

Alpha **HPA**

ABN 79 106 879 690

Alpha HPA Limited
and its controlled entities
Interim Financial Report

for the half-year ended 31 December 2019

Corporate Information

ABN 79 106 879 690

Directors

Norman Seckold - Chairman
Rimas Kairaitis - Managing Director
Peter Nightingale - Director
Anthony Sgro - Non-Executive Director
Justin 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

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000

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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 2019 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 Seckold – Director since 30 November 2009
- Peter Nightingale – Director since 30 November 2009
- Justin 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 \$5,201,845 (2018 - loss of \$2,350,477).

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%)

The half year saw a number of key outcomes in advancing the HPA First Project achieved. Highlights during and subsequent to the end of the half year include:

- HPA First Pilot Plant successfully operated over 3 campaigns.
- Dedicated jet mill successfully commissioned in Binghamton, New York, USA.
- HPA samples distributed to several potential HPA offtake partners.
- Collaborative research program with German research group identifies two new applications for HPA inside lithium-ion cells.
- Chemical counterparty agreement concluded.
- Successful manufacture of crystalline high purity boehmite.
- HPA First Project location determined in Gladstone, Queensland.

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Alpha HPA Limited and its controlled entities

Directors' Report

Chemical counterparty agreement concluded

Subsequent to the end of the half year, the Company signed a Memorandum of Understanding ('MoU') with Orica Australia Pty Ltd ('Orica'), which sets out the volumes and pricing mechanisms for the supply of key process reagents and the offtake of by-product from the HPA First Project subject to the negotiation and finalisation of a more definitive Supply and Offtake Agreement ('Agreement').

The MoU also sets out the scope and commitment for the formation of an Engineering Co-operation Group ('ECG') with representatives from each party to review and advise on the engineering requirements of supply, offtake and project interface.

Background

The HPA First Project requires the supply of two key chemical reagents, which are recycled inside the HPA production process as a by-product for sale back to the reagent supplier. The volume and nature of the reagents and by-product require the HPA First Project to be ideally located within 2 kilometres of a chemical counterparty, to allow for the reagents and by-product to be delivered by pipeline in liquid form. The terms of the MoU have been negotiated on the basis of pipeline supply and delivery from/to a project site within the Gladstone State Development Area (see Project Location).

Reagent Supply and Offtake

The reagent and by-product volumes in consideration (expressed at 100% concentrations) are set out below:



The MoU sets out a pricing mechanism for both the key reagents as well as the by-product over an indicative 20-year term. The pricing mechanism compares favourably with the reagent and by-product pricing assumptions used in the updated PFS (ASX announcement: 7 March 2019). The MoU also sets out indicative quality specifications for the supply and delivery of the reagents and by-product.

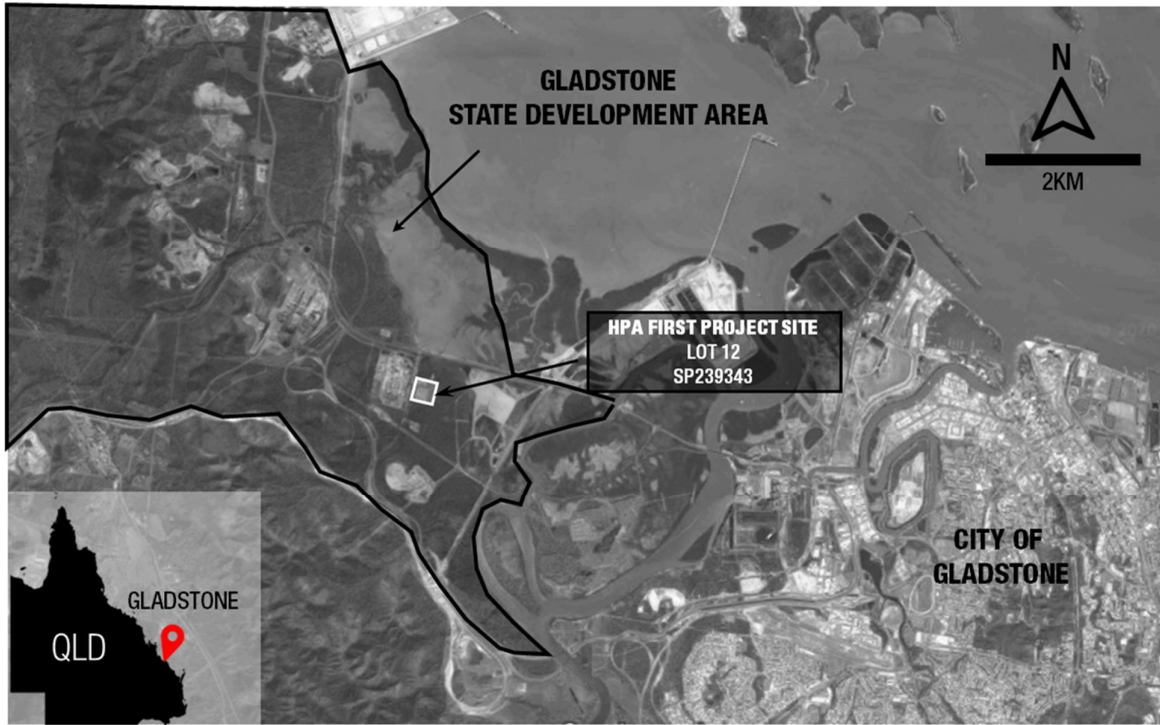
Project Location

The MoU has been negotiated on the basis of reagents supply and by-product offtake delivered from/to Orica's facility in Gladstone, Queensland, within the Gladstone State Development Area ('GDSA').

On this basis, Alpha HPA has secured an option with Economic Development Queensland ('EDQ') on a suitable 10 hectare land parcel within the GSDA (see map below). Alpha HPA will now seek to negotiate final purchase terms for the land with the EDQ and commence a full-scale project permitting process.

Alpha HPA Limited and its controlled entities

Directors' Report



The GSDA is located north-west of Gladstone and is a defined area of land dedicated for industrial development and materials transportation infrastructure. Comprising of 27,194 hectares of land adjacent to the Port of Gladstone, with connections to major rail networks and Australia's national highway, the GSDA also provides suitable access to mains power, LNG and a diversely skilled local workforce. The GSDA already hosts a number of major industrial chemical projects, including:

- Rio Tinto alumina refinery;
- Orica chemical manufacturing complex;
- Transpacific Industries waste management and recycling facility;
- Australia Pacific LNG;
- Santos Gladstone LNG; and
- Queensland Curtis LNG.

Engineering Co-Operation Group

The MoU includes a binding commitment on each party to establish an Engineering Co-Operation Group ('ECG') to work on the on-engineering requirements for the interface between the Orica and the Alpha HPA projects, including safety, reliability, operability and schedule. The ECG scope will include design elements for pipeline routes, tie-in connection points, transfer rates, pressure, temperature, pump designs, process controls, instrumentation, materials of construction, hazard studies, engineering controls, trips, procedures, training and quantity mass measurement.

The ECG includes a minimum cost commitment of \$200,000 per party up to 31 July 2020.

Alpha HPA Limited and its controlled entities

Directors' Report

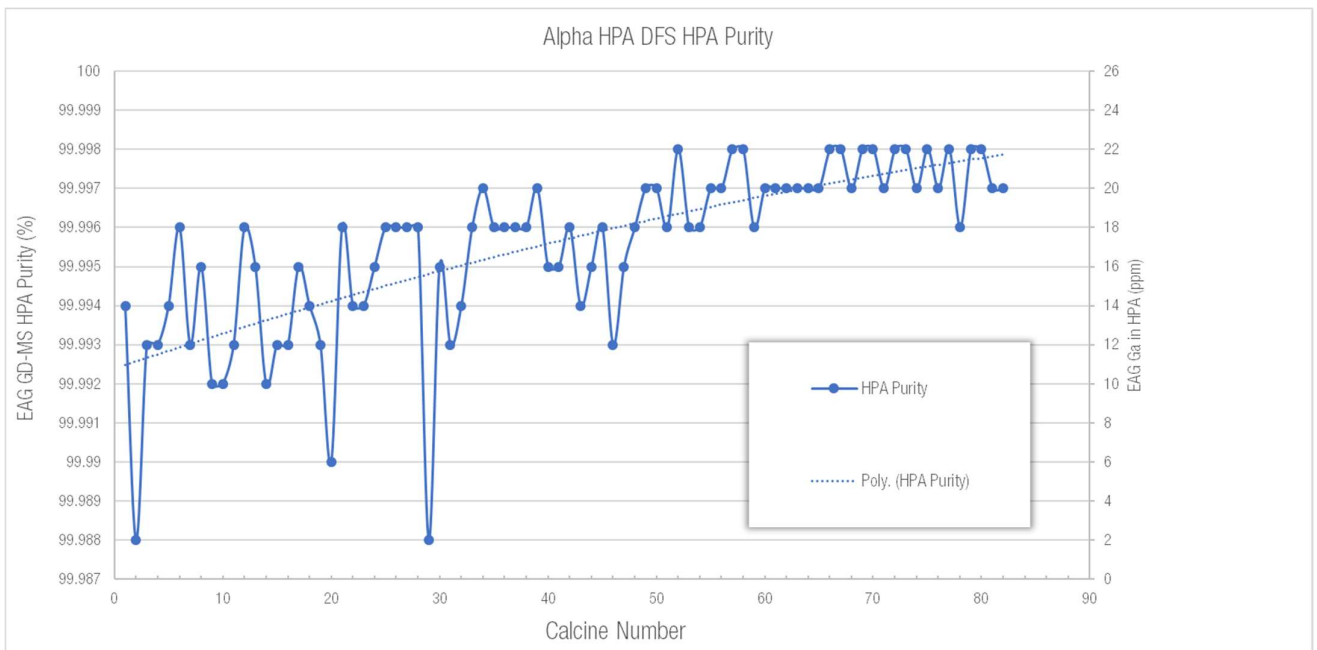
Conditionality

The definitive Product Supply and Offtake Agreement contemplated in the MoU is subject to the following conditions precedent:

- Alpha HPA securing land suitable for pipeline transfer of products;
- Alpha HPA securing funding to execute the project;
- Alpha HPA securing all necessary statutory approvals;
- each party completing its due diligence activities to its satisfaction and the negotiation and finalisation of all required agreements including the Product Supply and Offtake Agreement; and
- internal approvals of each party.

Pilot Plant Production Runs

2019 Pilot Plant production runs (Campaigns 1, 2 and 3) comprised over 600 hours of operating time and included over 80 individual calcine batches of HPA. Assays of all HPA produced in the Pilot Plant to date shows a clear trend of process and purity improvement, trending towards 5N (99.999%) purity (see below).



Each Pilot Plant campaign included:

- solvent extraction;
- aluminium salt crystallization;
- HPA-precursor production; and
- calcination to HPA.

In November 2019, Campaign 3A produced approximately 250kg of very high-purity intermediate aluminium salt, with the SX component of the campaign featuring a switching between feedstocks sourced from both Western Australia and Queensland to assess process performance of the two most likely feedstocks once the final project location is determined. Both feedstocks performed equally robustly, with no discernible variation in process conditions, extraction percentage or salt purity.

Alpha HPA Limited and its controlled entities

Directors' Report

The robustness, selectivity and longevity of the SX organic was also confirmed with all organics from previous campaigns recycled for Campaign 3 surviving over 600 operating hours.

Campaign 3B saw the aluminium salt from Campaign 3A successfully converted into HPA precursor. This precursor has since been calcined and jet milled (to a desired particular particle size distribution) and distributed for end-user qualification testwork and HPA research programs. Campaign 3 was undertaken principally to meet additional product demand required from end-users.

USA based HPA milling operations

During the half year, the Company's dedicated jet mill was successfully installed and commissioned within a battery lab in Binghamton, New York, USA. Commissioning included multiple milling runs using both sacrificial HPA and also the Company's Pilot Plant HPA to confirm operating conditions to deliver the desired particle size distribution ('PSD') at near zero measurable contamination ahead of distribution to end-users. Milled samples successfully passed quality controls for purity (>99.99%).



Alpha HPA's dedicated jet mill installation – Binghamton, USA

HPA End Users

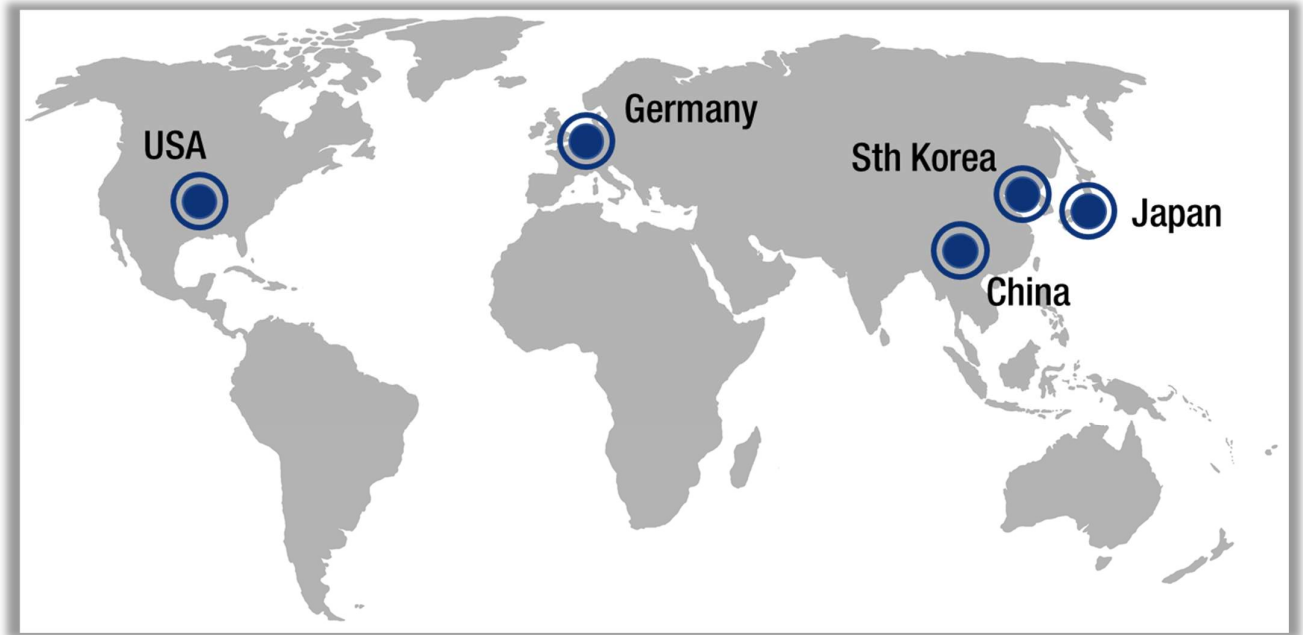
The Company continued its market outreach program into the application of HPA in the lithium-ion battery and LED sectors and has identified a number of large HPA end-users in multiple jurisdictions, including USA, Germany, Japan, South Korea, Japan and China.

Ongoing dialogue has resulted in the Company having a sound understanding of individual customer specifications and desired volumes. Milled product from the Company's HPA First Pilot program has now been distributed to these potential offtake partners for commercial qualification testwork.

Alpha HPA's market outreach has continued subsequent to the end of the half year, including a marketing trip to South Korea in January 2020, where several new potential end user relationships were established and product samples were requested.

Alpha HPA Limited and its controlled entities

Directors' Report



HPA samples have been distributed to end-users in multiple jurisdictions

Successful Boehmite production

In consultation with a significant Japanese lithium-ion battery separator manufacturer, Alpha HPA successfully manufactured crystalline, high-purity boehmite (aluminium-oxide-hydroxide) using the HPA First process. Boehmite represents the only material, other than HPA, used in significant volumes in the manufacture of ceramic coated separators for the lithium-ion battery market. The Company is currently completing larger scale batch production of high-purity boehmite to provide sufficient samples for assessment by the Japanese separator manufacturer and other potential end-users who have subsequently expressed interest in this product.

German research collaboration identifies two new key HPA growth markets

During the half year, Alpha HPA completed a collaborative research program with a German based research group which identified two new applications for HPA inside lithium-ion cells. In each case, the new applications have absolute (>4N) purity requirements and the potential for large volume demand.

In response, Alpha HPA and the German group have commenced a testwork program in Germany to confirm the suitability of the Company's HPA for these new applications. Samples have been despatched and results are expected in the near future.

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Directors' Report

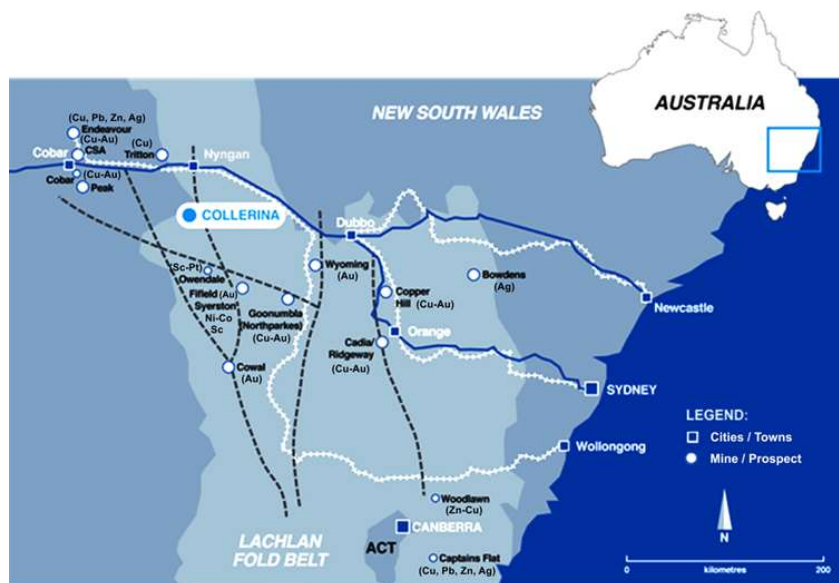
Next Steps

The Company is in the final stages of completing its Definitive Feasibility Study ('DFS') for the HPA First Project. Assuming successful delivery of a technically robust and financially compelling DFS for the HPA First Project, in combination with the recent MoU with Orca and securing of the Project site within the Gladstone State Development Area in Queensland, the Alpha HPA Board sees the steps to a Final Investment Decision ('FID') as follows:

- **Project Permitting and Approvals:** AECOM Consultants have been engaged to complete the project approvals on the HPA First Project.
- **Project Financing:** Alpha HPA will shortly engage project financing consultants to assist the Company compile financing proposals for the Project. This process will include assessment of the following funding sources:
 - strategic funding connected to offtake counterparties;
 - government concessional lending, to include engagement with the Northern Australia Infrastructure Facility (NAIF) and the Clean Energy Finance Corporation (CEFC);
 - export credit finance – domestic and international;
 - equity finance; and/or
 - bank finance.
- **Post DFS Engineering:** Commence detailed post-DFS engineering in preparation for EPCM tender packages.
- **Extend Market Outreach:** Extend existing market outreach program to end-users in both the lithium-ion supply chain and light emitting diode ('LED') lighting sector with a view to securing offtake contracts to support project financing.

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 150km² within the Fifield Platinum Province.



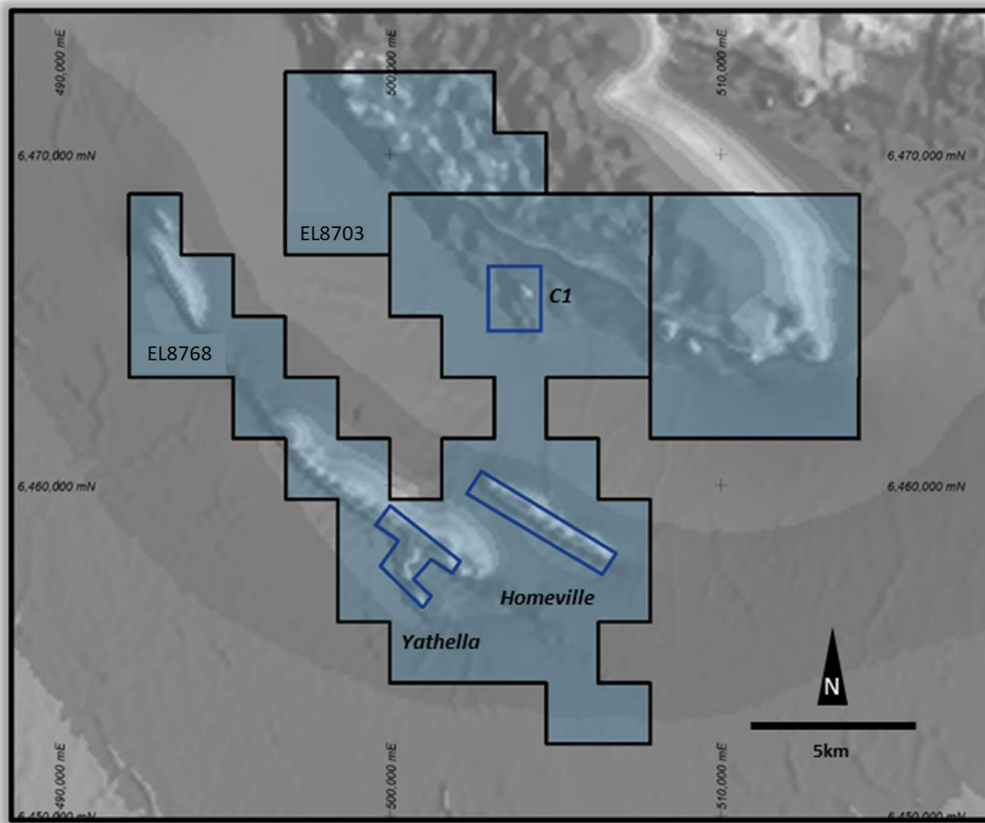
Collerina project situated about 40 kilometres south of Nyngan, NSW

Alpha HPA Limited and its controlled entities

Directors' Report

The HPA First Project provides the opportunity for 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.

The Collerina project comprises NSW exploration licences 8768 and 8703, with EL8768 being subject to a commodity split agreement with Helix Resources (ASX: HLX) whereby Alpha HPA retains rights to 100% of the nickel-cobalt laterite resources with the areas of retained rights (see Plan below), and Helix Resources the non-nickel laterite rights, with Alpha HPA retaining a royalty. No exploration or evaluation work was carried out by Alpha HPA on the Collerina project during the half year, however, Helix Resources was active in non-nickel-laterite exploration within EL8768.



Plan of the Collerina project licence area showing the Homeville, Yathella and C1 prospect areas within the areas of retained nickel-cobalt rights (blue outline)

WONOGIRI PROJECT – INDONESIA (Alpha HPA - 45%)

A further extension to the licence suspension was granted at the end of 2019. This will remain in effect until January 2021, allowing work on the AMDAL (environmental impact statement) to be completed and an application then to be made for a 20 year operation/production licence.

Alpha HPA Limited and its controlled entities

Directors' Report

CORPORATE

Issue of Shares

In July 2019, the Company completed a capital raising of \$3.5 million at \$0.10 per share from sophisticated investors. This capital raising enabled the Company to deliver a number of key milestones, including the additional Pilot Plant testwork, delivery of the Definitive Feasibility Study and conclusion of the chemical counterparty discussions.

During the December quarter, 30 million options, each exercisable at \$0.10, were converted into ordinary shares in the Company resulting in \$3 million being added to the Company's treasury. The Alpha HPA Board and management team held 17.1 million of these options.

FY19 R&D Rebate of \$684K Received

In December 2019 the Company received a \$684,000 R&D rebate, for activities related to the HPA First Project in 2018/19.

Competent Person 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 Person 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. 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 23 December 2019, 10 December 2019, 10 October 2019, 23 September 2019, 28 August 2019, 5 August 2019, 25 July 2019, 2 July 2019, 1 July 2019, 3 June 2019, 17 April 2019, 7 March 2019, 4 December 2018, 20 November 2018, 6 September 2018, 31 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.

Alpha HPA Limited and its controlled entities

Directors' Report

SUBSEQUENT EVENTS

Subsequent to the end of the interim financial period:

- the Company signed an MoU with Orica which sets out the volumes and pricing mechanisms for the supply of key process reagents and the offtake of by-product from the HPA First Project.

Other than the matters outlined above, 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 14 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 2019.

Signed in accordance with a resolution of the Directors.



Norman A. Seckold
Chairman
Sydney, 13 March 2020



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 of Alpha HPA Limited for the half- year ended 31 December 2019 there have been:

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

Brisbane

13 March 2020

Adam Twemlow

Partner

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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 2019

	31 December 2019 \$	31 December 2018 \$
Continuing operations		
Other income	197,500	-
Administration and consultants' expenses	(575,438)	(314,653)
Audit and other professional fees	(80,625)	(32,250)
Depreciation	(573)	(2,876)
Director and company secretarial fees	(304,000)	(142,012)
Legal expenses	(10,532)	(21,385)
Share based payments	7 (1,871,075)	(1,090,600)
Unrealised gain/(loss) on investment	71,959	(78,246)
Development expenses	(2,425,221)	(776,176)
Exploration and evaluation expenses	(175,626)	-
Other expenses from ordinary activities	(51,163)	(18,605)
Operating loss before financing income	(5,224,794)	(2,476,803)
Finance income	22,949	126,326
Net finance income	22,949	126,326
Loss before income tax	(5,201,845)	(2,350,477)
Income tax expense	-	-
Loss for the period	(5,201,845)	(2,350,477)
Other comprehensive income for the period		
Items that may be classified subsequently to profit or loss		
Foreign currency translation	40,107	19,561
Total other comprehensive income	40,107	19,561
Total comprehensive loss for the period	(5,161,738)	(2,330,916)
Loss attributable to:		
Owners of the Company	(5,083,703)	(2,319,012)
Non-controlling interest	(118,142)	(31,465)
Loss for the period	(5,201,845)	(2,350,477)
Total comprehensive loss attributable to:		
Owners of the Company	(5,061,649)	(2,333,823)
Non-controlling interest	(100,089)	2,907
Total comprehensive loss for the period	(5,161,738)	(2,330,916)
Earnings per share		
Basic and diluted loss per share attributable to ordinary equity holders (cents per share)	(0.84)	(0.42)

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 2019

	Note	31 December 2019 \$	30 June 2019 \$
Current assets			
Cash and cash equivalents		4,905,968	691,016
Trade and other receivables	4	211,384	1,123,675
Prepayments		27,727	117,276
Total current assets		5,145,079	1,931,967
Non-current assets			
Property, plant and equipment		1,431	2,016
Exploration and evaluation expenditure	3	2,554,651	2,546,597
Investments	5	287,836	215,877
Other Assets		45,000	45,000
Total non-current assets		2,888,918	2,809,490
Total assets		8,033,997	4,741,457
Current liabilities			
Trade and other payables		751,299	579,871
Total current liabilities		751,299	579,871
Total liabilities		751,299	579,871
Net assets		7,282,698	4,161,586
Equity			
Issued capital	6	41,432,960	34,112,896
Reserves		2,987,567	2,054,810
Accumulated losses		(36,602,337)	(31,518,634)
Total equity attributable to equity holders of the Company		7,818,190	4,649,072
Non-controlling interest	11	(535,492)	(487,486)
Total equity		7,282,698	4,161,586

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 2019

	Note	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Cash payments in the course of operations		(887,010)	(571,793)
Interest received		14,486	24,780
Net cash used in operating activities		(872,524)	(547,013)
Cash flows from investing activities			
Payments for exploration expenditure		(155,356)	(528,056)
Payments for development expenditure		(2,284,982)	(764,176)
R&D tax incentive		918,798	-
Advanced Manufacturing Growth Centre rebate		197,500	-
Proceeds from sale of tenement interest		-	150,000
Net cash used in investing activities		(1,324,040)	(1,142,232)
Cash flows from financing activities			
Issue of shares	6	6,500,000	4,226,182
Capital raising costs	6	(140,308)	(321,292)
Contribution by non-controlling interest	11	52,083	100,396
Net cash from financing activities		6,411,775	4,005,286
Net increase in cash and cash equivalents		4,215,211	2,316,041
Cash and cash equivalents at 1 July		691,016	288,007
Effect of exchange rate adjustments on cash held		(259)	26
Cash and cash equivalents at 31 December		4,905,968	2,604,074

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

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Alpha HPA Limited and its controlled entities
Condensed Consolidated Interim Statement of Changes in Equity
for the half-year ended 31 December 2019

	Note	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$	Non- Controlling Interest \$	Total Equity \$
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 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		-	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
Balance as at 1 July 2019		34,112,896	2,054,810	(31,518,634)	4,649,072	(487,486)	4,161,586
Total comprehensive income for the period							
Loss for the period		-	-	(5,083,703)	(5,083,703)	(118,142)	(5,201,845)
Other comprehensive income		-	22,054	-	22,054	18,053	40,107
Total comprehensive income/(loss) for the period		-	22,054	(5,083,703)	(5,061,649)	(100,089)	(5,161,738)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares	6	6,500,000	-	-	6,500,000	-	6,500,000
Issue of options	7	-	1,871,075	-	1,871,075	-	1,871,075
Fair value of options exercised during the period	6	960,372	(960,372)	-	-	-	-
Costs of issue	6	(140,308)	-	-	(140,308)	-	(140,308)
Contribution from non-controlling interest	11	-	-	-	-	52,083	52,083
Total contributions by and distributions to owners		7,320,064	910,703	-	8,230,767	52,083	8,282,850
Balance at 31 December 2019		41,432,960	2,987,567	(36,602,337)	7,818,190	(535,492)	7,282,698

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

Alpha HPA Limited and its controlled entities

Notes to the Condensed Consolidated Interim Financial Statements

for the half-year ended 31 December 2019

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 2019 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 2019 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 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

These condensed consolidated interim financial statements were authorised for issue by the Directors on 13 March 2020.

(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 2019, except for the following:

- Note 2(d) Going Concern
- Note 7 Share Based Payments

During the half year, 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 16 *Leases* has been applied. The application of this standard has not had a material impact on the interim financial statements.

AASB 16 replaces existing leases guidance, including AASB 17 *Leases*. The standard is effective for annual periods beginning on or after 1 January 2019 and applies to the Group from 1 July 2019.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard (i.e. lessors continue to classify leases as finance or operating leases).

Alpha HPA Limited and its controlled entities

Notes to the Condensed Consolidated Interim Financial Statements for the half-year ended 31 December 2019

2. BASIS OF PREPARATION (continued)

The adoption of AASB 16 has not had any effect on the Group's accounting policies as the Group does not currently have any leases.

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 2019.

(d) Going concern

The condensed 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 \$5,201,845 for the half-year ended 31 December 2019 and has accumulated losses of \$36,602,337 at 31 December 2019. The Group has cash on hand of \$4,905,968 at 31 December 2019 and used net cash of \$3,312,862 in operations including expenditure on exploration and evaluation activities and development activities for the half-year ended 31 December 2019.

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 continues its planned activities and expenditure on the HPA First Project which will require additional funding from shareholders or other sources that is yet to be secured at the date of issuing this interim financial report. If such funding is not achieved, the Group plans to reduce expenditure to the level of funding available.

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 operation of the Group is dependent upon the Group raising additional funding from shareholders or other sources and/or the Group reducing expenditure in-line with available funding.

In the event that 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 consolidated interim financial statements.

	As at 31 December 2019 \$	As at 30 June 2019 \$
3. EXPLORATION AND EVALUATION EXPENDITURE		
New South Wales	<u>2,554,651</u>	<u>2,546,597</u>
	<u>2,554,651</u>	<u>2,546,597</u>

Exploration programs at the Collerina project 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.

Given the previous impairment of the carrying value of the Wonogiri project due to the continued uncertainty surrounding the recoupment of expenditure through successful development and exploitation, \$175,626 of further expenditures in relation to the Wonogiri project have been expensed.

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Alpha HPA Limited and its controlled entities
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	As at 31 December 2019 \$	As at 30 June 2019 \$
4. TRADE AND OTHER RECEIVABLES		
<i>Current</i>		
GST receivable - Australia	156,671	117,494
Accrued R&D rebate	-	918,798
Other receivables	54,713	87,383
	211,384	1,123,675

5. INVESTMENTS

Opening balance	215,877	110,000
Additions – shares received from sale of Becker project	-	100,000
Additions – shares purchased	-	250,000
Unrealised gain	71,959	(244,123)
	287,836	215,877

The Investment is shares held in ASX Listed Santana Minerals Limited, which is classified as a Level 1 financial instrument.

	As at 31 December 2019 \$	As at 31 December 2018 \$
6. ISSUED CAPITAL		
Issued and paid up capital		
632,100,018 ordinary shares fully paid (31 December 2018 – 567,100,018)	41,432,960	34,112,896

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	N° of shares	\$	N° of shares	\$
Balance at the beginning of the period	567,100,018	34,112,896	508,272,744	30,187,206
Issue of shares – cash	35,000,000	3,500,000	50,827,274	4,066,182
Options exercised during the period	30,000,000	3,960,372	8,000,000	180,800
Costs of issue	-	(140,308)	-	(321,292)
Balance at the end of the period	632,100,018	41,432,960	567,100,018	34,112,896

During the period ended 31 December 2019, the Company issued 35,000,000 shares at \$0.10 each for cash totalling \$3,500,000. There were no amounts unpaid on the shares issued. Share issue costs totalled \$140,308. Additionally, the Company issued 30,000,000 shares at \$0.10 each for cash totalling \$3,000,000, following the exercise of 30,000,000 options. The grant date fair value of the share options exercised transferred from reserves to share capital was \$960,372.

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6. ISSUED CAPITAL (continued)

During the period ended 31 December 2018, the Company 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. Additionally, the Company 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.

7. SHARE BASED PAYMENTS

During the half year ended 31 December 2019, 30,000,000 \$0.10 options were exercised.

In addition, during the half year ended 31 December 2019 the following options were issued:

- The Company issued 10,000,000 \$0.30 options for no consideration with a grant date of 16 October 2019 and an expiry date of 31 July 2022, to key consultants of the Company. 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 \$693,475. The Black-Scholes formula model inputs were the Company's share price of \$0.165 at the grant date, a volatility factor of 91% (based on historical share price performance), a risk-free interest rate of 0.70% and a dividend yield of 0%. One third of the options vested on grant date, 1/3 vest on 31 July 2020 and 1/3 vest on 31 July 2021. A share based payment expense of \$318,810 was taken up during the half year ended 31 December 2019.
- The Company issued 5,000,000 \$0.20 options for no consideration with a grant date of 16 October 2019 and an expiry date of 30 June 2021, to a key consultant of the Company. 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 \$327,737. The Black-Scholes formula model inputs were the Company's share price of \$0.165 at the grant date, a volatility factor of 91% (based on historical share price performance), a risk-free interest rate of 0.71% and a dividend yield of 0%. The options fully vested on grant date. A share based payment expense of \$327,737 was taken up during the half year ended 31 December 2019.
- The Company issued 31,000,000 \$0.30 options for no consideration with a grant date of 28 November 2019 and an expiry date of 31 July 2022. 19,000,000 of these options were issued to Directors of the Company, following shareholder approval at the Company's Annual General Meeting and 12,000,000 were issued to key consultants of the Company. 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 \$2,562,974. The Black-Scholes formula model inputs were the Company's share price of \$0.19 at the grant date, a volatility factor of 90% (based on historical share price performance), a risk-free interest rate of 0.62% and a dividend yield of 0%. One third of the options vested on grant date, 1/3 vest on 31 July 2020 and 1/3 vest on 31 July 2021. A share based payment expense of \$1,224,528 was taken up during the half year ended 31 December 2019.

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.

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7. SHARE BASED PAYMENTS (continued)

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 2019, the Group had three segments, being development of the HPA First Project, minerals exploration in NSW and minerals exploration in Indonesia.

The Group has three reportable segments, as described below:

	HPA First \$	NSW \$	Indonesia \$	Total \$
31 December 2019				
Other income	197,500	-	-	197,500
Reportable segment loss before tax	(2,425,221)	-	(220,629)	(2,645,850)
Reportable segment assets	-	2,601,083	151,799	2,752,882
Reportable segment liabilities	645,758	400	24,581	670,739

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8. SEGMENT REPORTING (continued)

For the half-year ended 31 December 2018, the Group had two segments being minerals exploration in NSW and Indonesia.

	HPA First \$	NSW \$	Indonesia \$	Total \$
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	12,000	4,765	20,088	36,853

	As at 31 December 2019 \$	As at 31 December 2018 \$
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
Total loss for reportable segments	(2,645,850)	(847,491)
Unallocated amounts:		
Interest income	14,486	24,780
Net other corporate expenses	(2,570,481)	(1,527,766)
Consolidated loss before tax	(5,201,845)	(2,350,477)

Reconciliations of reportable assets and liabilities

Assets

Total assets for reportable segments	2,752,882	10,091,048
Unallocated corporate assets	5,281,115	3,251,237
Consolidated total assets	8,033,997	13,342,285

Liabilities

Total liabilities for reportable segments	670,739	36,853
Unallocated corporate liabilities	80,560	300,599
Consolidated total liabilities	751,299	337,452

Alpha HPA Limited and its controlled entities

Notes to the Condensed Consolidated Interim Financial Statements

for the half-year ended 31 December 2019

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 2019, 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 \$200,225 (31 December 2018 - \$90,000). At 31 December 2019 there was \$15,056 outstanding (2018 – \$75,000).

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 2019.

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 2019, PT Smart Mining Resources, holder of a 55% non-controlling interest in PT Alexis Perdana Mineral provided contributions totalling \$52,083 to the Group (31 December 2018 - \$100,396). These contributions are interest free, unsecured, there is no fixed term of repayment and have 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:

- The Company signed an MoU with Orica which sets out the volumes and pricing mechanisms for the supply of key process reagents and the offtake of by-product from the HPA First Project.

Other than the matters outlined above, 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 interim financial report and notes set out on pages 15 to 25 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 2019 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, 13 March 2020



Independent Auditor's Report

To the members of Alpha HPA Limited

Report on the Interim of 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 2019 and of its financial performance for the *half-year* ended on that date; and
- complying with *Australian Accounting Standards 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 2019;
- 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** consists of 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, indicates a material uncertainty exists that may cast significant doubt on the Group's ability to continue as 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.

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Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group 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*; and
- 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 responsibilities 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 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 2019 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 Interim Period 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 the *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*.



Brisbane

13 March 2020



Adam Twemlow

Partner