

# **Pure Alumina Limited**

**(Formerly known as Hill End Gold Limited)**

**ABN 74 072 692 365**

**Consolidated Half Year Report - 31 December 2018**

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Contents**  
**31 December 2018**

Corporate directory	2
Directors' report	3
Auditor's independence declaration	7
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	18
Independent auditor's review report to the members of Pure Alumina Limited	19

**General information**

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

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

Level 4, 96 - 100 Albert Road  
South Melbourne, VIC, 3205  
AUSTRALIA

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 March 2019.

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Corporate directory**  
**31 December 2018**

Directors	Ernest Thomas Eadie Martin McFarlane David Leavy Robert Boston
Company secretary	Melanie Leydin
Registered office	Level 4, 96-100 Albert Road South Melbourne VIC 3205
Principal place of business	Level 4, 96-100 Albert Road South Melbourne VIC 3205
Share register	Boardroom Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	Moyes Yong + Co Suite 1301 Level 13, 115 Pitt Street Sydney NSW 2000
Stock exchange listing	Pure Alumina Limited shares are listed on the Australian Securities Exchange (ASX code: PUA)
Website	<a href="http://www.purealumina.com.au">www.purealumina.com.au</a>

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Directors' report**  
**31 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Pure Alumina Limited (referred to hereafter as 'Pure Alumina', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

**Directors**

The following persons were directors of Pure Alumina Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ernest Thomas Eadie  
Martin McFarlane  
David Leavy  
Robert Boston  
Graham Reveleigh (resigned 23 October 2018)

**Principal activities**

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- management and preparatory work relating to its proposed high purity alumina project based on its Victorian kaolin deposit.

**Review of operations**

**Highlights**

- Following the announcement of the robust technical and financial outcomes of the pre-feasibility study in June 2018, Pure Alumina initiated a Definitive Feasibility Study (DFS) of the Yendon high purity alumina (HPA) Project;
- The principal objective of the DFS was to examine opportunities to further reduce capital and operating costs including assessing an HPA demonstration plant to significantly de-risk the technical, marketing and scale-up to full commercial production;
- Following discussions, Pure Alumina has signed a non-binding term sheet to negotiate terms for the possible acquisition of unlisted Canadian company Polar Sapphire Limited ([www.polarsapphire.com](http://www.polarsapphire.com));
- If concluded, the acquisition of Polar Sapphire would give Pure Alumina ownership of Polar Sapphire's:
  - low capital cost patented HPA process;
  - pilot plant in Toronto producing exceptionally high quality 99.999% (5N) HPA;
  - markets with established HPA sales to sapphire producers and developing relationships in the battery separator sector;
  - plans to enter commercial HPA production in 2019 and rapidly expand to 5,000 tpa HPA production within 3 years to capture projected HPA growth;
- Negotiations on a binding agreement to acquire Polar Sapphire are nearing completion with due diligence and approvals also underway;
- Shareholders voted to change the Company's name to Pure Alumina Ltd to reflect the focus on the Yendon HPA project;
- Sale process for Pure Alumina's Pure Alumina gold project has been extended to allow bidders more time to secure their finance;
- R&D tax incentive of \$488,000 received in January 2019 to maintain acceptable cash position.

**Corporate**

On 30 October 2018, following a successful shareholder vote, the Company's name changed to Pure Alumina Limited. This aligned the Company name with its stated strategy of becoming a leading producer of high purity alumina.

In December 2018, Pure Alumina signed a non-binding term sheet which contemplates exclusive negotiation of terms for the acquisition of 100% of Toronto-based high purity alumina (HPA) producer Polar Sapphire Limited (Polar Sapphire). There is no certainty that formal terms for the proposed acquisition will be agreed or a transaction completed. Any formal terms will be subject to a range of conditions including (without limitation) confirmatory due diligence and receipt of necessary shareholder, third party and regulatory approvals.

Both parties have committed to work towards agreeing formal terms of a potential transaction and development of a binding acquisition agreement is nearing conclusion. Due diligence by both Polar Sapphire and Pure Alumina is also underway.

Polar Sapphire is currently producing HPA at its pilot plant in Toronto, generating cashflow in the process.

Polar Sapphire's patented HPA process produces 99.999% (5N) HPA which is the highest purity commercial grade HPA available. The 5N HPA market generates attractive premiums over 4N and lesser purity HPA segments. It is a relatively exclusive market because only a few companies globally have achieved commercial production achieving the specifications for 5N HPA.

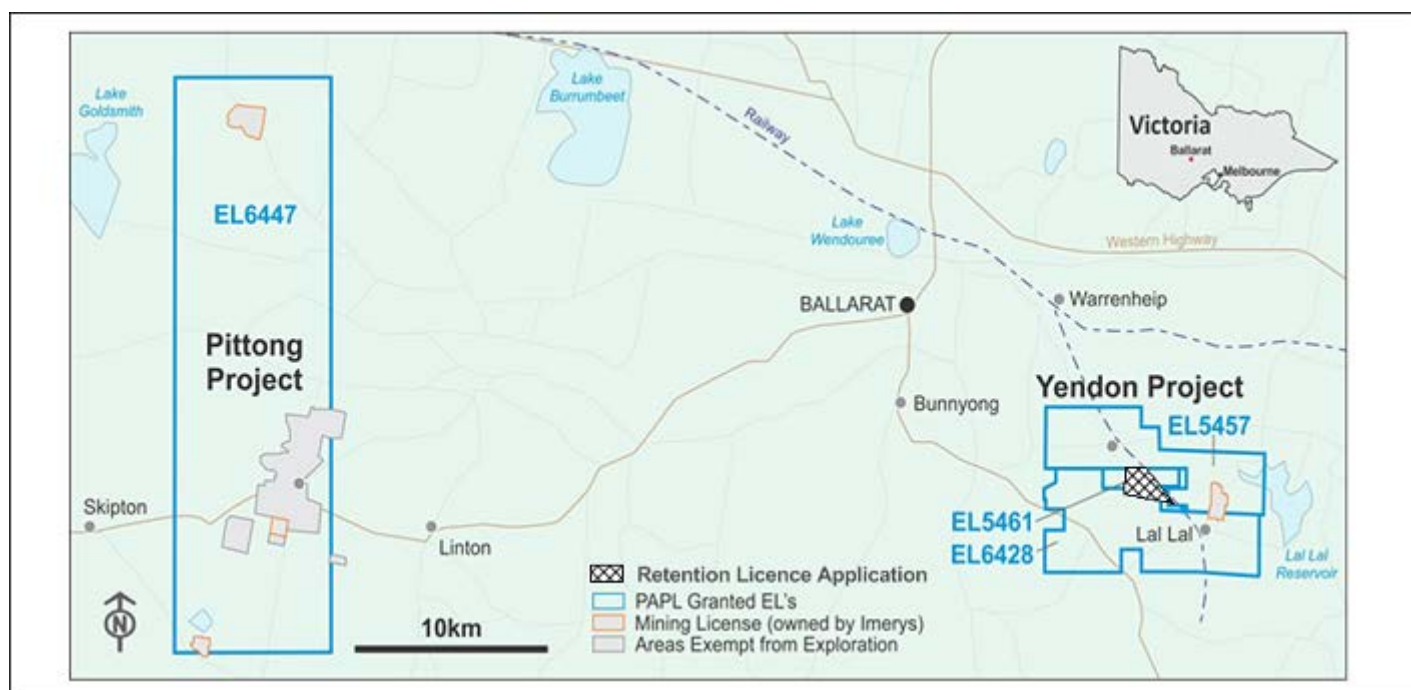
Polar Sapphire has already passed stringent qualification processes for its HPA with multiple synthetic sapphire producers receiving positive feedback that Polar Sapphire HPA produces synthetic sapphire with fewer flaws in the crystal lattice and more transparent sapphire. This enables sapphire producers to generate higher yields of payable sapphire per kg of HPA and target premium white LED lighting segments. Sales orders from sapphire producers now exceed the capacity of Polar Sapphire's pilot plant and therefore it is seeking to expand production.

Polar Sapphire's production process has low capital requirements. The estimated cost of constructing a 1,000 tpa HPA plant is circa A\$12 million. The modular nature of Polar Sapphire's process requires approximately only 6 months to build each 1,000tpa of output which means Polar's production can be rapidly expanded to meet forecast growth in HPA demand.

During January 2019, Pure Alumina received an R&D tax incentive payment of approximately \$488,000 in connection with the tax year ended 30 June 2018 to maintain an acceptable cash position.

Graham Reveleigh retired from the board, effective at Pure Alumina's AGM in October 2018.

#### **Yendon High Purity Alumina Project (PUA 100%)**



**Figure 1: HPA Project location near Ballarat, Victoria**

Following the successful completion of the pre-feasibility study (PFS) of the Yendon high purity alumina (HPA) project, Pure Alumina has commenced work on the definitive feasibility study (DFS). In addition to the usual requirements of a DFS, Pure Alumina has prioritised work on reducing the capital and operating costs outlined in the PFS.

The PFS identified a number of areas where capital and operating costs might be reduced. The most significant being the acid regeneration plant, which is the most expensive capital item comprising approximately 40% of the total cost. It is also a material operating expense.

**Pure Alumina Limited**  
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**Directors' report**  
**31 December 2018**

As part of the DFS, Pure Alumina is assessing options for substituting the planned pilot plant with a larger commercial scale demonstration plant. Under the scenario being assessed, the demonstration scale plant would produce a commercial volume of HPA of up to 1000 tonnes a year. Capital costs for a demonstration plant is expected to be much lower than for a full size plant and in addition to generating revenue from sales it would address technical, scale up and marketing project risks.

If the acquisition of Polar Sapphire is successfully completed, this study will be amended to focus on integrating Polar Sapphire's technology with Pure Alumina's process.

A marketing trip to Asia and the USA surprised on the upside with HPA demand from coatings on lithium battery separators well ahead of forecast driven by capacity expansions coming on stream sooner than expected and an increasing proportion of battery separators now being coated with HPA.

### **Pure Alumina Gold Project**

In June, Pure Alumina announced its decision to test the market for its gold assets.

PCF Capital is running the gold asset sale process. Several final offers were received. However, due to difficult conditions in financial markets in the latter part of 2018, potential buyers advised that they required further time to complete financing. Pure Alumina has granted an extension of time.

### **Financial performance**

The loss for the consolidated entity after providing for income tax for the half year ended 31 December 2018 was \$4,385,000 (31 December 2017: \$1,175,000).

A significant amount of this loss was attributable to an impairment loss of \$3,000,000 (31 December 2017: \$Nil) recognised in relation to the consolidated entity's gold assets being held for sale. The impairment was made following an assessment by the Board of the gold assets' fair value.

Other expenses for the current period were \$215,000, compared to \$130,000 for the corresponding period. The increase in expenses reflects that expensing of holding and maintenance costs relating to the held-for-sale gold tenement assets, whereas in the previous period these costs were capitalised to asset accounts in the balance sheet.

Administration expenses included share based payment expenditure of \$198,000 (2017: Nil). Excluding these non-cash based expenses and Administration expenses were slightly less than the prior corresponding period and reflected the current phase of the consolidated entity as it transitions from its previous gold exploration activities to high purity alumina-related activities.

### **Financial position**

The net assets of the consolidated entity reduced by \$2,787,000 to \$10,237,000 at 31 December 2018 (30 June 2018: \$13,024,000) primarily as a consequence of the loss after income tax for the period, which is also reflected in the reduction of its cash balance.

The reduction in non-current gold assets classified as held for sale reflects the \$3,000,000 impairment of those assets following the assessment of their fair value.

The reduction in trade and other payables and the increase in issued capitals are due mainly to the settlement of a liability, due to the vendors of the Yendon HPA project, by an issue of the Company's shares.

The working capital position of the consolidated entity, including the value of held for sale gold assets, as at 31 December 2018 resulted in an excess of current assets over current liabilities of \$6,640,000, compared to \$9,534,000 at 30 June 2018, with the reduction being due mainly to the impairment of the held-for-sale assets and the reduction of the cash balance.

### **Significant changes in the state of affairs**

On 4 July 2018, Mr Tom Eadie was appointed as a Non-Executive Director and replaced Mr Graham Reveleigh as Chairman of the Board of the Company.

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Directors' report**  
**31 December 2018**

On 23 October 2018 Mr Graham Reveleigh resigned as a director of the Company.

On 23 October 2018 the Company issued 9,300,000 fully paid ordinary shares, in accordance with approval given by the Company's shareholders at the Annual General Meeting held that day. 6,000,000 of these shares were issued at a price of \$0.07 (7 cents) per share to a company controlled by Mr Tom Eadie as settlement of a liability due to him which arose under the terms of the Asset Sale Agreement in relation to the July 2017 acquisition by the Company of Pure Alumina Pty Ltd (since renamed Yendon HPA Pty Ltd), of which Mr Eadie was one of the vendors. 3,300,000 of these shares were issued at a price of \$0.06 (6 cents) per share to Directors and consultants of the Company as remuneration.

On 30 October 2018 the Company changed its name from Hill End Gold Limited to Pure Alumina Limited. The name change reflected the Company's strategic focus on the Yendon HPA project in Victoria and its discontinuation of gold exploration and mining activities.

On 13 November 2018 the Company issued 14,000,000 fully paid ordinary shares at a price of \$0.07 (7 cents), in accordance with approval given by the Company's shareholders at the Annual General Meeting held on 23 October 2018. These shares were issued at a price of \$0.07 (7 cents) per share to vendors of Pure Alumina Pty Ltd (since renamed Yendon HPA Pty Ltd), as settlement of a liability due to them, arising under the terms of the Asset Sale Agreement in relation to the July 2017 acquisition by the Company of Pure Alumina Pty Ltd.

On 3 December 2018 the Company announced that it had entered into a non-binding term sheet to negotiate terms for the possible acquisition of Canadian company Polar Sapphire Limited.

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

**Matters subsequent to the end of the financial half-year**

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Tom Eadie  
Chairman

8 March 2019

Moyes Yong + Co Partnership  
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## AUDITOR'S INDEPENDENCE DECLARATION TO THE PURE ALUMINA LIMITED

In accordance with section 307C of the Corporations Act 2001, as lead audit partner for the review of the financial statements of Pure Alumina Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



**William M Moyes - Partner**

**Moyes Yong & Co Partnership**

Dated this 8<sup>th</sup> day of March 2019



**Pure Alumina Limited**  
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**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>December 2018</b>	<b>December 2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		6	-
Interest revenue		9	6
<b>Expenses</b>			
Other expenses	3	(215)	(130)
Impairment of assets	4	(3,000)	(10)
Administration		(1,185)	(1,037)
Finance costs		-	(4)
<b>Loss before income tax expense</b>		(4,385)	(1,175)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Pure Alumina Limited</b>		(4,385)	(1,175)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
(Loss)/gain on revaluation of available for sale financial assets, net of tax		-	(12)
Other comprehensive income for the half-year, net of tax		-	(12)
<b>Total comprehensive income for the half-year attributable to the owners of Pure Alumina Limited</b>		(4,385)	(1,187)
		<b>Dollars</b>	<b>Dollars</b>
Basic earnings per share		(2.83)	(1.13)
Diluted earnings per share		(2.83)	(1.13)

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

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Statement of financial position**  
**As at 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>December 2018 \$'000</b>	<b>June 2018 \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		258	1,605
Trade and other receivables		55	44
		313	1,649
Non-current assets classified as held for sale	4	6,607	9,607
Total current assets		6,920	11,256
<b>Non-current assets</b>			
Other financial assets		30	30
Property, plant and equipment	5	474	495
Exploration and evaluation	6	3,304	3,161
Total non-current assets		3,808	3,686
<b>Total assets</b>		<b>10,728</b>	<b>14,942</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	251	1,702
Employee benefits		29	20
Total current liabilities		280	1,722
<b>Non-current liabilities</b>			
Provisions		4	-
Other	8	207	196
Total non-current liabilities		211	196
<b>Total liabilities</b>		<b>491</b>	<b>1,918</b>
<b>Net assets</b>		<b>10,237</b>	<b>13,024</b>
<b>Equity</b>			
Issued capital	9	83,177	81,579
Reserves		85	85
Accumulated losses		(73,025)	(68,640)
<b>Total equity</b>		<b>10,237</b>	<b>13,024</b>

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

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2018**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017	76,530	212	(59,323)	17,419
Loss after income tax expense for the half-year	-	-	(1,175)	(1,175)
Other comprehensive income for the half-year, net of tax	-	(12)	-	(12)
Total comprehensive income for the half-year	-	(12)	(1,175)	(1,187)
Share issue	4,906	-	-	4,906
Balance at 31 December 2017	<u>81,436</u>	<u>200</u>	<u>(60,498)</u>	<u>21,138</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2018	81,579	85	(68,640)	13,024
Loss after income tax expense for the half-year	-	-	(4,385)	(4,385)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,385)	(4,385)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 12)	198	-	-	198
Shares issued to HPA project vendors (note 7)	1,400	-	-	1,400
Balance at 31 December 2018	<u>83,177</u>	<u>85</u>	<u>(73,025)</u>	<u>10,237</u>

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

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Statement of cash flows**  
**For the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>December</b>	<b>December</b>
		<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,219)	(1,167)
Interest received		9	6
Other revenue		6	-
Interest and other finance costs paid		-	(4)
		<u>          </u>	<u>          </u>
Net cash used in operating activities		(1,204)	(1,165)
		<u>          </u>	<u>          </u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation	6	(143)	(715)
Payments for mining properties		-	(6)
		<u>          </u>	<u>          </u>
Net cash used in investing activities		(143)	(721)
		<u>          </u>	<u>          </u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	9	-	4,176
		<u>          </u>	<u>          </u>
Net cash from financing activities		-	4,176
		<u>          </u>	<u>          </u>
Net increase/(decrease) in cash and cash equivalents		(1,347)	2,290
Cash and cash equivalents at the beginning of the financial half-year		1,605	632
		<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the financial half-year		<u>          258          </u>	<u>          2,922          </u>

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

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended 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 consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

***AASB 9 Financial Instruments***

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

When adopting AASB 9, the consolidated entity has applied transitional relief and elected not to restate prior periods. There were no differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment that required recognition in opening accumulated losses as at 1 July 2018.

Our revised accounting policy is as follows:

Financial assets are measured at amortised cost if held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. Debt investments are measured at fair value through other comprehensive income if held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the consolidated entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Notes to the financial statements**  
**31 December 2018**

**Note 1. Significant accounting policies (continued)**

**Going concern**

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and liabilities in the ordinary course of business. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments.

The cash balance as at 31 December 2018 was \$258,000 (30 June 2018: \$1,605,000).

The consolidated entity made a loss after tax of \$4,385,000 during the half year ended 31 December 2018 (2017: loss of \$1,175,000) and the net cash used in operating activities was \$1,204,000 (2017: \$1,167,000 net outflow).

Notwithstanding these results, the directors believe that the Company will be able to continue as a going concern and as a result the financial statements have been prepared on a going concern basis. The accounts have been prepared on the assumption that the Company is a going concern for the following reasons:

- as at the date of this report the consolidated entity is undertaking a sales process of its gold assets. The sale of these assets, which the Board plans to occur within the first half of 2019, will provide substantial cash to the consolidated entity;
- during January 2018 the consolidated entity received a cash payment of approximately \$488,000 for its R&D tax rebate claim relating to FY2018;
- the ability of the consolidated entity to scale back parts of its operations and reduce costs if required;
- the Board is of the opinion that the consolidated entity has, or shall have access to, sufficient funds to meet the planned corporate activities and working capital requirements; and
- as the Company is an ASX-listed entity, the consolidated entity has the ability to raise additional funds if required.

In the event that the consolidated entity is unable to achieve the actions noted above, the consolidated entity may not be able to continue as a going concern, it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

**Note 2. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into one operating segment, being mineral exploration and evaluation operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews expenditure reports on exploration projects. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information is reported to the CODM on a monthly basis.

**Note 3. Other expenses**

	<b>Consolidated</b>	
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation	21	86
Hill End site expenses	194	44
	<u>215</u>	<u>130</u>

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Notes to the financial statements**  
**31 December 2018**

**Note 4. Current assets - non-current assets classified as held for sale**

	<b>Consolidated</b>	
	<b>December</b>	<b>June 2018</b>
	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Exploration property - gold assets	6,000	9,000
Performance guarantee bonds	607	607
	<u>6,607</u>	<u>9,607</u>

During the half year ended 31 December 2018 the Company undertook a formal sale process for the Company's gold tenements at Hill End, New South Wales and Hargraves, New South Wales ("gold assets"). The formal sale process remained in progress at 31 December 2018.

The Company reviewed the carrying value of the gold assets and reassessed their fair value less costs to sell as \$6,000,000. Accordingly, an impairment loss of \$3,000,000 has been recognised in relation to these assets during the half year ended 31 December 2018.

**Note 5. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>December</b>	<b>June 2018</b>
	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings - at cost	389	389
Plant and equipment - at cost	2,613	2,613
Less: Accumulated depreciation	(2,528)	(2,507)
	<u>85</u>	<u>106</u>
	<u>474</u>	<u>495</u>

**Note 6. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>December</b>	<b>June 2018</b>
	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Exploration and evaluation - Gold assets - at cost	39,819	39,819
Less: Impairment	(33,819)	(30,819)
Less: Reallocation to available-for-sale assets	(6,000)	(9,000)
	<u>-</u>	<u>-</u>
Exploration and evaluation - Yendon Alumina project - at cost	3,304	3,161
	<u>3,304</u>	<u>3,161</u>

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Notes to the financial statements**  
**31 December 2018**

**Note 6. Non-current assets - exploration and evaluation (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Yendon Alumina project \$'000
<b>Consolidated</b>	
Balance at 1 July 2018	3,161
Additions	143
Balance at 31 December 2018	<u>3,304</u>

**Note 7. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>December 2018 \$'000</b>	<b>June 2018 \$'000</b>
Trade payables	203	287
Superannuation payable	7	1
PAYG payable	41	14
Other payables	-	1,400
	<u>251</u>	<u>1,702</u>

Under the terms of the Asset Sale Agreement in relation to the acquisition of the HPA project including the Victorian tenements and all of the ordinary shares in Pure Alumina Pty Ltd (since renamed Yendon PUA Pty Ltd), a success fee of \$1,400,000 was payable to the vendors of the project as at 30 June 2018. This liability, contained in Other payables at 30 June 2018, was settled during the half year ended 31 December 2018 by the issue of 20,000,000 shares in the Company.

**Note 8. Non-current liabilities - other**

	<b>Consolidated</b>	
	<b>December 2018 \$'000</b>	<b>June 2018 \$'000</b>
Provision for site rehabilitation	<u>207</u>	<u>196</u>

**Note 9. Equity - issued capital**

	<b>Consolidated</b>			
	<b>December 2018 Shares</b>	<b>June 2018 Shares</b>	<b>December 2018 \$'000</b>	<b>June 2018 \$'000</b>
Ordinary shares - fully paid	<u>171,090,933</u>	<u>147,790,933</u>	<u>83,177</u>	<u>81,579</u>



**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Notes to the financial statements**  
**31 December 2018**

**Note 9. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2018	147,790,933		81,579
Shares issue to HPA vendor	23 October 2018	6,000,000	\$0.07	420
Share issue to directors and consultants	23 October 2018	3,300,000	\$0.06	198
Shares issue to HPA vendors	13 November 2018	<u>14,000,000</u>	<u>\$0.07</u>	<u>980</u>
Balance	31 December 2018	<u><u>171,090,933</u></u>		<u><u>83,177</u></u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 10. Contingent liabilities**

**Hargraves Tenement**

During the 2007-08 year the Company acquired an interest in the Hargraves tenement. The acquisition cost included \$300,000 plus the issue of 2,000,000 ordinary fully paid shares and 2,000,000 listed options which expired on 12 September 2008. These amounts were recorded during the year ending 30 June 2008. The Company will issue the vendors an additional 2,000,000 ordinary shares in the event that the Company estimates 70,000 ozs of recoverable gold in Mineral Reserves on the tenements and a further 2,000,000 ordinary shares in the event that 70,000 ozs are produced from the tenement.

**First Tiffany**

On 1 April 2014 the Company announced that it had received a summons filed by Tiffany in the Supreme Court of New South Wales claiming an order that the Company pay Tiffany 15% of the value of minerals extracted by HEG from certain mining tenements encompassed by a portion of EL 5868 in the Hill End locality of New South Wales (plus interest and costs).

The Company applied successfully to the court for Tiffany to provide security of costs. Tiffany failed to provide security and the Company successfully applied to the court to have the claim dismissed. The Company was awarded costs and Tiffany is barred from commencing fresh proceedings until it has paid the Company's costs as ordered. Costs are yet to be determined.

**HPA Project**

Under the terms of the Asset Sale Agreement in relation to the acquisition of the HPA project including the Victorian tenements and all of the ordinary shares in Pure Alumina Pty Ltd, there are several future contingent payments.

On completion of a Feasibility Study the Company is required to pay a success fee of \$1.5 million settled by the issue of shares. If the Feasibility Study is not completed within 2 years of the completion date of the acquisition (i.e. 28 August 2019) the Company is required to pay the vendors \$8,333 per month until the earlier of the completion of the Feasibility Study or 30 June 2022.

On completion of a legally binding offtake agreement over all of the product from the project for a period of at least 1.5 times the project payback period, the Company is required to pay a success fee of \$0.5 million settled by the issue of shares.

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Notes to the financial statements**  
**31 December 2018**

**Note 11. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 12. Share-based payments**

*Shares issued to employees and third parties in return for services*

The Company may, from time to time, issue shares to employee and third parties as consideration for goods and/or services provided to the consolidated entity by those parties. All such transactions are settled in equity and vest immediately, unless otherwise stated.

During the half year ended 31 December 2018 the Company issued shares to directors and consultants as remuneration, in accordance with shareholder approval given at the Company's Annual General Meeting held on 23 October 2018.

	<b>Consolidated</b>	
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares issued to directors as remuneration	168	-
Shares issued to consultants as remuneration	30	-
	<u>198</u>	<u>-</u>

The fair value of the shares issued was based on other recent share transactions. The full amount detailed above was recognised as an expense in the statement of profit or loss and other comprehensive income.

**Pure Alumina Limited**  
**(Formerly known as Hill End Gold Limited)**  
**Directors' declaration**  
**31 December 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Tom Eadie  
Chairman

8 March 2019

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pure Alumina Limited

### Report on the half-year financial report

#### Conclusion

We have reviewed the half-year financial report of Pure Alumina Limited (the Company) and its subsidiaries (collectively the Consolidated Entity) which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- (i) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.

#### Material uncertainty related to going concern

We draw attention to Note 1 of the financial report, which indicated that the Consolidated Entity incurred a net loss after taxation of \$4,385,000 (2017: net loss \$1,175,000) during the half year ended 31 December 2018. This condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Responsibilities of the Directors for the half-year financial report

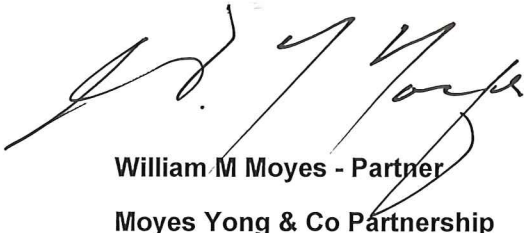
The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of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

#### Auditor's responsibility

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

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

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



**William M Moyes - Partner**

**Moyes Yong & Co Partnership**

Dated this 8<sup>th</sup> day of March 2019



CHARTERED ACCOUNTANTS  
AUSTRALIA • NEW ZEALAND

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