

23 May 2019

Todd Lewis
Adviser, Listings Compliance (Melbourne)
ASX Compliance Pty Limited
Level 4
North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

Dear Todd,

PURE ALUMINA LIMITED – RESPONSE TO ASX AWARE LETTER

We refer to your letter dated 17 May 2019 (**ASX Letter**) and respond to your questions below. Unless otherwise stated, capitalised terms used in this letter have the same meaning as in the ASX Letter.

1. Please immediately confirm that PUA is in compliance with the Listing Rules and, in particular, Listing Rule 3.1. In responding to this question, you should have regard to PUA's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8.

PUA confirms that it was in compliance with the ASX Listing Rules, in particular ASX Listing Rule 3.1, at the time of making the 9 May 2019 announcement entitled "Polar Sapphire HPA Shipment update".

PUA confirms that it remains in compliance with the ASX Listing Rules, in particular ASX Listing Rule 3.1, while also acknowledging that additional material has been provided to ASX for review and subsequent release. This additional material relates to the provision of further information to the 9 May 2019 announcement and a draft investor roadshow presentation.

PUA's primary motivation behind the release of the 9 May 2019 announcement was to advise that Polar had produced commercial quantities of HPA to verify the validity of Polar's proprietary process as previously disclosed.

PUA does not consider the sale volume of HPA referred to in the 9 May 2019 announcement to be material in the context of previously disclosed Polar operational objectives for the establishment of a 1,000tpa HPA processing plant upon completion of the proposed Acquisition.

2. Please provide details of any material conditions that need to be satisfied before the Acquisition becomes legally binding or proceeds to completion.

The proposed Acquisition of Polar is subject to the following material conditions precedent:

(a) PUA and Polar completing financial, legal and technical due diligence;



PURE ALUMINA LIMITED

Registered Office
Level 4, 100 Albert Road
South Melbourne, Vic, 3205

Website: www.purealumina.com.au
Email: admin@purealumina.com.au

- (b) PUA executing a binding agreement setting out the terms of the proposed sale of PUA's gold assets;
- (c) PUA and Polar completing a capital raising to raise a minimum AUD\$30,000,000 (**Capital Raising**);
- (d) PUA and Polar obtaining all necessary shareholder, regulatory, governmental and other approvals required to complete the Acquisition; and
- (e) there being no material adverse change to Polar or PUA (and their respective operations).

As at the date of this letter, both PUA and Polar have completed the necessary financial, legal and technical due diligence and are awaiting final issue of reports. No material issues have been identified.

Pure Alumina and its mandated advisor recently reviewed four (4) indicative offers for its gold assets at Hill End, with the result that two of the interested parties have been invited to participate in detailed due diligence.

PUA has appointed Patersons Securities Limited and Fraser Mackenzie Merchant Capital as lead advisors to the Capital Raising. It is PUA's intention to conduct an investor roadshow in the coming 4-6 weeks which will assist the parties determine the terms of the equity component of the Capital Raising. PUA will consider providing existing shareholders with the opportunity to participate in the Capital Raising.

PUA has commenced preparing a notice of meeting (**Notice of Meeting**) pursuant to which the requisite shareholder approvals required to complete the proposed Acquisition will be sought, including amongst other things, approval pursuant to ASX Listing Rule 11.1.2.

PUA acknowledges that ASX's request for Polar to release confidential customer information (as provided in response to questions 3 below) may have a material adverse change on Polar and its operations and therefore constitute a material adverse change under conditions precedent (e) above.

Currently, the conditions precedent are required to be satisfied by 30 June 2019 or such later date as may be agreed. PUA is in discussions with the relevant Polar counterparties with a view to extending this date.

PUA anticipates providing further updates on the status of these conditions as required.

3. Please provide the names and terms of who the high purity alumina sales have been entered with.

A table summarising key terms of the sales arrangements is set out in Annexure 'A' to this letter. The total value of the HPA sales noted in the 9 May 2019 announcement was not greater than US\$78,500.

4. Please provide details of the counterparties to the Acquisition.

Details of the counterparties to the Acquisition are set out in Annexure 'B' to this letter.

5. Please provide details of whether any shareholder approval for the Acquisition will first be obtained the timetable for seeking any such approval.

As noted above, PUA has commenced preparing the **Notice of Meeting** pursuant to which the requisite shareholder approvals required to complete the proposed Acquisition will be sought, including amongst other things, approval pursuant to ASX Listing Rule 11.1.2. The Shareholder approval process remains consistent with the process first outlined in PUA's announcement dated 21 March 2019 entitled "Polar Sapphire Acquisition".

The **Notice of Meeting** will be finalised once the details of the Capital Raising are confirmed, including the terms of the equity component of the Capital Raising. As noted above, PUA has appointed Patersons Securities Limited and Fraser Mackenzie Merchant Capital to act as lead advisers to the Capital Raising.

The Notice of Meeting will be provided to PUA shareholders once finalised and approved by the ASX. PUA anticipates that the Acquisition is expected to be completed in the 3rd quarter of 2019.

6. Please provide information about the likely effect of the Acquisition on PUA's total assets, total equity interests, annual revenue, annual expenditure and annual profit before tax and extraordinary items.

Details of the likely effect of the proposed Acquisition (including the basis of preparation of the table showing these effects) on PUA's total assets, total equity interests, annual revenue, annual expenditure and annual profit before tax are set out in Annexure 'C'.

It is noted that the likely effect of the proposed Acquisition on PUA's capital structure will not be known with certainty until details of the Capital Raising have been confirmed. The consideration payable by PUA to the Vendors comprises a cash payment of CAD\$12,000,000 and the greater of:

- 169,000,000 fully paid ordinary shares in the capital of PUA (**Shares**); and
- that number of Shares calculated as follows:

Total Consideration Shares	=	<div style="text-align: right;">CAD\$13,750,000 converted to AUD at the exchange rate on the date of the completion of the Capital Raising</div> <hr/> <div style="text-align: right;">The issue price of Shares offered by PUA under the Capital Raising</div>
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7. Please set out whether any changes to the board or senior management of PUA are proposed as a consequence of the Acquisition and the detail of those changes.

Currently, it is proposed that the following changes to the board of PUA (**Board**) would be made as a result of the proposed Acquisition:

- (a) Mr Ernest Eadie will remain Chairman of the Board;
- (b) Mr Martin McFarlane will step down as Managing Director but remain a member of the Board;
- (c) Mr Robert Boston will remain a member of the Board;
- (d) Mr David Leavy will step down from the Board but will be appointed Vice President Commercial;
- (e) Mr Scott Nichol will be appointed as Managing Director and be elected to the Board;

(f) Mr Wayne Maddever will be elected to the Board; and

(g) Mr Tom Rand will be elected to the Board.

Details of the proposed changes to the Board or senior management of PUA remains consistent with the details outlined in PUA's announcement dated 21 March 2019 entitled "Polar Sapphire Acquisition". Further details of the proposed changes to the Board and senior management of PUA (including the personal backgrounds of the proposed appointees) will be provided in the Notice of Meeting to PUA shareholders.

8. Please confirm that PUA's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PUA with delegated authority from the board to respond to ASX on disclosure matters.

The responses provided in this letter have been authorised by the Board of Pure Alumina Limited.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Martin McFarlane', written in a cursive style.

Martin McFarlane
Managing Director
Pure Alumina Limited

ANNEXURE 'A'

Summary details of Polar's recent sale arrangements

Customer name	Customer Use	Product	Quantity Ordered	Final price after incentives USD/KG	Terms
Monocrystal PLC	Sapphire manufacturer	5N HPA pellets	7 metric tonnes	\$7.50	100% within 30 calendars days after shipment. FCA Toronto. Customer has right to submit quantity and quality claims within 45 days.
Ebner Industrieofenbau	Sapphire furnace manufacturer	5N HPA pellets	1 metric tonne	\$14	Net 30, EXW Canada.
B Crystal Corp	Sapphire manufacturer	5N HPA pellets	1 metric tonne	\$12	Net 30 from arrival, shipping paid by customer.

ANNEXURE 'B'

Parties to the Binding Acquisition Agreement

PURE ALUMINA LIMITED (ACN 072 692 365) of Level 4, 100 Albert Road, South Melbourne, VIC, Australia, 3205;

and

THE PERSONS SET OUT IN THE TABLE BELOW (**Vendors**);

Mr Scott Nichol
Mr Daniel Smith
Yiyi Ventures Limited Partnership
MaRS Cleantech Fund I (Bermuda) L.P.
MaRS Cleantech Fund I L.P.
MaRs Investment Accelerator Fund Inc.
Arctern SPV VI, L.P.
Mr Thomas Lightburn
Sustainable Chemistry Alliance

and

POLAR SAPPHIRE LTD (a private company incorporated in the province of Ontario, Canada) of 6074 Shawson Drive, Mississauga, ON, Canada.

ANNEXURE 'C'

Details of the likely effect of the proposed Acquisition on PUA's total assets, total equity interests, annual revenue, annual expenditure and annual profit before tax and extraordinary items.

Particulars	Prior to proposed Acquisition – Position of PUA as stated in latest published, consolidated financial statements	Post proposed Acquisition – Pro forma	Percentage change due to proposed Acquisition
Total Consolidated Assets (\$)	10,728,000 ¹	55,370,364 ⁴	416.13%
Total Equity (\$)	10,237,000 ¹	53,263,265 ⁴	420.30%
Annual Revenue (\$)	52,395 ²	524,787 ⁴	901.60%
Annual Expenditure (\$)	1,852,015 ²	3,582,909 ⁴	93.46%
Annual Profit/(loss) (before tax and extraordinary items) (\$)	(1,778,892) ²	(3,037,374) ⁴	70.75%
Total Shares	171,090,933	1,016,876,310 ^{5, 6}	494.35%
Total Options	71,400,000 ³	184,607,547 ⁷	158.55%

Notes:

- Assets and equity of PUA as stated in its most recently published consolidated financial statements (Consolidated Half Year Report – 31 December 2018 lodged with ASX on 8 March 2019).
- Annual revenue, expenditure and loss before tax and extraordinary items amounts for 12 months ended 31 December 2018, derived from published financial statements as follows:
 - Consolidated Half Year Report – 31 December 2018, lodged with ASX on 8 March 2019;
 - Consolidated Annual Report – 30 June 2018, lodged with ASX on 31 August 2018; and
 - Consolidated Half Year Report – 31 December 2017, lodged with ASX on 16 March 2018.

For the purposes of these figures "extraordinary" items comprise expenses recognised for impairment of gold assets classified as held for sale and other material non-recurrent items.

- Comprising:
 - 42,200,000 listed options (PUAOC) exercisable at \$0.075 on or before 30 July 2020.
 - 2,600,000 unlisted options exercisable at \$0.075 on or before 30 July 2020.
 - 26,600,000 unlisted options exercisable at \$0.20 on or before 30 July 2020.

4. Post-acquisition Pro-Forma figures are based on the following information and assumptions:
 - (a) PUA's consolidated assets, equity, revenue, expenditure and loss amounts as noted in Notes 1 and 2 above;
 - (b) Polar Sapphire's assets, equity, revenue, expenditure and loss amounts as per its reviewed accounts as at, and for the year ended, 31 December 2018;
 - (c) Assumed Capital Raising as per Note 5 below, less estimated costs of share issue; and
 - (d) Assumed acquisition of Polar Sapphire by PUA, as per section 6 of this document, and Note 6 below.
5. The Capital Raising may be a combination of the issue of new Shares and debt. If this occurs, the number of Shares issued as a result of the proposed Acquisition may be less than set out in this table. Assuming that the issued price of the Capital Raising Shares is AUD\$0.053 (based on PUA's closing Share price on Friday, 17 May 2019) and if the whole of the Capital Raising is conducted via the issue of new Shares, PUA would issue 566,037,736 Capital Raising Shares.
6. Assuming the issued price of the Capital Raising Shares is AUD\$0.053 (based on PUA's closing Share price on Friday, 17 May 2019) and an CAD/AUD exchange rate of 1.0783, PUA would issue 279,747,624 Consideration Shares.
7. PUA proposes to grant unlisted options to unrelated parties assisting with the proposed Capital Raising. The final quantity and terms and conditions of these options are yet to be finalised. PUA anticipates granting one (1) options for every five (5) Capital Raising Shares subscribed for and issued. Accordingly, assuming 566,037,736 Capital Raising Shares are issued (see note 5 above), PUA would grant 113,207,547 unlisted options.

17 May 2019

Mr Martin Mcfarlane
Managing Director
Pure Alumina Limited
Level 4, 100 Albert Road
MELBOURNE VICTORIA 3205

By email:

Dear Mr Mcfarlane

Pure Alumina Limited ('PUA'): Aware query

ASX refers to the following:

- A. PUA's announcement entitled "*Polar Sapphire ships commercial quantities of 99.999% HPA*" lodged on the ASX Market Announcements Platform and released at 12:49 PM on 9 May 2019, disclosing a production and commercial sales update for the Polar Sapphire acquisition ('Acquisition').
- B. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- C. Section 4.15 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* ('Guidance Note 8') which sets out the guidelines on the contents of announcements under Listing Rule 3.1.
- D. Section 4.20 of Guidance Note 8, which sets out ASX's views in relation to commercially sensitive information.
- E. Section 4.22 of Guidance Note 8, which states that:

"An entity must comply with its disclosure obligations under Listing Rule 3.1 and section 674, even where it is party to a confidentiality or non-disclosure agreement that might otherwise require it to keep information confidential."

Request for Information

Having regard to the above, ASX asks PUA to respond separately to each of the following questions and requests for information:

- 1. Please immediately confirm that PUA is in compliance with the Listing Rules and, in particular, Listing Rule 3.1. In responding to this question, you should have regard to PUA's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8.
- 2. Please provide details of any material conditions that need to be satisfied before the Acquisition becomes legally binding or proceeds to completion.
- 3. Please provide the names and terms of who the high purity alumina sales have been entered with.
- 4. Please provide details of the counterparties to the Acquisition.
- 5. Please provide details of whether any shareholder approval for the Acquisition will first be obtained the timetable for seeking any such approval.
- 6. Please provide information about the likely effect of the Acquisition on PUA's total assets, total equity interests, annual revenue, annual expenditure and annual profit before tax and extraordinary items.

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7. Please set out whether any changes to the board or senior management of PUA are proposed as a consequence of the Acquisition and the detail of those changes.
 8. Please confirm that PUA's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PUA with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than 9:30 AM **AEST Monday, 20 May 2019**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PUA's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PUA to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to PUA's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. It should be noted that PUA's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in PUA's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Todd Lewis
Adviser, Listings Compliance (Melbourne)