Altech Chemicals
Limited

ABN 45 125 301 206

INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 December 2018

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Shane Volk

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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AUDITORS

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SHARE REGISTRY

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
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STOCK EXCHANGE LISTING

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

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

DIRECTORS' REPORT

The Directors present their report on Altech Chemicals Ltd for the half-year ended 31 December 2018.

BOARD OF DIRECTORS

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

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

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

COMPANY SECRETARY

Shane Volk

REVIEW OF OPERATIONS

During the half-year ended 31 December 2018, the Company continued its efforts to secure the balance of project funding that it requires to draw-down on the US$190 million project finance debt package that has been approved by German Government owned KfW IPEX-Bank for construction of its proposed Malaysian high purity alumina (HPA) plant. A term sheet for a US$90 million mezzanine debt facility was announced in May 2018 and during the half-year the proposed mezzanine lender focussed on completing a detailed technical review of the Company's HPA project; the Company announced the successful conclusion of the technical review in January 2019. Altech's HPA project has now been the subject of two detailed independent technical reviews, both of which have culminated in positive and satisfactory conclusions.

In parallel with financing activities, the Company continued to advance towards the commencement of HPA plant construction in Malaysia. The completion of a A$21 million capital raising in July 2018, which comprised a placement of shares to various institutional and professional investors (A$17 million) and a strongly supported share purchase plan (A$4 million), provided sufficient funds to announce the commencement of HPA plant site clearance works and stage-1 construction activities during the half-year, having an approximate value of A$11 million. On 8 August 2018, the Company held a ground-breaking ceremony in Johor, Malaysia, which marked the official commencement of site works for the HPA plant. The Company has pre-paid for a majority of the stage-1 construction works to its appointed engineering, procurement and construction (EPC) contractor SMS group GmbH, the majority of these payments will be credited against the US$280m EPC contract value.

During the half-year, the Company also completed a geotechnical ground survey at site for the HPA plant; finalised the HPA plant site layout and building design; and in January 2019 the Development Order for the HPA plant's construction was issued by local government authorities in Johor, Malaysia. The US$280 million fixed-price, lump-sum EPC contract for construction of the Company's proposed Malaysian HPA plant was signed with SMS group Gmbh of Germany in late November 2018, and in early December 2018 the ~US$2.5million EPC contract for the construction of the kaolin ore container loading facility at Meckering, Western Australia was signed with Simulus Engineering of Perth, Australia.

The first of seven patent applications was granted for the Company's kaolin to HPA processing method during the half-year, with a Certificate of Grant for an innovation patent announced in mid-October 2018. The patent acknowledges that Altech's process for producing HPA from aluminous material such as kaolin incorporates unique steps. The granted innovation patent is one of five patent applications lodged in Australia, the other two patent applications were lodged in Malaysia. The Company is committed to placing itself in a strong position to protect its intellectual property rights for its kaolin to HPA manufacturing process.

Based on the Company's attendance at the three-day international rechargeable battery exhibition (Battery Osaka) during the half-year, the outlook for HPA demand and pricing continues to appear strong. A predominant theme emanating from discussions with lithium-ion battery manufacturers at the exhibition was the importance of HPA purity and product consistency, with several Japanese and South Korean buyers at the exhibition able to confirm that the prevailing market price for the highest consistency and quality HPA (99.99% $Al2O3$), typically from Japan is around US$40,000 tonne (US$40kg).

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the half-year ended 31 December 2018 was $4,112,088 (2017: loss $1,932,043). The Company's basic loss per share for the period was 0.9 cents per share (2017: loss of 0.6 cents per share).

No dividend has been paid during or is recommended for the financial period ended 31 December 2018.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities at 31 December 2018 was $2,579,068 (30 June 2018: net current liabilities of $2,936,433).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE 31 DECEMBER 2018

There has not arisen since the end of the half-year any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent periods, that have not been disclosed in this report.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2018 has been received and immediately follows the Directors' Report.

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

Ignatius Tan
Managing Director

Dated at Perth this 12th day of March 2019

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

As lead auditor for the review of Altech Chemicals Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 12th day of March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	31-Dec-18 $	30-Jun-18 $
Current Assets			
Cash and cash equivalents	5	4,054,001	261,319
Trade and other receivables	6	43,722	55,456
Total Current Assets		**4,097,723**	**316,775**
Non-Current Assets			
Property, plant and equipment	7	17,571,328	8,228,399
Exploration and evaluation expenditure	8	397,476	359,996
Development expenditure	9	29,103,410	25,776,306
Total Non-Current Assets		**47,072,214**	**34,364,701**
TOTAL ASSETS		**51,169,937**	**34,681,476**
Current Liabilities			
Trade and other payables	10	1,355,882	3,113,504
Provisions	11	162,773	139,704
Total current liabilities		**1,518,655**	**3,253,208**
Non-Current Liabilities			
Provisions	11	54,417	38,941
Total Non-Current Liabilities		**54,417**	**38,941**
TOTAL LIABILITIES		**1,573,072**	**3,292,149**
NET ASSETS		**49,596,865**	**31,389,327**
Equity			
Contributed Equity	12	65,656,833	45,721,596
Reserves	13	6,603,059	4,218,670
Accumulated losses	14	(22,663,027)	(18,550,939)
TOTAL EQUITY		**49,596,865**	**31,389,327**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2018

	Notes	31-Dec-18 $	31-Dec-17 $
Revenue from ordinary activities			
Interest Income		65,455	18,390
Total Income		**65,455**	**18,390**
Expenses			
Employee benefit expense (incorporating director fees)		(769,685)	(1,103,514)
Depreciation		(13,882)	(3,526)
Other expenses	3	(1,009,587)	(878,736)
Share-based payments	12(e)	(2,384,389)	35,343
Profit/(loss) before income tax expense		**(4,112,088)**	**(1,932,043)**
Income tax expense		-	-
Net profit/(loss) from continuing operations		**(4,112,088)**	**(1,932,043)**
Other comprehensive loss			
Items that will not be reclassified to profit and loss		-	-
Items that may be reclassified subsequently to profit and loss		-	-
Total comprehensive loss attributable to members of the parent entity		**(4,112,088)**	**(1,932,043)**
Basic profit (loss) per share ($'s per share)	4	(0.009)	(0.006)
Diluted profit (loss) loss per share ($'s per share)	4	(0.009)	(0.006)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2018

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

	Contributed Equity $	Accumulated losses $	Reserves $	Total $
At 1 July 2018	**45,721,596**	**(18,550,939)**	**4,218,670**	**31,389,327**
Profit (Loss) after income tax for the half-year	-	(4,112,088)	-	(4,112,088)
Total comprehensive profit (loss) for the half-year	**-**	**(4,112,088)**	**-**	**(4,112,088)**
Transactions with owners in their capacity as owners:				
Issue of share capital (net of issue costs)	19,935,237	-	-	19,935,237
Share based payments (net movement)	-	-	2,384,389	2,384,389
At 31 December 2018	**65,656,833**	**(22,663,027)**	**6,603,059**	**49,596,865**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2018

	Notes	31-Dec-18 $	31-Dec-17 $
Cash Flows from Operating Activities			
Payments to suppliers, contractors and employees		(1,683,535)	(1,763,978)
Interest received		65,455	32,038
Deposits Paid		(573)	-
Net cash flows used in operating activities		**(1,618,653)**	**(1,731,940)**
Cash Flows from Investing Activities			
Purchase of land, property, plant and equipment		(442,489)	(20,332)
Payments for development expenditure and HPA plant construction		(11,753,600)	(6,327,806)
Payments for research & development		(24,902)	(105,074)
Research and development tax refund		-	298,492
Net cash used in investing activities		**(12,220,991)**	**(6,154,720)**
Cash Flows from Financing Activities			
Proceeds from borrowings		-	280,000
Repayment of borrowings (inc. interest exp.)		-	(295,000)
Transaction costs relating to financing facilities		(2,227,911)	-
Proceeds from issue of shares		19,860,237	15,704,104
Net cash flows from financing activities		**17,632,326**	**15,689,104**
Net decrease in cash and cash equivalents		**3,792,682**	**7,802,444**
Cash and cash equivalents at the beginning of the financial period		261,319	1,432,347
Cash and cash equivalents at the end of the financial period	5	**4,054,001**	**9,234,791**

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

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Altech Chemicals Ltd (the Company) for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 12th March 2019. Altech Chemicals Ltd is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Altech Chemicals Ltd and its controlled entities (referred to as the consolidated group or the Company). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2018, together with any public announcements made during the following half-year.

Accounting Policies

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

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2018 annual report.

Going concern

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

The company has incurred net cash outflow from operating and investing activities for the half-year ended 31 December 2018 of $13,839,644 (2017: $7,886,660). As at 31 December 2018, the consolidated entity had net current assets of $2,579,068 (30 June 2018: net current liabilities $2,936,433).

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

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

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

New, revised or amending Accounting Standards and Interpretations adopted by the Company

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

- AASB 9: Financial Instruments; and
- AASB 15: Revenue from Contracts with Customers.

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 19.

Impact of Standards issued but not yet applied by the Company

- **AASB 16: Leases**

AASB 16: Leases (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: Leases and the related Interpretations. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarised as follows:

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

AASB 16 will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company does not have any non-cancellable operating lease commitments with a right-of-use of in excess of 12 months. The directors anticipate that the adoption of AASB 16 will not impact the Company's financial statements.

The Standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Company does not intend to adopt the Standard before its effective date.

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

	31-Dec-18	31-Dec-17
Other expenses		
Accounting and audit fees	(12,253)	(8,064)
ASX and share registry fees	(60,764)	(98,497)
Corporate & Consulting	(43,197)	(98,149)
Insurance expense	(164,503)	(118,526)
Occupancy	(61,387)	(47,895)
Legal fees	(73,015)	(5,118)
Investor relations and marketing	(467,580)	(385,019)
Office & Administration	(124,718)	(212,385)
Foreign Exchange Translation	(2,170)	94,917
	(1,009,587)	**(878,736)**

4. Earnings per share

	31-Dec-18	31-Dec-17
	$	$
Basic profit (loss) per share	(0.009)	(0.006)
Diluted profit (loss) per share	(0.009)	(0.006)

	Number	Number
The weighted average number of ordinary shares used in the calculation of basic earnings per share was:	470,695,947	324,600,171

Rights to purchase ordinary shares not exercised as at 31 December 2018 have not been included in the determination of basic earnings per share.

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

5. Cash and cash equivalents

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

	31-Dec-18	30-Jun-18
	$	$
Cash at bank and on hand	4,054,001	261,319
	4,054,001	**261,319**

6. Trade and other receivables

	31-Dec-18	30-Jun-18
CURRENT RECEIVABLES	$	$
Sundry debtors	-	15,231
GST Receivable	21,047	18,122
Deposit paid	17,104	16,672
Other receivable	5,571	5,431
	43,722	**55,456**

7. Property, Plant and Equipment

	31-Dec-18	30-Jun-18
PLANT AND OFFICE EQUIPMENT	$	$
At cost	**219,352**	**154,941**
Less: accumulated depreciation	(102,721)	(89,567)
Total plant and office equipment	**116,631**	**65,374**
LAND		
At cost	**8,182,271**	**8,182,271**
Less: amortisation of leasehold land	(136,616)	(26,614)
Total land	**8,045,655**	**8,155,657**
MALAYSIAN HPA PLANT (works in progress)		
At cost	**9,409,042**	**7,367**
Total HPA Plant	**9,409,042**	**7,367**
Total Property, Plant and Equipment	**17,571,328**	**8,228,399**

Reconciliation

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

	31-Dec-18	30-Jun-18
PLANT AND OFFICE EQUIPMENT	$	$
Carrying amount at the beginning of the year	**65,374**	**71,002**
Additions	72,071	17,445
Disposals	(1,963)	(1,484)
Depreciation expense (profit & loss account)	(13,882)	(9,692)
Depreciation expense (development expenditure)	(4,969)	(11,897)
Carrying amount at the end of the year	**116,631**	**65,374**

	31-Dec-18	30-Jun-18
LAND	$	$
At cost	**8,155,657**	**5,680,583**
Additions	26,614	2,501,688
Less: amortisation of leasehold land	(136,616)	(26,614)
Carrying amount at the end of the year	**8,045,655**	**8,155,657**

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

8. Exploration and Evaluation expenditure

	31-Dec-18	30-Jun-18
	$	$
Carrying amount at the beginning of period	**359,996**	**334,481**
Exploration and evaluation expenditure incurred during the period (at cost)	37,480	25,515
Carrying amount at the end of the year	**397,476**	**359,996**

9. Development expenditure

	31-Dec-18	30-Jun-18
	$	$
Carrying amount at the beginning of the period	**25,776,306**	**17,198,222**
Development expenditure incurred during the period (at cost)	3,327,104	8,578,084
Carrying amount at the end of the year	**29,103,410**	**25,776,306**

10. Trade and other payables

	31-Dec-18	30-Jun-18
	$	$
CURRENT PAYABLES (Unsecured)		
Trade creditors	860,497	2,082,746
Accrued expenses	441,177	984,891
Other creditors and accruals	54,208	45,867
Total trade and other payables	**1,355,882**	**3,113,504**

11. Provisions

	31-Dec-18	30-Jun-18
	$	$
CURRENT		
Provision for annual leave	162,773	139,704
NON CURRENT		
Provision for long service leave	54,417	38,941
Total provisions	**217,190**	**178,645**

12. Contributed Equity

	31-Dec-18	30-Jun-18
(a) Ordinary shares	$	$
Contributed equity at the beginning of the period	**45,721,596**	**28,365,517**
Shares issued during the period	21,288,604	18,055,418
Transaction costs relating to shares issued	(1,353,367)	(699,339)
Contributed Equity at the end of the reporting period	**65,656,833**	**45,721,596**

Movements in ordinary share capital	**31-Dec-18**	**30-Jun-18**
Ordinary shares on issue at the beginning of reporting period	**426,540,542**	**297,324,057**
Shares issued during the period:		
12-Jul-17 at $0.11 per share (Placement SMS group)	-	1,162,979
1-Nov-17 at $0.14 per share (Placement)	-	65,942,561
4-Dec-17 at $0.14 per share (Placement)	-	2,811,432
11-Dec-17 at $0.14 per share (Placement)	-	37,822,369
28-Dec-17 at $0.14 per share (Placement)	-	7,142,857
3-Jan-18 at $0.14 per share (Placement)	-	14,334,287
16-Jul-18 at $0.165 per share (Placement)	102,300,606	-
6-Aug-18 at nil per share (Vest of Performance Rights)	17,000,000	-
6-Aug-18 at $0.165 per share (Share Purchase Plan & Placement)	26,718,844	-
Ordinary shares on issue at the end of the reporting period	**572,559,992**	**426,540,542**

12. Contributed Equity (continued)

(b) Performance Rights

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

17,000,000 Performance Rights vested during the period as a result of the attainment of the pre-determined vesting conditions. The vested Performance Rights converted to a fully paid ordinary shares of the Company on 6 August 2018. Also during the period 200,000 Performance Rights lapsed because of cessation of employment prior to the attainment of pre-determined vesting conditions.

At 31 December 2018, the Company had the following unlisted Performance Rights on issue:	
Performance Rights - managing director (exercise price Nil)	15,000,000
Performance Rights - employee's & Consultants (exercise price Nil)	8,200,000
Performance Rights - non-executive directors (exercise price Nil)	5,500,000
Total Performance Rights on issue as at 31 December 2018	**28,700,000**

At 30 June 2018, the Company had the following unlisted Performance Rights on issue:	
Performance Rights - managing director (exercise price Nil)	20,000,000
Performance Rights - employee's & Consultants (exercise price Nil)	12,200,000
Performance Rights - non-executive directors (exercise price Nil)	10,500,000
Total Performance Rights on issue at 30 June 2018	**42,700,000**

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

(c) Listed Options

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

At 31 December 2018, the Company did not have any listed options on issue.

(d) Unlisted Options

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

At 31 December 2018, the Company did not have any unlisted options on issue.

(e) Share Based Payments

Consultant & Interest Expense Shares

The Company issued 454,545 fully paid ordinary shares at $0.165 per share (total value $75,000) during the period to a consultant for media and investor relations services. An expense of $75,000 was recorded in the profit and loss account as a consultancy expense in relation to the services.

Performance Rights

The Company issued 3,200,000 Performance Rights during the period to various staff and recorded a total share based payments expense of $2,384,389.

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.

12. Contributed Equity (continued)

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

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

The value of the Performance Rights has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the abovementioned Performance Rights that were awarded and has been expensed during the period and accounted for in the share based payments reserve on a pro-rata basis is $64,305. 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 ("the Plan") was approved by ordinary resolution at a General Meeting of shareholders on 5 November 2014 and re-approved by shareholders in General Meeting on 12 June 2018. All eligible directors, executive officers, employees and consultants of Altech Chemicals Limited, who have been continuously employed by the Company are eligible to participate in the Plan.

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

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

Details of Performance Rights that vested during the reporting period are shown in note 12(b), above.

13. Reserves

	31-Dec-18	30-Jun-18
	$	$
Share based payments reserve	6,603,059	4,218,670
Carrying amount at the end of the year	**6,603,059**	**4,218,670**
Movements:		
Share based payments reserve		
Balance at the beginning of the period	**4,218,670**	**3,193,100**
Fair value of Performance Rights issued	2,384,389	1,025,571
Balance at end of period	**6,603,059**	**4,218,670**

14. Accumulated losses

	31-Dec-18	30-Jun-18
	$	$
Carrying amount at the beginning of the period	**(18,550,939)**	**(13,984,608)**
Profit (loss) for the period	(4,112,088)	(4,566,331)
Carrying amount at the end of the period	**(22,663,027)**	**(18,550,939)**

15. Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The financial statements presented above are the same as the reports the directors review. The Company operates predominantly in one segment, which is the development of high purity alumina (HPA) manufacturing, and mineral exploration. Although the Company has established a wholly owned subsidiary in Malaysia, the operations of the Company for the half-year ended 31 December 2018 were largely centred in one geographic segment, being Australia. The board of directors anticipate including a second geographic segment (being Malaysia) when the proposed construction of the HPA plant in Malaysia is at an advanced stage.

16. Related Party Disclosure

Mrs Elizabeth M Atkins and the estate of Mr Peter H Atkins (the parents of Luke Atkins, a director of the Company) are the Registered Proprietors of the premises that the Company rented for its registered office during the half-year, Suite 8, 295 Rokeby Road, Subiaco WA 6005. The property is held by the Registered Proprietors on trust for the PH Atkins Children's Trust of which Luke Atkins is a beneficiary. During the half-year the Company paid $50,000 (2017: $50,000) to, or on behalf of the Registered Proprietors on normal arms-length commercial terms and conditions.

17. Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company as at 31 December 2018 other than:

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

18. Events subsequent to balance date

There has not arisen, since the end of the financial year, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years that has not been mentioned in this report

19. Changes in Accounting Policies

This note describes the nature and effect of the adoption of AASB 9: Financial Instruments and AASB 15: Revenue from Contracts with Customers on the Company's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

a. AASB 9: Financial Instruments – Accounting Policies

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company 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 significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:
- amortised cost; or
- fair value through profit or loss.

19. Changes in Accounting Policies (continued)

a. AASB 9: Financial Instruments – Accounting Policies (continued)

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

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

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability; that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

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

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

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.

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 value (if not designated as at fair value through profit or loss and not arising 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 the two primary criteria:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:
- 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.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:
- 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; and
- the business model for managing the financial asset 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 Company 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.

19. Changes in Accounting Policies (continued)

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

a. AASB 9: Financial Instruments – Accounting Policies (continued)

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Company may make an irrevocable election to measure any subsequent changes in fair value of the equity instrument 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 Company'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 assets:
- 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 Company no longer controls the asset (i.e. the Company 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 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 of equity which was elected to be classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Company 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 Company 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.

19. Changes in Accounting Policies (continued)

a. AASB 9: Financial Instruments – Accounting Policies (continued)

General approach

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

- the credit risk of the financial instrument has increased significantly since initial recognition, the Company 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 Company 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 that 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 its customer base, appropriate groupings of its historical loss experience etc).

Purchased or originated credit-impaired approach

For a financial asset that is considered to be credit-impaired (not on acquisition or origination), the Company 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 Company 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 Company 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.

Recognition of expected credit losses in financial statements

At each reporting date, the Company 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.

b. Initial Application of AASB 9: Financial instruments

The Company has adopted AASB 9 with a date of initial application of 1 July 2018. As a result, the Company has changed its financial instruments accounting policies as follows.

19. Changes in Accounting Policies (continued)

b. Initial Application of AASB 9: Financial instruments (continued)

There were no financial assets/liabilities which the Company had previously designated as fair value through profit or loss under AASB 139: Financial Instruments: Recognition and Measurement that were subject to reclassification/elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the Company has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The Company applied AASB 9 and the related consequential amendments to other Standards. New requirements were introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment and general hedge accounting.

The date of initial application was 1 July 2018. The Company has applied AASB 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied AASB 9 to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 July 2018 have been restated where appropriate.

Financial assets in terms of AASB 9 needs to be measured subsequently at either amortised cost or fair value on the basis of the entity's business model and the cash flow characteristics of the financial assets:

- debt investments that are held within a business model whose goal is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose goal is both to collect contractual cash flows and to sell it, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income; and
- all other debt investments and equity investments are measured at fair value through profit or loss.

Despite these issues, the Company may make irrevocable election at initial recognition of a financial asset:

- the Company may choose to present subsequent changes in fair value of an equity investment, that is not held for trading and not a contingent consideration in a business combination, in other comprehensive income; and
- the Company may choose to present a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit of loss if this choice significantly reduces an accounting mismatch.

When an equity investment at fair value through other comprehensive income has a gain or loss previously recognised in other comprehensive income it is not reclassified to profit or loss. However, when a debt investment at fair value through other comprehensive income is derecognised, the gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to impairment.

The directors of the Company determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effects:

- Financial assets as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

There is no significant impact on the Company’s financial statements noted given no classification changes from the application of AASB 9.

Impairment

As per AASB 9, an expected credit loss model is applied and not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the group to account for expected credit loss since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument did not show significant change since initial recognition, an expected credit loss amounts equal to 12-month expected credit losses is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

The Company reviewed and assessed the existing financial assets on 1 July 2018. The assessment was undertaken to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised and compared that to the credit risk as at 1 July 2017 and 1 July 2018. The assessment was performed without undue cost or effort in accordance with AASB 9.

There is no significant impact on the Company’s financial statements from the application of AASB 9.

AASB 15: Revenue from Contracts with Customers – Accounting Policies

The Company has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in no significant changes in accounting policies and no adjustments to the amounts recognised in the financial statements.

ALTECH CHEMICALS LTD
ABN 45 125 301 206

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the financial position as at 31 December 2018 and of the performance for the half-year ended on that date of the Company; and

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

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

On behalf of the Board

Ignatius Tan
Managing Director

Perth, Western Australia
12 March 2019

MOORE STEPHENS

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Altech Chemicals Limited which comprises the consolidated condensed statement of financial position as at 31 December 2018, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Conclusion

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

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

Directors' Responsibility for the Half-Year Financial Report

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

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Altech Chemicals Limited's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Altech Chemicals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 12th day of March 2019