

**ALCORE** Limited  
ACN 626 023 078

Advanced aluminium technology

**ALCORE LIMITED**  
**ANNUAL REPORT 2019**

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## CORPORATE DIRECTORY

### **Alcore Limited**

ACN 626 023 078  
ABN 53 626 023 078

### **Registered and Corporate Office**

Level 5, 52 Phillip Street  
Sydney NSW 2000  
Telephone: +61 2 9251 7177  
Fax: +61 2 9251 7500  
Email: [corporate@australianbauxite.com.au](mailto:corporate@australianbauxite.com.au)  
Website: [www.australianbauxite.com.au](http://www.australianbauxite.com.au)

### **Auditor**

K.S. Black & Co  
Level 1, 251 Elizabeth Street  
Sydney NSW 2000  
Telephone: +61 2 8839 3000

### **Bankers**

Australia & New Zealand Banking Group Limited  
20 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9227 1818

### **Directors**

Paul Lennon  
Ian Levy  
Rex Adams  
Derek Sinclair Firth

### **Company Secretary**

Henry Kinstlinger

### **Share Registry**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000, Australia  
Telephone: 1300 327 328 or +61 2 8234 5000

Alcore Limited is a company limited by shares, incorporated and domiciled in Australia.

## REVIEW OF OPERATIONS

This Review of Operations covers the 12 month period to 31 December 2019.

Alcore Limited (**Alcore or the Company**) is a high technology research company. It is a public company, with 90% of its issued shares owned by Australian Bauxite Limited (**ABx**) which is listed on the Australian Securities Exchange. ABx currently holds bauxite tenements in Queensland, Tasmania and NSW covering 700 km<sup>2</sup> and operates its Bald Hill bauxite quarrying project at Campbell Town in northern Tasmania. ABx's bauxite is gibbsite trihydrate (**THA**) bauxite that can be processed into alumina at low temperature. It is a bauxite free of quartz, alkalis and base metals. ABx's bauxite can be beneficiated into high value products via the new technology being developed by Alcore.

Alcore operates its Research Centre on the Central Coast of New South Wales where it has completed test work of the chemical refining of aluminium-rich raw materials into Aluminium Fluoride (**AlF<sub>3</sub>**), a high-priced ingredient used in aluminium smelters and lithium-ion batteries. Alcore's results have exceeded expectations and a production strategy is in process. Alcore has global exclusive rights to the aluminium-related portion of Core Technology (Patent Application) for its technology to refine raw bauxite to produce AlF<sub>3</sub> and other valuable co-products including the Corethane gas substitute. Global demand for AlF<sub>3</sub> is increasing strongly as aluminium production increases and will grow rapidly when use of AlF<sub>3</sub> in lithium-ion and new technology batteries increases.

### Corporate

During the year, the Company issued a further 590,000 convertible notes to seed capital investors. During the year, all convertible notes were converted into shares. Accordingly, the Company issued 6.277 million new shares to the convertible note holders who provided the seed capital funding for the construction of the Berkeley Vale Research laboratory. The total number of shares on issue 66,851,767.

### Operations and Exploration

#### Bauxite Refining Technology

Alcore has appointed Dr Mark Cooksey as General Manager, to oversee the transition from research to a design and development project and also appointed engineers, Clough Projects Australia Pty Limited, to design and construct the lowest risk, most economically attractive Alcore production plant.

Alcore is developing the aluminium-related portion of the patent application CORE Technology. Alcore plans to commence commercial production by processing by-products and waste from aluminium smelters and converting them into AlF<sub>3</sub> which can be sold back to the smelters. This "Refine & Recycle" strategy (see Figure 1) increases profitability of existing and new aluminium smelters and also helps clean-up sites for the closure of older smelters. Alcore can benefit throughout the life-cycles of smelters.

This strategy delivers low capital cost, short payback, highest profit and fastest growth of all alternatives. Production plants can be easily replicated adjacent to aluminium smelters globally that seek higher environmental credits for recycling by-products, reducing emissions, lowering costs and reducing their dependence on imported AlF<sub>3</sub> which is an essential electrolyte for the smelting of aluminium.

#### Low Cost

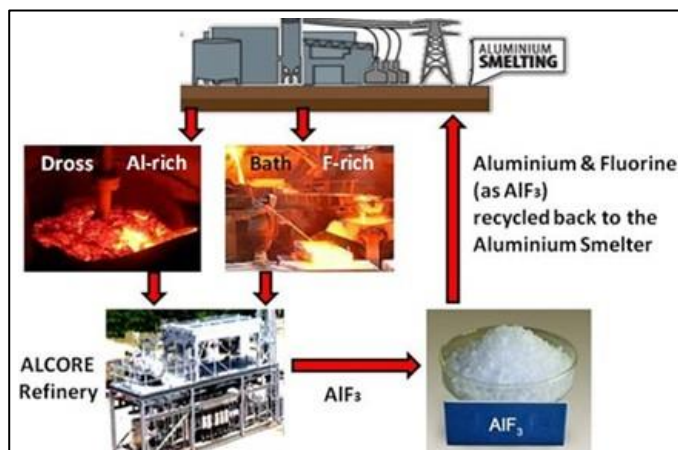
Alcore expects to obtain AlF<sub>3</sub> ingredients at significantly lower cost than its competitors, and create a "Refine & Recycle" service for smelters. Additional AlF<sub>3</sub> production will sell into well-established global markets.

## Inputs

AlF<sub>3</sub> production requires low-cost sources of **Aluminium** and **Fluorine** in approximately equal quantities.

**Aluminium source:** When aluminium is handled in aluminium smelter casthouses, a froth layer is cleaned-off which contains high levels of aluminium as metal and oxide. This smelter froth by-product is termed “dross” and is freely available. Alcore has already made AlF<sub>3</sub> product from this dross.

**Fluorine source:** There are fluorine-rich by-products building-up in modern smelters including “spent bath” which is excess “cryolite” electrode material that contains more than 50% fluorine. Alcore has recovered Fluorine from this spent bath.



**Figure 1: The Alcore Refine & Recycle Process**

## Robust Business Setting

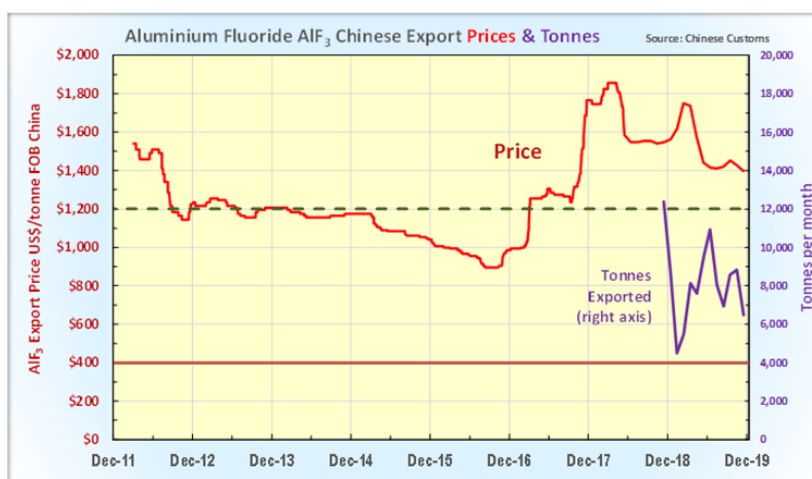
Alcore can succeed throughout the business cycle. When smelters close down, Alcore will profit from the clean-up for many years to clear the backlog of stored by-products that have accumulated over decades of smelting.

## Potential Economics

The proposed 10,000 tonnes per year AlF<sub>3</sub> “Refine & Recycle” modular plants are estimated to cost less than A\$15 million as they are relatively simple, low-cost units – ideal for the first production plant.

Operating costs for a full-process bauxite refinery were estimated at US\$400/tonne of AlF<sub>3</sub>. The Refine & Recycle operating costs should be considerably lower, making Alcore a lowest-quartile cost producer.

AlF<sub>3</sub> sale prices currently exceed US\$1,300 per tonne FOB China (see Figure 2), so a high operating margin is considered achievable for the first production plant.



**Figure 2: AlF<sub>3</sub> prices & tonnes**

Sold on an FOB basis to aluminium smelters in North America, India, Australasia, Middle East, Japan, Korea, SE Asia, Russia & Central Asia

Prices are reported daily.

Australasian smelters prefer to source from several suppliers.

Prices and tonnes from China fluctuate monthly, which is why smelters need to diversify supply of AlF<sub>3</sub>. The rise in

prices since mid-2016 is interpreted to be in response to increased demand from electric battery manufacturers.

## Strategic Partnership with Processing Company

Alcore commenced commercial discussions with a well-known private engineering group that provides specialist services to aluminium smelters world-wide. A subsidiary of the engineering company mechanically recovers large and medium sized particles of aluminium metal from dross for several smelters and Alcore wishes to chemically process the residual fines fractions of the dross to produce AlF<sub>3</sub> and thereby complete the Refine & Recycling of dross waste. A strategic partnership would provide a complete “Refine & Recycling” service for many aluminium smelters world-wide.

**Figure 3: the \$2.5m Alcore Laboratory**

Alcore operates a sophisticated laboratory in Berkeley Vale, Central Coast NSW.

It is uniquely licensed for high-technology chemical experiments, under strict safety and environmental control systems with qualified staff.

It has the capacity to deliver technical, strategic, environmental and economic outcomes not previously achievable using standard industry processes.

**Fig 4:** Preparation & Analytical Lab with XRF & furnaces**Fig 5:** Alcore test lab, fume cabinets, hi-tech scrubbers showers, microscopes & Draegar air monitor (far wall)

### Certifications

**Dross Refining:** Following laboratory trials on the refining of dross, Alcore received independent certification that the proposed chemical engineering process has produced  $AlF_3$  of composition consistent with commercial grades. This was a first for the global aluminium industry, enabling smelters to recycle their by-products.

**Corethane Production:** Following laboratory refining of a Hunter Valley coal with 28.5% ash, Alcore received independent certification that content was reduced to 0.3% ash. This 99.7% pure hydrocarbon is Corethane - a low cost, low emissions gas substitute fuel which will be demonstrated at the Alcore research centre to industrial customers seeking cheaper heat energy: **CORETHANE; As Clean as Gas, As Cheap as Coal.**

### Licences

Alcore holds licences for the following technologies from CORE Intelligence Australia Pty Ltd (**CIAPL**), the owner of the CORE Technologies (patent appln 2019904311), a subsidiary of Core Refining Limited (**CRL**):

**Worldwide:** Exclusive licence for the refining of bauxite, aluminium-rich materials and waste streams and coal for the production of CORETHANE as the energy source for Alcore's refining plants.

**Australia:** Non-exclusive licence for all CIAPL technologies (Mineral, Carbonaceous and Various Substances)

**Tasmania:** Exclusive licence for all CIAPL technologies (Mineral, Carbonaceous and Various Substances)

These licences open up innumerable commercial opportunities for Alcore in addition to the initial production focus of  $AlF_3$ .

### Appointments

**Clough Engineering:** Alcore appointed Clough Engineering to design and build the Alcore "Refine & Recycle" plants. Clough is Australia's oldest (100 years Oct 2019) large engineering company with extensive experience in designing and building complex oil and gas refineries. Clough was recently awarded the Australian Federal Government's \$5.14 billion Snowy 2.0 contract.

**Dr Mark Cooksey:** Alcore appointed Dr Mark Cooksey (ex Rio Tinto aluminium smelting, CSIRO Senior Principal Research Engineer) as General Manager for 6 months to work with the Alcore laboratory team and Clough on the chemical engineering processes and plant design.

## DIRECTOR'S REPORT

Your directors present their report together with the financial statements at the end of or during the year ended 31 December 2019.

**Principal activities** The principal continuing activities of the Company for the financial year were conducting research bauxite development programs in New South Wales.

**Consolidated results** The net loss of the company for the year ended 31 December 2019 was \$2.13 million. The loss arises largely from bauxite research activities during the year.  
Total Shareholders' Funds as at 31 December 2019 are \$0.17 million.  
Additional information on the operations of the Group is disclosed in the Review of Operations section of this report.

**Review of operations** Information on the operations and financial position of the Company and its business strategies and prospects are set out in the Review of Operations on page 3 to 5 of this Annual Report.

**Dividends** The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

**Directors** The following persons were directors of Alcore Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Paul A Lennon	Non-Executive Director	Appointed 13 <sup>th</sup> June 2018
Ian Levy	Executive Director	Appointed 25 <sup>th</sup> October 2019
Rex Adams	Non-Executive Director	Appointed 13 <sup>th</sup> June 2018
Derek Firth	Non Executive Director	Appointed 13 <sup>th</sup> June 2018

### Likely developments

Information on likely developments in the operations of the Company, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the Company.

### Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

### Significant changes in nature of activities

Please refer Review of Operations section for details.

**Matters subsequent to balance date**

At the date of this report, there are no other matters or circumstances which have arisen since 31 December 2019 that have significantly affected or may significantly affect:

- The operations in financial years subsequent to 31 December 2019 of the Company;
- The results of those operations; or
- The state of affairs in financial years subsequent to 31 December 2019 of the Company.

**Environmental regulations**

The Company is subject to significant environmental regulation in respect of its exploration activities as follows:

- The Company's operations in the State of NSW involve exploration activities including drilling. These operations are governed by the *Environment Planning and Assessment Act 1979*.
- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.
- The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.
- To the best of the directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

**Loans to Directors and Key Management Personnel**

There was no loan made to Directors or Specified Executives of the Company during the period commencing at the beginning of the financial year and up to the date of this report.

**Shares under option**

There was no unissued ordinary shares of Alcore Limited under option at the date of this report.

**Shares issued on the exercise of options**

No options were issued or exercised during the year.

**Proceedings on behalf of the Company**

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

**Auditor's independence declaration**

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9.



### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (K.S. Black & Co) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

	2019	2018
	\$	\$
<b>Audit services:</b>		
Amounts paid or payable to auditors for audit and review of the financial report for the entity		
Audit services	2,000	2,000
Review services	-	-
<b>Taxation and other advisory services:</b>		
Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity		
Taxation	500	500
Advisory services	-	-
	2,500	2,500

The Directors' Report is signed in accordance with a Resolution of the Board of Directors.

**Ian Levy**  
Executive Director

**Paul Lennon**  
Non-Executive Director

12 August 2020

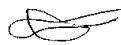
## AUDITOR'S INDEPENDENCE DECLARATION

**AUDITORS' INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
ALCORE LIMITED**

I hereby declare, that to the best of my knowledge and belief, during the year ended 31 December 2019, there have been:

- i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

Sydney, 12/8/2020

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Corresponding period: from date of incorporation to 31 December 2018)

		2019	2018
		\$	\$
	Notes		
Revenue	3	6,602	3,005
Other income and expenses	3	-	197,506
Administrative and development expenses	4	(2,136,528)	(10,278)
Finance costs	4	(147)	(75)
<b>Profit/(Loss) before income tax expense</b>		<b>(2,130,073)</b>	190,158
Income tax	5(a)	-	-
<b>Profit/(Loss) after tax for the year</b>		<b>(2,130,073)</b>	190,158
<b>Other Comprehensive Income</b>			
Other comprehensive income		-	-
Income tax		-	-
Other comprehensive income after tax		-	-
<b>Total comprehensive income/(loss) attributable to members of the entity</b>	5(b)	<b>(2,130,073)</b>	190,158
<b>Earnings/(Loss) per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share (cents)	14	(3.19)	0.31
Diluted earnings/(loss) per share (cents)	14	(3.19)	0.31

The above Statement should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

	Notes	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	51,926	674,930
Trade and other receivables	7	47,280	867,755
Total current assets		<u>99,206</u>	<u>1,542,685</u>
<b>Non-current assets</b>			
Trade and other receivables	7	-	332,580
Plant and equipment	8	495,891	-
Total non-current assets		<u>495,891</u>	<u>332,580</u>
<b>Total Assets</b>		<u>595,097</u>	<u>1,875,265</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	296,360	165,000
Total current liabilities		<u>296,360</u>	<u>165,000</u>
<b>Non-current liabilities</b>			
Trade and other payables	17	123,745	-
Total non-current liabilities		<u>123,745</u>	<u>-</u>
<b>Total Liabilities</b>		<u>420,105</u>	<u>165,000</u>
<b>Net Assets</b>		<u>174,992</u>	<u>1,710,265</u>
<b>EQUITY</b>			
Issued capital	10	2,114,907	1,107
Reserve - Other Contributed Equity	11	-	1,519,000
Accumulated losses		(1,939,915)	190,158
<b>Total Equity</b>		<u>174,992</u>	<u>1,710,265</u>

The above Statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

(Corresponding period: from date of incorporation to 31 December 2018)

	Issued Capital	Reserves Other Contributed Equity	Non- controlling interest	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2019</b>	<b>1,107</b>	<b>1,519,000</b>	-	<b>190,158</b>	<b>1,710,265</b>
Share issued	1,519,000	(1,519,000)	-	-	-
Share issued	594,800	-	-	-	594,800
Business combination	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(2,130,073)	(2,130,073)
<b>Balance at 31 December 2019</b>	<b>2,114,907</b>	-	-	<b>(1,939,915)</b>	<b>174,992</b>
<b>Balance at 13 June 2018</b>	-	-	-	-	-
Share issued	1,107	-	-	-	1,107
Contributed equity	-	1,519,000	-	-	1,519,000
Share issuing cost	-	-	-	-	-
Profit/(loss) for the year	-	-	-	190,158	190,158
<b>Balance at 31 December 2018</b>	<b>1,107</b>	<b>1,519,000</b>	-	<b>190,158</b>	<b>1,710,265</b>

The above Statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2019

(Corresponding period: from date of incorporation to 31 December 2018)

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	-
Payments to suppliers, service providers and employees		(2,128,698)	-
Interest paid		-	-
Interest received	3	6,602	3,005
<b>Net cash (used in)/provided by operating activities</b>		<b>(2,122,096)</b>	<b>3,005</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment	8	(495,891)	-
Acquisition of investment		-	-
Repayment from/(Advance to) other entities		1,400,183	(848,182)
Advanced from other party		-	-
Government fund refunded		-	-
<b>Net cash provided by/(used in) investing activities</b>		<b>904,292</b>	<b>(848,182)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		-	1,107
Share issuing costs		-	-
Issue convertible note and conversion		594,800	1,519,000
<b>Net cash provided by/(used in) financing activities</b>		<b>594,800</b>	<b>1,520,107</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(623,004)</b>	<b>674,930</b>
Cash and cash equivalents at the beginning of the year		674,930	-
<b>Cash and cash equivalents at the end of the year</b>	6	<b>51,926</b>	<b>674,930</b>

The above Statement should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 1. CORPORATE INFORMATION

The financial statement and notes of Alcore Limited for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors and covers Alcore Limited as required by the *Corporations Act 2001*.

The financial statement and notes is presented in Australian currency.

Alcore Limited is a company limited by shares incorporated and domiciled in Australia.

The Company was incorporated as an unlisted public company on 13 June 2018.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

##### *Statement of Compliance*

Compliance with Australian Accounting Standards ensures that the financial report of Alcore Limited complies with International Financial Reporting Standards ("IFRS").

##### *Critical to accounting estimates*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

##### *Critical judgements*

Management have made the following judgements when applying the Company accounting policies:

##### *Going Concern*

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

##### *Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

##### *Material Accounting Policies*

The policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### b. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

### c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### *Interest Revenue*

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

#### *Other Income*

Income from other sources is recognised when proceeds or the fee in respect of other products or services provided is receivable.

### d. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### e. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### f. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### g. Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

### h. Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

### i. Financial Instruments

#### *Initial recognition and measurement*

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

#### *Classification and subsequent measurement*

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued***vi. Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*vii. Impairment*

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

*viii. Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**j. Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**k. Employee benefits***(i) Short term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Other long term employee benefits*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**l. Contributed equity**

Ordinary shares are classified as equity

**m. Other equity**

Convertible notes which are settled for a fixed amount of cash; may only be converted into a fixed number of shares and may not be redeemed for cash or other financial asset, are treated as other equity.

## 2. SUMMARY OF significant ACCOUNTING POLICIES continued

### n. Share based payments

Ownership-based remuneration is provided to employees via an employee share option plan. Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

### o. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### p. New accounting standards for application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. We have viewed these standards and interpretations and there are none having any material effect.

## 3. REVENUE

	2019	2018
	\$	\$
<b>Revenue</b>		
Sale of mineral	-	-
Interest income	6,602	3,005
	<u>6,602</u>	<u>3,005</u>
<b>Other Income and expenses</b>		
Government research and development concession refunded	-	-
Other	-	197,506
	<u>-</u>	<u>197,506</u>

**4. EXPENSES**

	2019	2018
	\$	\$
Profit/(loss) before income tax arrived after (charging)/crediting the following specific items:		
<b>Administrative and exploration expenses</b>		
Development expenses not capitalised	(2,130,248)	-
Other	(6,280)	(10,278)
	<u>(2,136,528)</u>	<u>(10,278)</u>
<b>Finance costs</b>		
Provision for doubtful debt	-	-
Other	(147)	(75)
	<u>(147)</u>	<u>(75)</u>

**5. INCOME TAX****a. Income tax**

	2019	2018
	\$	\$
Current tax expense	-	-
Deferred tax expense	-	-
Total income tax expense	<u>-</u>	<u>-</u>
Deferred tax expense		
Increase/(decrease) in deferred tax expense	<u>-</u>	<u>-</u>

**b. Numerical reconciliation of income tax expense  
to prima facie tax payable**

	2019	2018
	\$	\$
Profit/(Loss) from continuing operations before income tax expense	(2,130,073)	190,158
Income tax expense (benefit) calculated at 27.5% (2018:27.5%)	(585,700)	52,293
Group tax losses brought to account	-	(52,293)
Tax losses not brought to account accrued during the year	585,770	-
Income tax expense at effective tax rate of 27.5% (2018:27.5%)	<u>-</u>	<u>-</u>

**c. Unrecognised deferred tax assets and liabilities**

	2019	2018
	\$	\$
Deferred tax assets and liabilities have not been recognised in the statement of financial position for the following items:		
Deferred tax asset in respect of losses not brought to account	585,770	-

**6. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	2018
	\$	\$
Cash and cash equivalents	<b>51,926</b>	674,930
Cash held in trust – tenement deposit and guarantee	-	-
	<b>51,926</b>	674,930

**a. Reconciliation to cash at the end of the year**

	<b>2019</b>	2018
	\$	\$
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Cash and cash equivalents	<b>51,926</b>	674,930
Balances per Statement of Cash Flows	<b>51,926</b>	674,930
Weighted Average Interest Rates	-	-

**7. TRADE AND OTHER RECEIVABLES**

	<b>2019</b>	2018
	\$	\$
<b>Current</b>		
Receivable - advance to other parties	-	852,755
Receivables - GST	<b>47,280</b>	15,000
Provision for doubtful debt	-	-
	<b>47,280</b>	867,755
<b>Non-Current</b>		
Receivable – Group company	-	332,580
Provision for doubtful debt	-	-
	-	332,580

**a. Impaired receivables and receivables past due**

None of the current or non-current receivables are impaired or past due but not impaired.

**b. Receivable - advance to other parties**

The Company advanced a \$852,755 non-interest bearing unsecured loan to one entity in developing research facilities.

**c. Receivables - GST**

These amounts relate to receivables for GST paid.

**7. TRADE AND OTHER RECEIVABLES continued****d. Fair value and credit risk***Current trade and other receivables*

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

*Non-current trade and other receivables*

The fair values and carrying values of non-current receivables are as follows:

The group entity receivables have no terms of repayment and are not interest bearing.

	2019		2018	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Receivables	-	-	332,580	332,580

**8. PLANT AND EQUIPMENT**

	2019 \$	2018 \$
<b>Plant and equipment - development project</b>		
At cost	495,891	-
Accumulated depreciation	-	-
Carrying value	<u>495,891</u>	-

**Reconciliations**

Reconciliations of the carrying amounts of each class of plant & equipment at the beginning and end of the current and previous financial year are set out below:

	Plant & equipment development project \$	Total \$
<b>2019</b>		
Carrying amount at 1 January 2019	-	-
Additions	495,891	495,891
Depreciation	-	-
Carrying amount at 31 December 2019	<u>495,891</u>	<u>495,891</u>
<b>2018</b>		
Carrying amount at 1 January 2018	-	-
Additions	-	-
Depreciation	-	-
Carrying amount at 31 December 2018	<u>-</u>	<u>-</u>

**9. TRADE AND OTHER PAYABLES**

	2019	2018
	\$	\$
<b>Current</b>		
Trade payables	-	-
Accrued payable	38,590	-
Other payables	257,770	165,000
	<u>296,360</u>	<u>165,000</u>

**10. ISSUED CAPITAL**

	2019	2018	2019	2018
	Number	Number	\$	\$
	of Shares	of Shares		
Ordinary shares issued	<u>66,851,767</u>	60,574,240	<u>2,114,907</u>	1,107

**a. Movements during the year:**

Opening balance	60,574,240	-	1,107	-
Share issued	-	60,574,240	-	1,107
Share issued- convertible note	6,277,527	-	2,113,800	-
Share issuing costs	-	-	-	-
Closing balance	<u>66,851,767</u>	60,574,240	<u>2,114,907</u>	1,107

**b. Performance Employee Options**

No employee performance options were exercised during the year. (2018: \$nil option)

No other performance option is granted or exercised during the reporting period.

**c. Terms and Conditions**

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

**d. Options**

There were no options on unissued ordinary shares outstanding at the end of the financial year.



**11. RESERVES**

	<b>2019</b>	2018
	\$	\$
Convertible notes	-	<u>1,519,000</u>

The entity issued 0.59 million (2018:\$1.51 million) convertible notes during the year. All convertible note are converted during the year. The terms and conditions of the issue were as follows:

Interest Rate	No Interest is payable on Note Principle outstanding
Maturity Date	31 December 2019
Issue Price	\$0.35 per note
Conversion Rate	Each note may be converted into one ordinary share.
Redemption	At the option of the holder or on the Maturity Date
Others	The unsecured notes carry no voting rights.

**12. COMMITMENTS AND CONTINGENT LIABILITIES****Executive services agreement**

The Company has agreed with Mr Ian Levy as Managing Director in providing the services to the Company at an agreed rate for the calendar year 2019.

There are no other material contingent liabilities as at the date of this report.

**13. EVENTS SUBSEQUENT TO BALANCE DATE**

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2019 that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 December 2019 of the Company;
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 December 2019 of the Company.

**14. EARNINGS/(LOSS) PER SHARE**

	<b>2019</b>	2018
	<b>Cents</b>	Cents
Basic earnings/(loss) per share	<b>(3.19)</b>	0.31
Fully diluted earnings/(loss) per share	<b>(3.19)</b>	0.31
	<b>2019</b>	2018
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	<u><b>(2,130,073)</b></u>	<u>190,158</u>
	<b>2019</b>	2018
	<b>Number</b>	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>66,851,767</b>	60,574,240
Adjustments for calculation of diluted earnings per share:		
Options issued	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u><b>66,851,767</b></u>	<u>60,574,240</u>

**15. REMUNERATION OF AUDITORS**

	<b>2019</b>	2018
	<b>\$</b>	\$
<b>Audit services:</b>		
Amounts paid or payable to auditors for audit and review of the financial report for the entity		
Audit services	<b>2,000</b>	<b>2,000</b>
Review services	-	-
<b>Taxation and other advisory services:</b>		
Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity		
Taxation	<b>500</b>	<b>500</b>
Advisory services	-	-
	<u><b>2,500</b></u>	<u><b>2,500</b></u>

**16. SHARE BASED PAYMENTS**

In 2019 the Company did not issue shares in lieu of services rendered.

**17. RELATED PARTY TRANSACTIONS****a. Parent Entities**

The parent entity within the Group is Australian Bauxite Limited.

**b. Outstanding Balance**

	<b>2019</b>	2018
<b>Receivable</b>	<b>\$</b>	<b>\$</b>
<b>Non-current</b>		
Advance to holding entities	-	332,580
<b>Payable</b>		
<b>Non-current</b>		
Advance from holding entities	<b>123,745</b>	-

**c. Guarantees**

No guarantees were given or received from related parties during the year.

**d. Terms and Conditions**

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for repayment of loans between the parties and that no interest is charged on outstanding balances.

## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Ian Levy**  
**Executive Director**

12 August 2020



**Paul Lennon**  
**Non-Executive Director**

## INDEPENDENT AUDITORS' REPORT

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCORE LIMITED

#### Opinion

We have audited the financial report of Alcore Limited which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Alcore Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethics Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors' of Alcore Limited, would be in the same terms if given to the directors as at the time of this auditors' report.

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

#### Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the Corporations Act 2001, and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine in necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the company's financial reporting process.

**Auditors' Responsibility for the Audit of the Financial Report**

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**KS Black & Co**  
**Chartered Accountants**



**Scott Bennison**  
**Partner**

Dated: 12/8/2020





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