

Pure Alumina Limited

ABN 74 072 692 365

Consolidated Half Year Report - 31 December 2019

Pure Alumina Limited

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31 December 2019

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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 11 March 2020.

Pure Alumina Limited
Corporate directory
31 December 2019

Directors	Ernest Thomas Eadie 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	www.purealumina.com.au

Pure Alumina Limited
Directors' report
31 December 2019

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 2019.

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
David Leavy
Robert Boston
Martin McFarlane (resigned 24 December 2019)

Principal activities

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

- Marketing and seeking to close the transaction with Polar Sapphire. This process was terminated on the 30th of September with the expiry of the acquisition agreement;
- Management and test work relating to its proposed high purity alumina project based on its Victorian kaolin deposit; and
- Review of the company's strategic direction and subsequent focus on gold and base metal projects.

Review of operations

The transaction to acquire Polar Sapphire expired on 30th September 2019. While the board has a favourable view for the outlook of the HPA market the decision to place the Yendon HPA project on hold and focus on the company's Hill End gold project and commenced a search for additional acquisitions.

The Yendon HPA project was kept on hold during the Polar acquisition process. Following the end of this process it was decided that the best way to generate returns for shareholders was to focus on gold and base metal projects. The strategy has 2 focuses:

- Hill End Gold Project – the initial focus is to update the JORC Resource to the current 2012 guidelines based on the current data. Once we receive this, we will decide on the most appropriate activities to maximise the value of the project for shareholders;
- We will continue to review investment opportunities in gold and base metal projects that have the potential to be value accretive.

The Yendon HPA project will be kept in good standing to provide optionality to the lithium battery market that is expected to see extraordinary growth driven by the electric vehicle market.

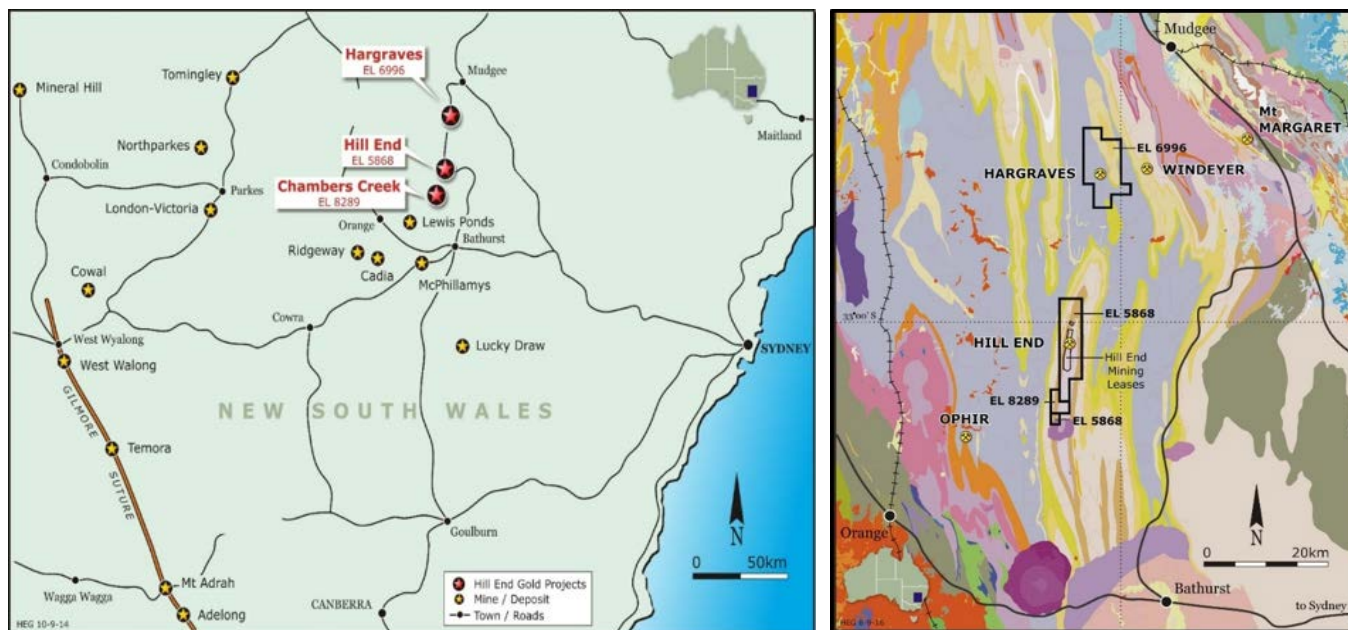
Corporate

On 30 September 2019 the acquisition agreement with Polar Sapphire expired, requiring the Company to review its strategic alternatives. The board took into account the outlook for many of the commodity markets and the key drivers behind each of them. The global geopolitical uncertainties and investor demand made gold an obvious choice. The outlook for commodities used in the electric vehicle revolution also have very favourable outlooks and so copper and nickel projects are of interest.

The sale process for the Hill End gold project was also terminated to allow a full review of the data to take place and its value to be maximised.

On 24 December 2019, Pure Alumina's Managing Director, Martin McFarlane, stepped down from his role with the company. Mr McFarlane's guidance of the company over the previous 2 years delivered a very successful PFS on the Yendon HPA (High Purity Alumina) project and an opportunity to acquire a unique and significantly less capital intensive technology for the production of HPA. While the PFS for Yendon was successful both technically and financially, the capital cost of construction, commissioning and working capital for the HPA facility is a significant hurdle to its development, and the demand for battery materials was significantly impacted by the price drop in lithium over the fund raising period for the proposed Polar Sapphire acquisition. The company would like to acknowledge the significant contribution made by Mr McFarlane over his tenure.

Hill End Gold Project



The Hill End gold project comprises the Hill End, Chambers Creek and Hargravesh tenements. The area was the site of one of the first gold rushes in Australia. It has had a number of mining phases over its life, although there hasn't been a significant modern exploration program prior to the current ownership.

There have been historical JORC Resource reviews carried out on Hargravesh and Hill End, as well as several economic studies into the development options. As the Resources and studies are significantly out of date, it would be potentially misleading to quote them. The Resource statement is currently being reassessed to be compliant with JORC 2012 and completion of this this is expected in April 2020. Once the Company has the updated resource information, the best path to maximise value for shareholders will be assessed.

Tenement schedule as at 31 December 2019:

Lease	Project	Managing Company	Lease Type	Lease Status	Grant Date	Expiry Date
EL 5868	HILL END	PUA	Exploration Licence	Renewal Pending	18/06/2001	18/06/2019*
EL 6996	HARGRAVES	PUA	Exploration Licence	Renewal Pending	21/12/2007	21/12/2019#
EL 8289	CHAMBERS CREEK	PUA	Exploration Licence	Current	20/08/2014	20/08/2020
GL 5846	HILL END	PUA	Gold Lease	Current	15/02/1968	07/12/2024
ML 49	HILL END	PUA	Mining Lease	Current	30/07/1975	07/12/2024
ML 50	HILL END	PUA	Mining Lease	Current	30/07/1975	07/12/2024
ML 315	HILL END	PUA	Mining Lease	Current	08/12/1976	07/12/2024
ML 316	HILL END	PUA	Mining Lease	Current	08/12/1976	07/12/2024
ML 317	HILL END	PUA	Mining Lease	Current	08/12/1976	07/12/2024
ML 913	HILL END	PUA	Mining Lease	Current	20/01/1981	19/01/2023
ML 914	HILL END	PUA	Mining Lease	Current	20/01/1981	19/01/2023
ML 915	HILL END	PUA	Mining Lease	Current	04/02/1981	03/02/2023
ML 1116	HILL END	PUA	Mining Lease	Current	28/03/1984	16/10/2024
ML 1541	HILL END	PUA	Mining Lease	Current	17/10/2003	16/10/2024

* - Application lodged 14 June 2019; renewal in progress
- Two-year extension granted 3 March 2020

High Purity Alumina Project

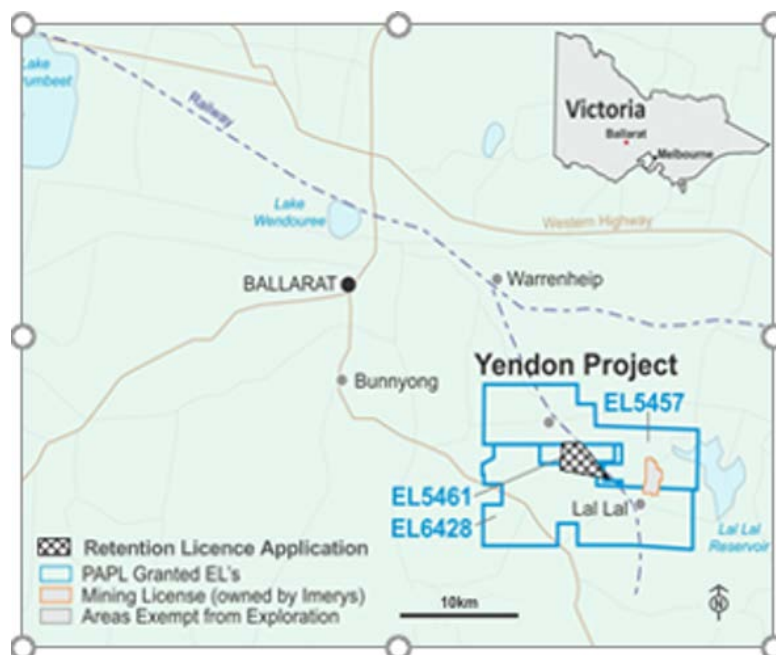


Figure 1: Yendon HPA Project location near Ballarat, Victoria

The Yendon HPA project has been placed on hold for the foreseeable future. While the project is technically and financially very sound, there is currently no clear path to fund the capital cost. During the half year ended 31 December 2019, the consolidated entity decided to surrender EL6447 (Pittong tenement) to reduce the project's holding costs. All of the remaining resource for the Yendon HPA Project is located on EL5457, EL5461 and EL6428, so the project is not impacted by this reduction on tenement holding.

A retention licence application has been made over the Resource area in the hatched area on Figure 1, above.

Financial performance

The loss for the consolidated entity after providing for income tax for the half year ended 31 December 2019 was \$2,392,459 (31 December 2018: \$4,384,645).

A significant amount of this loss was attributable to a loss of \$1,402,398 (31 December 2018: \$Nil) recognised in relation to the consolidated entity's decision to surrender its kaolin tenement at Pittong, Victoria.

A significant amount of the loss for the comparative period ended 31 December 2018 was attributable to an impairment loss of \$3,000,000 recognised in relation to the consolidated entity's gold assets. That impairment was made following an assessment at the time by the Board of the gold assets' fair value.

Other expenses for the current period were approximately \$153,000, compared to \$215,000 for the corresponding period. The decrease in these expenses reflects lower holding and maintenance costs relating to the gold tenement assets. Administration costs for the current period were approximately \$836,000, compared to \$1,185,000 for the corresponding period. The decrease in these expenses mainly reflects share based payments expensed during the comparative period, which did not recur in the current period, as well as a reduction in administrative costs relating to the HPA project.

Pure Alumina Limited
Directors' report
31 December 2019

Financial position

The net assets of the consolidated entity reduced by \$2,392,459 to \$7,414,850 at 31 December 2019 (30 June 2019: \$9,807,309) primarily as a consequence of the loss after income tax for the period, which is also reflected in the reduction of its cash balance.

Non-current assets related to the consolidated entity's gold projects with a value of \$5,606,750 were re-classified from current assets to non-current assets following the Company's decision to discontinue the proposed sale of those assets. Non-current liabilities of \$286,029 associated with those assets were similarly re-classified from current liabilities to non-current liabilities.

The reduction in the balance of the consolidated entity's High Purity Alumina project of approximately \$1.4 million in the half year ended 31 December 2019 was due to the consolidated entity's decision to surrender its kaolin tenement at Pittong, Victoria.

The working capital position of the consolidated entity as at 31 December 2019 resulted in an excess of current assets over current liabilities of \$379,852, compared to \$1,408,407 at 30 June 2019 (excluding the value of held for sale gold assets and associated liabilities, which were re-classified from current to non-current following the Company's decision to discontinue the proposed sale of those assets), with the reduction being due mainly to the reduction of the cash balance referred to above.

Significant changes in the state of affairs

On 30 September 2019 the Company announced that the agreement to acquire Canadian private company Polar Sapphire Limited (Polar Sapphire) would expire on that date, which terminated the proposed Polar Sapphire acquisition, and that the Company would review its direction, including the future of the Hill End / Hargraves gold assets and the Yendon high purity alumina project.

On 4 October 2019 the Company announced that it had terminated the sale process for its Hill End-Hargraves gold assets and that it would review whether there was greater value for shareholders by retaining the gold project rather than divesting it, given that, since the sale process commenced, the Australian-dollar gold price had increased by more than 30 per cent.

On 29 October 2019 the Company announced that it had completed a review of the strategic direction of the Company, with the following outcomes:

- in light of higher gold prices, the Company would refocus on gold projects, including: generating a gold resource estimate at Hargraves, using predominantly existing information, that complied with current JORC reporting requirements; contemplate updating historic economic studies for Hargraves; review the exploration potential for Hargraves and Hill End; assess other gold assets; and
- place the development of the Yendon high purity alumina project on hold until market conditions improved, or consider alternative options for the future of the Yendon assets.

On 24 December 2019, the Company's Managing Director, Martin McFarlane, resigned. Executive Director Mr David Leavy has been appointed as interim Managing Director.

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 2019 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.

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.

Pure Alumina Limited
Directors' report
31 December 2019

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

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

Tom Eadie
Chairman

11 March 2020

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 2019, 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 11th day of March 2020

Pure Alumina Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 December 2019	31 December 2018
		\$	\$
Revenue		-	5,800
Interest revenue		395	9,136
Expenses			
Other expenses	3	(152,806)	(214,756)
Impairment of assets	4	-	(3,000,000)
Loss on surrender of tenement	6	(1,402,398)	-
Administration		(836,745)	(1,184,823)
Finance costs		(905)	(2)
Loss before income tax expense		<u>(2,392,459)</u>	<u>(4,384,645)</u>
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Pure Alumina Limited		<u>(2,392,459)</u>	<u>(4,384,645)</u>
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Pure Alumina Limited		<u><u>(2,392,459)</u></u>	<u><u>(4,384,645)</u></u>
		Dollars	Dollars
Basic earnings per share	12	(1.08)	(2.83)
Diluted earnings per share	12	(1.08)	(2.83)

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

Pure Alumina Limited
Statement of financial position
As at 31 December 2019

		Consolidated	
	Note	31 December	30 June 2019
		2019	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		535,121	1,359,551
Trade and other receivables		58,070	313,548
		<u>593,191</u>	<u>1,673,099</u>
Non-current assets classified as held for sale	4	-	5,606,750
Total current assets		<u>593,191</u>	<u>7,279,849</u>
Non-current assets			
Other financial assets		636,750	30,000
Property, plant and equipment	5	162,435	815
Right-of-use assets		24,098	-
Exploration and evaluation	6	6,507,109	3,055,670
Total non-current assets		<u>7,330,392</u>	<u>3,086,485</u>
Total assets		<u>7,923,583</u>	<u>10,366,334</u>
Liabilities			
Current liabilities			
Trade and other payables	7	166,904	221,028
Lease liabilities		24,730	-
Employee benefits		21,705	43,664
		<u>213,339</u>	<u>264,692</u>
Liabilities directly associated with assets classified as held for sale		-	286,029
Total current liabilities		<u>213,339</u>	<u>550,721</u>
Non-current liabilities			
Employee benefits		5,008	8,304
Other	8	290,386	-
Total non-current liabilities		<u>295,394</u>	<u>8,304</u>
Total liabilities		<u>508,733</u>	<u>559,025</u>
Net assets		<u>7,414,850</u>	<u>9,807,309</u>
Equity			
Issued capital	9	84,672,745	84,672,745
Reserves		200,848	200,848
Accumulated losses		<u>(77,458,743)</u>	<u>(75,066,284)</u>
Total equity		<u>7,414,850</u>	<u>9,807,309</u>

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

Pure Alumina Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	81,579,000	85,000	(68,640,000)	13,024,000
Loss after income tax expense for the half-year	-	-	(4,384,645)	(4,384,645)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,384,645)	(4,384,645)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 13)	198,000	-	-	198,000
Shares issued to HPA project vendors (note 7)	1,400,000	-	-	1,400,000
Balance at 31 December 2018	<u>83,177,000</u>	<u>85,000</u>	<u>(73,024,645)</u>	<u>10,237,355</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	84,672,745	200,848	(75,066,284)	9,807,309
Loss after income tax expense for the half-year	-	-	(2,392,459)	(2,392,459)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,392,459)	(2,392,459)
Balance at 31 December 2019	<u>84,672,745</u>	<u>200,848</u>	<u>(77,458,743)</u>	<u>7,414,850</u>

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

Pure Alumina Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Consolidated	
	31 December	31 December
Note	2019	2018
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,070,819)	(1,219,731)
Interest received	395	9,136
Other revenue	2,935	6,380
Interest and other finance costs paid	(905)	(2)
	<u>(1,068,394)</u>	<u>(1,204,217)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for exploration and evaluation	(32,209)	(142,901)
Proceeds from disposal of property	290,000	-
	<u>257,791</u>	<u>(142,901)</u>
Net cash from/(used in) investing activities		
Cash flows from financing activities		
Payment of lease liabilities	(13,827)	-
	<u>(13,827)</u>	<u>-</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(824,430)	(1,347,118)
Cash and cash equivalents at the beginning of the financial half-year	1,359,551	1,604,922
	<u>535,121</u>	<u>257,804</u>
Cash and cash equivalents at the end of the financial half-year		

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 2019 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 2019 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:

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

- right of use assets of \$38,557 were recognised upon adoption;
- lease liabilities of \$38,557 were recognised upon adoption;
- there was no amendment to opening accumulated losses upon adoption;
- during the half year ended 31 December 2019, lease payments of \$14,732 were allocated to lease liability payments (\$13,827) and interest expense (\$905);
- during the half year ended 31 December 2019, right of use assets depreciation of \$14,459 was recognised.

	Consolidated 31 December 2019 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	40,089
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5.5% (AASB 16)	(1,532)
	<u>38,557</u>
Lease liabilities - current (AASB 16)	(28,529)
Lease liabilities - non-current (AASB 16)	(10,028)
	<u>(38,557)</u>
Impact on opening accumulated losses as at 1 July 2019	<u><u>-</u></u>

Note 1. Significant accounting policies (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 2019 was \$535,121 (30 June 2019: \$1,359,551).

The consolidated entity made a loss after tax of \$2,392,459 during the half year ended 31 December 2019 (2018: loss of \$4,384,645) and the net cash used in operating activities was \$1,068,394 (2018: \$1,204,217 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:

- during the first the consolidated entity expects to receive a cash payment for its R&D tax rebate claim relating to FY2019;
- 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 Group is unable to achieve the actions noted above, the Group 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.

Pure Alumina Limited
Notes to the financial statements
31 December 2019

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

	Consolidated	
	31 December	31 December
	2019	2018
	\$	\$
Depreciation	31,211	21,048
Hill End site expenses	121,595	193,708
	<u>152,806</u>	<u>214,756</u>

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

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Exploration property - gold assets	-	4,821,628
Performance guarantee bonds	-	606,750
Exploration property - plant & equipment	-	63,764
Exploration property - real property	-	114,608
	<u>-</u>	<u>5,606,750</u>

During the year ended 30 June 2019 the Company was undertaking 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 30 June 2019 and the gold assets were at that time classified as current assets.

During the half year ended 31 December 2019 the Company terminated the sale process for the gold assets as part of a strategic corporate review. As a result these assets were re-classified as non-current assets at 31 December 2019.

The Company reviewed the carrying value of the gold assets during the half year ended 31 December 2018 resulting in the recognition of an impairment loss of \$3,000,000 during that period.

Pure Alumina Limited
Notes to the financial statements
31 December 2019

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

	Consolidated	
	31 December	
	2019	30 June 2019
	\$	\$
Land - at cost	114,608	114,608
Less: Reallocation to available-for-sale assets	-	(114,608)
	<u>114,608</u>	<u>-</u>
Plant and equipment - at cost	2,129,352	2,129,352
Less: Accumulated depreciation	(2,081,525)	(2,065,590)
Less: Reallocation to available-for-sale assets	-	(62,947)
	<u>47,827</u>	<u>815</u>
Motor vehicles - at cost	46,783	46,783
Less: Accumulated depreciation	(46,783)	(45,966)
Less: Reallocation to available-for-sale assets	-	(817)
	<u>-</u>	<u>-</u>
	<u>162,435</u>	<u>815</u>

During the year ended 30 June 2019 the Company was undertaking 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 30 June 2019 and the gold assets were at that time classified as current assets.

During the half year ended 31 December 2019 the Company terminated the sale process for the gold assets as part of a strategic corporate review. As a result, property, plant and equipment previously included in gold assets have been re-classified during this period, and remain classified as non-current property, plant and equipment assets at 31 December 2019.

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	
	2019	30 June 2019
	\$	\$
Exploration and evaluation - Gold assets - at cost	39,920,143	39,920,143
Less: Impairment	(35,098,515)	(35,098,515)
Less: Reallocation to available-for-sale assets	-	(4,821,628)
	<u>4,821,628</u>	<u>-</u>
Exploration and evaluation - High Purity Alumina project - at cost	<u>1,685,481</u>	<u>3,055,670</u>
	<u>6,507,109</u>	<u>3,055,670</u>

Pure Alumina Limited
Notes to the financial statements
31 December 2019

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:

Consolidated	High Purity Alumina project \$	Gold tenements \$
Balance at 1 July 2019	3,055,670	-
Additions	32,209	-
Re-classified from held-for-sale assets* (note 4)	-	4,821,628
Write off tenement costs on surrender of tenement**	<u>(1,402,398)</u>	<u>-</u>
Balance at 31 December 2019	<u><u>1,685,481</u></u>	<u><u>4,821,628</u></u>

* During the year ended 30 June 2019 the Company was undertaking 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 30 June 2019 and the gold assets were at that time classified as current assets.

During the half year ended 31 December 2019 the Company terminated the sale process for the gold assets as part of a strategic corporate review. As a result these assets were re-classified as non-current assets at 31 December 2019.

** During the half year ended 31 December 2019 the consolidated entity made the decision to surrender its tenement at Pittong, Victoria, which formed part of the High Purity Alumina project. Accordingly, the costs attributable to that tenement have been written off and a loss of \$1,402,398 (31 December 2018: \$Nil) has been recognised in relation to the surrender of the tenement.

Note 7. Current liabilities - trade and other payables

	Consolidated	
	31 December	
	2019	30 June 2019
	\$	\$
Trade payables	88,883	197,790
Other payables	<u>78,021</u>	<u>23,238</u>
	<u><u>166,904</u></u>	<u><u>221,028</u></u>

Note 8. Non-current liabilities - other

	Consolidated	
	31 December	
	2019	30 June 2019
	\$	\$
Provision for site rehabilitation	<u>290,386</u>	<u>-</u>

During the year ended 30 June 2019 the Company was undertaking 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 30 June 2019 and the gold assets were at that time classified as current assets. Accordingly, the Provision for site rehabilitation relating to the gold assets was classified as a current liability at that time.

During the half year ended 31 December 2019 the Company terminated the sale process for the gold assets as part of a strategic corporate review. As a result, those assets were re-classified as non-current assets at 31 December 2019 and, accordingly, the Provision for site rehabilitation relating to the gold assets has been re-classified as a non-current liability at 31 December 2019.

Note 9. Equity - issued capital

	Consolidated			
	31 December	30 June 2019	31 December	30 June 2019
	2019		2019	
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>221,760,824</u>	<u>221,760,824</u>	<u>84,672,745</u>	<u>84,672,745</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
Notes to the financial statements
31 December 2019

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 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. Earnings per share

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Loss after income tax attributable to the owners of Pure Alumina Limited	<u>(2,392,459)</u>	<u>(4,384,645)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>221,760,824</u>	<u>154,930,607</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>221,760,824</u>	<u>154,930,607</u>
	Dollars	Dollars
Basic earnings per share	(1.08)	(2.83)
Diluted earnings per share	(1.08)	(2.83)

Note 13. 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 2019 no share-based payments were made by the Company.

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.

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Shares issued to directors as remuneration	-	168,000
Shares issued to consultants as remuneration	-	30,000
	<u>-</u>	<u>198,000</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 during the period ended 31 December 2018.

Pure Alumina Limited
Directors' declaration
31 December 2019

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 2019 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



Tom Eadie
Chairman

11 March 2020

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 2019, 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 2019 and of its performance for the half-year ended on that date; and
- (i) 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 operating loss before taxation of \$2,392,459 (2018: \$4,384,645) during the half year ended 31 December 2019. 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 2019 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.

Moyes Yong + Co Partnership
ABN 36 528 219 967
Suite 1301, Level 13
115 Pitt Street
Sydney NSW 2000
GPO Box 4393,
Sydney NSW 2001
T: (02) 8256 1100
F: (02) 8256 1111
info@moyesyong.com.au



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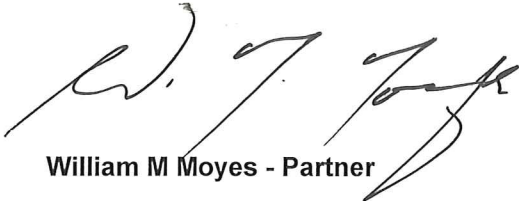
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Tax agent
72890009

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 11th day of March 2020

