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**Report for March Quarter 2019**

**30 April 2019**

**ASX Code: PUA, PUAOC**

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## **Pure Alumina advances plans to become a producer of top quality low cost high purity alumina by signing binding agreement to acquire Polar Sapphire**

**On track to complete the acquisition of Polar Sapphire and commence high purity alumina production within a year**

### **Quarterly Highlights**

- **Pure Alumina has signed a binding agreement, subject to the conditions outlined below, to acquire Polar Sapphire Limited from private equity interests for a combination of Pure Alumina shares and cash**
- **Acquiring Polar will fast track Pure Alumina's plans to commence commercial production of premium 99.999% ("5N") high purity alumina (HPA) within 12 months of completion**
- **Assuming completion of the acquisition, Pure Alumina aims to rapidly expand HPA production to 5,000tpa within three years to capture exceptional growth in HPA demand for use in LED lighting and coatings on lithium battery separators for electric vehicles**
- **Pure Alumina is now examining options to fund the transaction and expansion**
- **Challenging funding markets have resulted in mixed progress for the sale of Pure Alumina's Hill End gold project, with two bidders withdrawing their offer and two new offers received**
- **Pure Alumina announced a share purchase plan to raise \$1.25 million**



## Corporate

During the March quarter Pure Alumina Limited (**Pure Alumina**) signed a binding agreement, subject to the conditions outlined below, to acquire Polar Sapphire Limited from private equity interests for C\$25.75m, subject to Pure Alumina's share price at time of capital raising, as follows:

- o C\$13.75m (A\$14.5m) in Pure Alumina shares; and
- o C\$12m (A\$12.6m) in cash.

Acquiring Polar will enable Pure Alumina to fast track its plans to commence commercial production of premium 99.999% 5N high purity alumina (HPA) within 12 months of completion of the acquisition. Assuming completion of the acquisition, Pure Alumina aims to rapidly expand HPA production to 5,000tpa within three years to capture exceptional growth in HPA demand for use in LED lighting and coatings on lithium battery separators for electric vehicles and other uses.

Once constructed and operational, the potential free cashflow generated from a commercial scale Polar HPA facility is very strong. As highlighted in the announcement of the Binding Agreement (ASX 21<sup>st</sup> March 2019), the potential free cashflow per 1,000t of HPA sold is:

HPA Price (USD/t)	\$20,000	\$25,000	\$30,000	\$35,000	\$40,000
Operating Costs (USD/t)**	\$6,750	\$6,750	\$6,750	\$6,750	\$6,750
Operating margin per 1,000t (USD)	\$13.25m	\$18.25m	\$23.25m	\$28.25m	\$33.25m

\*\*Forecast operating costs at steady state production

Conditions Precedent (CPs) to the agreement include:

- o Satisfactory completion of due diligence
- o Regulatory and shareholder approvals
- o Raising A\$30m through a combination of debt and equity
- o Progress towards Pure Alumina's planned sale of its gold assets
- o Other standard CPs for a transaction of this nature

The A\$30m in capital being raised will fund the acquisition, construction and commissioning of the first 1,000tpa of production capacity, R&D into the integration of Pure Alumina's existing kaolin-based HPA process into Polar's technology, product marketing and general corporate working capital.

Pure Alumina is now examining Canadian Government development funding and equity options to fund the transaction and expansion. Pure Alumina is in advanced discussions with equity brokers regarding raising the necessary capital. Mandates are expected to be finalised shortly to undertake the process for securing the necessary capital. To date there has been good investor interest, both domestically and internationally, in the acquisition and the business strategy.



Pure Alumina is currently preparing a notice of meeting pursuant to which the requisite shareholder approvals required to complete the acquisition will be sought, including amongst others, approval pursuant to ASX Listing Rule 11.1.2. The notice of meeting will be sent to shareholders once finalised and approved by the ASX.

It is expected that the transaction will be completed in the third quarter of the 2019 calendar year.

During April, Pure Alumina announced a Share Purchase Plan (SPP) to raise circa \$1.25 million. The SPP is partially underwritten up to A\$770,000 by Patersons Securities Limited and CPS Capital Group Pty Ltd (together the Joint Underwriters). The mandate also gives the Joint Underwriters the right to facilitate an additional top up placement to raise up to \$500,000 ("Top Up Placement"), subject to the Company having the available placement capacity pursuant to ASX Listing Rules 7.1 and 7.1A.

The offer price for both the SPP and Top Up Placement (Offer Price) will be determined by applying a 20% discount to the volume-weighted average price (VWAP) of fully paid ordinary shares in the capital of the Company (Shares) over the five trading days, on which the Shares trade, prior to Tuesday 28 May 2019, being the proposed issue date under the SPP (SPP Issue Date).

The proceeds from the SPP and, if applicable, the Top Up Placement will be used to fund the Company's ongoing working capital requirements as Pure Alumina works to complete the transformational acquisition of Canadian-based high purity alumina (HPA) producer Polar Sapphire Limited (Polar Acquisition) (see ASX release dated March 21, 2019).

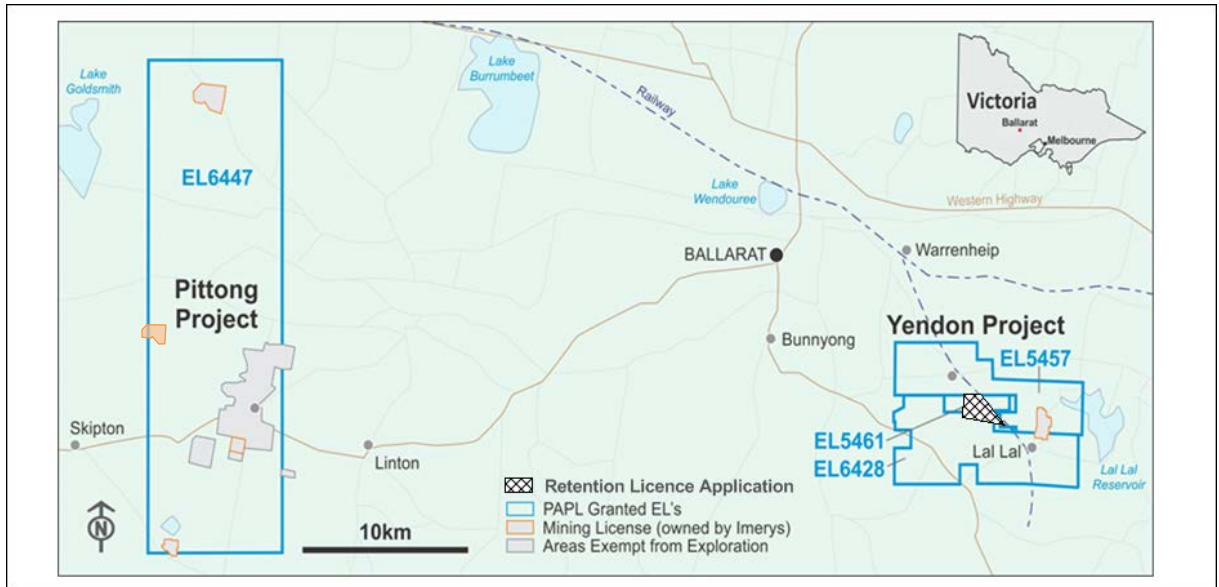
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### **Yendon High Purity Alumina Project**

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The HPA Project tenements, Exploration Licences 5457, 5461, 006447 and 006428, are located at Pittong and Yendon near Ballarat, Victoria, where kaolin mining and processing has occurred for decades. The Yendon kaolin resource is located on EL5457 and EL5461. Application for a retention licence over the Yendon kaolin deposit has been made to the Victorian Mines Department.





**Figure 1: Pure Alumina 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 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.

During the March quarter a number of locked cycle tests were run with the aim of:

1. Optimising the water balance.
2. Managing impurity loads in the circuit.
3. Improving aluminium recoveries.
4. Reducing hydrochloric gas consumption.
5. Running tests on an increased scale to reduce scale up risk for the DFS.
6. Providing data to incorporate in the model for detailed feasibility study engineering.

At the end of April the test work had completed. The iron removal test work has been exceptionally successful. All other analytical results are still to be received.

## Hill End Gold Project

Pure Alumina has appointed PCF Capital to undertake a sale process for its gold assets.

To date, more than 30 companies have viewed the data and this has resulted in a range of offers for the gold assets. A number of offers were progressed to detailed due diligence and following this several companies were seeking finance to fund their offers.



Recently we have been advised that 2 participants have withdrawn their offers as they have not been able to finance them. However, during the past quarter, a further 15 companies reviewed the data and several new indicative offers were received. These are currently being assessed to determine if they will join the remaining parties on the short list of potential buyers.

## Current Tenement Schedule

The table below contains details of tenements held by Pure Alumina and its controlled entities at the end of the quarter.

Project	Tenement	Grant / Application Date	Expiry Date	Area
Hill End (NSW)	Exploration Licence No 5868 (1992) <sup>1</sup>	18/06/2001	18/06/2019	16 units
Hill End (NSW)	Gold Lease No 5846 (1906) <sup>1</sup>	15/02/1968	7/12/2019	2.044 hectares
Hill End (NSW)	Mining Lease No 1116 (1973) <sup>1</sup>	28/03/1984	16/10/2024	15.71 hectares
Hill End (NSW)	Mining Lease No 1541 (1992) <sup>1</sup>	17/10/2003	16/10/2024	279.20 hectares
Hill End (NSW)	Mining Lease No 315 (1973) <sup>1</sup>	8/12/1976	7/12/2019	6.671 hectares
Hill End (NSW)	Mining Lease No 316 (1973) <sup>1</sup>	8/12/1976	7/12/2019	8.846 hectares
Hill End (NSW)	Mining Lease No 317 (1973) <sup>1</sup>	8/12/1976	7/12/2019	7.00 hectares
Hill End (NSW)	Mining Lease No 49 (1973) <sup>1</sup>	30/07/1975	7/12/2019	1.618 hectares
Hill End (NSW)	Mining Lease No 50 (1973) <sup>1</sup>	30/07/1975	7/12/2019	3.02 hectares
Hill End (NSW)	Mining Lease No 913 (1973) <sup>1</sup>	20/01/1981	19/01/2023	22.00 hectares
Hill End (NSW)	Mining Lease No 914 (1973) <sup>1</sup>	20/01/1981	19/01/2023	21.69 hectares
Hill End (NSW)	Mining Lease No 915 (1973) <sup>1</sup>	4/02/1981	3/02/2023	13.27 hectares
Hargraves (NSW)	Exploration Licence No 6996 (1992) <sup>1</sup>	21/12/2007	21/12/2019	24 units
Chambers Creek (NSW)	Exploration Licence No 8289 (1992) <sup>1</sup>	24/3/2014	20/08/2020	3 Units
Yendon (Vic)	Exploration Licence No 5457	10/09/2013	renewal pending	41 Graticules <sup>2</sup>
Yendon (Vic)	Exploration Licence No 5461	10/09/2016	9/09/2020	4 Graticules <sup>2</sup>
Yendon (Vic)	Exploration Licence No 6428	22/12/2017	21/12/2020	49 Graticules <sup>2</sup>
Yendon (Vic)	Exploration Licence No 6447	22/12/2017	21/12/2020	221 Graticules <sup>2</sup>
Yendon (Vic)	Retention Licence app No RL6734	27/07/2018	grant pending	225.2 hectares

Notes:

- 1 – Tenement is part of Hill End Gold project assets currently subject to sale process
- 2 - A graticule is essentially 1 sq. km or part thereof

Martin McFarlane  
Managing Director

**Media - For further information, please contact: Paul Armstrong - Read Corporate +61 8 9388 1474**



## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

**PURE ALUMINA LIMITED**

### ABN

**74 072 692 365**

### Quarter ended ("current quarter")

**March 2019**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(64)	(297)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(395)	(1491)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	10
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	488	488
1.8 Other (provide details if material)		
Other income		6
Gold asset sale transaction costs (non-recurrent costs)		(33)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>30</b>	<b>(1317)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>		

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>		

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	<b>258</b>	<b>1,605</b>
4.2 Net cash from / (used in) operating activities (item 1.9 above)	30	(1317)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>288</b>	<b>288</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	288	258
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>288</b>	<b>258</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

128

Directors' fees and salaries.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

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## Mining exploration entity and oil and gas exploration entity quarterly report

**8. Financing facilities available**

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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<b>9. Estimated cash outflows for next quarter*</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	125
9.5 Administration and corporate costs	145
9.6 Other (provide details if material):	
Costs related to Polar Sapphire transaction and associated activities (non-recurrent costs)	314
Gold asset sale transaction costs (non-recurrent costs)	60
<b>9.7 Total estimated cash outflows</b>	<b>644</b>

\* Please note that the above estimated cash outflows for the next quarter do not include expected cash inflows which may arise.

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 30 April 2019  
(Director/~~Company secretary~~)

Print name: .....Martin McFarlane.....

### **Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.