ABN 79 106 879 690

# Alpha HPA Limited

## and its controlled entities

# Interim Financial Report

## for the half-year ended 31 December 2018

# Corporate Information

**ABN 79 106 879 690**

**Directors**
Norman A. Seckold - Chairman
Rimas Kairaitis - Managing Director
Peter J. Nightingale - Director
Anthony Sgro – Non-Executive Director
Justin C. Werner – Non-Executive Director

**Company Secretary**
Richard J. Edwards

**Principal Place of Business and Registered Office**
Level 2, 66 Hunter Street
Sydney NSW 2000
Australia

**Auditors**
KPMG
Level 16, Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

**Bankers**
Westpac Banking Corporation
Cnr Market & Clarence Streets
Sydney NSW 2000

**Solicitors**
DLA Piper Australia
No. 1 Martin Place
Sydney NSW 2000

**Share Registry**
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
SYDNEY NSW 2000

# Contents

# Alpha HPA Limited and its controlled entities
# Directors' Report

The Directors of Alpha HPA Limited ('Alpha HPA' or 'the Company') and its subsidiaries ('the Group') submit their report for the half-year ended 31 December 2018 and the Auditor's Review report thereon.

### DIRECTORS

The names of the Directors of the Company in office during the half-year period and until the date of this report were:

Norman A. Seckold – Director since 30 November 2009
Peter J. Nightingale – Director since 30 November 2009
Justin C. Werner – Director since 23 December 2010
Rimas Kairaitis – Director since 1 November 2017
Anthony Sgro – Director since 1 November 2017

### RESULTS

The loss of the Group for the half-year after providing for income tax amounted to $2,350,477 (2017 - loss of $1,325,532).

## REVIEW OF OPERATIONS

### ALPHA HPA

Alpha HPA is an ASX-listed mineral exploration and development company focused on the production of High Purity Alumina (HPA) through the use of the Company's proprietary licenced solvent extraction (SX) and refining technology and advancing its 100% owned Collerina HPA-nickel-cobalt project in central NSW. The Company also holds a 45% interest in the Wonogiri gold-copper project in Indonesia.

### HPA FIRST PROJECT – (Alpha HPA - 100%)

In November 2018 Alpha HPA announced the study outcomes of the Pre-Feasibility Study (PFS) on the HPA First Process. The HPA First Process is the application of the Company's licenced proprietary SX and refining technology to produce HPA from an industrial feedstock, as adopted by the Company in July 2018.

The PFS has delivered a highly attractive business case, capable of delivering sector leading production of 4N (99.99% purity) HPA into the burgeoning HPA market.

PFS highlights included:

- Production rate of 10,200tpa HPA
- Unit cash costs of A$8,538 (US$6,403)/t HPA after by-product credits
- Annual EBITDA of A$248M (US$186M)
- Annual pre-tax free cash flow (FCF) of A$247M (US$185M)
- Project CapEx of A$215M (US$161M)
- Capital intensity of A$21,043 (US$15,783)/t HPA
- Sensitivity Analysis shows a highly resilient project that is strongly profitable at HPA prices as low as US$10,000/t.

### PFS Summary

The key financial metrics of the PFS are presented below.

As the Project does not have a mine there is not a fixed project life, therefore a discounted cash flow (DCF) analysis was not performed. Rather the financial analysis is presented on EBITDA basis. Subject to the assumptions made, Alpha HPA expects the projected earnings to be maintained over the long term leading to an extremely attractive investment proposition.

| HPA First Project | | |
|---|---|---|
| **Key Project Parameters** | **A$** | **US$** |
| A$/US$ Exchange Rate | 0.75 | |
| HPA Production (t/y) | 10,200 | |
| HPA Price Assumption (per/t HPA) | $33,333 | $25,000 |
| Annual Revenue | $384 million | $288 million |
| Annual Average Cash Operating Cost | $131.1 million | $98.3 million |
| Unit Cash Cost (per/t HPA) | $12,852 | $9,639 |
| Unit Cash Cost accounting for by-products (per/t HPA) | $8,538 | $6,403 |
| **Annual Free Cash Flow (FCF)** | **$247 million** | **$185 million** |
| Annual EBITDA | $248 million | $186 million |
| Aluminium Feedstock Processed (t/y) | 65,753 | |
| Pre-Production Capital Cost | $215 million | $161 million |
| Capital Intensity (CapEx$ per tpa HPA) | $21,043 | $15,783 |
| Gross margin (Net Cash Flow/ Revenue) | 64% | |
| Payback (years) | Less than 2 years | |

### Successful SX Mini-Rig Runs

During the half year the Company successfully completed its maiden SX mini-rig run using the industrial feedstock identified for the HPA First process. The mini-rig mimics the aluminium SX section of the intended commercial scale process, results from which provide valuable engineering data for improving and validating the design of the commercial facility. The mini-rig was run continuously over a 3.5 day period, achieving a maximum aluminium extraction of 69.4%, with this expected to increase for the second mini-rig run.

In December 2018 the Company announced the results from the second continuous SX mini-rig and HPA refining run using an industrial chemical feedstock, incorporating a number of process improvements identified from the first SX and HPA refining run.

The second run operated continuously for 6 days at the Company's dedicated laboratory in Brisbane. Outcomes from the second continuous SX mini-rig and HPA refining run include:

- Substantial improvement in process stability indicated by the extended 6 day continuous run.
- Substantially higher aluminium extractions achieved, reaching 87.4% recovery under steady state conditions.

### HPA Production – 4N (99.99%) Purity and Alpha Crystal Structure Confirmed, Impurities Identified

The aluminium loaded solution generated from the first SX mini-rig run was successfully refined into HPA in three batches. The Company completed a comprehensive analytical program to evaluate the process where each batch was sent for purity, crystal form and sizing analysis. This process included multiple independent assay laboratories using a range of assay techniques, inclusive of assays for:

- the HPA;
- the HPA precursor/s; and
- the various process flows from the SX process.

This approach allowed for a comprehensive analysis of the final HPA product and of the SX process to identify if and where any impurities had been introduced and/or eliminated in the process.

The HPA assay and SX process stream analysis identified the key impurities as sodium (Na), gallium (Ga), iron (Fe) and magnesium (Mg). The process stream assays indicated the sodium impurities were introduced as contamination in the HPA refining process and can be largely eradicated in the second SX and HPA refining run. The other impurities were inherited from the process feedstock and can be adjusted to further improve their rejection. On this basis, the Company believes that the HPA purity can be substantially improved in the second SX and HPA refining run.

Using the preferred assay technique, GDMS (Glow Discharge Mass Spectrometry), the HPA assays were confirmed as:

- 4N, or 99.99% purity, on an elemental basis; i.e. total impurities on an elemental basis are subtracted from 100%.
- 3N, or 99.97% purity, on an oxide basis; i.e. impurities are converted to oxides then subtracted from 100%.

Purity reported on an elemental basis is consistent with HPA purity disclosure by other parties and end-users.

Assay results from the second min-rig run indicated further improvements in rejection of impurities with HPA purity now reaching 99.994% purity (elemental basis) and 99.992% purity (oxide basis). These results are consistent with the existing market requirements for high quality 4N HPA, which attracts premium 4N HPA pricing. Preliminary offtaker feedback indicates that there are no impurities present which represents any concern for dis-colouration in sapphire glass, and so is immediately suitable for the LED market.

In addition, X-Ray Diffraction (XRD) analysis of the HPA samples returned as 100% alpha (α) crystal form, matching the requirements of producers of sapphire glass and lithium-ion battery separators.

***High Purity Alumina produced from the second SX mini-rig run***

## DFS Pilot Planning

During the half year the Company identified dedicated, secure premises to complete the second mini-rig run as well as to house the pilot plant for the Definitive Feasibility Study (DFS).

A complete pilot plant equipment list has been generated and key long lead items ordered. Following the PFS delivering a technical viable Project with a very attractive business case, the Company has immediately transitioned to a DFS for the purposes of validating the project to the detail to allow the Company to make a Final Investment Decision. The DFS is expected to be significantly based off a pilot scale processing plant, to be constructed and run within the dedicated secure premises in Brisbane which housed the recent second mini-rig SX program. The pilot plant program will seek to validate the process at a larger scale and on a continuous basis, to further de-risk the process flow sheet. As at December 2018, the Company has already built a pilot plant equipment list and placed orders for a number of long-lead items required for the pilot plant.

The DFS pilot plant has been scheduled to run from May to June 2019.

In parallel, the Company has set out plans for a program of technical interim works, required to maximise the technical confidence of the upcoming DFS.

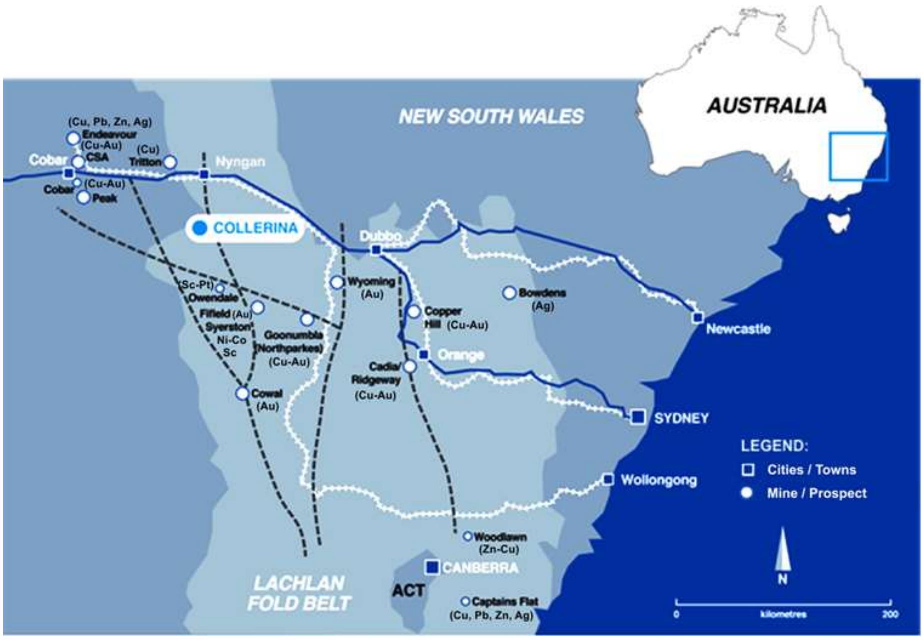
## Preliminary Environmental Assessment (PEA)

Consistent with Company's strategy to fast-track to HPA production, the Company has engaged permitting consultants AECOM and work has now commenced on the preliminary environmental approvals documentation. The process will be rapidly advanced once a final project location is decided.

# Alpha HPA Limited and its controlled entities
# Directors' Report

## COLLERINA PROJECT – NSW (Alpha HPA - 100% owned and partly subject to farm-out)

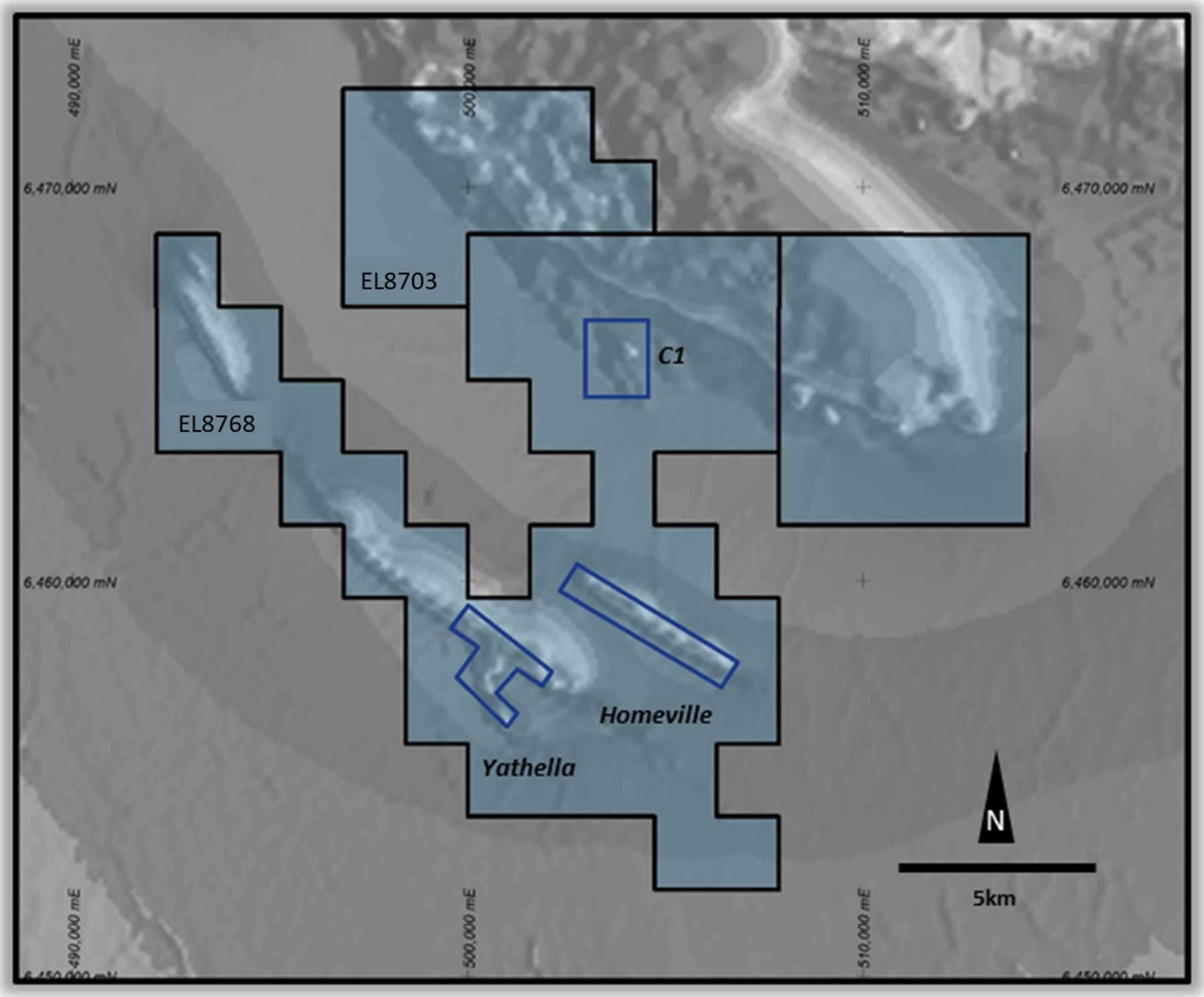
The Collerina project is located 40 kilometres south of Nyngan in central NSW, covering an area of 150km$^2$ within the Fifield Platinum Province.




***Collerina project situated about 40 kilometres south of Nyngan, NSW***

The HPA First Project provides the opportunity for the cheaper, faster and more readily permitted component of the Collerina Project (HPA) to be fast tracked. The Company still considers that the chemical characteristics of the Collerina Project ore represent a unique opportunity to produce nickel, cobalt, scandium (and HPA), when compared to other nickel-cobalt laterite proponents. However, further studies will be required to assess the technical and financial case for the integration of the Collerina Project into the HPA First Project and to expand the revenue base into these other products. The Company remains committed to realising full value for shareholders from the advancement of its Collerina Project.

In October 2018, the Collerina Project tenement (EL 6336) was replaced with a new tenement EL8768, with addition of an additional Mineral Group (Group 2) to cover for the opportunity of producing HPA from ore taken from within the tenement.




*Plan of the Collerina licence area showing the Homeville, Yathella and C1 prospect areas.*

## Collerina Project Mineral Resource Estimate

During the half year the Company completed its annual review of Mineral Resources and Ore Reserves, including the additional drill data collected in 2017, and identified the requirements to bring the Homeville nickel-cobalt resource into JORC 2012 compliance. The Homeville Mineral Resource Estimate (MRE) update was completed by Optiro Consultants, and reported below.

The updated JORC 2012 MRE, is presented at a 0.7% Ni cut-off and compared to the previous MRE as follows:

| | Category | Cut Off Grade (Ni %) | Tonnes (Mt) | Ni % | Co % | Fe % | Al % |
|---|---|---|---|---|---|---|---|
| 2011 MRE (JORC 2004) | Indicated | 0.7 | 4.4 | 0.99 | 0.06 | 20 | 3.5 |
| | Inferred | 0.7 | 11.9 | 0.91 | 0.05 | 18 | 3 |
| | **TOTAL** | | **16.3** | **0.93** | **0.05** | **19** | **3.1** |
| 2018 MRE (JORC 2012) | Category | Cut Off Grade (Ni %) | Tonnes (Mt) | Ni % | Co % | Fe % | Al % |
| | Indicated | 0.7 | 2.2 | 0.98 | 0.04 | 19 | 2.8 |
| | Inferred | 0.7 | 15.7 | 0.88 | 0.06 | 23 | 3.7 |
| | **TOTAL** | | **17.9** | **0.89** | **0.06** | **22** | **3.6** |

The 2012 JORC MRE, in comparison to the 2004 JORC MRE, represents:

- A 10% increase in total tonnes.
- A 50% decrease in indicated tonnes.
- A 4% decrease in Ni grade.
- An 11% increase in Co grade.
- A 15% increase in Al grade.

## WONOGIRI PROJECT - INDONESIA (Alpha HPA - 45%)

The Company is continuing advancement of its AMDAL study (environmental impact study) for the Randu Kuning gold-copper deposit. On acceptance of the AMDAL, the Company will be awarded a 20-year operation production IUP (with 10-year extension) for the Randu Kuning gold-copper deposit con currently an AMDAL is also being undertaken for its planned aggregate operation adjacent to the Randu Kuning deposit. Upon approval the Company will be granted an initial 5 year aggregate operation licence, which can be extended for two additional 5 year terms.

## CORPORATE

### Change of Managing Director

During the half year the Company announced that Mr Rimas Kairaitis had assumed the role of Managing Director, having served on the Board in the capacity of Technical Director since his appointment in November 2017. Mr Kairaitis replaced outgoing Managing Director Mr Justin Werner who is continuing as a Non-Executive Director.

### Issue of Shares and Options

In early July 2018 the Company announced the launch of a fully underwritten, non-renounceable rights issue (Offer) to raise approximately $4.1 million before costs of the Offer.

The Offer was made to eligible shareholders on the basis of 1 New Share for every 10 Existing Shares held, at an issue price of $0.08 per New Share to Eligible Shareholders who were registered on the Company's share register at 5.00pm EST on 16 July 2018 (Record Date). The issue price represented a 26.6% discount to the 1 month volume weighted average price (VWAP) of 10.9 cents.

The Offer was completed in early August with 37,430,799 New Shares issued to Shareholders under the Offer. An additional 13,396,475 New Shares were issued through the underwriter of the Offer. Trading of New Shares issued under the offer commenced on 9 August 2018.

The Offer was conducted to advance the HPA First process, as a fast track to become a globally significant, low cost producer of HPA. The funds raised will be principally used to:

- Advance pre-feasibility study testwork.
- PFS engineering and reporting.
- Testwork piloting.
- Project and product marketing.
- Working capital and costs of the Offer.

During the half year the Company granted 12 million options, each exercisable to acquire one fully paid ordinary share at any time up to 31 October 2020 for 15 cents, to key management personnel as part of their remuneration. Additionally the Company granted 10 million options, each exercisable to acquire one fully paid ordinary share at any time up to 31 July 2022 for 20 cents, as part consideration for the right to use proprietary intellectual property owned by the option holder.

### Competent Persons Statement (Exploration Results)

The information in this report that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of The Australasian Institute of Mining and Metallurgy. Rimas Kairaitis is Managing Director of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### Competent Persons Statement –Homeville Mineral Resource Estimate

The Mineral Resource Estimate for the Homeville deposit has been compiled by Kahan Cervoj B. App. Sci (Geology), MAIG MAusIMM. Mr Cervoj is an employee of Mineral Industry Consultants, Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cervoj consents to the inclusion in this report of the matters based on his information in the form and context in which it appears

To the extent that this announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new material information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

### Competent Persons Statement (Process Development Testwork)

Information in this announcement that relates to metallurgical results is based on information compiled by or under the supervision of Dr Stuart Leary, an Independent Consultant trading as Delta Consulting Group. Dr Leary is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM). Dr Leary has sufficient experience to the activity which he is undertaking to qualify as a Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Leary consents to the inclusion of the technical data in the form and context in which it appears.

For further information on testwork results and processes see ASX announcements dated 4 December 2018, 20 November 2018, 6 September 2018, 31 August 2018, 6 August 2018, 9 July 2018, 30 April 2018, 26 April 2018, 21 March 2018, 6 March 2018, 21 February 2018, 8 December 2017, 30 November 2017, 29 November 2017, 24 November 2017 and 13 November 2017.

## SUBSEQUENT EVENTS

Subsequent to the end of the interim financial period no matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Lead Auditor's Independence Declaration on page 13 as required under Section 307C of the *Corporations Act 2001* is attached to and forms part of the Directors' Report for the half-year ended 31 December 2018.

Signed in accordance with a resolution of the Directors.

Norman A. Seckold
Chairman
Sydney, 14 March 2019

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the Directors of Alpha HPA Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

| | |
|---|---|
| KPMG | Adam Twemlow |
| Brisbane | Partner |
| 14 March 2019 | |

# Alpha HPA Limited and its controlled entities
# Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
# for the half-year ended 31 December 2018

| | Note | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Administration and consultants' expenses | | **(314,653)** | (285,986) |
| Audit and other professional fees | | **(32,250)** | (35,950) |
| Depreciation | | **(2,876)** | (667) |
| Director and company secretarial fees | | **(142,012)** | (122,833) |
| Legal expenses | | **(21,385)** | (10,002) |
| Share based payment | 7 | **(1,090,600)** | (960,372) |
| Unrealised loss on investment | 5 | **(78,246)** | - |
| Development expenses | | **(776,176)** | - |
| Other expenses from ordinary activities | | **(18,605)** | (32,838) |
| **Operating loss before financing income** | | **(2,476,803)** | (1,448,648) |
| Finance income | | **126,326** | 123,116 |
| **Net finance income** | | **126,326** | 123,116 |
| **Loss before income tax** | | **(2,350,477)** | (1,325,532) |
| Income tax expense | | **-** | - |
| **Loss for the period** | | **(2,350,477)** | (1,325,532) |
| **Other comprehensive income for the period** | | | |
| **Items that may be classified subsequently to profit or loss** | | | |
| Foreign currency translation | | **19,561** | (82,585) |
| **Total other comprehensive income/(loss)** | | **19,561** | (82,585) |
| **Total comprehensive loss for the period** | | **(2,330,916)** | (1,408,117) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(2,319,012)** | (1,292,151) |
| Non-controlling interest | | **(31,465)** | (33,381) |
| **Loss for the period** | | **(2,350,477)** | (1,325,532) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(2,333,823)** | (1,337,085) |
| Non-controlling interest | | **2,907** | (71,032) |
| **Total comprehensive loss for the period** | | **(2,330,916)** | (1,408,117) |
| **Earnings per share** | | | |
| Basic and diluted loss per share attributable to ordinary equity holders (cents per share) | | **(0.42)** | (0.28) |

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

# Alpha HPA Limited and its controlled entities
# Condensed Consolidated Interim Statement of Financial Position
# as at 31 December 2018

| | Note | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | **2,604,074** | 288,007 |
| Trade and other receivables | 4 | **404,738** | 774,027 |
| Prepayments | | **133,473** | 99,143 |
| **Total current assets** | | **3,142,285** | 1,161,177 |
| **Non-current assets** | | | |
| Property, plant and equipment | | **18,189** | 948 |
| Exploration and evaluation expenditure | 3 | **10,005,058** | 9,764,421 |
| Investments | 5 | **131,754** | 110,000 |
| Other Assets | | **45,000** | 45,000 |
| **Total non-current assets** | | **10,200,001** | 9,920,369 |
| **Total assets** | | **13,342,286** | 11,081,546 |
| **Current liabilities** | | | |
| Trade and other payables | | **337,452** | 841,682 |
| **Total current liabilities** | | **337,452** | 841,682 |
| **Total liabilities** | | **337,452** | 841,682 |
| **Net assets** | | **13,004,834** | 10,239,864 |
| **Equity** | | | |
| Issued capital | 6 | **34,112,896** | 30,187,206 |
| Reserves | | **2,054,724** | 999,735 |
| Accumulated losses | | **(23,783,148)** | (21,464,136) |
| **Total equity attributable to equity holders of the Company** | | **12,384,472** | 9,722,805 |
| Non-controlling interest | 11 | **620,362** | 517,059 |
| **Total equity** | | **13,004,834** | 10,239,864 |

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

# Alpha HPA Limited and its controlled entities
# Condensed Consolidated Interim Statement of Cash Flows
# for the half-year ended 31 December 2018

| | Note | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash payments in the course of operations | | **(571,793)** | (377,732) |
| Interest received | | **24,780** | 3,393 |
| **Net cash used in operating activities** | | **(547,013)** | (374,339) |
| **Cash flows from investing activities** | | | |
| Payments for exploration expenditure | | **(528,056)** | (625,980) |
| Payments for development expenditure | | **(764,176)** | - |
| Proceeds from sale of tenement interest | | **150,000** | - |
| Proceeds from sale of property, plant and equipment | | **-** | 32,570 |
| Repayment of R&D tax incentive | | **-** | (418,246) |
| **Net cash used in investing activities** | | **(1,142,232)** | (1,011,656) |
| **Cash flows from financing activities** | | | |
| Issue of shares | 6 | **4,226,182** | 3,585,000 |
| Capital raising costs | 6 | **(321,292)** | (190,870) |
| Contribution by non-controlling interest | 11 | **100,396** | 11,458 |
| **Net cash from financing activities** | | **4,005,286** | 3,405,588 |
| **Net increase in cash and cash equivalents** | | **2,316,041** | 2,019,593 |
| **Cash and cash equivalents at 1 July** | | **288,007** | 594,029 |
| **Effect of exchange rate adjustments on cash held** | | **26** | 1,140 |
| **Cash and cash equivalents at 31 December** | | **2,604,074** | 2,614,762 |

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

# Alpha HPA Limited and its controlled entities
# Condensed Consolidated Interim Statement of Changes in Equity
# for the half-year ended 31 December 2018

| | Note | Issued Capital $ | Reserves $ | Accumulated Losses $ | Total $ | Non-Controlling Interest $ | Total Equity $ |
|---|---|---|---|---|---|---|---|
| Balance as at 1 July 2017 | | 26,712,574 | 122,630 | (19,693,582) | 7,141,622 | 658,954 | 7,800,576 |
| **Total comprehensive income for the period** | | | | | | | |
| Loss for the period | | - | - | (1,292,151) | (1,292,151) | (33,381) | (1,325,532) |
| Other comprehensive income | | - | (44,934) | - | (44,934) | (37,651) | (82,585) |
| Total comprehensive loss for the period | | - | (44,934) | (1,292,151) | (1,337,085) | (71,032) | (1,408,117) |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | |
| Issue of shares | 6 | 3,660,302 | - | - | 3,660,302 | - | 3,660,302 |
| Issue of options | | - | 960,372 | - | 960,372 | | 960,372 |
| Fair value of options exercised during the period | | 5,200 | (5,200) | - | - | - | - |
| Costs of issue | 6 | (190,870) | - | - | (190,870) | - | (190,870) |
| Contribution from non-controlling interest | 11 | - | - | - | - | 11,458 | 11,458 |
| Total contributions by and distributions to owners | | 3,474,632 | 955,172 | - | 4,429,804 | 11,458 | 4,441,262 |
| Balance at 31 December 2017 | | 30,187,206 | 1,032,868 | (20,985,733) | 10,234,341 | 599,380 | 10,833,721 |
| Balance as at 1 July 2018 | | **30,187,206** | **999,735** | **(21,464,136)** | **9,722,805** | **517,059** | **10,239,864** |
| **Total comprehensive income for the period** | | | | | | | |
| Loss for the period | | **-** | **-** | **(2,319,012)** | **(2,319,012)** | **(31,465)** | **(2,350,477)** |
| Other comprehensive income/(loss) | | **-** | **(14,811)** | **-** | **(14,811)** | **34,372** | **19,561** |
| Total comprehensive income/(loss) for the period | | **-** | **(14,811)** | **(2,319,012)** | **(2,333,823)** | **2,907** | **(2,330,916)** |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | |
| Issue of shares | 6 | **4,226,182** | **-** | **-** | **4,226,182** | **-** | **4,226,182** |
| Issue of options | 7 | **-** | **1,090,600** | **-** | **1,090,600** | **-** | **1,090,600** |
| Fair value of options exercised during the period | | **20,800** | **(20,800)** | **-** | **-** | **-** | **-** |
| Costs of issue | 6 | **(321,292)** | **-** | **-** | **(321,292)** | **-** | **(321,292)** |
| Contribution from non-controlling interest | 11 | **-** | **-** | **-** | **-** | **100,396** | **100,396** |
| Total contributions by and distributions to owners | | **3,925,690** | **1,069,800** | **-** | **4,995,490** | **100,396** | **5,095,886** |
| Balance at 31 December 2018 | | **34,112,896** | **2,054,724** | **(23,783,148)** | **12,384,472** | **620,362** | **13,004,834** |

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

## 1. REPORTING ENTITY

Alpha HPA Limited ('the Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half-year ended 31 December 2018 comprise the Company and its controlled entities (together referred to as 'the Group').

The Group is a for-profit entity developing the HPA First Project, to produce High Purity Alumina for the battery and LED markets, and the acquisition, exploration and development of mineral deposits in Australia and Indonesia.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.alphaHPA.com.au.

## 2. BASIS OF PREPARATION

**(a) Statement of compliance**
The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting'.

The condensed consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

These condensed consolidated interim financial statements were authorised for issue by the Directors on 14 March 2019.

**(b) Estimates**
The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the consolidated annual financial report for the year ended 30 June 2018, except for the following:
- Note 2(d) Going Concern
- Note 7 Share Based Payments

During the half year period the Group assessed the carrying value of its exploration assets and no impairment was recognised.

**(c) Changes in accounting policies**
This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* has been applied. The application of this standard has not had an impact on the interim financial statements.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contract to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement.*

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

## 2. BASIS OF PREPARATION (continued)

AASB 9 largely retains the existing requirement in AASB 139 for the classification and measurement of liabilities.

AASB 9 also replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial asset measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9 credit losses are recognised earlier than under AASB 139.

The adoption of AASB 9 has not had any significant effect on the Company's accounting policies related to financial assets or financial liabilities. Given the nature of the Company's business and its history of negligible credit loss on trade and other receivables, application of the ECL model has had no material impact on the value of trade and other receivables recognised at 1 July 2018 or at period end.

Other than the changes outlined above, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2018.

**(d) Going concern**

The consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a loss of $2,350,477 for the half-year ended 31 December 2018 and has accumulated losses of $23,783,148 at 31 December 2018. The Group has cash on hand of $2,604,074 at 31 December 2018 and used net cash of $1,839,244 in operations including expenditure on exploration and evaluation activities and development activities for the half-year ended 31 December 2018.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operations of the Group is dependent upon the Group raising additional funding from shareholders or other parties and/or the Group reducing expenditure in-line with available funding.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern.

These cash flow projections assume the Group obtains sufficient additional funding from shareholders or other parties. If such funding is not achieved, the Group plans to reduce expenditure significantly.

In the event the Group does not obtain additional funding and/or reduce expenditure in-line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the interim financial report.

| | As at 31 December 2018 $ | As at 30 June 2018 $ |
|---|---|---|
| **3. EXPLORATION AND EVALUATION EXPENDITURE** | | |
| New South Wales | **2,536,437** | 2,514,286 |
| Indonesia | **7,468,621** | 7,250,135 |
| | **10,005,058** | 9,764,421 |

Exploration programs in each area of interest continue but have not reached a stage which permits a reasonable assessment of economically recoverable reserves. The ultimate recoupment of these costs is dependent on the successful development and exploitation, or alternatively sale, of the respective areas of interest.

## 4. TRADE AND OTHER RECEIVABLES

| | As at 31 December 2018 $ | As at 30 June 2018 $ |
|---|---|---|
| Current | | |
| GST receivable - Australia | **5,078** | 78,560 |
| Consideration on sale of subsidiary | **250,000** | 500,000 |
| Other receivables | **149,660** | 195,467 |
| | **404,738** | 774,027 |

## 5. INVESTMENTS

| | As at 31 December 2018 $ | As at 30 June 2018 $ |
|---|---|---|
| Opening balance | **110,000** | - |
| Additions – shares received from sale of Becker project | **100,000** | 110,000 |
| Unrealised loss | **(78,246)** | - |
| | **131,754** | 110,000 |

As part of the consideration for the sale of the Becker Project in May 2018, the Company elected to receive two monthly payments by way of shares in Santana Mineral Limited (‘Santana’). The Company was issued 5,083,436 Santana shares in August 2018, based on a VWAP of $0.00983587 and 6,875,597 Santana shares in September 2018 based on a VWAP of $0.0072721.

## 6. ISSUED CAPITAL

| | As at 31 December 2018 $ | As at 31 December 2017 $ |
|---|---|---|
| **Issued and paid up capital**<br>567,100,018 ordinary shares fully paid (31 December 2017 – 508,272,744) | **34,112,896** | 30,187,206 |

| | Nº of shares | $ | Nº of shares | $ |
|---|---|---|---|---|
| **Ordinary shares**<br>Fully paid ordinary shares carry one vote per share and carry the right to dividends. | | | | |
| Balance at the beginning of the period | **508,272,744** | **30,187,206** | 435,818,198 | 26,712,574 |
| Issue of shares – cash | **50,827,274** | **4,066,182** | 64,454,546 | 3,545,000 |
| Issue of shares – non-cash | **-** | **-** | 6,000,000 | 75,302 |
| Options exercised during the period | **8,000,000** | **180,800** | 2,000,000 | 45,200 |
| Costs of issue | **-** | **(321,292)** | - | (190,870) |
| Balance at the end of the period | **567,100,018** | **34,112,896** | 508,272,744 | 30,187,206 |

In August 2018 the Group issued 50,827,274 shares at $0.08 each for cash totalling $4,066,182. There were no amounts unpaid on the shares issued. Share issue costs totalled $321,292.

In September 2018 the Group issued 8,000,000 shares at $0.02 each for cash totalling $160,000. These were in relation to 8,000,000 options exercised by Bell Potter Securities. The fair value of the share options exercised was $20,800.

## 6. ISSUED CAPITAL (continued)

During the period ended 31 December 2017 the Group issued 64,454,546 shares at $0.055 each for cash totalling $3,545,000. There were no amounts unpaid on the shares issued. Share issue costs totalled $190,870.

During the period ended 31 December 2017 the Group issued 2,000,000 shares at $0.02 each for cash totalling $40,000. These were in relation to 2,000,000 options exercised by Bell Potter Securities. The fair value of the share options exercised was $5,200.

In addition, during the period ended 31 December 2017 the Group issued 6,000,000 ordinary shares with a fair value of $75,302 to a consultant for geological consultancy services provided to the Group.

## 7. SHARE BASED PAYMENTS

During the half year ended 31 December 2018, 8,000,000 options were exercised by Bell Potter Securities.

In addition, during the half year ended 31 December 2018 the following options were issued under the Alpha HPA Option Incentive Plan;

i) the Company issued 2,000,000 $0.15 options for no consideration with a grant date of 4 September 2018 and an expiry date of 31 October 2020, to the Company's investor relations consultant. The fair value of the options granted is measured using a Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The fair value of the options granted was $94,600. The Black-Scholes formula model inputs were the Company's share price of $0.105 at the grant date, a volatility factor of 97% (based on historical share price performance), a risk-free interest rate of 1.98% and a dividend yield of 0%. The options fully vested on grant date.

ii) the Company issued 10,000,000 $0.15 options for no consideration with a grant date of 30 November 2018 and an expiry date of 31 October 2020, to Mr Rimas Kairaitis following his appointment as Managing Director and shareholder approval of the grant of options at the Company's AGM. The fair value of the options granted is measured using a Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The fair value of the options granted was $436.000. The Black-Scholes formula model inputs were the Company's share price of $0.11 at the grant date, a volatility factor of 90% (based on historical share price performance), a risk-free interest rate of 2.00% and a dividend yield of 0%. The options fully vested on grant date.

iii) the Company issued 10,000,000 $0.20 options for no consideration with a grant date of 30 November 2018 and an expiry date of 31 July 2022 as part consideration for the right to use proprietary intellectual property owned by the option holder. The fair value of the options granted is measured using a Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The fair value of the options granted was $560.000. The Black-Scholes formula model inputs were the Company's share price of $0.11 at the grant date, a volatility factor of 90% (based on historical share price performance), a risk-free interest rate of 2.16% and a dividend yield of 0%. The options fully vested on grant date.

## 8. SEGMENT REPORTING

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

### Geographical segments

For the half-year ended 31 December 2018 the Group had two segments being minerals exploration and development in NSW and Indonesia. During the period the Group conducted a pre-feasibility study in relation to the HPA First project. The total cost incurred in relation to this study and advancing the HPA First project were $776,176. These costs have been disclosed in the NSW geographical segment.

The Group has two reportable geographic segments, as described below:

| | NSW<br>$ | Indonesia<br>$ | Total<br>$ |
|---|---|---|---|
| **31 December 2018** | | | |
| External revenues | - | - | **-** |
| Reportable segment loss before tax | (778,413) | (69,078) | **(847,491)** |
| Depreciation and amortisation | (2,237) | (25,874) | **(28,111)** |
| Reportable segment assets | 2,599,430 | 7,491,618 | **10,091,048** |
| Reportable segment liabilities | 16,765 | 20,088 | **36,853** |

For the half-year ended 31 December 2017 the Group had three segments being minerals exploration in NSW, Indonesia and South America.

| | NSW<br>$ | Indonesia<br>$ | South America<br>$ | Total<br>$ |
|---|---|---|---|---|
| **31 December 2017** | | | | |
| External revenues | - | - | - | **-** |
| Reportable segment loss before tax | - | (94,515) | - | **(94,515)** |
| Depreciation and amortisation | - | (667) | - | **(667)** |
| Reportable segment assets | 1,522,273 | 7,208,046 | 511,099 | **9,241,418** |
| Reportable segment liabilities | 12,358 | 46,311 | 27,993 | **86,662** |

## 8. SEGMENT REPORTING (continued)

| Reconciliations of reportable segment revenues and profit or loss | As at 31 December 2018 $ | As at 31 December 2017 $ |
|---|---|---|
| **Profit or loss** | | |
| Total loss for reportable segments | **(847,491)** | (94,515) |
| Unallocated amounts: | | |
| Interest income | **24,780** | 3,393 |
| Net other corporate expenses | **(1,527,766)** | (1,234,410) |
| Consolidated loss before tax | **(2,350,477)** | (1,325,532) |

| | | |
|---|---|---|
| **Reconciliations of reportable assets and liabilities** | | |
| **Assets** | | |
| Total assets for reportable segments | **10,091,048** | 9,241,418 |
| Unallocated corporate assets | **3,251,237** | 2,834,540 |
| Consolidated total assets | **13,342,285** | 12,075,958 |
| **Liabilities** | | |
| Total liabilities for reportable segments | **36,853** | 86,662 |
| Unallocated corporate liabilities | **300,599** | 1,155,575 |
| Consolidated total liabilities | **337,452** | 1,242,237 |

## 9. RELATED PARTIES

**Key management personnel and Director transactions**

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

These entities transacted with the Group during the half-year as follows:

- During the half-year year ended 31 December 2018, Norman Seckold and Peter Nightingale held a controlling interest in an entity, MIS Corporate Pty Ltd, which provided full administration services to the Group, including rental accommodation, administrative, accounting staff both within Australia and Indonesia, services and supplies. Fees charged by MIS Corporate Pty Ltd during the half-year amounted to $90,000 (31 December 2017 - $90,000). At 31 December 2018 there was $75,000 outstanding (2017 – $245,000).

## 10. FINANCIAL INSTRUMENTS

**Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the year ended 30 June 2018.

**Carrying amounts versus fair values**

The carrying amounts of financial assets and financial liabilities included in the balance sheet approximate fair values.

## 11. CONTRIBUTION FROM NON-CONTROLLING INTEREST

During the half-year ended 31 December 2018, PT Smart Mining Resources, holder of a 55% non-controlling interest in PT Alexis Perdana Mineral provided contributions totalling $100,396 to the Group (31 December 2017: $11,458). These contributions are interest free, unsecured, there is no fixed term of repayment and has no maturity date. The contributions provided are repayable at the discretion of the Directors of PT Alexis Perdana Mineral and have been treated as contributions from non-controlling interest within equity in the interim financial report.

## 12. SUBSEQUENT EVENTS

Subsequent to the end of the interim financial period no matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# Alpha HPA Limited and its controlled entities
# Directors' Declaration

In accordance with a resolution of the Directors of Alpha PHA Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes set out on pages 14 to 24 are 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 2018 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Norman A. Seckold
Chairman

Sydney, 14 March 2019

# Independent Auditor's Review Report

To the members of Alpha HPA Limited

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Alpha HPA Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Alpha HPA Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated interim statement of financial position as at 31 December 2018
- Condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Alpha HPA Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

### Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2d "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 2d, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Alpha HPA Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

BRISBANE

14 March 2019

Adam Twemlow

Partner