement.
- Pilot plant to provide optimised inputs for 10,000tpa commercial plant design, and produce customer samples for testing and qualification.

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For the year ended 30 June 2022

- Strategic partnership entered into with world class German battery research and development institute Fraunhofer IKTS for Silumina Anodes™ qualification. The independent performance testing and qualification of Silumina Anodes™ product by Fraunhofer IKTS will assist early market entry.
- Engaging and building relationships with Saxony State authorities for support.

Whilst the pilot plant is being constructed, Altech continues to move forward with the development of a full-scale plant to be constructed in Germany to produce the Silumina Anodes™ product. Key achievements in this regard are outlined below.

- Outstanding Preliminary Feasibility Study for the Silumina Anodes™ Battery Materials Project to produce 10,000tpa of Silumina Anodes™, including a low capital cost of US\$95 million, a pre-tax Net Present Value of US\$507 million and an attractive Internal Rate of Return (IRR) of 40%
- Acquisition of an ~14Ha industrial site in Saxony, Germany that is an ideal location for the full-scale plant.
- The battery materials coating plant project awarded “Medium Green” rating from the independent Centre of International Climate and Environmental Research (CICERO), based on the project achieving an environmentally sustainable design as well as lower CO₂ emissions of between ~19% and ~52% possible.
- Security feedstock supplies from world leading European suppliers of high-quality materials, being SGL Carbon for graphite and Ferroglobe for silicon.
- NDA executed with two German automakers and one European battery maker.

Johor HPA Project

Altech continues to mandate BlueMount Capital and Bedford Row Capital with the listed green bonds, targeting an offer of ~US\$144m, with the green bond offering reach out phase completed. More than 80 groups registered interest to receive the offering documentation. The Company continues with detailed due diligence and data room reviews with potential investors.

In addition, Altech continues to mandate DelMorgan & Co. with the US\$100m of project level equity, with the project equity process running in parallel with the green bond offer.

The site for the production facility in Johor is currently on care and maintenance.

Capital Raised

During the year, the Company raised \$10.3 million from a share placement combined with a share purchase plan. This has allowed for the next stage of Altech's battery materials development, including the funding of the pilot plant, land purchase in Germany for the full-scale plant, and finalisation of the Preliminary Feasibility Study for the Silumina Anodes™ full-scale plant.

In addition to this, the Company received total combined funds of \$2.1 million as a result of the Company's largest shareholder, Deutsche Balaton Aktiengesellschaft converting 15,000,000 listed options with an expiry date of 31 May 2022 and conversion price of \$0.08 each, as well as another significant shareholder, Delphi Unternehmensberatung Aktiengesellschaft, converting 11,519,296 listed options. Altech was delighted with the support shown by the Company's significant shareholders.

New Website

Altech has delivered on a new website. Shareholders and interested parties are invited to access the website at www.altechchemicals.com

Risk Management

Due to its size and scope of operations, the Group does not have a dedicated Risk Management Committee. Rather, the Company's 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. The Board has established an Audit Committee.

EMPLOYEES

The Company had 11 permanent employees as at 30 June 2022 (2021: 9 permanent employees and 1 casual employee).

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SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

On 14 September 2022, Altech announced that it had entered into a Joint Venture with Fraunhofer IKTS in relation to commercialisation of a 100 MWh Sodium Alumina Solid State Battery Plant for grid storage.

Further, there has not arisen since the end of the financial year any other 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.

OPTIONS OVER UNISSUED CAPITAL

Since 30 June 2021 and up until the date of this report the Company had not issued any new options (2021: 181,667,319 options with an exercise price of \$0.08 per option and an expiry date of 31 May 2022). As at 30 June 2022, 43,729,294 new ordinary shares have been issued through the exercise of options.

There are no issues outstanding at the date of this report. Information in relation to this is available on both the ASX and Company website.

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 | 5,000,000 | Nil | Nil | 5,000,000 | 11/6/25 |
| Managing Director | 10,000,000 | Nil | Nil | 10,000,000 | 29/11/26 |
| Non-executive Directors | 6,000,000 | Nil | Nil | 6,000,000 | 26/11/25 |
| Employees | 200,000 | Nil | Nil | 200,000 | 1/2/23 |
| Employees | 1,400,000 | Nil | Nil | 1,400,000 | 4/8/23 |
| Employees | 1,700,000 | Nil | Nil | 1,700,000 | 27/9/25 |
| Employees | 5,750,000 | Nil | Nil | 5,750,000 | 31/1/29 |
| Total | 30,050,000 | | Nil | 30,050,000 | |

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.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group has what it believes to be a significant opportunity for the Company, with continued development and commercialisation of the Silumina Anodes™ Battery Materials Project in Saxony, Germany. To this extent, Altech will continue with the construction of the pilot plant to produce 120kg per day of Silumina Anodes™ for distribution to potential customers, with the aim being to secure an offtake agreement.

In conjunction with this, and with the results achieved from the outstanding Preliminary Feasibility Study for the full-scale plant to produce 10,000tpa of Silumina Anodes™, Altech will progress with the commercialisation of the project. Altech intends to prepare a Definitive Feasibility Study that will provide additional assurance over the project.

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In addition, work continues at the dedicated research and development laboratory in Western Australia, with Phase 2 R&D work striving to attain Silumina Anodes™ battery capacity retention beyond the current 30%.

The Company also remains focused on securing the debt and equity funding that will enable it to bring about project financial close and continue with the construction of its proposed high-purity alumina plant in Johor, Malaysia, beyond the completed Stage 1 and Stage 2 early works, and to enable the Group to construct the associated kaolin mine and loading facility at Meckering, Western Australia.

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 2022 has not identified any material issues. The table below sets out the Mineral Resources and Ore Reserves comparatives as at 30 June 2022 and 30 June 2021.

Meckering kaolin (aluminous clay) deposit

| Classification | Mineral Resource estimate (JORC 2012) as at 30 June 2022 | | | | | Mineral Resource estimate (JORC 2012) as at 30 June 2021 | | | | |
|---------------------------------|---|-------------------------------------|-------------------------------------|-----------------------|------------|---|-------------------------------------|-------------------------------------|-----------------------|------------|
| | In Fraction < 300µ | | | | | In Fraction < 300µ | | | | |
| | Tonnes | Al ₂ O ₃ % | Fe ₂ O ₃ % | TiO ₂ % | Yield % | Tonnes | Al ₂ O ₃ % | Fe ₂ O ₃ % | TiO ₂ % | 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 |
| Total Mineral Resources* | 12,700,000 | 29.5 | 0.99 | 0.62 | 69 | 12,700,000 | 29.5 | 0.99 | 0.62 | 69 |

* 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 2022 | | | | | | Mineral Reserve estimate (JORC 2012) as at 30 June 2021 | | | | | |
|-------------------------------------|--|-------------------------------------|-------------------------------------|-----------------------|-----------------------|------------|--|-------------------------------------|-------------------------------------|-----------------------|-----------------------|------------|
| | Tonnes | Al ₂ O ₃ % | Fe ₂ O ₃ % | TiO ₂ % | K ₂ O % | Yield % | Tonnes | Al ₂ O ₃ % | Fe ₂ O ₃ % | TiO ₂ % | K ₂ O % | Yield % |
| Proven | 454,000 | 30.1 | 0.9 | 0.6 | 0.5 | 69 | 454,000 | 30.1 | 0.9 | 0.6 | 0.5 | 69 |
| Probable | 770,000 | 30.0 | 0.9 | 0.6 | 0.4 | 71 | 770,000 | 30.0 | 0.9 | 0.6 | 0.4 | 71 |
| Total Proven & Probable* | 1,224,000 | 30.0 | 0.9 | 0.6 | 0.4 | 70 | 1,224,000 | 30.0 | 0.9 | 0.6 | 0.4 | 70 |

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* 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 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 2022 is extracted from the ASX announcement entitled "Altech updates kaolin resource for its Meckering Mining Lease" dated 8 July 2016 and 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. The Company confirms that there are no material changes to the Company's Mineral Resources since its ASX announcement of 11 October 2016.

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 Moorman 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 2022 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. 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.

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.

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 | 10,857,438 | - | - | 1,000,000 |
| Daniel Tenardi | 5,594,915 | - | - | 1,000,000 |
| Peter Bailey | 3,774,710 | - | - | 1,000,000 |
| Tunku Yaacob Khyra | 135,034,675 | - | - | 1,000,000 |
| Uwe Ahrens | 1,000,000 | - | - | 1,000,000 |
| Hansjoerg Plaggemars | - | - | - | 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 | 7 | 7 |
| Ignatius Tan | 7 | 7 |
| Daniel Tenardi | 7 | 7 |
| Peter Bailey | 6 | 7 |
| Tunku Yaacob Khyra | 1 | 7 |
| Uwe Ahrens (alternate director) | 7 | 7 |
| Hansjoerg Plaggemars | 7 | 7 |

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DIRECTORS' REPORT
For the year ended 30 June 2022

REMUNERATION REPORT

Remuneration Committee

Recommendation 8.1 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (4th edition)* states that the board should establish a Remuneration Committee. The board has established a Remuneration Committee.

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.

Voting and comments made at the Company's 2021 Annual General Meeting

The Company received 2,406,857 proxy votes (6.2%) against its 2021 remuneration report (from the 169,415,172 proxy votes received and eligible to vote on the resolution) tabled at the 2021 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 board 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.

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)

| | 2022 | 2021 |
|--|-------------|-------------|
| Chairman | \$95,000 | \$95,000 |
| Other non-executive directors (excluding alternate director) | \$70,000 | \$70,000 |

The Chairman's board fees are paid monthly, other non-executive director board fees are paid quarterly, in arrears. Mr Uwe Ahrens, the alternate director for non-executive director Tunku 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. He has also been paid a short term incentive of \$50,000 during the year.

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2022

REMUNERATION REPORT *(continued)*

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.

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 of between 10% and 40% 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 year 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 \$95,700, plus superannuation of 10.0% (2021: Nil), while Mr Volk was awarded \$63,036 plus superannuation of 10.0% (2021: Nil) and Mr Stein was awarded \$7,700 plus superannuation of 10.0% (2021: Nil). 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 measurable, 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, 10,000,000 performance rights for Mr Iggy Tan were cancelled and 10,000,000 replacement performance rights were issued to him. The issue of these performance rights were approved by the Board of Directors by way of resolution on 29 November 2021.

Further, 1,000,000 performance rights for Mr Shane Volk were cancelled and 1,000,000 replacement performance rights were awarded to him. In addition, 1,000,000 new performance rights were also issued to Mr Martin Stein. The issue of these performance rights were approved by the Board of Directors by way of resolution on 28 January 2022.

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.

ALTECH CHEMICALS LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2022

REMUNERATION REPORT (continued)

No performance rights held by directors or key management personnel that were outstanding as at 30 June 2022 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.

| 2021/22 | Primary Compensation | | Post-Employment | Equity Compensation | Total |
|---|------------------------|----------------------------|------------------------------------|--------------------------|------------------|
| | Base Salary/Fees \$ | Short Term Incentive \$ | Superannuation Contributions \$ | Performance Rights \$ | |
| Directors | | | | | |
| I Tan – managing director | 435,000 | 95,700 | 53,070 | 363,640 | 947,410 |
| L Atkins – non-executive chairman | 95,000 | - | 9,500 | 12,485 | 116,985 |
| D Tenardi – non-executive | 70,000 | - | 7,000 | 12,485 | 89,485 |
| P Bailey – non-executive ⁽ⁱ⁾ | 70,000 | - | - | 12,485 | 82,485 |
| Tunku Yaacob Khyra - non-executive | 70,000 | - | - | 12,485 | 82,485 |
| U Ahrens - alternate director ⁽ⁱⁱ⁾ | 65,000 | 50,000 | - | 12,485 | 127,485 |
| H Plaggemars – non-executive | 70,000 | - | - | 12,485 | 82,485 |
| Executives | | | | | |
| M Stein – CFO & Company secretary | 140,000 | 7,700 | 14,770 | 25,231 | 187,701 |
| S Volk – Company secretary | 84,095 | 63,036 | 14,713 | 25,231 | 187,075 |
| TOTAL | 1,099,095 | 216,436 | 99,053 | 489,012 | 1,903,596 |

(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. The base salary includes \$5,000 which relates to services performed in prior year.

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 2022, 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.

| 2020/21 | Primary Compensation | | Post-Employment | Equity Compensation | Total |
|---|------------------------|----------------------------|------------------------------------|--------------------------|------------------|
| | Base Salary/Fees \$ | Short Term Incentive \$ | Superannuation Contributions \$ | Performance Rights \$ | |
| Directors | | | | | |
| I Tan – managing director | 435,000 | - | 41,325 | 89,672 | 565,997 |
| L Atkins – non-executive chairman | 95,000 | - | 9,025 | 21,265 | 125,290 |
| D Tenardi – non-executive | 70,000 | - | 6,650 | 21,265 | 97,915 |
| P Bailey – non-executive ⁽ⁱ⁾ | 70,000 | - | - | 21,265 | 91,265 |
| Tunku Yaacob Khyra - non-executive | 70,000 | - | - | 21,265 | 91,265 |
| U Ahrens - alternate director ⁽ⁱⁱ⁾ | 60,000 | - | - | 21,265 | 81,265 |
| H Plaggemars – non-executive | 60,915 | - | - | 21,265 | 82,180 |
| Executives | | | | | |
| S Volk – CFO & company secretary | 259,840 | - | 24,685 | - | 284,525 |
| TOTAL | 1,120,755 | - | 81,685 | 217,262 | 1,419,702 |

(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 2022, 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 2022

REMUNERATION REPORT (continued)

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

| Name | Fixed remuneration | | At risk remuneration | |
|------------------------------------|--------------------|------|----------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Directors | | | | |
| I Tan – managing director | 52% | 84% | 48% | 16% |
| L Atkins – non-executive Chairman | 89% | 83% | 11% | 17% |
| D Tenardi – non-executive | 86% | 78% | 14% | 22% |
| P Bailey – non-executive | 85% | 77% | 15% | 23% |
| Tunku Yaacob Khyra - non-executive | 85% | 77% | 15% | 23% |
| U Ahrens - alternate director | 51% | 74% | 49% | 26% |
| H Plaggemars – non-executive | 85% | 74% | 15% | 26% |
| Executives | | | | |
| M Stein – CFO & company secretary | 82% | - | 18% | - |
| S Volk – CFO & company secretary | 53% | 100% | 47% | - |

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 ** |
|---|---------------------------------------|--|---|
| Ignatius Tan <i>Managing Director</i> | No fixed term 6 months notice | \$478,500 p.a. | 6 months, plus 3 months if terminated because of a change in control of the Company |
| Martin Stein <i>Chief Financial Officer & Joint Company Secretary</i> | No fixed term 1 month notice | \$231,000 p.a. | 1 month, plus 3 months if terminated because of a change in control of the Company |
| Shane Volk <i>Joint Company Secretary</i> | No fixed term 1 month notice | \$32,148 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).

Details of share based compensation

During the financial year, 10,000,000 performance rights for Mr Iggy Tan were cancelled and 10,000,000 replacement performance rights were issued to him. The issue of these performance rights were approved by the Board of Directors by way of resolution on 29 November 2021. Further, 1,000,000 performance rights for Mr Shane Volk were cancelled and 1,000,000 replacement performance rights were awarded to him. In addition, 1,000,000 new performance rights were also issued to Mr Martin Stein. The issue of these performance rights were approved by the Board of Directors by way of resolution on 28 January 2022 (2021: 6,000,000 performance rights were issued to non-executive directors).

Details of performance rights (subject to vesting conditions), awarded to directors and other key management personnel as part of remuneration in current and prior periods and held as at 30 June 2022, are set out below:

ALTECH CHEMICALS LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2022

REMUNERATION REPORT (continued)

| Name | Record Date | No. of Performance Rights | Issue price | Fair Value at issue date \$ | Vested & Exercised at 30/06/22 | Un-vested at 30/06/22 | Final date for vesting |
|--------------------|-------------|---------------------------|-------------|-----------------------------|--------------------------------|-----------------------|------------------------|
| Directors | | | | | | | |
| Mr Iggy Tan | 12/6/18 | 5,000,000 | nil | 820,313 | - | 5,000,000 | 11/6/25 |
| Mr Iggy Tan | 29/11/21 | 10,000,000 | nil | 1,400,000 | - | 10,000,000 | 29/11/26 |
| Mr Luke Atkins | 27/11/20 | 1,000,000 | nil | 45,000 | - | 1,000,000 | 26/11/25 |
| Mr Dan Tenardi | 27/11/20 | 1,000,000 | nil | 45,000 | - | 1,000,000 | 26/11/25 |
| Mr Peter Bailey | 27/11/20 | 1,000,000 | nil | 45,000 | - | 1,000,000 | 26/11/25 |
| Tunku Yaacob Khyra | 27/11/20 | 1,000,000 | nil | 45,000 | - | 1,000,000 | 26/11/25 |
| Mr Uwe Ahrens | 27/11/20 | 1,000,000 | nil | 45,000 | - | 1,000,000 | 26/11/25 |
| Mr H Plaggemars | 27/11/20 | 1,000,000 | nil | 45,000 | - | 1,000,000 | 26/11/25 |
| Executives | | | | | | | |
| Mr Shane Volk | 31/1/22 | 1,000,000 | nil | 120,000 | - | 1,000,000 | 31/1/29 |
| Mr Martin Stein | 31/1/22 | 1,000,000 | nil | 120,000 | - | 1,000,000 | 31/1/29 |

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.

KMP Holdings of Ordinary Shares

| 30 June 2022 | Balance at Beginning of year | Vested as Remuneration during year | Acquired/(disposed) during year | Other changes during year | Balance at End of Year |
|--------------------|------------------------------|------------------------------------|---------------------------------|---------------------------|------------------------|
| Directors | | | | | |
| I Tan | 7,817,000 | - | - | - | 7,817,000 |
| L Atkins | 10,857,438 | - | - | - | 10,857,438 |
| D Tenardi | 5,594,915 | - | - | - | 5,594,915 |
| P Bailey | 3,774,710 | - | - | - | 3,774,710 |
| Tunku Yaacob Khyra | 135,034,675 | - | - | - | 135,034,675 |
| U Ahrens | 1,000,000 | - | - | - | 1,000,000 |
| H Plaggemars | - | - | - | - | - |
| Executives | | | | | |
| S Volk | 1,307,727 | - | - | - | 1,307,727 |
| M Stein | - | - | - | - | - |

| 30 June 2021 | Balance at Beginning of year | Vested as Remuneration during year | Acquired/(disposed) during year | Other changes during year | Balance at End of Year |
|--------------------|------------------------------|------------------------------------|---------------------------------|---------------------------|------------------------|
| Directors | | | | | |
| I Tan | 7,817,000 | - | - | - | 7,817,000 |
| L Atkins | 10,357,438 | - | 500,000 | - | 10,857,438 |
| D Tenardi | 7,794,915 | - | (2,200,000) | - | 5,594,915 |
| P Bailey | 3,774,710 | - | - | - | 3,774,710 |
| Tunku Yaacob Khyra | 69,438,811 | - | 65,595,864 | - | 135,034,675 |
| U Ahrens | 1,000,000 | - | - | - | 1,000,000 |
| H Plaggemars | - | - | - | - | - |
| Executives | | | | | |
| S Volk | 1,307,727 | - | - | - | 1,307,727 |

ALTECH CHEMICALS LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2022

REMUNERATION REPORT (continued)

KMP Holdings of Performance Rights

| 30 June 2022 | Balance at beginning of year | Awarded or Acquired during year | Expired unexercised / Cancelled during year | Exercised during year | Balance at end of Year | Vested and exercisable at year end | Unvested and unexercisable at year end |
|--------------------|------------------------------|---------------------------------|---|-----------------------|------------------------|------------------------------------|--|
| Directors | | | | | | | |
| I Tan | 15,000,000 | 10,000,000 | (10,000,000) | - | 15,000,000 | - | 15,000,000 |
| L Atkins | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| D Tenardi | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| P Bailey | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| Tunku Yaacob Khyra | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| U Ahrens | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| H Plaggemars | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| Executives | | | | | | | |
| S Volk | 1,000,000 | 1,000,000 | (1,000,000) | - | 1,000,000 | - | 1,000,000 |
| M Stein | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |

| 30 June 2021 | Balance at beginning of year | Awarded or Acquired during year | Expired unexercised during year | Exercised during year | Balance at end of Year | Vested and exercisable at year end | Unvested and unexercisable at year end |
|--------------------|------------------------------|---------------------------------|---------------------------------|-----------------------|------------------------|------------------------------------|--|
| Directors | | | | | | | |
| I Tan | 15,000,000 | - | - | - | 15,000,000 | - | 15,000,000 |
| L Atkins | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| D Tenardi | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| P Bailey | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| Tunku Yaacob Khyra | 1,000,000 | 1,000,000 | (1,000,000) | - | 1,000,000 | - | 1,000,000 |
| U Ahrens | 1,000,000 | 1,000,000 | (1,000,000) | - | 1,000,000 | - | 1,000,000 |
| H Plaggemars | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| Executives | | | | | | | |
| S Volk | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |

ALTECH CHEMICALS LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2022

REMUNERATION REPORT (continued)

KMP Holdings of Listed Options

| 30 June 2022 | Balance at beginning of year | Awarded or Acquired during year | Expired unexercised / Cancelled during year | Exercised during year | Balance at end of Year | Vested and exercisable at year end | Unvested and unexercisable at year end |
|--------------------|------------------------------|---------------------------------|---|-----------------------|------------------------|------------------------------------|--|
| Directors | | | | | | | |
| I Tan | - | - | - | - | - | - | - |
| L Atkins | 250,000 | - | (250,000) | - | - | - | - |
| D Tenardi | - | - | - | - | - | - | - |
| P Bailey | - | - | - | - | - | - | - |
| Tunku Yaacob Khyra | 29,408,101 | - | (29,408,101) | - | - | - | - |
| U Ahrens | - | - | - | - | - | - | - |
| H Plaggemars | - | - | - | - | - | - | - |
| Executives | | | | | | | |
| S Volk | - | - | - | - | - | - | - |
| M Stein | - | - | - | - | - | - | - |

| 30 June 2021 | Balance at beginning of year | Awarded or Acquired during year | Expired unexercised during year | Exercised during year | Balance at end of Year | Vested and exercisable at year end | Unvested and unexercisable at year end |
|--------------------|------------------------------|---------------------------------|---------------------------------|-----------------------|------------------------|------------------------------------|--|
| Directors | | | | | | | |
| I Tan | - | - | - | - | - | - | - |
| L Atkins | - | 250,000 | - | - | 250,000 | 250,000 | - |
| D Tenardi | - | - | - | - | - | - | - |
| P Bailey | - | - | - | - | - | - | - |
| Tunku Yaacob Khyra | - | 29,408,101 | - | - | 29,408,101 | 29,408,101 | - |
| U Ahrens | - | - | - | - | - | - | - |
| H Plaggemars | - | - | - | - | - | - | - |
| Executives | | | | | | | |
| S Volk | - | - | - | - | - | - | - |

This concludes the remuneration report, which has been audited

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2022

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 Australia Audit (WA), 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 on the following page.

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 21st day of September 2022

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, 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.



SHAUN WILLIAMS
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 21st day of September 2022.

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ALTECH CHEMICALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2022

| | Notes | 30-Jun-22 \$ | 30-Jun-21 \$ |
|--|-------|--------------------|------------------|
| Revenue from ordinary activities | | | |
| Interest Income | 3(a) | 227,104 | 117,619 |
| R&D tax refunds | 3(a) | 241,555 | - |
| Other income | 3(a) | - | 7,941,804 |
| Total Income | | 468,659 | 8,059,423 |
| Expenses | | | |
| Employee benefit expense (incorporating director fees) | | (2,201,945) | (1,345,086) |
| Depreciation | | (328,891) | (230,623) |
| Other expenses | 3(b) | (2,414,378) | (3,094,837) |
| Share-based payments | 16(e) | (583,627) | (242,436) |
| Share in profit / (loss) of associate - Altech Advanced Materials AG | | (328,979) | (200,006) |
| Impairment - investment in associate (AAM AG) | | (119,051) | (620,569) |
| Research and development | | (546,262) | - |
| Interest expense | | (3,400) | - |
| Forex gain / (loss) | | (9,919) | - |
| Profit / (loss) before income tax expense | | (6,067,791) | 2,325,866 |
| Income tax benefit | | 265,362 | - |
| Net profit / (loss) from continuing operations | | (5,802,429) | 2,325,866 |
| Other comprehensive profit / (loss) | | | |
| <i>Items that may be reclassified subsequently to profit and loss:</i> | | | |
| Exchange differences on translating foreign controlled entities | | 1,964,499 | - |
| Total comprehensive profit / (loss), net of tax | | (3,837,930) | 2,325,866 |
| Profit / (loss) for the year attributable to: | | | |
| Owners of the parent entity | | (5,729,919) | 2,325,866 |
| Non-controlling interest | | (72,510) | - |
| Total profit / (loss) for the year, net of tax | | (5,802,429) | 2,325,866 |
| Total comprehensive profit / (loss) for the year attributable to: | | | |
| Owners of the parent entity | | (3,765,420) | 2,325,866 |
| Non-controlling interest | | (72,510) | - |
| Total comprehensive profit / (loss) loss for the year | | (3,837,930) | 2,325,866 |
| Earnings Per Share | | | |
| Basic profit / (loss) per share (\$ per share) | 5 | (0.004) | 0.002 |
| Diluted profit / (loss) loss per share (\$ per share) | 5 | (0.004) | 0.002 |

The above Consolidated statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

ALTECH CHEMICALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

| | Notes | 30-Jun-22 \$ | (Restated) 30-Jun-21 \$ |
|--|-------|-------------------|-------------------------------|
| Current Assets | | | |
| Cash and cash equivalents | 6(a) | 10,912,939 | 6,728,978 |
| Trade and other receivables | 7 | 502,908 | 246,918 |
| Total Current Assets | | 11,415,847 | 6,975,896 |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | 31,999,798 | 29,931,589 |
| Right of Use Assets | 9 | 5,950,181 | 6,195,810 |
| Exploration and evaluation expenditure | 10 | 782,659 | 604,821 |
| Development expenditure | 11 | 37,679,490 | 36,463,669 |
| Investments in Associates | 12 | 3,351,214 | 2,085,439 |
| Other non-current receivable | 13 | 7,208,984 | 7,509,881 |
| Total Non-Current Assets | | 86,972,327 | 82,791,209 |
| TOTAL ASSETS | | 98,388,174 | 89,767,105 |
| Current Liabilities | | | |
| Lease liabilities | | 55,394 | 30,878 |
| Trade and other payables | 14 | 412,222 | 427,089 |
| Provisions | 15 | 219,814 | 228,461 |
| Total current liabilities | | 687,430 | 686,428 |
| Non-Current Liabilities | | | |
| Lease liabilities | | 34,532 | 53,352 |
| Provisions | 15 | 128,569 | 100,703 |
| Total Non-Current Liabilities | | 163,102 | 154,055 |
| TOTAL LIABILITIES | | 850,531 | 840,483 |
| NET ASSETS | | 97,537,643 | 88,926,622 |
| Equity | | | |
| Contributed Equity | 16 | 124,487,779 | 107,509,911 |
| Reserves | 17 | 3,726,868 | 8,889,821 |
| Accumulated losses | 19 | (30,604,494) | (27,473,110) |
| Non-controlling interests | | (72,510) | - |
| TOTAL EQUITY | | 97,537,643 | 88,926,622 |

*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 2022

| | Contributed Equity \$ | Accumulated losses \$ | Share- based payment reserves \$ | Foreign currency translation reserves \$ | Other equity interests \$ | Total \$ |
|---|-----------------------------|-----------------------------|--|--|---------------------------------|-------------|
| At 1 July 2021 – as previously reported | 107,509,911 | (25,930,066) | 7,346,777 | - | - | 88,926,622 |
| Prior period adjustment (refer Note 3) | - | (1,543,044) | - | 1,543,044 | - | - |
| At 1 July 2021 – restated | 107,509,911 | (27,473,110) | 7,346,777 | 1,543,044 | - | 88,926,622 |
| Profit / (Loss) after income tax for the year | - | (5,729,919) | - | - | (72,510) | (5,802,429) |
| Other comprehensive profit / (loss) for the year (net of tax) | - | - | - | 421,455 | - | 421,455 |
| Total comprehensive profit / (loss) for the year | - | (5,729,919) | - | 421,455 | (72,510) | (5,380,974) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issue of share capital (net of issue costs) | 9,910,024 | - | - | - | - | 9,910,024 |
| Share based payments (issue of performance rights) | - | - | 583,627 | - | - | 583,627 |
| Exercise of options | 3,498,344 | - | - | - | - | 3,498,344 |
| Conversion of performance rights to share capital | 3,569,500 | - | (3,569,500) | - | - | - |
| Expiration of performance rights | - | 2,598,534 | (2,598,534) | - | - | - |
| At 30 June 2022 | 124,487,779 | (30,604,494) | 1,762,369 | 1,964,499 | (72,510) | 97,537,643 |
| At 1 July 2020 | | | | | | |
| | 89,707,030 | (28,255,932) | 7,104,340 | - | - | 68,555,437 |
| Profit / (Loss) after income tax for the year | - | 2,325,866 | - | - | - | 2,325,866 |
| Total comprehensive profit (loss) for the year | - | 2,325,866 | - | - | - | 2,325,866 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issue of share capital (net of issue costs) | 17,802,881 | - | - | - | - | 17,802,881 |
| Share based payments (net movement) | - | - | 242,437 | - | - | 242,437 |
| At 30 June 2021 | 107,509,911 | (25,930,066) | 7,346,777 | - | - | 88,926,622 |

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 2022

| | Notes | 30-Jun-22 \$ | 30-Jun-21 \$ |
|---|-------|--------------------|--------------------|
| Cash Flows from Operating Activities | | | |
| Payments to suppliers, contractors and employees | | (5,286,968) | (3,801,433) |
| R&D refund received | | 241,555 | - |
| Interest received | | 227,104 | 117,619 |
| Interest paid | | (3,400) | - |
| Deposits Paid | | - | (15,929) |
| Net cash flows used in operating activities | 6(b) | (4,821,709) | (3,699,743) |
| Cash Flows from Investing Activities | | | |
| Acquisition of plant and equipment | | (2,443,218) | (95,515) |
| Payment for investment in Altech Advance Materials AG | | (1,713,805) | (1,981,363) |
| Payments for development expenditure | | - | (5,077,643) |
| Payments for exploration expenditure | | (177,838) | (38,129) |
| Proceeds from sale of 25% of Altech Industries Germany GmbH | | - | 403,819 |
| Net cash flows used in investing activities | | (4,334,862) | (6,788,831) |
| Cash Flows from Financing Activities | | | |
| Payments for KfW IPEX-Bank loan facility | | - | (273,773) |
| Proceeds from issue of shares | | 10,331,348 | 16,658,272 |
| Share issue costs | | (421,324) | - |
| Proceeds from exercise of options | | 3,498,344 | - |
| Lease repayment (principal) | | (56,998) | - |
| Net cash flows from financing activities | | 13,351,370 | 16,384,499 |
| Net increase /(decrease) in cash and cash equivalents | | 4,194,799 | 5,895,925 |
| Cash and cash equivalents at the beginning of the financial year | | 6,728,978 | 833,053 |
| Foreign exchange variance on cash | | (10,838) | - |
| Cash and cash equivalents at the end of the financial year | 6(a) | 10,912,939 | 6,728,978 |

*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 2022

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 2022

(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 Consolidated Statement of Cash Flows, 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 recorded at cost of acquisition, less accumulated depreciation for buildings. If re-valued, 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 the 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) and in Germany (Saxony) 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 the recoverable amount is made when impairment indicators are present (refer to Note 1(q) for details of impairment).

Leased Asset

The Company leases its research and development laboratory at Unit 2, 91 Leach Highway, Kewdale WA 6105. This lease has a 3 year term (expiring 31 March 2024), and the Company has an option to renew the lease for an additional 3 year term. Lease payments are made monthly and there is an annual 3% increase in the amount payable on the first and second anniversary of the lease. Variable outgoings are also paid to the building body corporate on a monthly basis, and adjusted against actual outgoings expenses annually.

The Company's wholly owned Malaysian subsidiary, Altech Chemicals Sdn Bhd leases an office space in Tanjung Langsat, Johor, Malaysia. This lease has a 1 year term (expired 31 August 2022), and the Company has an option to renew the lease for an additional 1 year term.

The Company's 75%-owned subsidiary, Altech Industries Germany GmbH leases an office space in Dock 3, Saxony, Germany. This lease has a 5 year term (expiring 11 January 2026).

The Company accounts for all leases in accordance with the requirements specified in **AASB 16**, and has consequently recognised a Right of use asset in the balance sheet as summarised in Note 9.

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

(f) **Property, Plant and Equipment** (continued)

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**

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 16(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.

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

(g) Employee Benefits (continued)

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.

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.

(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 for a period of 12 months from the date of issuing the financial statements.

The Group has incurred net cash inflows for the year ended 30 June 2022 of \$4,194,799 (2021: \$5,895,925). In addition, as at 30 June 2022, the Group had net current assets of \$10,463,053 (30 June 2021: \$6,289,468) and cashflow forecasts indicate that it will have sufficient cash to remain as a going concern for at least the next 12 months.

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

(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.

**(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

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
 - lease payments under extension options if lessee is reasonably certain to exercise the options; and
 - payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequently, the lease liability is measured by a reduction to the carrying amount of any payments made and an increase to reflect any interest on the lease liability.

The right-of-use assets is an initial measurement of the corresponding lease liability less any incentives and initial direct costs. Subsequently, the measurement is the cost less accumulated depreciation (and impairment if applicable).

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(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. Working capital is maintained at its highest level possible and regularly reviewed by the full board.

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

(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 16(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 or where exploration activities have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. If, after having capitalised the expenditure under the Group's accounting policy in Note 11, 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(h). The carrying amounts of exploration and evaluation assets are set out in Note 1(h).

Development expenditure and Malaysian HPA Plant (work in progress)

Judgment is applied by management in determining when development and other capital expenditure relating to the Malaysian HPA plant 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 the asset under development is impaired, the appropriate amount will be written off to the Statement of Profit or Loss & Other Comprehensive Income. Whilst the current economic climate and the impacts of the COVID-19 pandemic in the medium to longer term are still uncertain, impairment assessments are undertaken based on the best available current information.

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

The Group has considered the implications of new or amended Accounting Standards which have become applicable of the current financial reporting period. There have been no new or amended accounting standards for the current financial reporting period.

(t) New Accounting Standards for Application in Future Periods

A number of new standards and amendments to standards have been issued and are effective for future accounting periods, however the Group has not yet adopted these and does not expect any standard or amendment not yet effective, to have a significant impact on the financial statements of the Group in future periods.

(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 28.

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 2022

(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 relationship).

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 2022

(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 (i.e. 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 2022

(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 2022

(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 (i.e. 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 (e.g. 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 2022

(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 (e.g. 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 2022

2. Restatement of comparatives

Errors were made in the 30 June 2021 financial statements in relation to treatment of leased assets. With effect from 1 July 2020, the consolidated entity has retrospectively applied AASB 16 – Leases. Under this policy, assets subject to lease are now treated as right-of-use assets and depreciated over their respective useful lives. The change in this policy has resulted in changes in the carrying value of property, plant and equipment and right-of-use assets.

In addition, errors were made in relation to treatment of foreign currency translation reserves. With effect from 1 July 2020, foreign currency translation of functional currency to presentation currency are taken to reserves instead of accumulated losses.

Adjustments made to the consolidated statement of financial position:

| | Reported 30-Jun-21 | Adjustment | (Restated) 30-Jun-21 |
|--|-----------------------|-------------|-------------------------|
| | \$ | \$ | \$ |
| Current Assets | | | |
| Cash and cash equivalents | 6,728,978 | - | 6,728,978 |
| Trade and other receivables | 246,918 | - | 246,918 |
| Total Current Assets | 6,975,896 | - | 6,975,896 |
| Non-Current Assets | | | |
| Property, plant and equipment | 36,039,267 | (6,107,678) | 29,931,589 |
| Right-of-use assets | 88,132 | 6,107,678 | 6,195,810 |
| Exploration and evaluation expenditure | 604,821 | - | 604,821 |
| Development expenditure | 36,463,669 | - | 36,463,669 |
| Investments in Associates | 2,085,439 | - | 2,085,439 |
| Other non-current receivable | 7,509,881 | - | 7,509,881 |
| Total Non-Current Assets | 82,791,209 | - | 82,791,209 |
| TOTAL ASSETS | 89,767,105 | - | 89,767,105 |
| Current Liabilities | | | |
| Lease liabilities | 30,878 | - | 30,878 |
| Trade and other payables | 427,089 | - | 427,089 |
| Provisions | 228,461 | - | 228,461 |
| Total current liabilities | 686,428 | - | 686,428 |
| Non-Current Liabilities | | | |
| Lease liabilities | 53,352 | - | 53,352 |
| Provisions | 100,703 | - | 100,703 |
| Total Non-Current Liabilities | 154,055 | - | 154,055 |
| TOTAL LIABILITIES | 840,483 | - | 840,483 |
| NET ASSETS | 88,926,622 | - | 88,926,622 |
| Equity | | | |
| Contributed Equity | 107,509,911 | - | 107,509,911 |
| Reserves | 7,346,777 | 1,543,044 | 8,889,821 |
| Accumulated losses | (25,930,066) | (1,543,044) | (27,473,110) |
| TOTAL EQUITY | 88,926,622 | - | 88,926,622 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

| | 30-Jun-22 | 30-Jun-21 |
|--|--------------------|--------------------|
| | \$ | \$ |
| (a) Revenue | | |
| Interest income | 227,104 | 117,619 |
| Sale of 25% equity of Altech Industries Germany GmbH | - | 7,941,108 |
| R&D tax refund | 241,555 | - |
| Other Income | - | 696 |
| | 468,659 | 8,059,423 |
| (b) Other expenses | | |
| Accounting and audit fees | (55,180) | (50,268) |
| ASX and share registry fees | (121,903) | (74,759) |
| Corporate & consulting | (836,490) | (1,095,422) |
| Insurance expense | (276,927) | (255,015) |
| Occupancy | (166,277) | (123,054) |
| Legal fees | (174,618) | (127,256) |
| Investor relations and marketing | (477,796) | (218,669) |
| Office & administration | (305,188) | (258,943) |
| Foreign exchange translation | - | (891,451) |
| | (2,414,378) | (3,094,837) |

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ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

| 4. Income Tax | 30-Jun-22 | 30-Jun-21 |
|---|------------------|------------------|
| Income tax expense | \$ | \$ |
| Current income tax benefit / (expense) | 265,362 | - |
| Deferred income tax expense | - | - |
| Total income tax expense | 265,362 | - |
| Tax reconciliation | | |
| Accounting profit (loss) before tax from continuing operations | (6,067,791) | 2,325,866 |
| At statutory tax rate of 25% | (1,516,948) | 650,249 |
| Adjustment for: | | |
| Non-assessable income | - | (2,064,688) |
| R&D spend | 136,565 | 82,973 |
| R&D tax offset | 265,362 | - |
| Share based payments to employees | - | 63,033 |
| Other non-deductible expenses | 1,182,934 | 812,665 |
| Deferred tax assets not recognised | 484,417 | 430,278 |
| Tax rate differential | 628 | 25,490 |
| Recoupment of prior year tax losses not previously brought to account | (287,597) | - |
| | 265,362 | - |
| Deferred tax assets | | |
| Provisions, accruals and other | 68,645 | 241,168 |
| Tax losses | 677,013 | 560,318 |
| | 745,659 | 801,486 |
| Offset by deferred tax liabilities | (745,659) | (801,486) |
| | - | - |
| Deferred tax liabilities | | |
| Capitalised mineral exploration and evaluation expenditure | (96,794) | (103,684) |
| Development expenditure | (648,865) | (697,802) |
| | (745,659) | (801,486) |
| Offset by deferred tax assets | 745,659 | 801,486 |
| | - | - |
| Deferred tax assets not recognised | | |
| Tax losses | 2,017,465 | 1,594,407 |
| | 2,017,465 | 1,594,407 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. Earnings per share

| | 30-Jun-22 | 30-Jun-21 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Basic profit (loss) per share | (0.004) | 0.002 |
| Diluted profit (loss) per share | (0.004) | 0.002 |

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

| | Number | Number |
|--|---------------|---------------|
| | 1,080,764,077 | 1,018,048,889 |

6. 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 Consolidated Statement of Financial Position as follows:

| | 30-Jun-22 | 30-Jun-21 |
|--------------------------|-------------------|------------------|
| | \$ | \$ |
| Cash at bank and on hand | 10,912,939 | 6,728,978 |

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

| | 30-Jun-22 | 30-Jun-21 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Profit/(Loss) from ordinary activities after income tax | (5,802,429) | 2,325,866 |
| <i>Non-cash items:</i> | | |
| - Depreciation expense (Operations) | 328,891 | 230,623 |
| - Foreign exchange gains / losses | (200,699) | - |
| - Share based payments | 583,627 | 333,000 |
| - Loss on disposal of assets | - | 464 |
| - Impairment – investment in associate (AAM AG) | 119,051 | 620,569 |
| - Share in profit/(loss) of associate (AAM AG) | 328,979 | 200,006 |
| - Deferred Consideration Receivable - sale of 25% Altech Industries Germany GmbH | - | (7,537,290) |
| - Minority equity interest | 72,510 | - |
| <i>Change in operating assets and liabilities:</i> | | |
| - Increase / (decrease) in Operating trade and other payables | (14,867) | (192,196) |
| - (Increase) / decrease in Operating trade and other receivables | (255,990) | 228,709 |
| - Increase / (decrease) in Operating provisions | 19,218 | 90,506 |
| Net cash outflows from Operating Activities | (4,821,709) | (3,699,743) |

7. Trade and other receivables

| | 30-Jun-22 | 30-Jun-21 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT RECEIVABLES | | |
| Research and development tax rebate | 265,362 | - |
| Sundry debtors | - | 4,240 |
| GST receivable | 130,231 | 24,976 |
| Deposits paid | 30,383 | 24,754 |
| Altech Advanced Materials AG | 68,930 | 184,950 |
| Other receivable | 8,001 | 7,998 |
| | 502,908 | 246,918 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

8. Property, Plant and Equipment

| | 30-Jun-22 | 30-Jun-21 |
|---|-------------------|-------------------|
| OFFICE EQUIPMENT | \$ | \$ |
| At cost | 281,816 | 260,646 |
| Less: accumulated depreciation | (211,866) | (158,924) |
| Total office equipment | 69,951 | 101,722 |
| LAND | | (Restated) |
| At cost | 3,578,359 | 1,575,497 |
| Total land | 3,578,359 | 1,575,497 |
| PLANT AND EQUIPMENT | | |
| At cost | 205,774 | 37,384 |
| Less: accumulated depreciation | (36,896) | (11,527) |
| Total plant and equipment | 168,879 | 25,857 |
| MALAYSIAN HPA PLANT (work in progress) | | |
| At cost | 27,367,758 | 28,228,513 |
| Total Malaysian HPA Plant | 27,367,758 | 28,228,513 |
| GERMAN PILOT PLANT (work in progress) | | |
| At cost | 814,852 | - |
| Total German Pilot Plant | 814,852 | - |
| Total Property, Plant and Equipment | 31,999,798 | 29,931,589 |

Reconciliation

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

| | 30-Jun-22 | 30-Jun-21 |
|---|------------------|-------------------|
| OFFICE EQUIPMENT | \$ | \$ |
| Carrying amount at the beginning of the year | 101,722 | 66,499 |
| Additions | 21,171 | 54,534 |
| Depreciation expense (profit & loss account) | (52,942) | (19,311) |
| Carrying amount at the end of the year | 69,951 | 101,722 |
| LAND | | (Restated) |
| Carrying amount at the beginning of the year | 1,575,497 | 7,850,066 |
| Additions | 2,002,862 | 7,520 |
| Less: amortisation | - | (174,411) |
| Adjustment | | (6,107,678) |
| Carrying amount at the end of the year | 3,578,359 | 1,575,497 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

8. Property, Plant and Equipment (continued)

Reconciliation (continued)

| | 30-Jun-22 | 30-Jun-21 |
|---|-------------------|-------------------|
| | \$ | \$ |
| PLANT AND EQUIPMENT | | |
| Carrying amount at the beginning of the year | 25,857 | 7,050 |
| Additions | 168,390 | 25,652 |
| Loss on Disposals | - | (116) |
| Less: depreciation | (25,368) | (6,729) |
| Carrying amount at the end of the year | 168,879 | 25,857 |
| MALAYSIAN HPA PLANT (work in progress) | | |
| Carrying amount at the beginning of the year | 28,228,513 | 28,202,820 |
| Additions | - | 25,693 |
| Foreign currency translation | (860,755) | - |
| Carrying amount at the end of the year | 27,367,758 | 28,228,513 |
| GERMAN PILOT PLANT (work in progress) | | |
| Carrying amount at the beginning of the year | - | - |
| Additions | 814,852 | - |
| Less: depreciation | - | - |
| Carrying amount at the end of the year | 814,852 | - |

9. Right-of-use Assets

| | 30-Jun-22 | (Restated) 30-Jun-21 |
|--|------------------|-------------------------|
| | \$ | \$ |
| At cost | 6,854,271 | 142,933 |
| Adjustment for restatement (refer note 2) | - | 6,107,678 |
| Accumulated depreciation | (904,090) | (54,801) |
| Net carrying amount | 5,950,181 | 6,195,810 |
| Reconciliation | | |
| Reconciliation of the carrying amount of right-of-use assets at the beginning and end of year are set out below: | | |
| Right-of-use assets | | |
| At beginning of the year net of accumulated depreciation | 6,195,810 | - |
| Adjustment for restatement (refer note 2) | - | 6,107,678 |
| Application during the year | (15,345) | 142,933 |
| Depreciation charge for the year | (230,284) | (54,801) |
| Net carrying amount at the end of the year | 5,950,181 | 6,195,810 |

Lease liabilities are significantly lower in comparison to the carrying amount of the right-of-use assets as the lease of the land in Malaysia (Johor HPA plant site) has been paid upfront in full.

10. Exploration and Evaluation expenditure

| | 30-Jun-22 | 30-Jun-21 |
|---|----------------|----------------|
| | \$ | \$ |
| Carrying amount at the beginning of year | 604,821 | 566,692 |
| Exploration and evaluation expenditure incurred during the year (at cost) | 177,838 | 38,129 |
| Carrying amount at the end of the year | 782,659 | 604,821 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

| 11. Development expenditure | 30-Jun-22 | 30-Jun-21 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Carrying amount at the beginning of the year | 36,463,669 | 36,628,368 |
| Development expenditure incurred during the year (at cost) including foreign exchange movements | 1,215,821 | (164,699) |
| Carrying amount at the end of the year | 37,679,490 | 36,463,669 |

The Malaysian HPA plant is part way constructed, and is currently on care and maintenance. The Company requires further capital in order to complete the plant. Should the Company not be successful in raising sufficient additional capital, the plant will not be constructed in full. Should this occur, the carrying value shown will not be realised.

| 12. Investment in Associate (Altech Advanced Materials AG) | 30-Jun-22 | 30-Jun-21 |
|---|------------------|------------------|
| | \$ | \$ |
| Carrying amount at the beginning of the period | 2,085,439 | 2,891,365 |
| Acquisition of shares in Altech Advanced Materials AG (AAM AG) | 1,713,806 | 14,650 |
| Share of associate's loss for the period since acquisition | (328,979) | (200,006) |
| Impairment based on the market value of AAM AG shares at balance date | (119,052) | (620,570) |
| Carrying amount at the end of the year | 3,351,214 | 2,085,439 |

Altech's ownership in the associate increased from 17.7% as at 30 June 2021 to 27.1% as at 30 June 2022.

| 13. Other non-current receivables | 30-Jun-22 | 30-Jun-21 |
|--|------------------|------------------|
| | \$ | \$ |
| Deferred consideration sale of 25% AIG to AAM AG | 7,208,984 | 7,509,881 |

AAM AG has recently received shareholder approval to undertake a capital raising. Altech anticipates that the deferred consideration will be received subject to a successful capital raising. Should AAM AG not be successful in raising capital and subsequently paying the deferred consideration to Altech, the amount receivable may not be realised in full. In the event that this occurs, Altech has the contractual right to receive back the 25% equity held by AAM AG in Altech Industries Germany GmbH.

| 14. Trade and other payables | 30-Jun-22 | 30-Jun-21 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT PAYABLES (Unsecured) | | |
| Trade creditors | 289,623 | 209,008 |
| Accrued expenses | 48,102 | 51,991 |
| Payroll Tax payable | 6,255 | 5,982 |
| Other creditors and accruals | 68,242 | 160,108 |
| Total trade and other payables | 412,222 | 427,089 |

| 15. Provisions | 30-Jun-22 | 30-Jun-21 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Provision for annual leave | 219,814 | 228,461 |
| NON-CURRENT | | |
| Provision for long service leave | 128,569 | 100,703 |
| Total provisions | 348,343 | 329,164 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

16. Contributed Equity

| | 30-Jun-22 | 30-Jun-21 |
|---|--------------------|--------------------|
| (a) Ordinary shares | \$ | \$ |
| Contributed equity at the beginning of the period | 107,509,911 | 89,707,030 |
| Shares issued during the period | 10,331,350 | 18,770,923 |
| Options conversion | 3,498,343 | - |
| Transfer of historical share-based payment reserve to share capital | 3,569,500 | - |
| Transaction costs relating to shares issued | (421,326) | (968,042) |
| Contributed Equity at the end of the reporting period | 124,487,779 | 107,509,911 |

Movements in ordinary share capital

| | 30-Jun-22 | 30-Jun-21 |
|--|----------------------|----------------------|
| Ordinary shares on issue at the beginning of reporting period | 1,286,482,133 | 870,451,255 |
| Shares issued during the period: | | |
| 31-July-20 at \$0.035 (Placement SMI Tranche 2) | - | 4,285,714 |
| 14-Aug-20 at \$0.035 (Placement SMI Tranche 3) | - | 8,571,429 |
| 25-Sep-20 at \$0.035 (Placement SMI Tranche 4) | - | 8,571,429 |
| 12-Oct-20 at \$0.035 (Placement SMI Tranche 5) | - | 16,457,143 |
| 18-Dec-20 at \$0.04 (Entitlement Offer) | - | 315,721,720 |
| 20-Jan-21 at \$0.032 (Placement SMI Tranche 6) | - | 14,810,375 |
| 22-Jan-21 at \$0.04 (Entitlement Offer Shortfall) | - | 47,613,068 |
| 12-Aug-21 at \$0.08 (Exercise of options) | 2,600 | - |
| 13-Oct-21 at \$0.08 (Exercise of options) | 466,722 | - |
| 20-Oct-21 at \$0.08 (Exercise of options) | 145,729 | - |
| 27-Oct-21 at \$0.08 (Exercise of options) | 52,231 | - |
| 4-Nov-21 at \$0.08 (Exercise of options) | 137,500 | - |
| 10-Nov-21 at \$0.08 (Exercise of options) | 463,419 | - |
| 16-Nov-21 at \$0.08 (Exercise of options) | 966,819 | - |
| 23-Nov-21 at \$0.08 (Exercise of options) | 153,844 | - |
| 30-Nov-21 at \$0.08 (Exercise of options) | 346,862 | - |
| 8-Dec-21 at \$0.08 (Exercise of options) | 59,440 | - |
| 9-Dec-21 at \$0.107 (Placement) | 75,964,556 | - |
| 15-Dec-21 at \$0.08 (Exercise of options) | 14,540 | - |
| 22-Dec-21 at \$0.08 (Exercise of options) | 120,445 | - |
| 23-Dec-21 at \$0.107 (Share Purchase Plan) | 20,589,886 | - |
| 4-Jan-22 at \$0.08 (Exercise of options) | 104,500 | - |
| 17-Jan-22 at \$0.08 (Exercise of options) | 93,612 | - |
| 24-Jan-22 at \$0.08 (Exercise of options) | 587,217 | - |
| 31-Jan-22 at \$0.08 (Exercise of options) | 3,789,506 | - |
| 14-Feb-22 at \$0.08 (Exercise of options) | 491,370 | - |
| 28-Feb-22 at \$0.08 (Exercise of options) | 240,529 | - |
| 14-Mar-22 at \$0.08 (Exercise of options) | 224,782 | - |
| 24-Mar-22 at \$0.08 (Exercise of options) | 202,800 | - |
| 31-Mar-22 at \$0.08 (Exercise of options) | 695,971 | - |
| 7-Apr-22 at \$0.08 (Exercise of options) | 671,926 | - |
| 21-Apr-22 at \$0.08 (Exercise of options) | 91,942 | - |
| 27-Apr-22 at \$0.08 (Exercise of options) | 625,530 | - |
| 3-May-22 at \$0.08 (Exercise of options) | 27,349,788 | - |
| 10-May-22 at \$0.08 (Exercise of options) | 2,698,777 | - |
| 17-May-22 at \$0.08 (Exercise of options) | 900,531 | - |
| 27-May-22 at \$0.08 (Exercise of options) | 667,420 | - |
| 2-Jun-22 at \$0.08 (Exercise of options) | 1,362,942 | - |
| Ordinary shares on issue at the end of the reporting period | 1,426,765,869 | 1,286,482,133 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

16. Contributed Equity (continued)

(b) Performance Rights

During the year, a total of 3,400,000 employees' performance rights expired and were cancelled. The Company issued 5,750,000 performance rights to certain employees pursuant to the Altech Chemicals Limited Performance Rights Plan ("the Plan"), part of which was replacement for those that had expired. In addition, the Company issued 10,000,000 performance rights to the Managing Director to replace the same amount that expired during the year. No performance rights vested during the year.

At 30 June 2022, the Company had the following unlisted performance rights on issue:

| | |
|--|-------------------|
| Performance rights - managing director (exercise price: nil) | 15,000,000 |
| Performance rights - employees & consultants (exercise price: nil) | 9,050,000 |
| Performance rights - non-executive directors (exercise price: nil) | 6,000,000 |
| Total performance rights on issue at 30 June 2022 | 30,050,000 |

At 30 June 2021, 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) | 6,000,000 |
| Total performance rights on issue at 30 June 2021 | 27,700,000 |

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 (2021: 181,667,319 listed options issued as part of an entitlement offer). At 30 June 2022, the Company did not have any listed options on issue (2021: 181,667,319).

(d) Unlisted Options

The Company did not issue any unlisted options during the reporting period (2021: nil). At 30 June 2022, the Company did not have any unlisted options on issue (2021: nil).

(e) Share Based Payments

Performance Rights

During the year, the Company issued 10,000,000 performance rights to the Managing Director to replace the same amount that expired during the year. The Company recorded a total share based payment expense of \$363,640 in relation to these. The share based payments expense relating to Non-Executive Directors totalled \$74,908 (2021: \$36,360).

In addition, a total of 3,400,000 employees' performance rights expired and were cancelled during the year. The Company issued 5,750,000 performance rights to certain employees pursuant to the Altech Chemicals Limited performance rights plan, part of which was replacement for those that had expired. A share-based payments expense associated with these, for \$145,079 was recorded in the profit and loss account.

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 | Directors |
|--|-------------------|
| Exercise price for the performance right | \$0.00 |
| Market price for the shares at date of valuation / issue | \$0.12 - \$0.14 |
| Volatility of company share price | 80.0% |
| Dividend yield | 0% |
| Risk free rate | 1.35% |
| Expiry from date of grant (number of years) | 5.00 |
| Number of Rights issued | 15,750,000 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

16. Contributed Equity (continued)

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.

Vesting of the performance rights are subject to the attainment of the applicable performance milestones.

Performance Rights Plan

The establishment of the Altech Chemicals Limited employee Performance Rights Plan ("Plan") was approved by ordinary resolution at a General Meeting of shareholders on 5 November 2014 and re-approved by shareholders in General Meetings on 12 June 2018 and 29 November 2021. 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 sheet date and consequently impact the amount that is expensed or reversed in the profit and loss account for the relevant reporting period.

During the year, the Company issued 10,000,000 performance rights to the Managing Director to replace the same amount that expired during the year. In addition, a total of 3,400,000 employees' performance rights expired and were cancelled during the year. The Company issued 5,750,000 performance rights to certain employees (2021: 6,000,000 to non-executive directors) pursuant to the Plan, part of which was replacement for those that had expired.

17. Reserves

| | 30-Jun-22 | (Restated) 30-Jun-21 |
|---|------------------|---------------------------------|
| | \$ | \$ |
| Share based payments reserve | 1,762,369 | 7,346,777 |
| Foreign currency translation reserve | 1,964,499 | - |
| Carrying amount at the end of the year | 3,726,868 | 7,346,777 |
| Movements: | | |
| | 30-Jun-22 | (Restated) 30-Jun-21 |
| | \$ | \$ |
| Share based payments reserve | | |
| Balance at the beginning of the period | 7,346,777 | 7,104,340 |
| Fair value of performance rights issued | 583,626 | 242,437 |
| Transferred to contributed equity – conversion of performance rights to share capital | (3,569,500) | - |
| Expiration of performance rights | (2,598,534) | - |
| Balance at end of year | 1,762,369 | 7,346,777 |
| Foreign currency translation reserve | | |
| Balance at the beginning of the period | 1,543,044 | - |
| Foreign exchange movements on translation of subsidiary financial statements | 421,455 | 1,543,044 |
| Balance at end of year | 1,964,499 | 1,543,044 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

18. Financial Instruments

The Company's activities expose it to a variety of financial risks and market risks. The Company'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 Company.

(a) Interest rate risk

The Company'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:

| | Notes | Weighted Average Effective Interest % | Funds Available at a Floating Interest Rate \$ | Fixed Interest Rate \$ | Assets/ (Liabilities) Non Interest Bearing \$ | Total \$ |
|---|-------|---------------------------------------|--|------------------------|---|-------------------|
| 2022 | | | | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 6(a) | 0.50% | 10,912,939 | - | - | 10,912,939 |
| Trade and other receivables | 7 | | - | - | 502,908 | 502,908 |
| Other non-current receivables | 13 | | - | - | 7,208,984 | 7,208,984 |
| Total Financial Assets | | | 10,912,939 | - | 7,711,892 | 18,624,831 |
| Financial Liabilities | | | | | | |
| Trade and other payables | 14 | 0.00% | - | - | 412,222 | 412,222 |
| Lease liabilities | | | - | - | 89,926 | 89,926 |
| Total Financial Liabilities | | | - | - | 502,148 | 502,148 |
| Net Financial Assets/(Liabilities) | | | 10,912,939 | - | 6,944,380 | 17,857,319 |

| | Notes | Weighted Average Effective Interest % | Funds Available at a Floating Interest Rate \$ | Fixed Interest Rate \$ | Assets/ (Liabilities) Non Interest Bearing \$ | Total \$ |
|---|-------|---------------------------------------|--|------------------------|---|-------------------|
| 2021 | | | | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 6(a) | 0.50% | 6,728,978 | - | - | 6,728,978 |
| Trade and other receivables | 7 | | - | - | 246,918 | 246,918 |
| Other non-current receivables | 13 | | - | - | 7,509,881 | 7,509,881 |
| Total Financial Assets | | | 6,728,978 | - | 7,756,799 | 14,485,777 |
| Financial Liabilities | | | | | | |
| Trade and other payables | 14 | 0.00% | - | - | 427,089 | 427,089 |
| Lease liabilities | | | - | - | 84,230 | 84,230 |
| Total Financial Liabilities | | | - | - | 511,319 | 511,319 |
| Net Financial Assets/(Liabilities) | | | 6,728,978 | - | 7,245,480 | 7,245,480 |

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

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

18. Financial Instruments (continued)

(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 Company 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.

19. Accumulated losses

| | 30-Jun-22 | (Restated) 30-Jun-21 |
|--|---------------------|-------------------------|
| | \$ | \$ |
| Carrying amount at the beginning of the period | (27,473,110) | (28,255,932) |
| Profit (loss) for the period | (5,729,919) | 2,325,866 |
| Foreign exchange movements on translation of subsidiary financial statements | - | (1,543,044) |
| Expiration of performance rights | 2,598,535 | - |
| Carrying amount at the end of the year | (30,604,494) | (27,473,110) |

20. Auditors' remuneration

| | 30-Jun-22 | 30-Jun-21 |
|---|-----------|-----------|
| | \$ | \$ |
| Audit - Moore Australia Audit (WA) | | |
| Audit and review of the financial reports | 50,619 | 46,011 |

21. Related Parties

Key management personnel compensation

| | 30-Jun-22 | 30-Jun-21 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 1,317,967 | 1,120,755 |
| Post-employment benefits | 99,297 | 81,685 |
| Share-based payments | 489,012 | 217,265 |
| | 1,906,276 | 1,419,705 |

During the financial year there were no loans made or outstanding at year end (2021: nil)

Other transactions with key management personnel

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 year the Company paid \$100,000 (2021:\$100,000) rent and outgoings on normal commercial terms and conditions.

Other related party transactions

MIE Tech Sdn Bhd, a company controlled by Non-Executive Director, Tunku Yaacob Khyra, recharges RM75,000 monthly for secondment of Mr Uwe Ahrens to the Group.

The Company recharges €10,000 per month to its associate company, Altech Advanced Materials AG as reimbursement of Mr Uwe Ahrens' secondment cost to Germany.

The Company charges its associate company, Altech Advanced Materials AG, 3% p.a interest on a quarterly basis, on balance of consideration (€4,750,000) for sale of 25% of Altech Industries Germany AG.

22. Expenditure commitments

(a) Exploration

The Company 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 Company's exploration programs and priorities. As at 30 June 2022, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and those which cover the following twelve month period amount to \$228,000 (2021: \$152,000). 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.

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ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

22. Expenditure commitments (continued)

(b) Intercompany Loan Commitments

On 1 May 2015, the Company entered into an Intercompany Loan Agreement (Agreement) with its 100% owned subsidiary Altech Chemicals Sdn Bhd (ATCSB).

Under the terms of the Agreement:

- The Company extends a loan facility up to the amount of \$100,000,000 to provide funding to enable ATCSB to advance the development of a high purity alumina manufacturing facility in Malaysia.
- Interest payable is nil for the period up to and preceding the date at which ATCSB commences commercial production from its proposed high purity alumina manufacturing facility.
- From the date at which ATCSB commences commercial production from its proposed high purity alumina manufacturing facility, interest shall be charged on the loan at an arms-length commercial rate of interest.

On 1 April 2020, the Company entered into a Shareholder Loan Agreement with its 75% owned subsidiary Altech Industries Germany GmbH (AIG). On 29 December 2020, the Shareholder Loan Agreement was amended to include the party Altech Advanced Materials AG (AAM), the holder of the remaining 25% in AIG.

Under the terms of the Shareholder Loan Agreement and as amended on 29 December 2020:

- The Company extends a loan facility up to the amount of EUR50,000,000 to provide funding to enable AIG to advance the development of its operations in Germany.
- AIG simultaneously and proportionally (75% to 25%) utilises the facility made available under the AAM Shareholder Loan Agreement. That is, funding to be provided to AIG is allocated in the proportions of 75% by the Company and 25% by AAM.
- Interest payable is nil for the period up to and preceding the date at which AIG commences commercial production from its proposed battery materials manufacturing facility.
- From the date at which AIG commences commercial production from its proposed high purity alumina manufacturing facility, interest shall be charged on the loan at an arms-length commercial rate of interest.

(c) 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. Commitment to 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 2022, the Company had no capital commitments in relation either contract (2021: Nil). All works completed as stage 1 or stage 2 early works construction under the US\$280 million SMS group GmbH contract had been billed to the Company and paid as at 30 June 2022. As at 30 June 2022, no early works had been completed under the Simulus Engineering Pty Ltd contract.

On 9 August 2022, the Company's 75%-owned subsidiary, Altech Industries Germany GmbH entered into a Contract for Supplies and Services with Kuttner GmbH & Co for the development of a battery materials pilot plant in Saxony Germany, for the price of €2,981,146. As at 30 June 2022, the Group had capital commitments of \$2,334,922. It is currently anticipated that all of the commitment amounts will become payable during the subsequent financial year (2022/23).

23. 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 2 segments, which are the development of a battery materials pilot plant in Germany and development of a high purity alumina (HPA) plant in Malaysia, as well as mineral exploration. Although the Group has established a 75%-owned company in Germany and a wholly owned subsidiary in Malaysia, the operations of the Group for the year ended 30 June 2022 were largely centred in one geographic segment, being Australia. The board of directors anticipate including a second geographic segment when the proposed construction of the battery materials pilot plant in Germany and HPA plant in Malaysia are at a more advanced stage.

24. Employee entitlements and superannuation commitments

Employee Entitlements

These are the following employee entitlements at 30 June 2022: Annual Leave Provision \$219,814 (2021: \$228,461) and Long Service Leave Provision \$128,569 (2021: \$100,703).

Directors, officers, employees and other permitted persons' Performance Rights Plan

Details of the Company's Performance Rights Plan are disclosed in the Remuneration Report.

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

24. Employee entitlements and superannuation commitments (continued)

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 \$156,933 (2021: \$173,715).

25. Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2022 other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which 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.

26. Events subsequent to balance date

On 14 September 2022, Altech announced that it had entered into a Joint Venture with Fraunhofer IKTS in relation to commercialisation of a 100 MWh Sodium Alumina Solid State Battery Plant for grid storage.

Further, there has not arisen since the end of the financial year any other 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.

27. Parent entity disclosure

| | 30-Jun-22 | 30-Jun-21 |
|---|--------------------|-------------------|
| | \$ | \$ |
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current assets | 11,055,759 | 6,654,844 |
| Non-Current assets | 92,252,694 | 87,026,385 |
| TOTAL ASSETS | 103,308,454 | 93,681,229 |
| LIABILITIES | | |
| Current liabilities | 560,654 | 535,855 |
| Non-Current liabilities | 158,930 | 154,055 |
| TOTAL LIABILITIES | 719,583 | 689,910 |
| NET ASSETS | 102,588,871 | 92,991,319 |
| EQUITY | | |
| Issued capital | 124,487,777 | 107,509,911 |
| Accumulated losses | (23,661,275) | (21,865,368) |
| Share based payments reserve | 1,762,369 | 7,346,777 |
| TOTAL EQUITY | 102,588,871 | 92,991,319 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Net profit / (loss) | (4,394,441) | 4,688,626 |
| Total comprehensive loss for the year | (4,394,441) | 4,688,626 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

28. Controlled entities

Investments in controlled entities comprise:

| Name | Beneficial percentage held by economic entity | | Principal activities |
|--|---|-----------|-------------------------------------|
| | 2022 % | 2021 % | |
| Altech Chemicals Ltd | | | Parent entity |
| Wholly owned and/or controlled entities: | | | |
| Altech Chemicals Sdn Bhd (Malaysia) | 100 | 100 | HPA Plant |
| Altech Industries Germany GmbH | 75 | 75 | Battery Materials Plant |
| Altech Meckering Pty Ltd | 100 | 100 | Kaolin Mine |
| Altech Chemicals Australia Pty Ltd | 100 | 100 | Intellectual Property/Patent Holder |
| Canning Coal Pty Ltd | 100 | 100 | Mineral exploration |

Altech Chemicals Sdn Bhd is incorporated in Malaysia, and Altech Industries Germany GmbH is incorporated in Germany, 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 2022

The Directors of the Company declare that:

1. The financial statements and note, as set out on pages 1-46, 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 2022 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 21st day of September 2022

**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 2022, 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, 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 2022 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.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (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.

Key Audit Matters

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.

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

Key Audit Matters (continued)

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

Refer to Note 1(f & i), Note 8 Property Plant Equipment & Note 11 Development Expenditure

Property, plant and equipment (PPE) totaling \$32 million as disclosed in Note 8 and capitalised development expenditure (DE) totaling \$37.68 million as disclosed in Note 11 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 and the preliminary and design costs, stage one and two development 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 factoring an increase in direct operating costs due to current inflationary pressures 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 and addressed, where identified, indicators of possible impairment with management and the directors. This included assessing the market capitalisation of the Group (\$59.6 million) against its net asset position (\$97.5 million) at balance date to gauge whether there are any indicators the total capitalised PPE and DE costs relating to the HPA Project were impaired. We also noted that the market capitalisation of the group has increased to be significantly higher than their net asset value subsequent to mid-September 2022.
- Capitalised PPE and DE costs were formally impairment tested by management at 30 June 2022 and did not result in any adjustments. We reviewed and discussed this impairment assessment.
- Assessing the appropriateness of the relevant disclosures included in Notes 8 & 11 to the financial report.

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

Key Audit Matters (continued)

| Group's ability to continue 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 well as the development of its Battery Minerals 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"> 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. Reviewed plans by the directors to defer certain payments and secure additional funding through either the issue of further shares and/or debt funding or a combination thereof. 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. Review of disclosure in the financial statements to ensure appropriate. <p>Based on our work, we agree with the directors' assessment that the going concern basis of preparation is appropriate.</p> |

| Recoverability of Deferred Consideration on sale of 25% of AIG to AAM AG | |
|--|--|
| Refer to Note 13 | |
| <p>As detailed in Note 13, Altech sold 25% of its subsidiary AIG to AAM AG an associate and Frankfurt stock exchange listed German company in 2021.</p> <p>The sale of the 25% equity interest in AIG resulted in a profit of \$7.9 million being recorded in the preceding period, with receivables due in December 2021, 2022 and 2023 respectively of approximately \$2.5 million, with security held over the share sold.</p> <p>The receivable balance as at 30 June 2022 is \$7.2 million, the first amount due has yet to be received as at the date of this report. The receivable has increased in terms of credit risk therefore a significant risk requiring audit consideration.</p> | <p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> Audit requested a formal paper from Altech Directors and management which impairment tested the receivable and supported the position that the receivable is not impaired. Audit reviewed the paper and discussed with Altech Directors and management communication between Altech and AAM discussing AAM's planned capital measures including undertaking a capital raising which is currently in place. Audit also reviewed documentation and discussed with Altech Directors and management the contractual right that Altech has to receive back the 25% equity held by AAM in AIG should AAM be unable to pay the deferred consideration. |

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

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 2022, 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.

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.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our auditor's report.

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

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 2022.

In our opinion, the Remuneration Report of Altech Chemicals Limited, for the year ended 30 June 2022 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.



SHAUN WILLIAMS
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 21st day of September 2022.

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