ALCORE Limited
ACN 626 023 078
Advanced aluminium technology

ALCORE LIMITED
ANNUAL REPORT 2022

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CORPORATE DIRECTORY

Alcore Limited
ACN 626 023 078
ABN 53 626 023 078

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Sydney NSW 2000
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Fax: +61 2 9251 7500
Email: corporate@abxgroup.com.au
Website: www.abxgroup.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
Dr Mark Cooksey

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

Hydrogen fluoride is an essential chemical for the production of fluorocarbons and aluminium fluoride. Aluminium fluoride is an essential chemical for aluminium production.

Hydrogen fluoride is mainly produced from fluorspar, which is obtained from the mineral fluorite. Fluorspar is relatively high cost and has been identified as a critical material by the USA, Europe, Japan and Canada.

Australia does not mine any fluorite, or produce any fluorspar, hydrogen fluoride or aluminium fluoride, and so must import all its requirements. The Australian demand for hydrogen fluoride is small, and it is imported at high cost. Conversely, Australia is a significant producer of aluminium and so its demand for aluminium fluoride is high.

Australia is the largest producer of primary aluminium metal without its own domestic aluminium fluoride production, so Australian aluminium smelters rely entirely on imported aluminium fluoride. This is typically more than 80% from China, but this proportion was only 40% in 2021 when China production was lower, illustrating the supply risks. Aluminium fluoride prices were US$1,300-1,900/t throughout 2022.

Most modern aluminium smelters produce excess bath, for which the only meaningful market is new smelters, which require bath to commence operations. Aluminium industry forecasts suggest that the global bath market will increasingly be in surplus, because far fewer new smelters are being constructed. All of the major global aluminium producers are eager for alternative applications for excess bath, to avoid the unpalatable options of on-site storage or landfill.

Alcore has developed a world-first process to recover hydrogen fluoride from aluminium smelter bath. This can be combined with aluminium hydroxide to produce aluminium fluoride. Alcore is also investigating the use of dross (another aluminium smelter waste) and bauxite as alternatives to aluminium hydroxide as the source of aluminium. The use of dross or bauxite would further lower the production cost. Development work has been conducted at the Alcore Technology Centre in Berkeley Vale, NSW, and a pilot plant facility is being established at the same location.

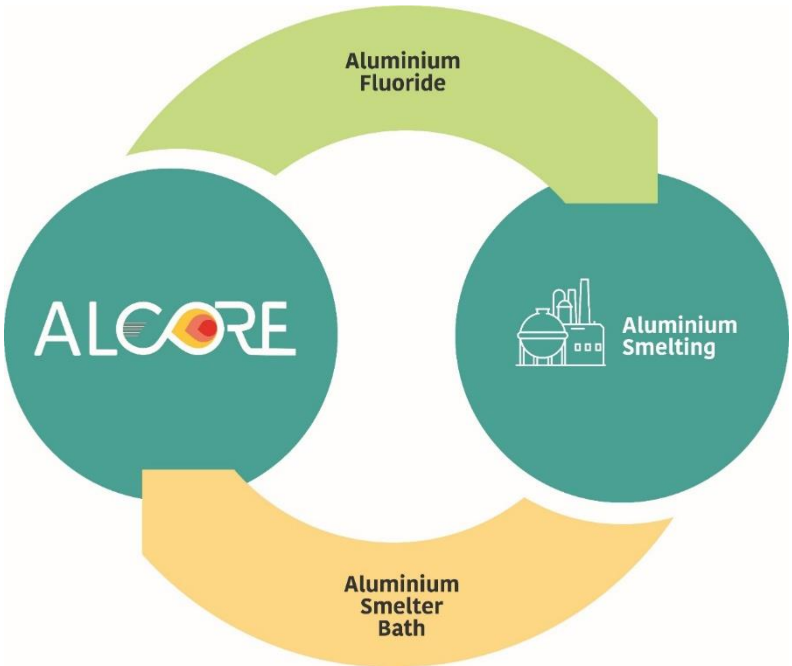

Figure 1: Circular economy approach of recycling aluminium smelter bath into aluminium fluoride

Technical Progress

In 2022. Alcore was granted $7.5M from the Australian Government's Modern Manufacturing Initiative (MMI) to support its proposed $16.4M aluminium smelter bath recycling plant in Bell Bay, Tasmania. The $3.3M first instalment was received just after the end of the year. In addition, Alcore agreed with the Department of Industry, Science, Energy and Resources to include activities relating to its pilot plant in the MMI project plan. Alcore will match the grant funding dollar-for-dollar for the project.

A section of the Alcore Technology Centre was upgraded to allow the operation of three new laboratory reactors. The main feature was the installation of hydrogen fluoride safety systems equivalent to those previously established in the laboratory.

The first stage of the Alcore process is to produce oleum, which is highly concentrated sulfuric acid. Working closely with one of its international engineering partners, BFluor Chemicals, Alcore designed, constructed and commissioned two reactors that can produce sufficient oleum for tests with bath.

A customised reactor was purchased from an international specialist manufacturer to conduct further testing of the recovery of fluorine from aluminium smelter bath (see Figure 2). Some modifications were made in-house. This enabled Alcore to rapidly investigate a larger range of process conditions with improved process control compared to previous experiments in the original Alcore laboratory. This was a significant step forward in Alcore capability.

Figure 2: ALCORE specialised laboratory reactor test work

The results of extensive tests using this reactor, combined with literature data and thermodynamic modelling, allowed Alcore to select the initial operating conditions (e.g. temperature, residence time, amount of acid) for the pilot plant reactor.The pilot plant reactor is intended to process 20 kg per hour of bath to produce hydrogen fluoride. This was previously planned to be 10 kg per hour, but was increased because the larger size allows a better representation of the reactor design to be used in the commercial plants. The design has been discussed with several international manufacturers and the preferred supplier is close to being identified.

The design of the overall pilot plant facility was progressed, including safety systems, input material preparation, product materials handling, safety systems and storage areas for input and product materials. The facility will occupy the entirety of the rear section of the Alcore Technology Centre.

Also during 2022, Alcore commenced assessing several potential site locations for the commercial hydrogen fluoride and aluminium fluoride plants at Bell Bay.

Commercialisation Plan

Alcore intends to construct commercial hydrogen fluoride and aluminium fluoride plants in Bell Bay, Tasmania. The aluminium source for the initial aluminium fluoride production is likely to be aluminium hydroxide, as this is less risk and allows a faster path to production. Subsequent production may use aluminium from dross or bauxite to further improve the financial and environmental outcomes.

The initial plant is proposed to transform 1,600 tonnes per year of aluminium smelter bath into hydrogen fluoride and other industrial chemicals. A proportion of the hydrogen fluoride will be further processed to aluminium fluoride. The relative amounts of hydrogen fluoride and aluminium fluoride produced can be optimised to suit market demand. Alcore's longer term plan is to expand the plant by 15 times, which will process all of Australia's aluminium smelter bath, and supply more than 80% of Australia's aluminium fluoride requirements.

Process Economics

Aluminium fluoride prices quoted monthly typically range from US$1,000/t to US$1,800/t ex China, before transport costs (see Figure 3). Producers' costs range between US$1,000/t and US$1,700/t (Roskill) and raw materials typically represent 75% of the production cost; mainly fluorspar and aluminium hydroxide.

The operating cost for Alcore's initial production, using aluminium hydroxide, is expected to place Alcore in the lowest cost quartile of global production. Future cost reductions from using bauxite or dross are upsides.

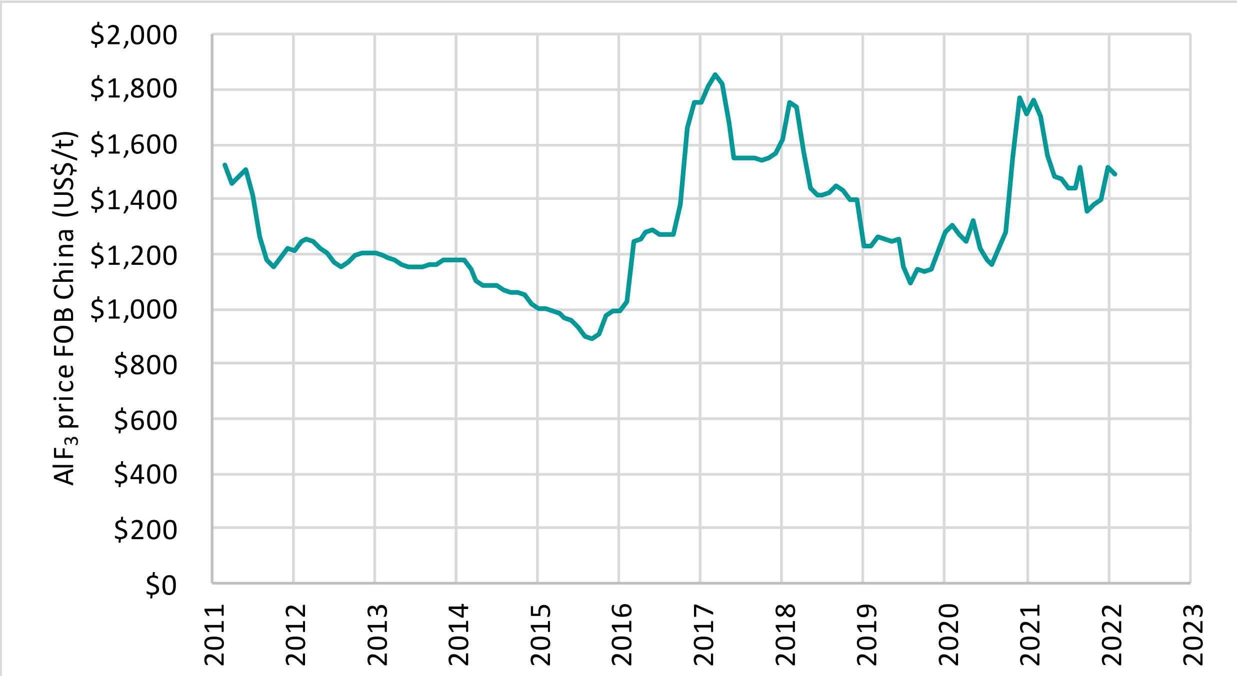

Figure 3: Aluminium fluoride prices FOB China (US$/t)

Intellectual Property

Alcore holds the following licences to CORE technologies, which are owned by CORE Intelligence Australia Pty Ltd (CIAPL):

- Worldwide (Exclusive)
  - Refining of bauxite, aluminium-rich materials and waste streams.
  - Refining of manganese ores, manganese-rich materials and waste streams.
  - Refining of coal for the production of corethane as the energy source for Alcore's refining plants
- Australia (Non-exclusive)
  - All CIAPL technologies, except for the production of graphite
- Tasmania (Exclusive)
  - All CIAPL technologies, except for the production of graphite

Furthermore, Alcore has developed significant knowhow for all parts of the process, and some is patentable.

Competitor Analysis

To our knowledge, no other party is attempting to (1) Recover fluorine from tapped bath, or (2) Produce aluminium fluoride from bauxite or dross. Strict safety requirements for the use of hydrogen fluoride represent a significant barrier to entry for potential competitors.

DIRECTOR'S REPORT

Your directors present their report together with the financial statements at the end of or during the year ended 31 December 2022.

Principal activities

The principal continuing activities of the Company for the financial year were conducting research and development programs on refining processes to produce hydrogen fluoride and aluminium fluoride in New South Wales.

Consolidated results

The net loss of the company for the year was $0.73 million (2021: loss $1.47 million). The loss arises largely from research and development activities during the year.

Total Shareholders' Funds as at 31 December 2022 are $0.46 million (2021: $0.70 million).

Additional information on the operations of the Group is disclosed in the Review of Operations section in this Annual 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 13th June 2018
Ian Levy	Executive Director	Appointed 25th October 2019
Rex Adams	Non-Executive Director	Appointed 13th June 2018
Derek Firth	Non-Executive Director	Appointed 13th June 2018
Dr Mark Cooksey	Executive Director	

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

Alcore Limited received the $3.3 million first instalment of the previously announced $7.5 million in grant funding under the Federal Government's Modern Manufacturing Initiative (MMI) in January 2023. In addition, Alcore has agreed with the Department of Industry, Science, Energy and Resources to include activities relating to its pilot plant at the Alcore Technology Centre to the MMI project plan. Alcore will match the grant funding dollar-for-dollar for the project. The pilot plant is being designed to recover fluorine from 'excess bath', an aluminium smelter waste product, to produce hydrogen fluoride.

At the date of this report, there are no other matters or circumstances which have arisen since 31 December 2022 that have significantly affected or may significantly affect:

- The operations in financial years subsequent to 31 December 2022 of the Company;
- The results of those operations; or
- The state of affairs in financial years subsequent to 31 December 2022 of the Company.

Environmental regulations

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

- 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

Alcore Limited offered 750,000 Employee Share Plan option at the date of this report.

Class	Date Options Offered	Expiry Date	Exercise Price	No. of Options
Employee Share Option Plan	01 June 2022	01 June 2028	$0.35	750,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of options

No options were 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:

	2022	2021
	$	$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity		
Audit services	**8,395**	7,995
Taxation and other advisory services:		
Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity		
Taxation	**2,025**	1,925
Advisory services	**-**	-
	10,420	9,920

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

Ian Levy
Executive Director

Paul Lennon
Non-Executive Director

30 March 2023

AUDITOR'S INDEPENDENCE DECLARATION

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

To the Members of Alcore Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2022 there has 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.

The entities are in respect of Alcore Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants

S Bennison

Scott Bennison
Partner

Dated in Sydney on this 31st day of March 2023

Phone 02 9839 3000
Fax 02 9839 3055

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** **$**	2021 $
Revenue	3	**9,310**	-
Other income and expenses	3	**905,700**	-
Administrative and development expenses	4	**(1,649,116)**	(1,473,924)
Finance costs	4	**(310)**	(230)
Profit/(Loss) before income tax		**(734,416)**	(1,474,154)
Income tax		**-**	-
Profit/(Loss) after tax for the year		**(734,416)**	(1,474,154)
Other Comprehensive Income			
Other comprehensive income		**-**	-
Income tax		**-**	-
Other comprehensive income after tax		**-**	-
Total comprehensive income/(loss) attributable to members of the entity		**(734,416)**	(1,474,154)
Earnings/(Loss) per share		**Cents**	Cents
Basic earnings/(loss) per share (cents)	14	**(0.94)**	(2.03)
Diluted earnings/(loss) per share (cents)	14	**(0.94)**	(2.03)

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	**2022**	2021
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	6	**66,937**	939,268
Trade and other receivables	7	**548,686**	31,456
Other current asset		**13,029**	-
Total current assets		**628,652**	970,724
Non-current assets			
Plant and equipment - net	8	**88,417**	33,378
Total non-current assets		**88,417**	33,378
Total Assets		**717,069**	1,004,102
LIABILITIES			
Current liabilities			
Trade and other payables	9	**195,975**	176,365
Total current liabilities		**195,975**	176,365
Non-current liabilities			
Trade and other payables	17	**52,413**	124,640
Total non-current liabilities		**52,413**	124,640
Total Liabilities		**248,388**	301,005
Net Assets		**468,681**	703,097
EQUITY			
Issued capital	10	**5,005,949**	4,505,949
Accumulated losses		**(4,537,268)**	(3,802,852)
Total Equity		**468,681**	703,097

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Issued Capital	Accumulated Losses	Total Equity
		$	$	$
Balance at 1 January 2022	10	**4,505,949**	**(3,802,852)**	**703,097**
Share issued		**500,000**	**-**	**500,000**
Share issuing cost		**-**	**-**	**-**
Profit/(loss) for the year		**-**	**(734,416)**	**(734,416)**
Balance at 31 December 2022	10	**5,005,949**	**(4,537,268)**	**468,681**
Balance at 1 January 2021		2,398,990	(2,328,698)	70,292
Share issued		2,124,464	-	2,124,464
Share issuing cost		(17,505)	-	(17,505)
Profit/(loss) for the year		-	(1,474,154)	(1,474,154)
Balance at 31 December 2021	10	4,505,949	(3,802,852)	703,097

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	**2022** **$**	2021 $
Cash flows from operating activities			
Receipts from customers		**-**	-
Payments to suppliers, service providers and employees		**(1,584,651)**	(1,258,578)
Interest paid		**-**	-
Interest received		**3,310**	-
Net cash (used in)/provided by operating activities		**(1,581,341)**	(1,258,578)
Cash flows from investing activities			
Acquisition of plant and equipment		**(104,463)**	(35,468)
Advanced from/(repayment to) other party		**(72,227)**	81,325
Government fund refunded		**385,700**	-
Net cash provided by/(used in) investing activities		**209,010**	45,857
Cash flows from financing activities			
Proceeds from issues of shares		**500,000**	2,124,464
Share issuing costs		**-**	(17,505)
Net cash provided by/(used in) financing activities		**500,000**	2,106,959
Net (decrease)/ increase in cash and cash equivalents		**(872,331)**	894,238
Cash and cash equivalents at the beginning of the year		**939,268**	45,030
Cash and cash equivalents at the end of the year	6	**66,937**	939,268

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

The financial statement and notes of Alcore Limited for the year ended 31 December 2022 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

	2022 $	2021 $
Revenue		
Sale of mineral	**-**	-
Interest income	**9,310**	-
	9,310	-
Other Income and expenses		
Government research and development concession refunded	**385,700**	-
Accrued research & development concession	**440,000**	-
Accrued government's Modern Manufacturing Initiative	**80,000**	-
	905,700	-

4. EXPENSES

	2022 $	2021 $
Profit/(loss) before income tax arrived after (charging)/crediting the following specific items:		
Administrative and development expenses		
Development expenses not capitalised	**(1,637,297)**	(1,454,797)
Administrative expenses	**(11,819)**	(19,127)
	(1,649,116)	(1,473,924)
Finance costs		
Other	**(310)**	(230)
	(310)	(230)

5. INCOME TAX

a. Income tax

	2022 $	2021 $
Current tax expense	**-**	-
Deferred tax expense	**-**	-
Total income tax expense	**-**	-
Deferred tax expense		
Increase/(decrease) in deferred tax expense	**-**	-

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

	2022 $	2021 $
Profit/(Loss) from continuing operations before income tax expense	**(734,416)**	(1,474,154)
Income tax expense (benefit) calculated at 25% (2021:25%)	**(183,604)**	(368,539)
Group tax losses brought to account		
Tax losses not brought to account accrued during the year	**183,604**	368,539
Income tax expense at effective tax rate of 25% (2021:25%)	**-**	-

c. Unrecognised deferred tax assets and liabilities

	2022 $	2021 $
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	**183,604**	368,539

6. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash and cash equivalents	**66,937**	939,268
Cash held in trust	**-**	-
	66,937	939,268

a. Reconciliation to cash at the end of the year

	2022 $	2021 $
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	**66,937**	939,268
Balances per Statement of Cash Flows	**66,937**	939,268
Weighted Average Interest Rates	**0%**	0%

7. TRADE AND OTHER RECEIVABLES

	2022 $	2021 $
Current		
Receivables - GST	**22,686**	31,456
Accrued research & development concession	**446,000**	-
Accrued government's Modern Manufacturing Initiative	**80,000**	-
	548,686	31,456

a. Impaired receivables and receivables past due

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

b. Receivables - GST

These amounts relate to receivables for GST paid.

c. 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.

8. PLANT AND EQUIPMENT

	2022 $	2021 $
Plant and equipment – development project		
At cost	**635,822**	531,358
Accumulated depreciation	**(547,405)**	(497,980)
Carrying value	**88,417**	33,378

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 $
2022		
Carrying amount at 1 January 2022	**33,378**	**33,378**
Additions	**104,463**	**104,463**
Depreciation	**(49,424)**	**(49,424)**
Carrying amount at 31 December 2022	**88,417**	**88,417**
2021		
Carrying amount at 1 January 2021	247,266	247,266
Additions	35,468	35,468
Depreciation	(249,356)	(249,356)
Carrying amount at 31 December 2021	33,378	33,378

9. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Current		
Trade payables	**29,309**	9,699
Accrued payable	**166,666**	166,666
Other payables	**-**	-
	195,975	176,365

10. ISSUED CAPITAL

	2022 Number of Shares	2021 Number of Shares	**2022 $**	2021 $
Ordinary shares issued	**79,209,240**	78,209,240	**5,005,949**	4,505,949

a. Movements during the year:

Opening balance	**78,209,240**	68,440,384	**4,505,949**	2,398,990
Share issued	**1,000,000**	9,768,856	**500,000**	2,124,464
Share issuing costs	**-**	-	**-**	(17,505)
Closing balance	**79,209,240**	78,209,240	**5,005,949**	4,505,949

b. Employee Share Plan Options

Company offered 750,000 Employee Share Plan Option during the reporting period. 25% vest on 31 May 2023

No employee share options were exercised during the year. (2021: $nil option)

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 750,000 Employee Share Plan options offered on unissued ordinary shares outstanding at the end of the financial year.

11. RECONCILIATION OF (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2022 $	2021 $
Profit/(Loss) for the year	**(734,416)**	(1,474,154)
Depreciation	**49,425**	249,355
Government grant fund accrued	**(911,700)**	-
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	**9,149**	(15,177)
(Increase)/Decrease in other current assets	**(13,029)**	-
Increase/(Decrease) in trade and other creditors and provisions	**19,230**	(18,602)
(Increase) in deferred tax assets	**-**	-
Increase in deferred tax liabilities	**-**	-
Net cash (outflow)/inflow from operating activities	**(1,581,341)**	(1,258,578)

12. COMMITMENTS AND CONTINGENT LIABILITIES

Executive services agreement

The Company has agreed with Dr Mark Cooksey as Managing Director and Chief Executive Officer in providing the services to the Company at an agreed rate for the calendar year 2022.

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

13. EVENTS SUBSEQUENT TO BALANCE DATE

Alcore Limited received the $3.3 million first instalment of the previously announced $7.5 million in grant funding under the Federal Government's Modern Manufacturing Initiative (MMI) in January 2023. In addition, Alcore has agreed with the Department of Industry, Science, Energy and Resources to include activities relating to its pilot plant at the Alcore Technology Centre to the MMI project plan. Alcore will match the grant funding dollar-for-dollar for the project. The pilot plant is being designed to recover fluorine from 'excess bath', an aluminium smelter waste product, to produce hydrogen fluoride.

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2022 that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 December 2022 of the Company;
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 December 2022 of the Company.

14. EARNINGS/(LOSS) PER SHARE

	2022	2021
	Cents	Cents
Basic earnings/(loss) per share	**(0.94)**	(2.03)
Fully diluted earnings/(loss) per share	**(0.94)**	(2.03)

	2022	2021
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	**(734,416)**	(1,474,154)

	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**78,542,573**	72,667,739
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	**78,542,573**	72,667,739

15. REMUNERATION OF AUDITORS

	2022	2021
	$	$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity		
Audit services	**8,395**	7,995
Taxation and other advisory services:		
Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity		
Taxation	**2,025**	1,925
Advisory services	**-**	-
	10,420	9,920

16. SHARE BASED PAYMENTS

In 2022 the Company did not issue any shares in lieu of services rendered.

17. RELATED PARTY TRANSACTIONS

a. Parent Entities

The parent entity within the Group is ABx Group Limited.

b. Outstanding Balance

	2022	2021
Receivable	**$**	$
Non-current		
Advance to holding entity	**-**	-
Payable		
Non-current		
Advance from holding entity	**52,413**	124,640

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 2022 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
Director

Paul Lennon
Non-Executive Director

30 March 2023

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Members of Alcore Limited

Opinion
We have audited the financial report of Alcore Limited (the company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2022, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001.*

Basis of 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board 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 the Company, would be in the same terns if given to the directors as at the time of this auditor's report.

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

Other information
The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors are responsible for the preparation of the financial report the gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the presentation of the 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 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.

A further description of our representation of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

KS Black & Co
Chartered Accountants

S Benn

Scott Bennison
Partner
Dated: 30/3/2023
Sydney

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ALCORE Limited

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