



Altech Chemicals
Limited

2020

ANNUAL REPORT

COMPANY PROFILE

ABOUT ALTECH CHEMICALS LTD ASX: ATC / FRA: A3Y

Altech Chemicals Limited (Altech/the Company) is aiming to become one of the world's leading suppliers of 99.99% (4N) high purity alumina (Al₂O₃) through the construction and operation of a 4,500tpa high purity alumina (HPA) processing plant at Johor, Malaysia. Feedstock for the plant will be sourced from the Company's 100% owned kaolin deposit at Meckering, Western Australia and shipped to Malaysia.

HPA is a high-value, high margin and highly demanded product as it is the critical ingredient required for the production of synthetic sapphire. Synthetic sapphire is used in the manufacture of substrates for LED lights, semiconductor wafers used in the electronics industry, and scratch-resistant sapphire glass used for wristwatch faces, optical windows and smartphone components. Increasingly HPA is used by lithium-ion battery manufacturers as the coating on the battery's separator, which improves performance, longevity and safety of the battery.

With global HPA demand approximately 19,000tpa (2018), it is estimated that this demand will grow at a compound annual growth rate (CAGR) of 30% (2018-2028); by 2028 HPA market demand is forecast to be approximately 272,000tpa, driven by both the increasing adoption of LEDs worldwide as well as the increasing demand by lithium-ion battery manufacturers to serve the surging electric vehicle market.

Conservative (bank case) cash flow modelling of Altech's HPA project shows a pre-tax net present value (NPV) of US\$505.6 million at a discount rate of 7.5%. The project is forecast to generate annual average net free cash of approximately US\$76 million at full production (allowing for sustaining capital and before debt service and tax), with an attractive margin on HPA sales of approximately 63%.

German engineering firm SMS group GmbH (SMS) is the appointed EPC contractor for the construction of Altech's Malaysian HPA plant. SMS has provided a US\$280 million fixed price turnkey contract and has proposed clear and concise guarantees to Altech for plant throughput and completion.

The Company executed an off-take sales arrangement with Mitsubishi Corporation's Australian subsidiary, Mitsubishi Australia Ltd (Mitsubishi) covering the first 10-years of HPA production sales from the plant.

The Company has been successful in securing senior project debt finance of US\$190 million from German government-owned KfW IPEX-Bank as senior lender. In addition to the senior debt, Altech has mandated Macquarie Bank (Macquarie) as a potential mezzanine lender (on a non-exclusive basis) with a target facility amount of US\$90 million. Technical and market due diligence is complete, however Macquarie has requested that Altech secure pre-sales for a proportion of its planned future HPA production to an end user at predetermined prices, to demonstrate some pricing transparency in an otherwise opaque market. The Company continues to engage with a number of European electric vehicle (EV) sector participants that are potential product end users interested in securing future HPA supply.

Altech has raised approximately A\$39 million in the last 24 months to maintain project momentum and commence Stage 1 and 2 construction of the Company's HPA plant in Malaysia during the period leading up to financial close. Stage 1 construction commenced in February 2019 and Stage 2 completed in June 2020.

In July 2019, Altech announced the sale of an option to Frankfurt Stock Exchange listed Youbisheng Green Paper (since renamed Altech Advanced Materials AG - AAM), whereby AAM can acquire up to a 49% direct interest in Altech's HPA project for US\$100 million. Importantly for AAM, Altech has guaranteed that 6 years from the date of project financial close it will re-purchase the project interest that AAM does acquire, with a pre-determined re-purchase price that will deliver AAM an annual compound return equal to 15% of its original purchase price. AAM has the right to cancel Altech's re-purchase agreement at any time and thereby retain its interest, guaranteeing project upside for AAM.

OUR VISION

to be a world-leading supplier of high purity alumina (HPA) via our 4,500tpa HPA processing plant



HIGH PURITY ALUMINA (HPA)

OVERVIEW

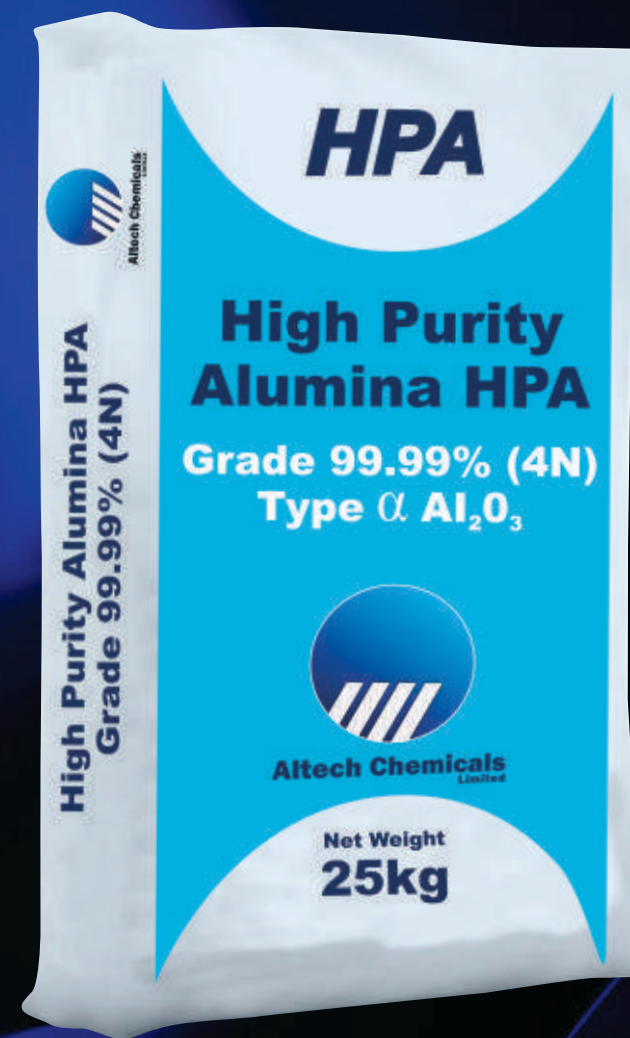
High purity alumina is a high-purity form of aluminium oxide (Al_2O_3).

High purity alumina is a high-value, high margin and highly demanded product as it is the critical ingredient required for the production of synthetic sapphire. Synthetic sapphire is used in the manufacture of substrates for LED lights, semiconductor wafers used in the electronics industry, and scratch-resistant sapphire glass used for wristwatch faces, optical windows and smartphone components. There is no substitute for HPA in the manufacture of synthetic sapphire. Increasingly, HPA is also being consumed in the manufacture of lithium-ion batteries, which are used in electric vehicles and various consumer goods applications. Lithium-ion battery manufacturers are using HPA as a coating for the plastic polymer anode/cathode separator sheets within the battery in order to reduce separator sheet shrinkage and combustibility.

HPA is a premium priced material (selling in the range of US\$15 to US\$50 per kg) with forecast significant annual demand growth driven primarily by two fast-growing industries: the sapphire/LED industry and the rapidly expanding lithium-ion battery industry. The use of 4N HPA in the production of lithium-ion battery separators is a rapidly growing sector, driven by the development of more energy dense batteries to serve the surging electric vehicle (EV) and renewable energy storage markets. The lithium-ion battery separator material must be permeable (to allow for lithium-ion transit), stable at battery operating temperatures, chemically inert and offer mechanical strength and flexibility – 4N HPA delivers all of these attributes.

FUTURE: SOLID STATE LITHIUM BATTERIES

There has been increasing discussion about the next generation of lithium-ion batteries called solid state batteries. These are batteries where the organic combustible liquid electrolyte in the battery is replaced by non-liquid “solid state” electrolyte which appreciably improves battery safety and allows for significantly higher battery operating temperatures. Will 4N HPA be used in future solid state lithium-ion batteries where there are no ceramic coated separators? Based on extensive research of prevailing technologies, Altech believes that 4N HPA will continue to be a key ingredient of future commercialised solid state lithium-ion batteries. Similarly, the amount of 4N HPA used is also likely to be higher than the amount used in the production of current ceramic coated separators.



HPA DEMAND

London-based CRU Consulting reported that unconstrained demand forecast for 4N+ (99.99% or greater) HPA, which is the market segment Altech's plant is designed to supply, would rise from 19,000 tonnes per annum (2018) to 272,000 tonnes by 2028; this increase represents a compound annual growth rate (CAGR) of 30% per annum (2018-2028). CRU noted that the growth would be constrained by limited supply availability and a corresponding spike in price would likely result from the forecast large-scale deficit of 4N+ HPA.

The forecast demand for HPA in powder form, the type used in lithium-ion battery separators, would potentially reach 187,000 tonnes per year by 2028 if sufficient supply were available; Altech's planned 4,500 tonne per year of production would only supply a small part of this forecast demand according to CRU.

Demand for HPA in the pellet/bead form used in light emitting diodes (LEDs) is forecast by CRU to reach 85,000 tonnes per annum by 2028, and is expected to exhibit greater price inelasticity since synthetic sapphire is by far the most widespread substrate material used in the solid-state lighting industry.

HPA DEMAND FROM THE LITHIUM-ION BATTERY SECTOR

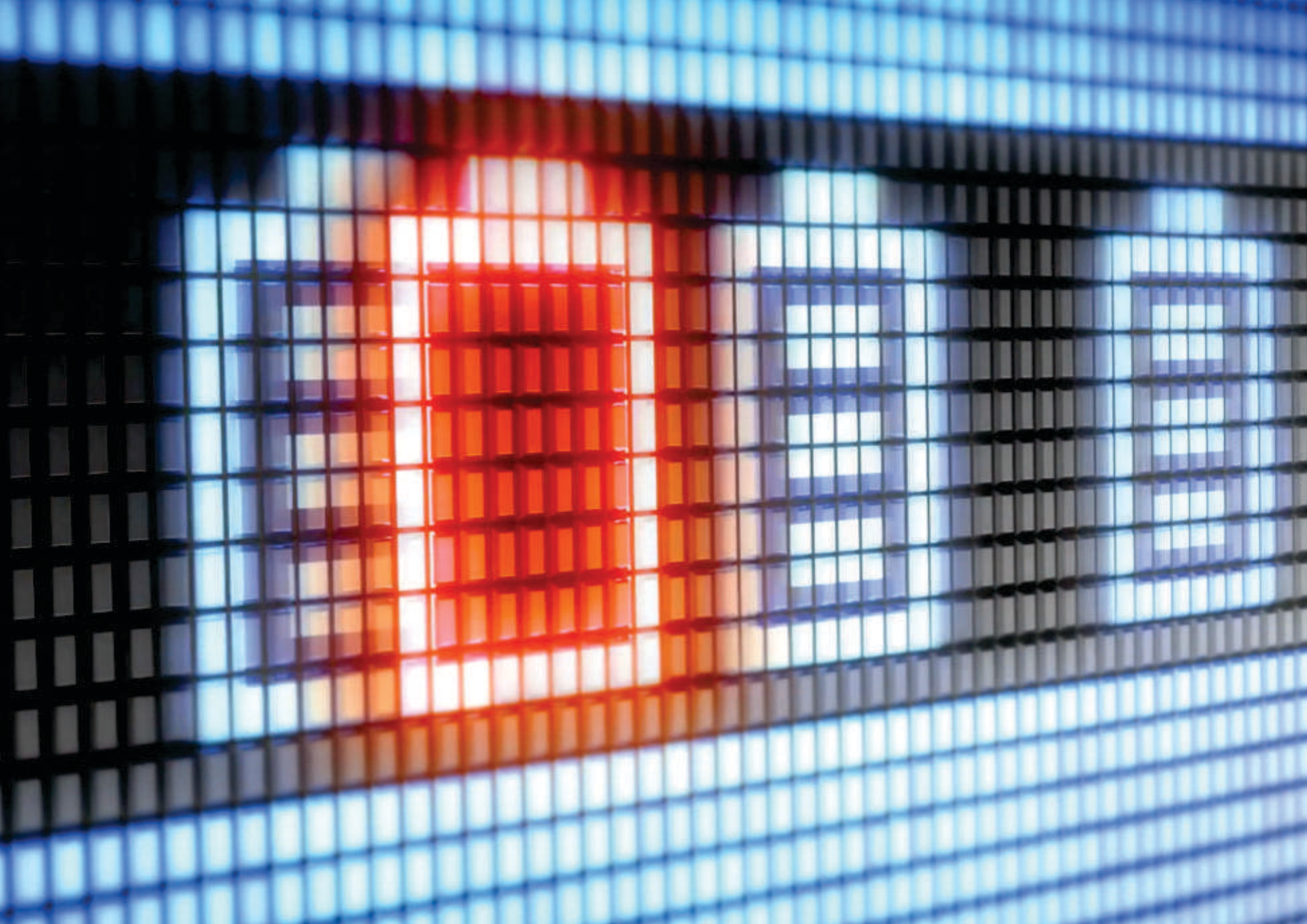
The transition by lithium-ion battery manufacturers to HPA coated separators is primarily a function of advances in battery anode and cathode technology. As a result, battery energy storage capacity is increasing and battery operating temperature during charge and discharge is higher – to the point where traditional non-coated polymer separator sheets are reaching the limit of safe application, hence the transition to HPA coated separators, which tolerate higher operating temperatures.

SIGNIFICANT HPA SUPPLY SHORTFALL

In estimating the future 4N+ HPA demand and supply balance, CRU took into account all potential new producers coming on stream, including all projects approaching or at pre-feasibility stage. CRU noted the expected capacities put forth by these companies, and filtered them through their standardised Project Gateway Methodology, to arrive at reasonable assumptions for the ultimate volumes supplied to the market by these new entrants, as well as the timing of such supply.

Overlaying the demand profile estimated previously, the report concluded an impending significant market deficit, where supply – no matter how optimistic – could not keep pace with the level of 4N+ HPA demand. The result of the analysis is an extremely large apparent 4N+ HPA short term deficit, peaking around 2021 at a deficit of around 20,000 tpa. The long term supply deficit continues until 2028 and further peaks at a ~50,000/t deficit.





CHAIRMAN'S LETTER

Dear fellow Altech Shareholders,

It has been another extremely busy year for our managing director Iggy Tan and his small dedicated team. The year has seen the team competently manage the completion of stage 1 and stage 2 early works construction activates at the Company's Malaysian high purity alumina (HPA) plant site – completed on time and on budget, whilst concurrently managing and advancing various initiatives aimed at delivering the close of project finance and the balance of funding for our HPA project. All of this during a year that has seen the COVID-19 pandemic globally impact financial markets, economies, business confidence and the way that each of us goes about our lives on a daily basis.

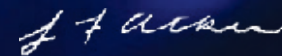
Our Company again continued to receive strong support from all key stakeholders during the year. Shareholders supported our very successful share purchase plan (SPP) that completed in January 2020, and our major shareholders provided significant additional capital during the year via various share placements. Our appointed EPC contractor SMS group GmbH, senior project finance lender KfW IPEX-Bank, the German export credit agency Euler Hermes, the Malaysian Government and the Malaysian Investment Development Authority (MIDA) has each continued to champion our HPA project and the various project financing initiatives that are underway.

I would like to thank my fellow board members and our company secretary for their hard work and support for myself, Iggy and his team during the year. The Company has been extremely fortunate and indeed we are thankful to have been able to secure and utilise the services of alternate director Uwe Ahrens, a Malaysian resident and German national, who in January this year agreed to be placed in Germany to promote the Company's various Germany and European funding initiatives - even in the midst of the COVID-19 pandemic. Also, I take the opportunity to welcome Hansjoerg Plaggemars as a recent board appointee. Hansjoerg strengthens the Altech board and will provide valuable input into our various German and European initiatives.

To our managing director Iggy Tan and his staff, thank you for all of your hard work, resilience and determination in what has been a challenging year for all of us in Australia, Malaysia and in Germany.

Finally I thank all shareholders for your continued commitment to your Company. I look forward to another busy and rewarding year ahead.

Regards,



Luke Atkins
Non-Executive Chairman



BOARD OF DIRECTORS



LUKE ATKINS

LLB - Non-Executive Chairman

A highly qualified mining executive and 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 of ASX-listed Australian Silica Quartz Group Limited (formerly Bauxite Resourced Limited) (ASX: ASQ) and is currently the company's non-executive director. Mr Atkins brings to the board extensive experience in the areas of mining, exploration and corporate governance.



IGNATIUS (IGGY) TAN

B.Sc. MBA, GAICD - Managing Director

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 has 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 previously held managing director positions at ASX-listed Kogi Iron Limited (ASX: KFE) and Galaxy Resources Limited (ASX: GXY).



PETER BAILEY

Independent Non-Executive Director

Mr Peter Bailey is a highly experienced and qualified engineer with over 40 years experience in the mining and industrial chemical production industry. He was previously chief executive officer at Sherwin Alumina, an alumina refinery located in Texas, USA. Prior to Sherwin, in 1998 Mr Bailey was president of Alcoa Worldwide Chemical's industrial chemicals department. He was responsible for managing the company's 13 alumina plants that were located in eight countries, with combined annual revenue of approximately US\$700 million.

In 1996, Mr Bailey was president of Alcoa Bauxite and Alumina and was responsible for eight (8) alumina plants outside of Australia. He was also chairman of the Alcoa Bauxite joint venture in Guinea, Africa.



DANIEL TENARDI

Non-Executive Director

Mr Tenardi is a highly experienced global resource executive with over 40 years 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 at 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 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. Mr Tenardi was most recently a non-executive independent director of Australian iron ore producer, Grange Resource Limited (ASX: GRR).



TUNKU YAACOB KHYRA

B.Sc (Hons), CA - Non-Executive Director

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 and Wales and a member of the Malaysian Institute of Accountants.



UWE AHRENS

Alternate Non-Executive Director (for Tunku Yaacob Khyra)

Mr Uwe Ahrens is executive director of Melewar Industrial Group Berhad and managing director of Melewar Integrated Engineering Sdn Bhd. He also sits on the board of several other private limited companies. Mr Ahrens holds Masters degrees in both Mechanical Engineering and Business Administration from the Technical University Darmstadt, Germany. Upon graduation, Mr Ahrens joined the international engineering and industrial plant supplier, KOCH Transporttechnik GmbH in Germany, now belonging to FLSmidth Group, where he held a senior management position for 12 years, working predominantly in Germany, USA and South Africa. Mr Ahrens is the alternate non-executive director for Tunku Yaacob Khyra.



HANSJOERG PLAGGEMARS

Non-Executive Director

Mr Plaggemars was 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 Hiedelberg, 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 at ASX listed Devenport Resources Limited, Kin Mining Limited and Azure Minerals Limited.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

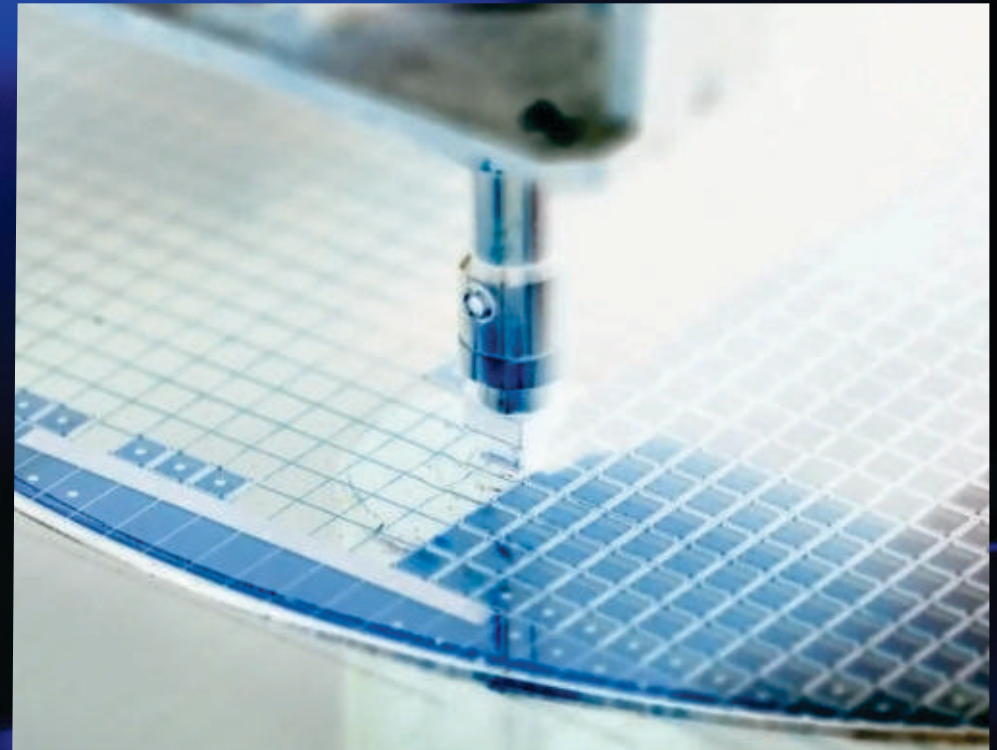
SUMMARY

Despite the negative impact of the COVID-19 situation since early 2020, the Company continued with the Stage 1 and 2 construction activities at its HPA project site in Malaysia. Stage 2 construction was completed in June 2020, with excellent safety and environmental performance. The completion of Stage 1 and 2 early works programs has effectively de-risked project construction in terms of environmental and works approvals, permits, ground conditions, contractor selection and performance, and general site access, logistics and conditions. This all bodes well for construction ramp-up when project funding is finalised, plus it provides current and potential investors with added confidence in the construction process.

Against the backdrop of global financial markets uncertainty brought about by the COVID-19 pandemic, the Company continued to advance various options to secure the balance of project financing during the year. Mr Uwe Ahrens, Altech alternate director and member of the management board of Altech Advanced Materials AG (AAM), commenced a German based placement in January 2020 to assist in the promotion of Altech's HPA product in Germany and Europe and to assist AAM with its planned capital raising. With the appointment of Hansjoerg Plaggemars as a non-executive director of the Company in August 2020, Altech now has two European based representatives to advance the close of project financing.

The current status of financing for the Company's HPA project is that a US\$190 million senior project finance loan facility from German government owned KfW IPEX-Bank remains committed, however in addition to this amount the Company continued to pursue three subordinated debt funding options during the year. The first option is a US\$90 million mezzanine loan facility from Macquarie Bank; the second option is the work that the Company is doing with an international Swiss bank that has also been appointed by Altech Advanced Materials AG (AAM) to identify debt alternatives; and the third option is listed "green" bonds, in the European bond market.

In addition to the total project debt package (senior and subordinated), the HPA project requires approximately US\$100 million of equity to position it for financial close. The Company also continued to pursue three options for this funding during the year. The first option is for German listed company AAM to exercise its option to acquire a 49% direct interest in the HPA project for US\$100m. The second equity option is to secure a strategic joint venture partner which would invest on a similar basis to AAM (or in conjunction with AAM) – and on this front the Company continued to engage with a variety of strategic groups during the year, including manufacturers associated with the European EV sector – some of these groups are directly involved in the manufacture of lithium-ion batteries and/or the supply of materials to that sector. The third option is to raise the required equity using both companies, AAM via the Frankfurt Stock Exchange and Altech via the ASX.



Note: Image taken before COVID-19 restrictions



JOHOR HPA PROJECT

PLANT CONSTRUCTION ACTIVITIES

Stage 1 construction works were completed during the year, on budget and on schedule. The stage 1 facilities were formally handed-over to Altech by the EPC contract consortium (SMS and Metix) in October 2019. The handover consisted of the maintenance workshop building; all site retaining walls; and the on-site detention (OSD) storm water tanks at the rear of the plant site. During stage 1 a total of 100,000 lost time injury (LTI) free working hours were completed.

Stage 2 engineering and construction activities continued through the year although they were impacted by the onset of the COVID-19 pandemic in Malaysia from March 2020, when the Malaysian government imposed a Movement Control Order (MCO) effective from 18 March 2020. The MCO resulted in the closure of all non-essential government and private business premises, and consequently the suspension of all construction works and closure of Altech's HPA plant site at Tanjung Langsat. Construction activities recommenced on 3 June 2020 following the lifting of the control order.

On the 9 July 2020, the Company announced that the remaining Stage-2 construction work had been completed following the lifting of the Malaysian governments movement control order. Outstanding stage-2 construction involved completion of the site electrical substation, which primarily consisted of internal fit-out, drainage, sewage and landscaping. This marked the completion of all works included in the Stage 2 construction scope by the appointed EPC contractor Metix (a wholly owned subsidiary of SMS group, Germany). The electrical substation is a critical path item on the construction time line and the substation is now available to the local electricity service provider TNB (Tenaga Nasional Berhad) for the installation of switchgear and the incorporation of the substation into the local electrical grid. No further work on site is envisaged until further funding is completed.

MALAYSIA INVESTMENT TAX ALLOWANCE INCENTIVE APPROVED

In December 2020, the Company announced that the application made by its wholly owned Malaysian subsidiary, Altech Chemicals Sdn Bhd for an Investment Tax Allowance (ITA) incentive was approved by the Ministry of Finance, Malaysia under the High Technology category. Malaysia has enacted several tax incentives to encourage particular forms of economic activity and investment. The current corporate profits tax rate in Malaysia is 24%, however with certain tax incentives like the Investment Tax Allowance (ITA) program, eligible companies might pay only minimal corporate tax. The ITA program is specifically suitable for companies with large capital investment and provides tax relief period, usually from 5 to 10 years based on the value of qualifying capital expenditure (e.g. factory and machinery). Altech has estimated that based on modelling and applying the approved ITA, it is expected that its high purity alumina (HPA) project will not be liable for Malaysian profits tax on its statutory business income until after year 10 of operations.





CAPITAL RAISING

The placement of shares to various existing shareholders, including significant holders Deutsche Balaton of Germany and MAA Group Berhad of Malaysia raised a total of \$4.6 million during November/December 2019. A share purchase plan was also offered by the Company to all existing shareholders in December 2019. The plan was very well supported, in excess of 300 shareholders participated and a total of \$2.8 million raised. Both the Placement and SPP shares were issued at a price of 9.75 cents per share, representing a 15% discount to the price of the Company's shares as traded on the ASX at the close of trade on Monday 2 December 2019

Since April 2020, ongoing funding for the Group has predominantly been via a share purchase subscription agreement with Specialty Materials Investments LLC (SMI), a U.S.-based institutional specialist investor. The Agreement provides for SMI to subscribe for up to \$2 million in Altech shares (Initial Investment), and subject to shareholder approval, up to an additional \$981,000. The subscription will be on a monthly basis and payments/subscriptions of \$200,000 each (for shares with a subscription value of \$218,000 each) are scheduled to be made by SMI, approximately monthly. Funds received under the Agreement have been primarily used for Altech's ongoing corporate activities, which are intended to position the Company's high purity alumina (HPA) project for more stable financial markets and anticipated economic stimulus measures post the current COVID-19 situation.

EUROPEAN LONG TERM STRATEGY

Whilst the Company remains focused on the close of project funding finance and the recommencement of construction of its Malaysian HPA plant site, it also recognises the forecast of a significant deficit of HPA supply commencing in 2020, and the opportunity that this may present in terms of a 2nd HPA plant. Specifically, London based CRU Consulting in its most recent HPA market outlook report, identified a HPA 4N+ supply shortfall of approximately 20,000tpa in 2021 (equivalent to ~4 of Altech's 4,500tpa plant), which it forecast would expand to a shortfall of ~50,000tpa by 2028.

In September 2019, Altech announced that it had received an invitation letter from the state government of Saxony, Germany, proposing that it consider the construction of a second high purity alumina (HPA) plant in the state. To this extent, the Company is of the view that there is merit in commencing early stage planning for additional future HPA plants, now. Altech recognises that Saxony would be well positioned to support Europe's stated aim to create a major electric vehicle (EV) battery industry and associated materials supply chain in support of the transition of its automobile industry from internal combustion engine powered vehicles to EV's. Stringent EU 2020 CO₂ emission standards (95g per kilometre) are paving the way for the rapid displacement of internal combustion engine vehicles with EVs. To meet the new standards, European automotive manufacturers have announced plans for new EV model releases – both fully electric and/or hybrids. Also, a range of companies have recently committed to constructing or expanding battery cell plants in the EU, consequently by 2023/2024 it is expected that EV battery manufacturing capacity will be 147GWh for the EU and global battery capacity is likely to be greater than 800GWh. Europe has correctly identified risks along the EV supply chain and has outlined the need for regional integration of the battery/EV production process. The current reliance on Asian suppliers has been identified as a concern. Importantly, the EU has a co-ordinated strategy – offering incentives to buyers, setting strict CO₂ emission standards, revealing new grants and subsidies for battery companies to secure production facilities and raw materials within Europe. Volkswagen has publicly stated that it would like to see all of its EV manufacturing supply chain steps established in Europe. On this basis, the Company is of the view that there is merit in commencing early stage planning for additional future HPA plants, now.

Also, in the middle of the year the European Commission released its coronavirus recovery plan, which is focussed on economic revival and support of the European Green Deal "Next Generation EU", which is to be endowed with 750 billion euros. The short-term priority of the plan is to repair the immediate economic and social damage caused by the COVID-19 pandemic, to kick-start economic recovery and prepare the next generation for a better future. The recovery plan and targeted reinforcements of the EU's long-term budget 2021-2027 will increase the financial clout of the EU budget to a total of EUR 1.85 trillion.

The funds allocated to the "Next Generation EU" economic recovery plan are earmarked in particular to accelerate Europe's green and digital transition, with the European Commission to focus on unlocking investment in clean technologies and value chains, such as renewables and energy storage technologies - including batteries. The plan includes support for the financing of one million new charging points for electric vehicles (EVs) across Europe and the implementation of a critical raw materials action plan covering e-mobility, batteries and renewable energy. Altech believes that HPA, as a critical input into lithium-ion battery manufacture, would fall within the scope of the EU action plan.



OPTION PURCHASE AGREEMENT – INDUSTRIAL SITE IN SAXONY, GERMANY

During July 2020, Altech announced that it had executed an option to purchase agreement for a ~10 hectare industrial site within the Schwarz Pumpe Industrial Park, municipality of Spreetal, Saxony. This follows the official invitation that Altech received from the State Government of Saxony, Germany in September 2019, for the Company to consider building its next high purity alumina (HPA) plant in Saxony.

The option agreement provides Altech with an initial 12-month term during which it can exercise a purchase option, with the ability to extend the option period by a further 12-months via mutual consent. The purchase price for the site is ~ €1.1 million, considerably less than comparable brown-fields industrial sites in Malaysia or Western Australia. During the option period Altech will have access to the site for planning and assessment purposes. Altech is investigating the site as a preferred location for a second HPA plant, specifically to service forecast demand for HPA from Europe's burgeoning electric vehicle and renewable energy battery sectors.

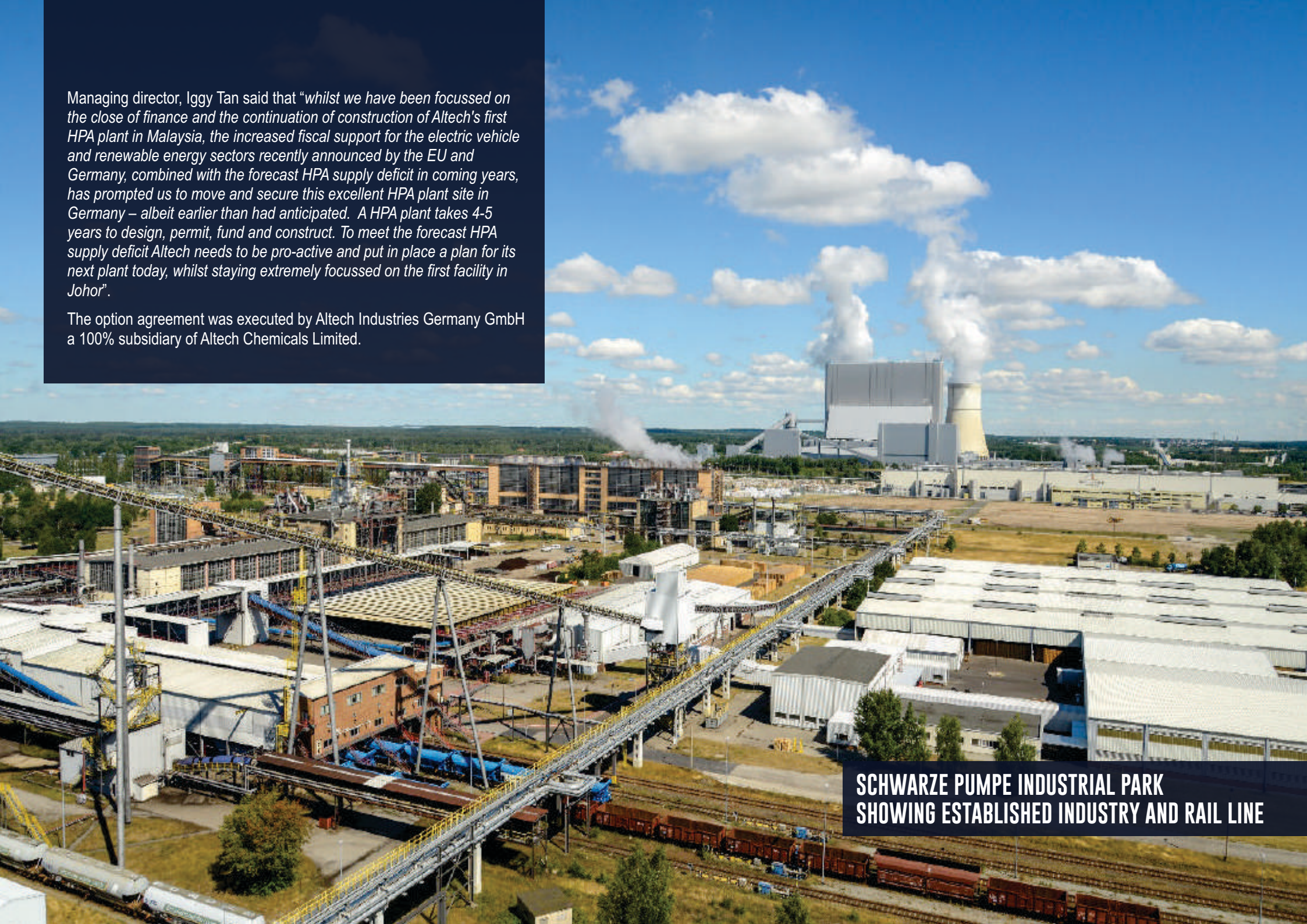
The Schwarze Pumpe Industrial Park is located in north-eastern Saxony and is well serviced by existing infrastructure including reticulated electricity and natural gas, rail and roads. The industrial park is 120 km from Berlin and only 78 km from Dresden. Saxony is a state which hosts production sites for Volkswagen, BMW, Porsche and Daimler. The region is a leading engineering training ground and has excellent research facilities like the Fraunhofer Institute for Electronic Nano-systems which are very focussed on ceramic (HPA) nano technology in energy storage.



SCHWARZE PUMPE INDUSTRIAL PARK AND THE ~10HA INDUSTRIAL SITE AVAILABLE TO ALTECH

Managing director, Iggy Tan said that “*whilst we have been focussed on the close of finance and the continuation of construction of Altech’s first HPA plant in Malaysia, the increased fiscal support for the electric vehicle and renewable energy sectors recently announced by the EU and Germany, combined with the forecast HPA supply deficit in coming years, has prompted us to move and secure this excellent HPA plant site in Germany – albeit earlier than had anticipated. A HPA plant takes 4-5 years to design, permit, fund and construct. To meet the forecast HPA supply deficit Altech needs to be pro-active and put in place a plan for its next plant today, whilst staying extremely focussed on the first facility in Johor*”.

The option agreement was executed by Altech Industries Germany GmbH a 100% subsidiary of Altech Chemicals Limited.



**SCHWARZE PUMPE INDUSTRIAL PARK
SHOWING ESTABLISHED INDUSTRY AND RAIL LINE**



INDEPENDENT CONFIRMATION OF HPA PROJECT'S GREEN CREDENTIALS

The Company's high purity alumina (HPA) project was formally assessed as "green" by the independent Centre of International Climate and Environmental Research (CICERO) based in Oslo, Norway during the year. This positive project assessment, formally termed a "second opinion", confirms that Altech's HPA project is of a type suitable for finance via green bonds. The project can now be considered by investors that participate in the green bond market, the size of which is approaching US\$250 billion annually and a large portion of which is present in Europe.

The CICERO evaluation was initiated in mid-March 2020, and involved an overall assessment and review of the project's framework and documentation, which included both governance and transparency considerations. In its Green Bond Second Opinion Report, a copy of which is available on Altech's web site, CICERO assessed the project's overall framework as a Light Green shading and assessed a governance score of Good. CICERO also noted that "a (higher) Medium Green (project) shading could be achieved if renewable energy solutions at some scale are implemented", which is something that the Company is currently investigating.

The project's green shading score does not affect bond pricing, rather it provides a transparent mechanism by which green bond investors are able to categorise their investment in terms of climate risks and impacts. In terms of the projects strengths, CICERO noted that "Altech's process includes recycling processes and does not create substantial amounts of solid or liquid waste that would go to landfill or tailing points. In addition, nearly 100% of the hydrochloric acid used in its chemical process is recycled and reused in the process plant."

LISTED GREEN BOND PROCESS

Following the CICERO evaluation, the Company initiated a listed green bond project funding option. The Company has mandated Bluemount Capital (WA) Pty Ltd (Bluemount), which will work in conjunction with its London based partner Bedford Row Capital (Bedford) as structuring agent, to prepare a Bond Structuring and Execution Plan for an offering of asset-backed (second lien) listed "green" bonds to the European bond market.

The Bond Structuring and Execution Plan will provide a definitive execution program for a green bond offering, and will present firm recommendations for the key terms that will have been derived from preliminary market soundings, these would include:

| | |
|-------------------|---|
| Offer Size: | minimum US\$100m |
| Term to Maturity: | at least 5 years |
| Security: | second lien, behind senior lender KfW IPEX-Bank |
| Secondary Market: | likely the Frankfurt Stock Exchange |

An advantage of bonds over bank finance is that only the interest (coupon) is paid to bond holders during the term, whereas mezzanine bank debt requires the payment both principal and interest over the loan term. Bonds are typically re-financed at the end of the term, and in the case of start-up projects such as Altech's HPA project, the coupon (interest rate) payable on re-finance would expect to be lower because project construction and commissioning risk is removed, and an operating track-record for the project would be in place.

PROJECT FINANCING STRATEGY AND OPTIONS

DEBT OPTIONS

Despite the negative impact that the COVID-19 pandemic has had on financial markets since March 2020, the Company has continued to focus on bringing about the close of project financing for its Malaysian high purity alumina (HPA) project, whilst ensuring that stage 2 early works construction activities were completed at the plant site. In addition to the US\$190 million senior project finance loan facility available from German government owned KfW IPEX-Bank, the Company continues to pursue multiple additional subordinated debt funding options, which are summarised in Table 1 (below).

TABLE 1 – ADDITIONAL PROJECT DEBT FUNDING OPTIONS

| Initiative | Option 1 | Option 2 | Option 3 |
|-------------|--|--|--|
| Party | Macquarie | Swiss Bank | Listed Bonds |
| Type | Mezzanine Debt | Mezz Debt/Bonds | Green Bonds |
| Debt Amount | US\$ 90 M | US\$ 100 M | ~US\$ 100 M |
| Status | Pending pre sale of some future HPA production | Due diligence and data room review by various groups | Structuring and Execution Plan being developed |

Option 1: A US\$90 million mezzanine loan facility with preferred mezzanine lender, Macquarie Bank. Technical and market due diligence is complete, however Macquarie has requested that Altech secure pre-sales for a proportion of its planned future HPA production to an end user at fixed product prices, to demonstrate some pricing transparency in an otherwise opaque market. The Company continues to engage with a number of European electric vehicle sector participants that are potential product end users interested in securing future HPA supply.

Option 2: The Company continues to work with the international Swiss bank that has also been appointed by Altech Advanced Materials AG (AAM), to identify debt alternatives. The Swiss bank was initially appointed as placement agent by AAM to secure the equity funds which would enable it to execute its option to acquire up to 49% of Altech's HPA project for US\$100m. The bank is also pursuing a combined debt/equity solution of around US\$200m for Altech as a funding solution, and is encouraged by initial interest shown from their existing client base. Internet hosted presentations have been made to various interested parties in recent months, with project data room access provided. Work with various groups is continuing.

Option 3: A Bond Structuring and Execution Plan is being prepared for the offering of asset-backed (second lien) listed “green” bonds to the European bond market. The use of bonds to secure a secondary level of debt could be an alternative to bank mezzanine finance. An advantage of bonds over bank finance is that only the interest (coupon) is paid to the bond holders during the term, whereas bank mezzanine debt requires the payment of both principal and interest over the loan term.

EQUITY OPTIONS

In addition to the senior and subordinated project debt, the HPA project requires approximately US\$100 million of further funding to position it for financial close, as on top of the total project capital cost estimate of US\$298m published in the project Financial Investment Decision Study (ASX announcement 23 October 2017), the senior lender requires pre-funding of a contingency reserve account of ~US\$28 million, a debt service reserve account of a similar amount, pre-funded working capital of US\$21m, plus various bank fees and lending charges need to be funded. The Company anticipates that the exercise by AAM of its US\$100m option to acquire a 49% project interest, plus the mezzanine debt (or an alternative) would be the catalyst for project financial close.

The Company is supporting AAM with its capital raising efforts via joint presentations to potential investors, providing data-room access and various due diligence reports, and arranged for the placement of alternate director Uwe Ahrens (a German national) in Germany from January 2020, to assist in raising project awareness and promoting connections with potential European end users of HPA. In addition to the US\$100 million AAM 49% project acquisition option, the Company has continued to pursue several other equity options. Each of the options is summarised in Table 2 (below).

TABLE 2 – EQUITY FUNDING OPTIONS

| Initiative | Option 1 | Option 2 | Option 3 |
|------------|--|---------------------------------------|--|
| Party | AAM AG | Strategic Investor | AAM / Altech |
| Type | Up to 49% direct HPA project interest | Up to 49% direct HPA project interest | Equity Issue |
| Amount | US\$100m for 49% | US\$100m for 49% | Up to US\$100m |
| Status | Capital Increase in progress to raise funds to exercise option | Various stages of due diligence | Depends on outcome of option 1, option 2 and the subordinated debt process |

Option 1: Altech Advanced Materials AG (AAM) continues to work with its appointed placement agent (Swiss International Bank) for its capital increase and the securing of funds for it to exercise its option to acquire up to a 49% direct project interest in Altech's HPA project for US\$100m.

Option 2: The Company continues to engage with a variety of strategic groups, including manufacturers associated with the European EV sector. Some of these groups are directly involved in the manufacture of lithium-ion batteries and/or the supply of materials to that sector. Discussions have centred around the acquisition of a direct interest (up to 49%) in Altech's HPA project and/or the provision of in-house finance for the project in conjunction with an equity investment. Project data room access has been provided and in person meetings are now being planned (where permitted), with the easing of COVID-19 restrictions in Europe.

Option 3: Depending on the final quantum of subordinated debt and the consideration received from AAM and/or a strategic investor for a direct project interest, a balance of equity may need to be secured by the Company and/or AAM.

The Company remains optimistic about the project financing process in spite of the negative impact of the COVID-19 pandemic on financial markets. The fundamentals and demand of high purity alumina has not changed and will be required in future electric vehicle batteries and LEDs lighting.

ALTECH ADVANCED MATERIALS AG (AAM)

AAM is aiming to raise approximately US\$100 million of new equity, which if successful would position it to exercise its option to acquire up to a 49% interest in Altech's high purity alumina (HPA) project. Altech Advanced Materials AG (AAM) was successful in its capital increase process during the year, with approval by its shareholders received, in Heidelberg, Germany on 12 March 2020 to increase the share capital from € 1.58 million by up to € 63.10 million to € 64.6 million through a rights issue to existing shareholders followed by private placement. The approval of the required securities prospectus by the German Federal Financial Supervisory Authority ("BaFin") was given on May 19, 2020. The subsequent rights issue to existing shareholders took place in June 2020 resulting in a raising of EUR 1.1 million through the issue of 1 million shares @ 1.10 EUR / share. The shares have now been registered by the commercial register. Considering there are less than 100 shareholders in AAM and the current COVID-19 impact on financial markets, AAM is satisfied with the amount raised from the rights issue. The most important milestone is that the capital structure of AAM has been successfully re-structured to allow subsequent capital raisings via share placement.

To finance the planned acquisition of up to 49% of the shares in the HPA project, AAM looks forward to commencing its roadshow (face to face and virtual) and marketing campaigns to raise the balance amount to finance the planned acquisition of up to 49% of the shares in Altech Chemicals Australia Pty Ltd. There are numerous capital groups that have been mandated, including an international Swiss bank to progress the capital raising process.

Several appointments to the AAM Supervisory Board which included Mr. Werner Klatten, who held a number of significant positions in the German media industry including chairman of the management board and CEO of Sat.1 GmbH and EMTV AG. Mr Wilko Stark, a highly experienced automotive executive and has held a number of significant roles in the German automotive industry member including the divisional board of Mercedes-Benz Cars. Finally, Mr. Graf Lambsdorff, a well experienced Ambassador for the Federal Republic of Germany and was previously Ambassador of the German Embassy in Malaysia.



MECKERING KAOLIN OPERATION

The Company's Meckering kaolin deposit is positioned within Altech's granted mining lease (M70/1334), which is approximately 86 hectares in size. The mining lease is situated approximately 140km east of Perth and 8km south east of the wheat-belt town of Meckering, Western Australia. The deposit consists of a maiden Ore Reserve (JORC 2012) of 1.2Mt @ 30% Al₂O₃ in the minus 300-micron fraction with a cut-off grade of 25% Al₂O₃ for the Meckering kaolin deposit, which is sufficient HPA plant feedstock supply for an estimated 30-year project-life. The Ore Reserve lies within the Mineral Resources estimation of 12.7Mt at 30% Al₂O₃ in the same minus 300 micron kaolin fraction with a cut-off grade of 25% alumina; the Mineral Resources estimation would support a HPA processing operation for >250 years.

At Meckering, mined kaolin ore will be screened to a size of <12mm via a trommel screening unit. The <12mm screened ore will proceed to a housed container loading facility, where it will be fed into standard 20-foot shipping containers via a telescopic container feed conveyor. Once loaded, the shipping containers will be transported by road to the port of Fremantle, for shipment to Johor, Malaysia, which is the location of Altech's proposed HPA processing plant.

The proposed Meckering kaolin mine is fully permitted and construction of the kaolin screening and loading facility and initial mining can proceed once the balance of project finance is secured.



KERRIGAN KAOLIN PROJECT WA

During the year, the Company completed a drilling program at its Kerrigan kaolin deposit in Western Australia. Altech owned 100% of this deposit (tenement E70/4718-1) since 2015. The deposit is located 20kms south of Hyden in the central wheat belt of Western Australia and covering approximately 480km². The drilling program consisted of 27 air core holes for a total metreage of 765m. All holes were drilled vertically with average hole length of 28 metres; with samples collected at one-metre intervals. Whilst the Company's flagship Meckering deposit has nearly 250 years of mine life material for it's Johor HPA project, Kerrigan is high quality kaolin deposit that is worthy of resource test work and upgrade.

The Kerrigan area was identified as containing high quality kaolin in 1992 by Graphite Holdings Pty Ltd and subsequently drilled by Graphite Holdings and later by CRA Exploration Pty Ltd (CRAE). Since 1995 the only significant exploration has been the excavation of 6t of kaolin from two test pits and the processing of samples from these pits. Geos Mining estimated a JORC inferred resource at Kerrigan, using historic data in 2011. This resource is based on historic data from exploration by Rio Tinto subsidiary, CRA Exploration Pty Ltd. The estimated inferred resource is 85Mt at an ISO brightness of 85.1%. The minus 45 fraction is estimated to average 52% of the in-situ material.



GERMAN RESEARCH CONFIRMS 4N CRITICAL FOR LITHIUM-ION BATTERY SAFETY & PERFORMANCE

In March 2020, the Company provided the results from high purity alumina (HPA) research activities completed by the internationally renowned Fraunhofer-Gesellschaft research organisation (refer ASX Announcement 25 March 2020).

The Fraunhofer Institute for Ceramic Technologies and Systems (IKTS) of Dresden, Germany specialises in lithium-ion battery research. The Altech commissioned test work focussed on assessing how readily impurities (predominantly sodium) leach from lower quality alumina (sub-4N) and boehmite into battery electrolyte solution, a cause of lithium-ion battery thermal runaway, inefficiency and life cycle reduction.

As the lithium-ion battery industry rapidly expands in response to increased demand for electric vehicle (EV) and portable electronic device batteries, some in the industry have turned to cheaper low-grade alumina and boehmite as a coating material for battery separators. This substitution is away from high quality 4N alumina (99.99%) as a standard separator sheet coating. Results from the Fraunhofer test work point to a previously unrecognised contamination risk and heightened safety hazard – sodium leaching – from lower grade alumina or boehmite.

A lithium-ion battery stores then releases power by lithium ions moving between the battery cathode and anode, representing the charge and visa-versa discharge cycles. Separating the cathode and anode within the battery is a thin polymer sheet through which lithium ions pass via a liquid electrolyte – a separator sheet (see Figure 1). The composition of these polymer separator sheets has evolved over time in parallel with increases in battery energy density and faster charging / discharging requirements. Now separator sheets are mostly coated with thin layers of alumina powder to maintain separator integrity under the ever-increasing operating temperatures of modern high-energy lithium-ion batteries.

The Fraunhofer test work exposed various commercial grade alumina / boehmite powders known to have been adopted for battery separator coatings, to lithium battery electrolyte solution under controlled battery type conditions. What was observed was severe sodium leaching and contamination of the organic electrolyte solution from the lower grade alumina and boehmite powders. The IKTS reported that the sodium content in the electrolyte rose from an initially acceptable 0.5 ppm, up to potentially catastrophic level of 40 ppm (an 80-fold increase) for the test using low quality 3N alumina (99.9%). Similar leaching and electrolyte contamination were observed for the boehmite test (99.7% purity), where the sodium level in the electrolyte jumped 20-fold. For the 4N alumina (99.99%), almost zero leaching of sodium was observed.

Figure 2 illustrates the discolouration of the organic electrolyte solution that resulted from the leaching of contaminants in the Fraunhofer test work.

FIGURE 1: CROSS SECTION OF LITHIUM-ION BATTERY

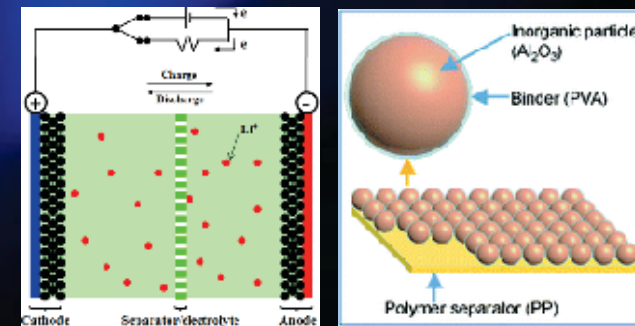


FIGURE 2: ELECTROLYTE SAMPLES SHOWING DISCOLOURATION – LEFT TO RIGHT, 4N ALUMINA (99.99%), 3N ALUMINA (99.9%), BOEHMITE (99.7%)



The presence of high levels of sodium in the extremely sensitive lithium-ion battery electrolyte solution presents potentially serious battery safety risks, adverse battery performance issues and battery durability problems. Sodium contamination is to be avoided at all costs anywhere within a lithium-ion battery. Sodium can dramatically reduce battery discharge capacity and adversely impede the movement of lithium ions within the battery. When there is too much sodium present in the battery's organic electrolyte solution, the movement of lithium ions is hindered and the battery discharge capacity is rapidly reduced. Overall, sodium has a negative impact on battery performance and safety. Sodium presence in battery electrolyte promotes dendrite growth and lithium plating on the anode, which are catalysts for battery failure.

Dendrite growth within the battery cell is a significant safety concern. Dendrites are microscopic metals that are as thin as hair and as sharp as needles. Dendrites grow from the anode during overcharging and fast charging ("supercharging") of a lithium-ion battery. If unchecked the dendrites will in all likelihood eventually pierce the separator and cause a thermal runaway leading to battery fire or even explosion.

It would appear that the lithium-ion battery industry currently incorrectly assumes that the sodium impurities contained within lower grade alumina and boehmite are "crystal bound", and simply do not leach out of the alumina – this new test work proves this assumption to be incorrect!

Altech managing director, Iggy Tan said that "the ramifications from these research findings for the portion of the lithium-ion battery industry that is transitioning – or is contemplating transitioning – to cheaper alumina substitutes for separator coatings, are set to be profound.

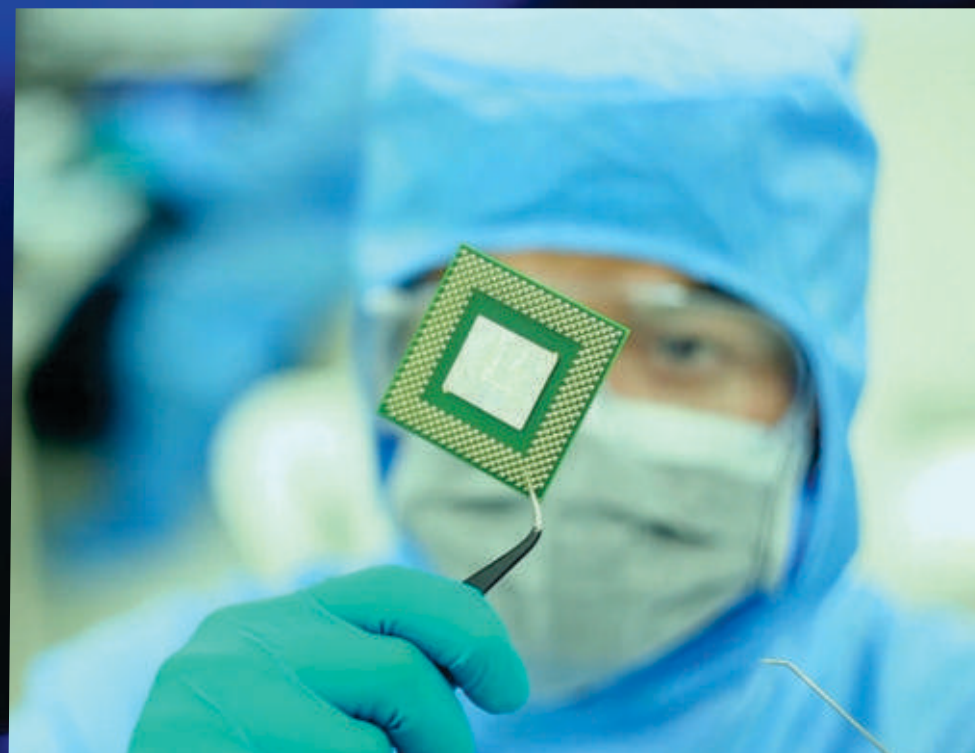
It is hard to comprehend why lithium-ion battery manufacturers would transition to a lower quality alumina – when this material is introducing sodium into the battery electrolyte and as a result jeopardising battery safety and performance. The extra cost of a high purity alumina coating versus the lower grade material is minimal, likely less than US\$ 1 per kWh battery capacity or US\$ 100 for a typical EV. A small cost impact on the end product to ensure the highest level of battery safety and quality.

It is potentially catastrophic that many in the industry appear to be attempting to move to lower quality material as a battery separator coating. A minimum quality standard for all alumina used as coating material on battery separator sheets should be adopted by industry" he concluded.

PROTECTING OUR IP

The Company is committed to placing itself in a strong position to protect its intellectual property rights. Accordingly, in October 2018 Altech was notified of the award of a Certificate of Grant for an Innovation Patent from the Australian Patent Office (IP Australia) for its process of producing high purity alumina from kaolin (aluminous clay).

The Company also lodged eleven (11) Patent Applications for the Altech HPA Process. Seven (7) Patent Applications were lodged in Australia, with one (1) patent granted – Innovation Patent 2018101228. Two (2) Patent Applications were lodged in Malaysia and two (2) Patent Applications were lodged in Europe. The Patent Applications were lodged in the name of Altech's wholly owned subsidiary, Altech Chemicals Australia Pty Ltd.



CORPORATE INFORMATION

Altech Chemicals Limited

ABN 45 125 301 206

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 |
| Hansjoerg Plaggemars | Non-executive Director |

COMPANY SECRETARY

Shane Volk

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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

Phone: +618 6168 1555

Email: info@altechchemicals.com

Website: www.altechchemicals.com

AUDITORS

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

SHARE REGISTRY

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Telephone: 1300 288 664
(Int): +61 2 9698 5414
Facsimile: +61 2 8583 3040

STOCK EXCHANGE LISTING

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

Home Exchange: Perth

ASX Code: ATC

Frankfurt Stock Exchange:

FWB Code: A3Y

COMPETENT PERSONS STATEMENT

The information in this announcement that relates to Mineral Resources and Ore Reserves is extracted from the report entitled "Maiden Ore Reserve at Altech's Meckering Kaolin Deposit" released on 11 October 2016; the report is available to view of the Company's website www.altechchemicals.com. The Company confirms that the new information or data used in its Financial Investment Decision Study (FIDS) does not materially affect the information included in the original market announcement and, in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and that any changes do not impact the estimates. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements which are identified by words such as 'anticipates', 'forecasts', 'may', 'will', 'could', 'believes', 'estimates', 'targets', 'expects', 'plan' or 'intends' and other similar words that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.

The mezzanine debt and stream finance term sheets referred to this report are indicative in nature; are non-binding; and contain the general terms of a proposed transaction. Any future commitments will be subject to and is contingent upon all internal approvals of the financial institution as well as the completion of detailed due diligence (including but not limited to legal and technical due diligence) and legally binding documentation and senior lender agreement. There is no certainty that the mezzanine project debt or stream finance will be approved or a transaction concluded based on what is contemplated in the term sheet. The Company makes no representations or warranties whatsoever as to the outcome of the mezzanine debt or stream finance process.





Altech Chemicals
Limited

www.altechchemicals.com



Altech Chemicals
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ABN 45 125 301 206

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 June 2020

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Shane Volk

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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

Phone: +618 6168 1555
Facsimile: +618 6168 1551
Email: info@altechchemicals.com
Website: www.altechchemicals.com

AUDITORS

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

SHARE REGISTRY

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

STOCK EXCHANGE LISTING

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

Home Exchange: Perth
ASX Code: ATC

Frankfurt Stock Exchange
FWB Code: A3Y

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2020

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 2020.

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

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

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

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

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

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2020

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

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

Mr Tenardi was the founding Managing Director of Bauxite Resources Limited (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 Resource 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.

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

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

Tunku Yaacob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants. He started his career as an Auditor with Price Waterhouse, London from 1982 to 1985 and subsequently joined Price Waterhouse Kuala Lumpur from 1986 to 1987. He joined Malaysian Assurance Alliance Berhad in 1987 and retired as its Chief Executive Officer in 1999. Tunku Yaacob has not held any other Australian listed company directorships in the last 3 years.

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

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

COMPANY SECRETARY

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

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

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2020

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were, the continuation of early works construction activities (stage 1 and stage 2) at its high purity alumina (HPA) plant site in Malaysia, and the continuation of efforts to finalise total project financing for the balance of construction of the HPA plant and the kaolin (aluminous clay) mine at Meckering, Western Australia, which will provide feedstock for the plant.

During the year the Group acquired a 29% equity interest in Frankfurt Stock Exchange listed Youbisheng Green Paper AG, which was subsequently re-named Altech Advanced Materials AG (AAM AG). The Group also incorporated a wholly owned Germany subsidiary (Altech Industries Germany GmbH) for the purpose of securing an option to purchase an industrial site in Germany, which could be a location for a second HPA plant. An exploration drilling program was also completed during the year at the Group's Kerrigan kaolin exploration project in Western Australia. There have been no other significant changes in the Group's activities during the financial year.

FINANCIAL POSITION & RESULTS OF OPERATIONS

The financial results of the Group for the financial year ended 30 June 2020 are:

| | 2020 \$ | 2019 \$ |
|---------------------------|-------------|-------------|
| Cash and cash equivalents | 833,053 | 8,267,032 |
| Net Assets | 68,555,438 | 63,405,629 |
| Revenue | 933,131 | 103,558 |
| Net loss after tax | (3,519,384) | (6,185,610) |
| Loss per share | (0.004) | (0.011) |
| Dividend | - | - |

DIVIDENDS

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

REVIEW OF OPERATIONS AND ACTIVITIES

The strategy of the Group during the year has been to continue with construction activities at the site of its proposed high purity alumina (HPA) plant in Johor, Malaysia in parallel with attempting to close overall project financing for the project so as to enable construction of the HPA plant proper to commence. Support from the Group's existing and new shareholders enabled it to successfully complete a share purchase plan and a share placement during the year, which provided the necessary funds for the Group to pursue its strategy.

The Group was both directly and indirectly impacted by the COVID-19 pandemic during the year. In Malaysia, the imposition of a Movement Restriction Order by the Malaysian federal government in March 2020 resulted in construction activities at its HPA plant site being suspended until early June 2020, when the order was lifted and the construction contractor could remobilise back to the site and complete stage 2 early works. Indirectly, negative debt and equity market sentiment combined with the inability of Group executives to travel internationally and interstate to promote the Company and its HPA project, and to personally meet with potential equity and debt providers – and/or to arrange for potential investors to travel to Malaysia to inspect the project site, have all contributed to a delay in securing the balance of funds required for HPA plant site construction to progress beyond what was completed to 30 June 2020.

Construction Activities

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

Stage 1 early works comprised the levelling of the ~4 hectare HPA plant site, the construction of site retaining walls, initial piling, the construction of a maintenance workshop and the construction of on-site water detention (OSD) tanks. The stage 1 early works were completed in October 2019 and formally handed over to the Group. Stage 2 early works comprised engineering works and the construction of an on-site electrical substation, a critical path item. Stage 2 construction activities were suspended from early March 2020 until the end of May 2020 due to a Movement Control Order being invoked by the Malaysian government in response to the COVID-19 pandemic. Activities re-commenced in early June 2020, with the electrical substation construction and fit-out fully completed and handed over to the Group by 30 June 2020.

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Project Financing

During the year the Group continued with its efforts to finalise overall project financing for its HPA project, albeit against a backdrop of depressed debt and equity markets from late February 2020, due to the COVID-19 pandemic. On 18 July 2019, the Company announced that it had launched a German project equity strategy whereby it would acquire a 29% shareholding in a Frankfurt Stock Exchange listed company Youbisheng Green Paper AG (since renamed to Altech Advanced Materials AG)(AAM AG) and that the Company would sell an option to AAM AG for €500,000, providing AAM AG the opportunity to acquire up to a 49% direct interest in the Company's HPA project for US\$100 million (via subscribing to shares of Altech Chemicals Australia Pty Ltd, the wholly owned subsidiary of the Company which currently holds 100% of the HPA project).

Completion of the Group's acquisition of 29% of AAM was announced on 16 August 2019, and the Company issued 19,513,204 fully paid ordinary shares and made a cash payment of €500,000 as part consideration. A balance of €1,229,000 (the deferred consideration) was due on 1 March 2020, payment was initially deferred to 1 September 2020 by agreement with the vendor, Deutsch Balaton AG and as at the date of this report discussions are ongoing for a further deferral.

Following completion of the acquisition, the Company's managing director Iggy Tan and alternate director Uwe Ahrens were appointed to AAM AG's 3-person management board, and the Company also finalised the sale of the option to AAM AG with the €500,000 of sale funds received. The option is exercisable by AAM AG in whole (a 49% project interest) or in part (a minimum 20% interest) up until 1 January 2021. AAM AG has advised the Company that it had commenced the process of raising funds to position it to exercise its option. AAM is aiming to initially raise up to € 69.4 million (~A\$113.7m) of new equity via a 40:1 rights offer to existing shareholders followed by a placement of shares to external investors. The AAM AG rights offer was completed in June 2020 with €1.1 million raised. AAM AG has appointed a Swiss international investment bank as placement agent to assist it with securing the equity required to exercise its option to acquire up to 49% of the Group's HPA project. At the date of this report, AAM AG's equity raising initiative is ongoing and has been negatively impacted by equity market sentiment because of the COVID-19 pandemic.

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

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

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

Capital Raisings

The placement of shares to various existing shareholders, including significant holders Deutsche Balaton of Germany and MAA Group Berhad of Malaysia (\$2.0 million) raised a total of \$4.6 million during November/December 2019. A share purchase plan was also offered by the Company to all existing shareholders in December 2019. The plan was very well supported, in excess of 300 shareholders participated and a total of \$2.8 million raised.

Since April 2020, ongoing funding for the Group has predominantly been via by a share purchase subscription agreement (SPSA) executed with Specialty Materials Investments LLC (SMI), a U.S. based institutional specialist investor. The SPSA provides for SMI to subscribe for up to \$2 million in Altech shares, and subject to shareholder approval, up to an additional \$981,000. A \$200,000 initial payment and subscription was made by SMI in April 2020, which represented a prepayment for Altech shares (for shares with a subscription value of \$218,000) that will be issued to SMI, at SMI's request. Up to eight additional payments/subscriptions of \$200,000 each (for shares with a subscription value of \$218,000 each) are scheduled to be made by SMI, approximately monthly. Any of these subsequent tranches may be increased to up to \$300,000 (for shares with a subscription value of \$327,000), but only with the consent of the Company. The aggregate amount of the Initial Investment will not exceed \$2,000,000, and as per the first \$200,000, each subsequent payment by SMI will represent a prepayment for Altech shares. As at 30 June 2020, SMI had made 3 payments totalling \$750,000, \$200,000 of which had been converted to fully paid Altech shares resulting in an outstanding share issue obligation of \$615,000.

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In February 2020, the Group entered into a Controlled Placement Agreement, as a standby equity facility with Acuity Capital. As at 30 June 2020, \$300,000 had been provided to the Company under this facility.

Other

Other significant activities or developments during the year ended 30 June 2020 were:

- A drilling campaign was completed at the Kerrigan kaolin project in January 2020. Whilst the Meckering kaolin deposit will provide feedstock for the Group's Malaysian HPA plant, Kerrigan potentially hosts a high quality kaolin deposit. The completed drilling program is expected to enable an update of the mineral resource estimate and assist in determining the next steps for this project.
- In January 2020, the Group commenced various European based initiatives to support the objective of closing the balance of project finance for its HPA project. The initiatives are headed by the Company's Alternate Director – Mr Uwe Ahrens, who commenced a posting to Germany in mid-January 2020. Uwe has made considerable progress in raising the profile of the Group and its HPA project in Germany and Europe under quite challenging conditions because of the COVID-19 pandemic.
- During the period covered by this report, the Company's HPA project was formally assessed as "green" by the independent Centre of International Climate and Environmental Research (CICERO) based in Oslo, Norway. The CICERO evaluation was initiated in mid-March 2020, and involved an overall assessment and review of the project's framework and documentation, which included both governance and transparency considerations. This positive project assessment, formally termed a "second opinion", confirmed that Altech's HPA project is of a type suitable for finance via green bonds. The project can now be considered by investors that participate in the green bond market, the size of which is approaching US\$250 billion annually and a large portion of which is present in Europe.
- In May 2020, the Company provided the results from high purity alumina (HPA) research activities completed by the internationally renowned Fraunhofer Institute for Ceramic Technologies and Systems (IKTS) of Dresden, Germany. The commissioned test work focussed on assessing how readily impurities (predominantly sodium) leach from lower quality alumina (sub-4N) and boehmite into battery electrolyte. What was observed was severe sodium leaching and contamination of the organic electrolyte solution from the lower grade alumina and boehmite powders. The IKTS reported that the sodium content in the electrolyte rose from an initially acceptable 0.5 ppm, up to potentially catastrophic level of 40 ppm (an 80-fold increase) for the test using low quality 3N alumina (99.9%). Similar leaching and electrolyte contamination were observed for the boehmite test (99.7% purity), where the sodium level in the electrolyte jumped 20-fold. For the 4N alumina (99.99%), almost zero leaching of sodium was observed.

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.

EMPLOYEES

The Company had 9 permanent employees and no casual employees as at 30 June 2020 (2019: 10 permanent employees).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group is currently primarily focussed on securing the balance of project finance (mezzanine debt and equity) that will enable it to draw-down on the project finance senior debt that has been committed by KfW IPEX-Bank, thereby enabling it to ramp-up to full-scale construction at its Malaysian HPA plant site.

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.

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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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years apart from:

- On 14 July 2020, the Company announced that it had executed an option to purchase agreement for a ~10 hectare industrial site within the Schwarze Pumpe Industrial Park, municipality of Spreetal, Saxony, Germany. The option provides Altech with an initial 12-month term during which it can exercise the option, with the ability to extend the option period by a further 12-months via mutual consent. The purchase price for the site, should the option be exercised is ~Euro 1.1 million.
- On 31 July 2020, the Company issued 4,285,714 fully paid ordinary shares to Specialty Materials Investments LLC pursuant to share purchase subscription agreement exercised on 22 April 2020.
- On 14 August 2020, the Company issued 8,571,429 fully paid ordinary shares to Specialty Materials Investments LLC pursuant to share purchase subscription agreement exercised on 22 April 2020.
- On 20 August 2020, the Company announced that it had initiated a Listed Green Bond Project Funding Option for the development of a Bond Structuring and Execution Plan to provide a definitive execution program for a green bond offering to the European Bond Market. The use of bonds to secure a secondary level of project finance debt could be an alternative to bank mezzanine debt.
- Mr Hansjoerg Plaggemars was appointed as a non-executive director of the Company, which was announced on 25 August 2020. Mr Plaggemars is based in Heidelberg, Germany.

OPTIONS OVER UNISSUED CAPITAL

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

Since 30 June 2020 and up until the date of this report there have been no options issued by the Company and at the date of this report there are no unissued ordinary shares of the Company under option.

PERFORMANCE RIGHTS OVER UNISSUED CAPITAL

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

| Performance Right Series | Rights outstanding | Exercise Price | Rights Vested | Rights not Vested | Expiry Date |
|--------------------------|--------------------|----------------|---------------|-------------------|-------------|
| Managing Director | 10,000,000 | Nil | Nil | 10,000,000 | 19/11/22 |
| Managing Director | 5,000,000 | Nil | Nil | 5,000,000 | 11/6/25 |
| Non-executive Directors | 2,000,000 | Nil | Nil | 2,000,000 | 29/7/21 |
| Employees | 3,400,000 | Nil | Nil | 3,400,000 | 1/1/22 |
| Employees | 200,000 | Nil | Nil | 200,000 | 1/2/23 |
| Employees & consultants | 1,400,000 | Nil | Nil | 1,400,000 | 4/8/23 |
| Employees | 1,000,000 | Nil | Nil | 1,000,000 | 27/9/25 |
| Employees | 700,000 | Nil | Nil | 700,000 | 27/9/25 |
| Total | 23,700,000 | | Nil | 23,700,000 | |

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.

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FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The near term focus for the Group is to secure the necessary debt and equity funding that will enable it to bring about project financial close and continue with the construction of its proposed Malaysian HPA plant 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. As at the date of this report, the Group continues to work on satisfying a requirement of Macquarie Bank, the preferred mezzanine debt provider of a facility of up to US\$90 million, being the sale of a portion of its planned HPA production to an end user at fixed product pricing to demonstrate pricing transparency in an otherwise opaque market. Also, the Group continues to support the capital raising endeavors of Altech Advanced Materials AG (AAM AG) of Germany, which purchased an option to acquire up to a 49% equity interest in the Company's HPA project for an amount of US\$100 million. AAM AG has until 1 January 2021 to exercise its right and the Group currently expects that AAM AG will exercise the right to the extent available to it.

Business Strategy and Reasoning

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

With global HPA demand approximately 19,000t (2018), it is estimated that this demand will grow at a compound annual growth rate (CAGR) of 30% (2018-2028); by 2028 HPA market demand is forecast to be approximately 272,000t, driven by the increasing adoption of LEDs worldwide as well as the demand for HPA by lithium-ion battery manufacturers to serve the surging electric vehicle market

The successful construction and operation of its proposed HPA plant will see the Company positioned as the world's largest single producer of HPA (based on 2014 annual HPA production data), and with annual HPA demand expected to increase to approximately 272,000 tonnes by 2024, the HPA market is expected to more than fully absorb the planned additional HPA supply from the Company's plant. Current HPA producers predominantly use an expensive and highly processed feedstock material such as aluminium metal to produce HPA. The Company's proposed plant will produce HPA directly from kaolin clay via hydrogen chloride (HCl) leaching, using a production process that will employ conventional "off-the-shelf" plant and equipment. HPA production costs from the Company's plant are anticipated to be considerably lower than established HPA producers.

Development Risk

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

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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 2020 has not identified any material issues.

The table below sets out the Mineral Resources and Ore Reserves comparatives as at 30 June 2020 and 30 June 2019.

Meckering kaolin (aluminous clay) deposit

| Classification | Mineral Resource estimate (JORC 2012) as at 30 June 2020 | | | | | Mineral Resource estimate (JORC 2012) as at 30 June 2019 | | | | |
|---------------------------------|---|-------------------------------------|-------------------------------------|-----------------------|------------|---|-------------------------------------|-------------------------------------|-----------------------|------------|
| | 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 2020 | | | | | | Mineral Reserve estimate (JORC 2012) as at 30 June 2019 | | | | | |
|-------------------------------------|--|-------------------------------------|-------------------------------------|-----------------------|-----------------------|------------|--|-------------------------------------|-------------------------------------|-----------------------|-----------------------|------------|
| | 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 |
| 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 |

* 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 2020 is extracted from the ASX announcement entitled "Altech updates kaolin resource for its Meckering Mining Lease" dated 8 July 2016, and for the Mineral Resource estimate as at 30 June 2019 is extracted from the ASX announcement entitled "Maiden Ore Reserve at Altech's Meckering Kaolin Deposit" dated 11 October 2016. Both announcements are available to view on the Company web site www.altechchemicals.com. 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 Moormann has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Code. The information contained in this report pertaining to the Mineral Reserve estimate as at 30 June 2020 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.

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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 | 10,357,438 | - | - | - |
| Daniel Tenardi | 7,794,915 | - | - | - |
| Peter Bailey | 3,774,710 | - | - | - |
| Tunku Yaacob Khyra | 69,438,811 | - | - | 1,000,000 |
| Uwe Ahrens | 1,000,000 | - | - | 1,000,000 |

DIRECTORS' MEETINGS

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

| Director | Board of Director Meetings | |
|---------------------------------|----------------------------|---------------------------------|
| | Meetings Attended | Meetings held whilst a director |
| Luke Atkins | 7 | 7 |
| Ignatius Tan | 7 | 7 |
| Daniel Tenardi | 7 | 7 |
| Peter Bailey | 7 | 7 |
| Tunku Yaacob Khyra | - | 7 |
| Uwe Ahrens (alternate director) | 6 | 7 |

REMUNERATION REPORT

Remuneration Committee

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

Use of Remuneration Consultants

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

Voting and comments made at the Company's 2019 Annual General Meeting

The Company received 2,415,143 proxy votes (1.1%) against its 2019 remuneration report (from the 220,732,504 proxy votes received and eligible to vote on the resolution) tabled at the 2019 Annual General Meeting. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

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

Overview of Remuneration Policy

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

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REMUNERATION REPORT *(continued)*

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)

| | 2020 | 2019 |
|--|-------------|-------------|
| 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.

Executive management

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

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

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

Structure

Remuneration consists of the following key elements:

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

Fixed remuneration

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

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

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2020

REMUNERATION REPORT (continued)

Short term incentive scheme

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

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

During the period covered by this report there were no short-term incentives awarded by the board to executives for the attainment of pre-determined milestones. (2019: \$158,000 plus superannuation of 9.5% to Mr Tan and \$82,620, plus superannuation of 9.5% to Mr Volk). 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, no performance rights were awarded to the directors.

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

No performance rights held by directors or key management personnel that were outstanding as at 30 June 2020 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.

| 2019/20 | Primary Compensation | | Post-Employment | Equity Compensation | Total |
|---|----------------------|----------------------|------------------------------|---------------------|------------------|
| | Base Salary/Fees | Short Term Incentive | Superannuation Contributions | Performance Rights | |
| | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | |
| I Tan – managing director | 411,667 | - | 39,108 | 198,589 | 649,364 |
| L Atkins – non-executive chairman | 95,000 | - | 9,025 | (54,193) | 49,832 |
| D Tenardi – non-executive | 70,000 | - | 6,650 | (54,193) | 22,457 |
| P Bailey – non-executive ⁽ⁱ⁾ | 70,000 | - | - | (81,289) | (11,289) |
| Tunku Yaacob Khyra - non-executive | 70,000 | - | - | 15,335 | 85,335 |
| U Ahrens - alternate director ⁽ⁱⁱ⁾ | 60,000 | - | - | 15,335 | 75,335 |
| Executives | | | | | |
| S Volk – CFO & company secretary | 277,695 | - | 26,381 | 6,565 | 310,641 |
| TOTAL | 1,054,362 | - | 81,164 | 46,150 | 1,181,676 |

(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 2020, 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 2020

REMUNERATION REPORT (continued)

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

(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 2020, 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.

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

| Name | Fixed remuneration | | At risk remuneration | |
|------------------------------------|--------------------|------|----------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Directors | | | | |
| I Tan – managing director | 69% | 26% | 31% | 74% |
| L Atkins – non-executive Chairman | 209% | 48% | -109% | 52% |
| D Tenardi – non-executive | 341% | 40% | -241% | 60% |
| P Bailey – non-executive | -620% | 38% | 720% | 62% |
| Tunku Yaacob Khyra - non-executive | 82% | 36% | 18% | 64% |
| U Ahrens - alternate director | 80% | 20% | 20% | 80% |
| Executives | | | | |
| S Volk – CFO & company secretary | 98% | 49% | 2% | 51% |

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 | \$476,325 p.a. | 6 months, plus 3 months if terminated because of a change in control of the Company |
| Shane Volk <i>Chief Financial Officer & Company Secretary</i> | No fixed term 1 month notice | \$304,763 p.a. | 1 month, plus 3 months if terminated because of a change in control of the Company |

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

* The notice period applies equally to either party

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

ALTECH CHEMICALS LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2020

REMUNERATION REPORT *(continued)*

Details of share based compensation

There was no share-based compensation issued to directors and other key management personnel as part of remuneration during the year ended 30 June 2020 (2019: nil performance rights were issued to directors and other key management personnel).

Details of performance rights (subject to vesting conditions), awarded to directors and other key management personnel as part of remuneration in prior periods and held as at 30 June 2020, are set out below:

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

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

Equity instruments held by key management personnel (KMP)

The tables below show the number of:

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

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

KMP Holdings of Ordinary Shares

| 30 June 2020 | 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 | 10,049,746 | - | 307,692 | - | 10,357,438 |
| D Tenardi | 7,794,915 | - | - | - | 7,794,915 |
| P Bailey | 3,774,710 | - | - | - | 3,774,710 |
| Tunku Yaacob Khyra | 51,005,631 | - | 18,433,180 | - | 69,438,811 |
| U Ahrens | 1,000,000 | - | - | - | 1,000,000 |
| Executives | | | | | |
| S Volk | 1,997,727 | - | (690,000) | - | 1,307,727 |

| 30 June 2019 | 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 | 2,817,000 | 5,000,000 | - | - | 7,817,000 |
| L Atkins | 8,958,837 | 1,000,000 | 90,909 | - | 10,049,746 |
| D Tenardi | 6,794,915 | 1,000,000 | - | - | 7,794,915 |
| P Bailey | 2,683,801 | 1,000,000 | 90,909 | - | 3,774,710 |
| Tunku Yaacob Khyra | 50,005,631 | 1,000,000 | - | - | 51,005,631 |
| U Ahrens | - | 1,000,000 | - | - | 1,000,000 |
| Executives | | | | | |
| S Volk | 435,994 | 2,000,000 | (438,267) | - | 1,997,727 |

ALTECH CHEMICALS LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2020

KMP Holdings of Performance Rights

| 30 June 2019 | 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) | - | - | - | - |
| D Tenardi | 1,000,000 | - | (1,000,000) | - | - | - | - |
| P Bailey | 1,500,000 | - | (1,500,000) | - | - | - | - |
| Tunku Yaacob Khyra | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| U Ahrens | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| Executives | | | | | | | |
| S Volk | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |

| 30 June 2019 | 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 | 20,000,000 | - | - | (5,000,000) | 15,000,000 | - | 15,000,000 |
| L Atkins | 2,000,000 | - | - | (1,000,000) | 1,000,000 | - | 1,000,000 |
| D Tenardi | 2,000,000 | - | - | (1,000,000) | 1,000,000 | - | 1,000,000 |
| P Bailey | 2,500,000 | - | - | (1,000,000) | 1,500,000 | - | 1,500,000 |
| Tunku Yaacob Khyra | 2,000,000 | - | - | (1,000,000) | 1,000,000 | - | 1,000,000 |
| U Ahrens | 2,000,000 | - | - | (1,000,000) | 1,000,000 | - | 1,000,000 |
| Executives | | | | | | | |
| S Volk | 3,000,000 | - | - | (2,000,000) | 1,000,000 | - | 1,000,000 |

This concludes the remuneration report, which has been audited

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2020

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, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

NON-AUDIT SERVICES

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE GOVERNANCE

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

Signed in accordance with a resolution of the directors.



Iggy Tan
Managing Director

DATED at Perth this 17th day of September 2020

ALTECH CHEMICALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2020



Moore Australia Audit (WA)

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

T +61 8 9225 5355
F +61 8 9225 6181

www.moore-australia.com.au

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, 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.

A handwritten signature in black ink that reads 'Neil Pace'.

NEIL PACE
PARTNER

A handwritten signature in black ink that reads 'Moore Stephens'.

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 17th day of September 2020.

ALTECH CHEMICALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2020

| | Notes | 30-Jun-20 \$ | 30-Jun-19 \$ |
|--|-------|--------------------|--------------------|
| Revenue from ordinary activities | | | |
| Interest Income | 2(a) | 18,046 | 103,558 |
| Other income | 2(a) | 915,085 | - |
| Total Income | | 933,131 | 103,558 |
| Expenses | | | |
| Employee benefit expense (incorporating director fees) | | (1,282,556) | (1,753,444) |
| Depreciation | | (21,584) | (31,006) |
| Other expenses | 2(b) | (1,480,735) | (1,748,286) |
| Share-based payments | 12(e) | (129,238) | (2,756,432) |
| Share in profit/(loss) of associate - Altech Advanced Materials AG | | (202,328) | - |
| Impairment - investment in associate (AAM AG) | | (1,336,074) | - |
| Profit/(loss) before income tax expense | | (3,519,384) | (6,185,610) |
| Income tax expense | | - | - |
| Net profit/(loss) from continuing operations | | (3,519,384) | (6,185,610) |
| 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 | | (3,519,384) | (6,185,610) |
| Basic profit (loss) per share (\$'s per share) | 4 | (0.004) | (0.011) |
| Diluted profit (loss) loss per share (\$'s per share) | 4 | (0.004) | (0.011) |

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

ALTECH CHEMICALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

| | Notes | 30-Jun-20 \$ | 30-Jun-19 \$ |
|--|-------|-------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | 5(a) | 833,053 | 8,267,032 |
| Trade and other receivables | 6 | 368,556 | 47,645 |
| Total Current Assets | | 1,201,609 | 8,314,677 |
| Non-Current Assets | | | |
| Property, plant and equipment | 7 | 36,126,435 | 26,655,224 |
| Exploration and evaluation expenditure | 8 | 566,692 | 401,964 |
| Development expenditure | 9 | 36,628,368 | 33,204,388 |
| Investments in Associates | 15 | 2,891,364 | - |
| Total Non-Current Assets | | 76,212,859 | 60,261,576 |
| TOTAL ASSETS | | 77,414,468 | 68,576,253 |
| Current Liabilities | | | |
| Trade and other payables | 10 | 8,567,021 | 4,898,849 |
| Provisions | 11 | 228,085 | 200,864 |
| Total current liabilities | | 8,795,106 | 5,099,713 |
| Non-Current Liabilities | | | |
| Provisions | 11 | 63,924 | 70,911 |
| Total Non-Current Liabilities | | 63,924 | 70,911 |
| TOTAL LIABILITIES | | 8,859,030 | 5,170,624 |
| NET ASSETS | | 68,555,438 | 63,405,629 |
| Equity | | | |
| Contributed Equity | 12 | 89,707,030 | 81,167,075 |
| Reserves | 13 | 7,104,340 | 6,975,102 |
| Accumulated losses | 16 | (28,255,932) | (24,736,548) |
| TOTAL EQUITY | | 68,555,438 | 63,405,629 |

*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 2020

| | Contributed Equity \$ | Accumulated losses \$ | Reserves \$ | Total \$ |
|--|-----------------------------|-----------------------------|------------------|--------------------|
| At 1 July 2019 | 81,167,075 | (24,736,548) | 6,975,102 | 63,405,628 |
| Profit (Loss) after income tax for the half year | - | (3,519,384) | - | (3,519,384) |
| Total comprehensive profit (loss) for the year | - | (3,519,384) | - | (3,519,384) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of share capital (net of issue costs) | 8,539,955 | - | - | 8,539,955 |
| Share based payments (net movement) | - | - | 129,238 | 129,238 |
| At 30 June 2020 | 89,707,030 | (28,255,932) | 7,104,340 | 68,555,437 |

| | Contributed Equity \$ | Accumulated losses \$ | Reserves \$ | Total \$ |
|--|-----------------------------|-----------------------------|------------------|--------------------|
| At 1 July 2018 | 45,721,596 | (18,550,938) | 4,218,670 | 31,389,327 |
| Profit (Loss) after income tax for the half year | - | (6,185,610) | - | (6,185,610) |
| Total comprehensive profit (loss) for the year | - | (6,185,610) | - | (6,185,610) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of share capital (net of issue costs) | 35,445,479 | - | - | 35,445,479 |
| Share based payments (net movement) | - | - | 2,756,432 | 2,756,432 |
| At 30 June 2019 | 81,167,075 | (24,736,548) | 6,975,102 | 63,405,628 |

*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 2020

| | Notes | 30-Jun-20 \$ | 30-Jun-19 \$ |
|---|-------|---------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Payments to suppliers, contractors and employees | | (2,559,581) | (3,255,978) |
| Interest received | | 18,046 | 103,558 |
| Deposits Refunded | | 471 | - |
| Deposits Paid | | - | (4,057) |
| Net cash flows used in operating activities | 5(b) | (2,541,064) | (3,156,476) |
| Cash Flows from Investing Activities | | | |
| Purchase of land, property, plant and equipment | | (3,729) | (573,564) |
| Payments for development expenditure | | (9,892,451) | (20,547,825) |
| Payments for exploration expenditure | | (164,728) | - |
| Sale of Right to acquire 49% of HPA Project | | 815,085 | - |
| Investment in Associate (Altech Advanced Materials AG) | | (821,018) | - |
| Research and development tax refund | | - | 73,799 |
| Net cash used in investing activities | | (10,066,841) | (24,208,289) |
| Cash Flows from Financing Activities | | | |
| Payments for KfW IPEX-Bank loan facility | | (2,331,492) | (3,160,699) |
| Net proceeds from issue of shares | | 6,955,418 | 35,370,479 |
| Proceeds from Share Placement Agreement not yet converted to equity | | 550,000 | - |
| Net cash flows from financing activities | | 5,173,926 | 35,370,479 |
| Net decrease in cash and cash equivalents | | (7,433,979) | 8,005,713 |
| Cash and cash equivalents at the beginning of the financial period | | 8,267,032 | 261,319 |
| Cash and cash equivalents at the end of the financial period | 5(a) | 833,053 | 8,267,032 |

*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 2020

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 2020

(e) **Cash and Cash Equivalents**

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

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

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

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

Property

Freehold land and buildings are 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 recoverable amount is made when impairment indicators are present (refer to Note 1(q) for details of impairment).

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

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

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

Land

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

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

Depreciation

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

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

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

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

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

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

ALTECH CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(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 12(e).

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

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

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

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

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

(h) Exploration and Development Expenditure

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

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

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

ALTECH CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

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

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

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

(i) Research and Development

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

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

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

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

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

(j) Going Concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business for a period of 12 months from the date of issuing the financial statements.

The Group has incurred net cash outflows from operating and investing activities for the year ended 30 June 2020 of \$12,607,905, (2019: \$27,364,766). As at 30 June 2020, the Group had net current liabilities of \$7,593,497 (30 June 2019: net current assets of \$3,214,964).

Notwithstanding this, the directors remain confident that the Company will be able to continue as a going concern for at least 12 months from the date of the financial statements for the following reasons:

- The ability to defer significant payments due to key suppliers, as well as deferred consideration payable in respect of investments;
- The ability to raise additional funding via a number of share placement (equity) facilities that were put in place during the 12 month period ended 30 June 2020;
- The ability to raise additional funds through the issue of new shares, options, convertible notes, or a combination thereof, as may be required to settle deferred payments to key suppliers, deferred consideration payable in respect of investments, and to fund ongoing administration costs, construction activities, development costs, exploration costs and working capital requirements of the Group; and
- Cashflow forecasts prepared in respect of the next 12 months have demonstrated the ability of the Group to maintain adequate cash resources based on reasonable assumptions.

The directors believe that there are sufficient funds to meet the Group's immediate working capital requirements. However, the directors recognise that the ability of the Group to continue as a going concern is dependent on the Group being able to secure additional funding as noted above.

Based on the above, the Group believes that it will successfully raise additional funds, if required, to meet its financial obligations in future periods. As a result the financial report has been prepared on a going concern basis. However, should the Group be unsuccessful in securing future funding the Group may not be able to continue as a going concern.

ALTECH CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(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

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

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

(o) Comparative Figures

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

(p) Financial risk management

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

(q) Impairment of Assets

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

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

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

(r) Critical accounting estimates and judgements

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

Share based payment transactions

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

ALTECH CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(r) Critical accounting estimates and judgements (continued)

Exploration and evaluation assets

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

Development expenditure and Malaysian HPA Plant (works 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 adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

- AASB 16 Leases

The impact of adopting the new revised standard has not impacted the Group's financial statements.

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

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

(t) New Accounting Standards for Application in Future Periods

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 early 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 25.

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 2020

(v) Financial Instruments

Initial recognition and measurement

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

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

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

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

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

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

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

A financial liability is held for trading if:

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

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

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

A financial liability cannot be reclassified.

Financial guarantee contracts

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

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

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

Financial assets

Financial assets are subsequently measured at:

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

Measurement is on the basis of two primary criteria:

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

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

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

ALTECH CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(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 2020

(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 2020

(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 2020

(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 2020

| 2. Loss for the year includes the following specific income and expenses | 30-Jun-20 | 30-Jun-19 |
|---|--------------------|--------------------|
| (a) Revenue | \$ | \$ |
| Interest income | 18,046 | 103,558 |
| Other Income | 915,085 | - |
| | 933,131 | 103,558 |
| (b) Other expenses | | |
| Accounting and audit fees | (48,748) | (39,314) |
| ASX and share registry fees | (73,645) | (69,055) |
| Corporate & consulting | (387,138) | (193,660) |
| Insurance expense | (213,818) | (178,427) |
| Occupancy | (114,314) | (120,698) |
| Legal fees | (72,234) | (127,653) |
| Investor relations and marketing | (379,514) | (706,011) |
| Office & administration | (187,555) | (311,299) |
| Foreign exchange translation | (3,769) | (2,169) |
| | (1,480,735) | (1,748,286) |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

| 3. Income Tax | 30-Jun-20 | 30-Jun-19 |
|--|------------------|------------------|
| Income tax expense | \$ | \$ |
| Current income tax expense | - | - |
| Deferred income tax expense | - | - |
| Total income tax expense | - | - |
| Tax reconciliation | | |
| Accounting profit (loss) before tax from continuing operations | (3,519,384) | (6,185,610) |
| At statutory tax rate of 30% | (1,055,815) | (1,855,683) |
| Adjustment for: | | |
| Expenditure subject to the R&D tax offset | - | - |
| Share based payments to employees | 38,771 | 826,930 |
| Other non-deductible expenses | 1,016,474 | 979,734 |
| Other deductible expenses | (55,270) | (13,899) |
| Deferred tax assets not recognised | 50,000 | 62,918 |
| Tax rate differential | 5,840 | - |
| | - | - |
| Deferred tax assets | | |
| Provisions, accruals and other | 20,724 | 17,814 |
| Tax losses | 1,486,349 | 1,242,425 |
| | 1,507,073 | 1,260,239 |
| Offset by deferred tax liabilities | (1,507,073) | (1,260,239) |
| | - | - |
| Deferred tax liabilities | | |
| Capitalised mineral exploration and evaluation expenditure | (94,366) | (94,366) |
| Development expenditure | (1,412,707) | (1,165,872) |
| | (1,507,073) | (1,260,238) |
| Offset by deferred tax assets | 1,507,073 | 1,260,238 |
| | - | - |
| Deferred tax assets not recognised | | |
| Share issue costs | 97,476 | 129,809 |
| Intangible Assets | 34,523 | - |
| Tax losses | 1,018,787 | 1,254,019 |
| Capital losses | 5,102 | 5,102 |
| | 1,155,888 | 1,388,930 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

4. Earnings per share

| | 30-Jun-20 | 30-Jun-19 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Basic profit (loss) per share | (0.004) | (0.011) |
| Diluted profit (loss) per share | (0.004) | (0.011) |

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

| | Number | Number |
|--|---------------|---------------|
| | 792,498,609 | 587,803,311 |

Options or rights to purchase ordinary shares not exercised at 30 June 2020 have not been included in the determination of basic earnings per share.

5. Cash and cash equivalents

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

| | 30-Jun-20 | 30-Jun-19 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and on hand | 833,053 | 8,267,032 |
| | 833,053 | 8,267,032 |

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

| | 30-Jun-20 | 30-Jun-19 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Loss from ordinary activities after income tax | (3,519,384) | (6,185,610) |
| <i>Non-cash items:</i> | | |
| - Depreciation expense (Operations) | 21,584 | 31,006 |
| - Share based payments | 452,774 | 2,831,432 |
| - Loss on disposal of assets | 866 | 2,890 |
| - Impairment - investment in associate (AAM AG) | 1,336,074 | - |
| - Share in profit/(loss) of associate (AAM AG) | 202,328 | - |
| <i>Change in operating assets and liabilities:</i> | | |
| - Increase / (decrease) in Operating trade and other payables | (731,262) | 101,469 |
| - (Increase) / decrease in Operating trade and other receivables | (16,654) | (15,231) |
| - Increase / (decrease) in Operating provisions | 20,234 | 77,568 |
| - Malaysian GST Refund Received | (307,624) | - |
| Net cash outflows from Operating Activities | (2,541,064) | (3,156,476) |

6. Trade and other receivables

| | 30-Jun-20 | 30-Jun-19 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT RECEIVABLES | | |
| Sundry debtors | 228,460 | - |
| Altech Advanced Materials AG | 90,679 | - |
| GST receivable | 8,397 | 21,485 |
| Payroll Tax receivable | 11,687 | - |
| Deposits paid | 25,688 | 17,135 |
| Other receivable | 3,645 | 9,025 |
| | 368,556 | 47,645 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

7. Property, Plant and Equipment

| | 30-Jun-20 | 30-Jun-19 |
|--|-------------------|-------------------|
| OFFICE EQUIPMENT | \$ | \$ |
| At cost | 192,921 | 214,357 |
| Less: accumulated depreciation | (126,422) | (116,557) |
| Total plant and office equipment | 66,499 | 97,800 |
| LAND | | |
| At cost | 8,294,660 | 8,294,660 |
| Less: amortisation | (444,594) | (247,970) |
| Total land | 7,850,066 | 8,046,690 |
| PLANT AND EQUIPMENT | | |
| At cost | 16,161 | 16,021 |
| Less: accumulated depreciation | (9,111) | (8,023) |
| Total land | 7,050 | 7,998 |
| MALAYSIAN HPA PLANT (works in progress) | | |
| At cost | 28,202,820 | 18,502,736 |
| Total HPA Plant | 28,202,820 | 18,502,736 |
| Total Property, Plant and Equipment | 36,126,435 | 26,655,224 |

Reconciliation

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

| | 30-Jun-20 | 30-Jun-19 |
|---|-------------------|-------------------|
| OFFICE EQUIPMENT | \$ | \$ |
| Carrying amount at the beginning of the year | 97,800 | 65,374 |
| Additions | 3,020 | 83,096 |
| Loss on Disposals | (866) | (2,890) |
| Depreciation expense (profit & loss account) | (21,584) | (31,006) |
| Depreciation expense (development expenditure) | (11,871) | (16,774) |
| Carrying amount at the end of the year | 66,499 | 97,800 |
| LAND | | |
| Carrying amount at the beginning of the year | 8,046,690 | 8,046,690 |
| Additions | 247,970 | 139,003 |
| Less: amortisation | (444,594) | (247,970) |
| Carrying amount at the end of the year | 7,850,066 | 8,046,690 |
| PLANT AND EQUIPMENT | | |
| Carrying amount at the beginning of the year | 7,998 | - |
| Additions | 140 | 8,116 |
| Less: depreciation | (1,088) | (118) |
| Carrying amount at the end of the year | 7,050 | 7,998 |
| MALAYSIAN HPA PLANT (works in progress) | | |
| Carrying amount at the beginning of the year | 18,502,736 | 7,367 |
| Additions | 9,700,084 | 18,495,369 |
| Less: depreciation | - | - |
| Carrying amount at the end of the year | 28,202,820 | 18,502,736 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

| 8. Exploration and Evaluation expenditure | 30-Jun-20 | 30-Jun-19 |
|---|------------------|------------------|
| | \$ | \$ |
| Carrying amount at the beginning of period | 401,964 | 359,996 |
| Exploration and evaluation expenditure incurred during the period (at cost) | 164,728 | 41,968 |
| Carrying amount at the end of the year | 566,692 | 401,964 |

| 9. Development expenditure | 30-Jun-20 | 30-Jun-19 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Carrying amount at the beginning of the period | 33,204,388 | 25,776,306 |
| Development expenditure incurred during the period (at cost) | 3,423,980 | 7,428,082 |
| Carrying amount at the end of the year | 36,628,368 | 33,204,388 |

| 10. Trade and other payables | 30-Jun-20 | 30-Jun-19 |
|--|------------------|------------------|
| | \$ | \$ |
| CURRENT PAYABLES (Unsecured) | | |
| Trade creditors | 4,854,880 | 4,629,208 |
| Accrued expenses | 886,502 | 210,421 |
| Acquisition of Altech Advanced Materials equity (deferred portion) | 1,966,715 | - |
| Equity issue obligation to Specialty Materials Investment LLC | 617,500 | - |
| Other creditors and accruals | 241,424 | 59,220 |
| Total trade and other payables | 8,567,021 | 4,898,849 |

| 11. Provisions | 30-Jun-20 | 30-Jun-19 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Provision for annual leave | 228,085 | 200,864 |
| NON CURRENT | | |
| Provision for long service leave | 63,924 | 70,911 |
| Total provisions | 292,009 | 271,775 |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

| 12. Contributed Equity | 30-Jun-20 | 30-Jun-19 |
|--|-------------------|-------------------|
| (a) Ordinary shares | \$ | \$ |
| Contributed equity at the beginning of the period | 81,167,075 | 45,721,596 |
| Shares issued during the period | 9,024,956 | 37,515,937 |
| Transaction costs relating to shares issued | (485,001) | (2,070,458) |
| Contributed Equity at the end of the reporting period | 89,707,030 | 81,167,075 |

| Movements in ordinary share capital | 30-Jun-20 | 30-Jun-19 |
|--|--------------------|--------------------|
| Ordinary shares on issue at the beginning of reporting period | 722,120,669 | 426,540,542 |
| Shares issued during the period: | | |
| 16-Jul-18 at \$0.165 (Placement) | - | 102,300,606 |
| 6-Aug-18 at \$0.165 (Placement) | - | 240,000 |
| 6-Aug-19 Performance Rights Vest | - | 17,000,000 |
| 6-Aug-18 at \$0.165 (Share Purchase Plan) | - | 26,478,844 |
| 26-Apr-19 at \$0.105 (Placement) | - | 131,127,497 |
| 14-Jun-19 at \$0.105 (Placement SMS group) | - | 18,433,180 |
| 19-Jul-19 at nil (Performance Rights Vest) | 1,000,000 | - |
| 31-Jul-19 at nil (Performance Rights Vest) | 500,000 | - |
| 16-Aug-19 at \$0.08415 (Purchase of shares in YAG) | 19,513,204 | - |
| 18-Nov-19 at \$0.1085 (Placement to MAAG) | 18,433,180 | - |
| 11-Dec-19 at \$0.0975 (Placement) | 18,635,062 | - |
| 9-Jan-20 at 0.0975 (Share Purchase Plan) | 29,189,612 | - |
| 27-Feb-20 at nil (Collateral Shares - Controlled Placement Facility) | 40,000,000 | - |
| 22-Apr-20 at nil (Collateral Shares - SMI funding) | 4,800,000 | - |
| 22-Apr-20 at \$0.0498 (SMI funding fee shares) | 4,219,409 | - |
| 1-May-20 at \$0.045 (Placement - Acuity Capital) | 6,665,000 | - |
| 1-May-20 at \$0.0405 (Placement - Consultant) | 246,914 | - |
| 3-Jun-20 at \$0.039 (Placement SMI) | 5,128,205 | - |
| Ordinary shares on issue at the end of the reporting period | 870,451,255 | 722,120,669 |

(b) Performance Rights

The Company issued no performance rights during the reporting period pursuant to the Altech Chemicals Limited performance rights plan ("the Plan").

1,500,000 performance rights vested during the period and 3,500,000 performance rights expired, unexercised during the period.

At 30 June 2020, 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) | 2,000,000 |
| Total performance rights on issue at 30 June 2020 | 23,700,000 |

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

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

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

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

12. Contributed Equity (continued)

(c) Listed Options

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

At 30 June 2020, 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 30 June 2020, the Company did not have any unlisted options on issue (2019: nil).

(e) Share Based Payments

Consultants

During the period the Company issued: (i) 369,600 shares at \$0.0975 per share (total value \$36,036) as a fee (6%) for the arrangement of a placement of shares, this amount was recorded in the balance sheet as transaction costs relating to share issues; and (ii) 246,915 shares at \$0.0405 per share (total value \$10,000) as a consulting fee, this amount was recorded in the profit and loss account as a consulting expense.

Acquisition of a 20% interest in Youbisheng Green Paper AG (since re-named Altech Advanced Materials AG)

On 18 August 2019 the Company issued 19,513,204 shares at \$0.08415 per share (total value \$1,642,036) for the acquisition of 29% of the shares of Frankfurt Stock Exchange listed Youbisheng Green Paper (AG), which has since been re-named Altech Advanced Materials AG. This amount is recorded in the Balance Sheet as an Investment in Associates, which is valued at market price at balance date (30 June 2020).

Performance Rights

The Company did not issue any performance rights during the period (2019: 3,200,000). During the period a share based payments expense, associated with performance rights already issued, of \$129,238 (2019: \$2,756,432) was recorded in the profit and loss account.

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 ("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.

No performance rights issued during the reporting period (2019: 3,200,000). Details of performance rights that vested during the reporting period are shown in note 12(b), above

(f) Controlled Placement Agreement

On 27 February 2020, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital to provide the Company with a \$10 million standby equity capital facility up to the period ending 31 January 2023.

As collateral for the CPA, the Company issued 40,000,000 fully paid ordinary shares (Collateral Shares) at nil consideration to Acuity Capital. The Company may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. Contributed Equity (continued)

(g) Share Purchase Agreement

On 22 April 2020, the Company announced that it had executed a share purchase subscription agreement (SPA) with Specialty Material Investments LLC (SMI). The SPA provides for SMI to subscribe for up to \$2,000,000 in Altech shares (initial investment), and subject to shareholder approval, up to an additional \$981,000. SMI will make 12 monthly advances of minimum \$200,000 (share subscription value of \$218,000) up to maximum of \$300,000 (share subscription value of \$300,000) to Altech, each advance represents a prepayments for a future subscription of Altech fully paid ordinary shares by SMI. Actual share subscriptions are at the election of SMI, to be priced based on a pre-determined formula, as announced on 22 April 2020.

The Company's obligations under the SPA are secured against 4,800,000 fully paid Altech shares (Collateral Shares), which were issued to SMI for nil consideration.

13. Reserves

| | 30-Jun-20 | 30-Jun-19 |
|---|------------------|------------------|
| | \$ | \$ |
| Share based payments reserve | 7,104,340 | 6,975,102 |
| Carrying amount at the end of the year | 7,104,340 | 6,975,102 |

Movements:

Share based payments reserve

| | | |
|---|------------------|------------------|
| Balance at the beginning of the period | 6,975,102 | 4,218,670 |
| Fair value of performance rights issued | 129,238 | 2,756,432 |
| Balance at end of period | 7,104,340 | 6,975,102 |

14. Financial Instruments

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

(a) Interest rate risk

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

| | Notes | Weighted Average Effective Interest % | Funds Available at a Floating Interest Rate \$ | Fixed Interest Rate \$ | Assets/ (Liabilities) Non Interest Bearing \$ | Total \$ |
|---|--------------|--|---|-------------------------------|--|--------------------|
| 2020 | | | | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 5(a) | 0.50% | 833,053 | - | - | 833,053 |
| Other receivables | 6 | | - | - | 368,556 | 368,556 |
| Total Financial Assets | | | 833,053 | - | 368,556 | 1,201,609 |
| Financial Liabilities | | | | | | |
| Payables | 10 | 0.00% | - | - | 8,567,021 | 8,567,021 |
| Total Financial Liabilities | | | - | - | 8,567,021 | 8,567,021 |
| Net Financial Assets/Liabilities | | | 833,053 | - | (8,198,465) | (7,365,412) |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

14. Financial Instruments (continued)

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

(b) Credit Risk

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

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

(c) Commodity Price Risk & Liquidity Risk

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

(d) Net Fair Values

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

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

15. Investment in Associate (Altech Advanced Materials AG)

| | 30-Jun-20 | 30-Jun-19 |
|---|------------------|-----------|
| | \$ | \$ |
| Carrying amount at the beginning of the period | - | - |
| Acquisition of shares in Altech Advanced Materials AG (AAM AG) | 4,429,767 | - |
| Share of associate's loss for the period since acquisition | (202,328) | - |
| Impairment based on the market value of AAM AG shares at balance date | (1,336,074) | - |
| Carrying amount at the end of the year | 2,891,365 | - |

16. Accumulated losses

| | 30-Jun-20 | 30-Jun-19 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Carrying amount at the beginning of the period | (24,736,548) | (18,550,938) |
| Profit (loss) for the period | (3,519,384) | (6,185,610) |
| Carrying amount at the end of the year | (28,255,932) | (24,736,548) |

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

| 17. Auditors' remuneration | 30-Jun-20 | 30-Jun-19 |
|--|------------------|------------------|
| | \$ | \$ |
| Audit - Moore Australia Audit (WA) | | |
| Audit and review of the financial reports | 47,869 | 39,314 |
| 18. Related Parties | 30-Jun-20 | 30-Jun-19 |
| Key management personnel compensation | \$ | \$ |
| Short-term employee benefits | 776,667 | 730,000 |
| Short-term Incentives | - | 158,000 |
| Post-employment benefits | 54,783 | 68,210 |
| Share-based payments | 39,585 | 1,714,800 |
| | 871,035 | 2,671,010 |

During the financial year there were no loans made or outstanding at year end (2019: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 (2019:\$100,000) rent and outgoings on normal commercial terms and conditions.

19. 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 2020, 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 \$114,000 (2019: \$166,000). These obligations are also subject to variations, may be subject to farm-out arrangements, sale of relevant tenements or via application for expenditure exemptions from prior-year commitments from the relevant government department.

(b) Capital commitments

EPC contracts for the construction of the Malaysian HPA plant and the Australian kaolin loading facility have been executed with SMS group GmbH and Simulus Engineering Pty Ltd for prices of US\$280 million and US\$2.5 million respectively. 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 2020, the Company had no capital commitments in relation either contract (2019: US\$8,269,091 (A\$11,812,987 at USD/AUD 0.70) and MYR 3,788,916 (A\$1,306,523 at AUD/MYR 2.9)). All works completed as stage 1 or stage 2 early works construction during the period under the US\$280 million SMS group GmbH contract had been either billed to the Company or accrued by the Company as at 30 June 2020, and are recorded in the balance sheet account as current liabilities. As at

June 2020, no early works had been completed under the Simulus Engineering Pty Ltd contract.

20. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The financial statements presented above are the same as the reports the directors review. The Group operates predominantly in one segment, which is the development of high purity alumina (HPA) manufacturing, and mineral exploration. Although the Group has established a wholly owned subsidiary in Malaysia, the operations of the Group for the year ended 30 June 2020 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.

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

21. Employee entitlements and superannuation commitments

Employee Entitlements

There are the following employee entitlements at 30 June 2020: Annual Leave Provision \$228,085 (2019: \$200,864) and Long Service Leave Provision \$63,924 (2019: \$70,912).

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

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

Superannuation commitments

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

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

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

During the year employer contributions (including salary sacrifice amounts) to superannuation plans totalled \$183,628 (2019:\$220,701).

22. Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2020, 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.

23. Events subsequent to balance date

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

- On 14 July 2020, the Company announced that it had executed an option to purchase agreement for a ~10 hectare industrial site within the Schwarze Pumpe Industrial Park, municipality of Spreetal, Saxony, Germany. The option provides Altech with an initial 12-month term during which it can exercise the option, with the ability to extend the option period by a further 12-months via mutual consent. The purchase price for the site, should the option be exercised is ~Euro 1.1 million.
- On 31 July 2020, the Company issued 4,285,714 fully paid ordinary shares to Specialty Materials Investments LLC pursuant to share purchase subscription agreement exercised on 22 April 2020.
- On 14 August 2020, the Company issued 8,571,429 fully paid ordinary shares to Specialty Materials Investments LLC pursuant to share purchase subscription agreement exercised on 22 April 2020.
- On 20 August 2020, the Company announced that it had initiated a Listed Green Bond Project Funding Option for the development of a Bond Structuring and Execution Plan to provide a definitive execution program for a green bond offering to the European Bond Market. The use of bonds to secure a secondary level of project finance debt could be an alternative to bank mezzanine debt.
- Mr Hansjoerg Plaggemars was appointed as a non-executive director of the Company, which was announced on 25 August 2020. Mr Plaggemars is based in Heidelberg, Germany.

ALTECH CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

24. Parent entity disclosure

| | 30-Jun-20 | 30-Jun-19 |
|---|--------------------|--------------------|
| | \$ | \$ |
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current assets | 866,308 | 7,452,664 |
| Non-Current assets | 70,798,766 | 56,768,365 |
| TOTAL ASSETS | 71,665,074 | 64,221,029 |
| LIABILITIES | | |
| Current liabilities | 1,343,774 | 742,566 |
| Non-Current liabilities | 63,924 | 70,912 |
| TOTAL LIABILITIES | 1,407,698 | 813,478 |
| NET ASSETS | 70,257,376 | 63,407,551 |
| EQUITY | | |
| Issued capital | 89,707,030 | 81,167,075 |
| Accumulated losses | (26,553,994) | (24,734,626) |
| Share based payments reserve | 7,104,340 | 6,975,102 |
| TOTAL EQUITY | 70,257,376 | 63,407,551 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Net profit (loss) | (1,884,868) | (6,185,346) |
| Total comprehensive loss for the year | (1,884,868) | (6,185,346) |

25. Controlled entities

Investments in controlled entities comprise:

| Name | Beneficial percentage held by economic entity | | Principal activities |
|-------------------------------------|---|-----------|--|
| | 2020 % | 2019 % | |
| Altech Chemicals Ltd | | | Parent entity |
| Wholly owned controlled entities: | | | |
| Altech Chemicals Sdn Bhd (Malaysia) | 100 | 100 | HPA Plant |
| Altech Industries Germany GmbH | 100 | - | Option to acquire industrial site in Germany |
| 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 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 2020

The Directors of the Company declare that:

1. The financial statements and note, as set out on pages 1-43, 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 2020 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 17th day of September 2020

ALTECH CHEMICALS LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 30 June 2020



Moore Australia Audit (WA)

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

T +61 8 9225 5355

F +61 8 9225 6181

www.moore-australia.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Altech Chemicals Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & 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.

ALTECH CHEMICALS LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 30 June 2020

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

Key Audit Matters

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

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

| Carrying value of Property, Plant and Equipment & Capitalised Development Expenditure (relating to the High Purity Alumina HPA Project) | |
|--|--|
| Refer to Notes 1(f & i), Notes 7 Property Plant Equipment & 9 Development Expenditure | |
| <p>Property, plant and equipment (PPE) totalling \$36.13 million as disclosed in Note 7 and capitalised development expenditure (DE) totalling \$36.63million as disclosed in Note 9 represent significant balances recorded in the consolidated statement of financial position.</p> <p>These assets are predominantly related to the freehold land hosting the Meckering Kaolin deposit and the site lease, 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.</p> <p>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.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - the identification of cash generating units, including any property, plant and equipment which are critical to the HPA Project and for the purposes of assessing the recoverable amount of the projected cash generating units; - key assumptions for long-term growth rates in the forecast cash flows by comparing them to economic and industry forecasts; - other key inputs that are material to the BFS NPV model such as anticipated commodity pricing and direct operating costs against available industry data; and - the discount rate applied. • Testing HPA Project related expenditures capitalised during the year on a sample basis against supporting documentation such as supplier invoices and various cost agreements and ensuring such expenditures are appropriately recorded in accordance with applicable Accounting Standards. • Discussed and addressed, where identified, indicators of possible impairment with management and the directors. This included assessing the market capitalisation of the Group (\$36.4.0 million) against its net asset position (\$68.5 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. • Assessing the appropriateness of the relevant disclosures included in Notes 7 & 9 to the financial report. |

ALTECH CHEMICALS LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 30 June 2020

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

| Group's ability to continued as a Going Concern | |
|--|---|
| Refer to Note 1(j) | |
| <p>The financial statements are prepared on a going concern basis in accordance with AASB 101 Presentation of Financial Statements. The Group continues to incur significant operating losses in its ongoing efforts to advance the commercialisation and development of its HPA Project. As the directors' assessment of the Group's ability to continue as a going concern is subject to significant judgement, we identified going concern as a significant risk requiring special audit consideration.</p> | <p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • 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 and our conclusion on going concern is set out below. However, we also concur that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern because of the uncertainty over securing future funding. The disclosures in the financial statements appropriately identify this risk.</p> |

ALTECH CHEMICALS LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 30 June 2020

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

Accounting for Share Based Payments

Refer to Note 1g) and 12

As detailed in Note 1(g), the Company currently operates a Performance Rights Plan (PRP) which provides benefits to stakeholders including directors, consultants, executives and employees. The total share based payment (SBP) expense during the financial year ended 30 June 2020 was \$129,238 as detailed in the Statement of Profit or Loss and Other Comprehensive Income.

The fair value of the SBP is determined by using the Black Scholes model which takes into account the terms and conditions upon which the instruments were granted and a number of key underlying assumptions.

Given the significance of the expense and the level of judgment and estimation in determining the valuation of the SBP, the accounting for share based payments was considered a key audit matter.

Our audit procedures included, amongst others, the following:

- Critically evaluating management's valuation methodology and their documented basis for key assumptions utilised in the Black Scholes valuation model. This also included:
- Assessing and evaluating:
 - the assessment of the key assumptions used in the valuation model such as the share price volatility, dividend yield and risk free interest rate against available market data.
 - the proper expensing of SBP on a proportionate basis across the relevant financial period from grant date to vesting date.
- Performing our own internal re-computation to ensure the total reported SBP expense is not materially misstated.

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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

ALTECH CHEMICALS LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 30 June 2020

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

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 2020.

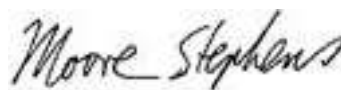
In our opinion, the Remuneration Report of Altech Chemicals Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth on the 17th day of September 2020

ALTECH CHEMICALS LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2020

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

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

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

ALTECH CHEMICALS LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2020

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

ALTECH CHEMICALS LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2020

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

ALTECH CHEMICALS LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2020

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

ALTECH CHEMICALS LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2020

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

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

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

Further details of the Company's corporate governance policies and practices are available on the Company's website at www.altechchemicals.com.

ALTECH CHEMICALS LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2020

Board experience, skills and attributes matrix

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

ALTECH CHEMICALS LIMITED
ADDITIONAL INFORMATION
For the year ended 30 June 2020

The shareholder information set out below was applicable as at 8 September 2020.

TWENTY LARGEST HOLDERS OF LISTED SECURITIES

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

Ordinary Shares

| Name | No of Ordinary Shares Held | Percentage % of Issued Shares |
|--|----------------------------------|-------------------------------------|
| DEUTSCHE BALATON AKTIENGESELLSCHAFT | 73,308,004 | 8.30% |
| SMS INVESTMENTS S A | 57,418,528 | 6.50% |
| DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT | 53,384,800 | 6.04% |
| MAA GROUP BERHAD | 51,489,658 | 5.83% |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 41,827,785 | 4.74% |
| ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD <ACUITY CAPITAL HOLDINGS A/C> | 35,905,797 | 4.06% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 32,653,168 | 3.70% |
| CITICORP NOMINEES PTY LIMITED | 27,747,986 | 3.14% |
| LAKE MCLEOD GYPSUM PTY LTD | 14,327,953 | 1.62% |
| MR SI FOCK CHANG | 8,272,541 | 0.94% |
| MR LINDSAY GEORGE DUDFIELD & MRS YVONNE SHEILA DOLING DUDFIELD | 7,645,497 | 0.87% |
| MR PETER JOSEPH BOURKE & MRS KERRIE LEEANNE JONES <BOURKE SUPER FUND A/C> | 7,573,000 | 0.86% |
| MR JOHN ALEXANDER DUTHIE | 7,000,000 | 0.79% |
| LJ & K THOMSON PTY LTD <LJT & KT SUPER FUND A/C> | 5,600,000 | 0.63% |
| MR DANIEL LEWIS TENARDI <TENARDI FAMILY A/C> | 5,494,915 | 0.62% |
| MR ANDREW DOWNE | 5,128,205 | 0.58% |
| MS KERRIE LEE-ANNE JONES | 5,068,570 | 0.57% |
| MRS JUDITH MELISSA TAN <TAN FAMILY A/C> | 5,000,000 | 0.57% |
| CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 4,555,102 | 0.52% |
| CAREY ENTERPRISES PTY LTD <SUPERANNUATION ACCOUNT> | 4,550,000 | 0.52% |
| Total Top 20 | 453,951,509 | 51.39% |
| Others | 429,356,889 | 49.61% |
| Total Ordinary Shares on Issue | 883,308,398 | 100.00% |

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of security holders by size of holding as at 8 September 2020:

Ordinary Shares

| Distribution | Number of Shareholders | Number of Shares | % of Issued Shares |
|--------------------|---------------------------|--------------------|-----------------------|
| 1 – 1,000 | 134 | 8,177 | 0.00% |
| 1,001 – 5,000 | 168 | 693,147 | 0.07% |
| 5,001 – 10,000 | 296 | 2,531,285 | 0.29% |
| 10,001 – 100,000 | 1,410 | 61,716,443 | 6.99% |
| 100,001 – and over | 817 | 818,413,346 | 92.65% |
| Totals | 2,825 | 883,308,398 | 100.00% |

There were 674 holders of less than a marketable parcel of ordinary shares.

ALTECH CHEMICALS LIMITED
ADDITIONAL INFORMATION
For the year ended 30 June 2020

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding Company's register as at 8 September 2020 are:

| Substantial Shareholder | Number of Shares | % of Issued Shares |
|---|-------------------------|---------------------------|
| DEUTSCHE BALATON AKTIENGESELLSCHAFT/ DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT | 126,692,804 | 14.34% |
| MELEWAR EQUITIES (BVI) LIMITED & MAA GROUP BERHAD | 69,438,811 | 7.86% |
| SMS INVESTMENTS SA | 57,418,528 | 6.50% |

UNQUOTED SECURITIES

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

1 Performance Rights

| Holder | Number |
|--|---------------|
| Employee Performance Rights | |
| Jane Carew-Reid | 1,000,000 |
| Jingyuan Liu | 1,000,000 |
| Shane Volk | 1,000,000 |
| Roger Pover | 1,000,000 |
| Mark Griffiths | 1,000,000 |
| Managing Director Performance Rights | |
| Iggy Tan | 15,000,000 |
| Non-Executive Director Performance Rights | |
| Tunku Yaacob Khyra | 1,000,000 |
| Uwe Ahrens | 1,000,000 |

VOTING RIGHTS

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

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

ON-MARKET BUY BACK

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

ALTECH CHEMICALS LIMITED
ADDITIONAL INFORMATION
For the year ended 30 June 2020

EXPLORATION AND MINING INTERESTS

As at 30 June 2020, the Company has an interest in the following tenements:

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