



ALCORE LIMITED
Annual Report 31 December 2023

Alcore Limited
Contents
31 December 2023



Corporate directory	3
Review of Operations	4
Directors' report	6
Auditor's independence declaration	10
Statement of profit or loss and other comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15
Directors' declaration	24
Independent auditor's report to the members of Alcore Limited	25

Directors	Paul Lennon (Non-Executive Chairman) Ian Levy (Executive Director) Dr Mark Cooksey (Executive Director) Rex Adams (Non-Executive Director)
Company secretary	Mathew Watkins
Registered office	100 Albert Road, Melbourne, Victoria 3205 Telephone: +61 3 9692 7722
Principal place of business	100 Albert Road, Melbourne, Victoria 3205 Telephone: +61 3 9692 7722
Auditor	K.S. Black & Co Level 1, 251 Elizabeth Street Sydney NSW 2000 Telephone: +61 2 8839 3000
Share Registry	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000, Australia Telephone: 1300 327 328 or +61 2 8234 5000
Banker	Australia & New Zealand Banking Group Limited 20 Martin Place Sydney NSW 2000 Telephone: +61 2 9227 1818
Website	www.abxgroup.com.au

Review of operations

Hydrogen fluoride is an essential chemical for the production of fluorocarbons and aluminium fluoride. Aluminium fluoride is an essential chemical for aluminium metal production. Fluorine has been recently added to Australia's critical minerals list.

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

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

Australia is the largest producer of primary aluminium metal without its own domestic aluminium fluoride production, so Australian aluminium smelters rely entirely on imported aluminium fluoride. This is typically more than 80% from China, but this proportion was only 40% in 2021 when China production was lower, illustrating the supply risks. The median aluminium fluoride price (FOB China) for the last two years is over US\$1,400/t (Figure 3).

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

ALCORE has developed a world-first process to recover hydrogen fluoride from aluminium smelter bath. This is combined with aluminium hydroxide to produce aluminium fluoride. ALCORE is also investigating the use of dross (another aluminium smelter waste) and bauxite as alternatives to aluminium hydroxide as the source of aluminium. The use of dross or bauxite would further lower the production cost.

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

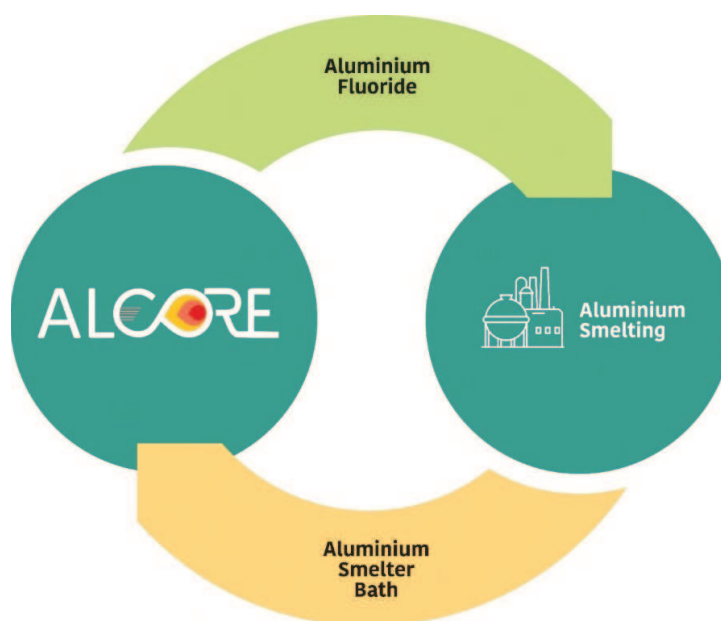


Figure 1: Circular economy approach of recycling aluminium smelter bath into aluminium fluoride

The initial plant is proposed to transform 1,600 tonnes per year of aluminium smelter bath into hydrogen fluoride and other industrial chemicals. A proportion of the hydrogen fluoride will be further processed to aluminium fluoride. The relative amounts of hydrogen fluoride and aluminium fluoride produced can be optimised to suit market demand. In 2022, ALCORE received a \$7.6 million grant from the Australian Government's Modern Manufacturing Initiative (MMI) to support this plant. ALCORE is matching grant funding dollar-for-dollar for the project.

ALCORE'S longer term plan is to expand the plant by 15 times, which will process all of Australia's aluminium smelter bath and supply more than 80% of Australia's aluminium fluoride requirements.

During 2023, ALCORE significantly progressed the development of its pilot plant at the ALCORE Technology Centre in Berkeley Vale, NSW. The bath pilot batch reactor fully installed and commissioned (Figure 4). This reactor features state-of-the-art technology to enhance process mixing. Following engineering design by ALCORE, it was ordered from a specialised international supplier in late March. It features a process capacity ten times larger than the bath laboratory reactor. If the pilot batch reactor achieves its designed high yield of fluorine from the aluminium smelter waste, it will:

- Give further confidence that the continuous pilot plant and first commercial plant will perform as designed; and
- Enable further development work to be conducted on processing and market evaluation of the metal sulfate co-products.

During the year, three test runs were completed under standard processing conditions with a further two completed post end of period. All test runs have provided ALCORE with valuable insights into the design of the continuous pilot plant. ALCORE is currently awaiting assay results from the fourth and fifth test runs.

While the third test run results returned a lower-than-expected fluorine recovery rate due to large bath feed particle size, ALCORE had commissioned equipment to allow feed bath particle size to be controlled. This equipment was utilised during the fourth test run undertaken in late January. ALCORE remains confident results from this test run and subsequent test runs will achieve a higher recovery rate.

Initial preliminary engineering design for the continuous pilot plant was completed.

Meanwhile, commercial discussions with potential investors have included the possibility of locating the continuous pilot plant at an alternative, superior site, instead of the ALCORE Technology Centre. Ordering of pilot plant reactors has been deferred until those commercial discussions are resolved.

ALCORE received \$5.7 million in two instalments¹ from the \$7.6 million grant from the Australian Government's Modern Manufacturing Initiative (MMI) that was awarded in 2022². This is to support ALCORE's proposed \$16.4 million aluminium smelter bath recycling plant in Bell Bay, Tasmania. ALCORE is matching grant funding dollar-for-dollar for the project.



Figure 4: Third run of bath pilot batch reactor under standard process conditions

¹ ASX Announcement, 28 June 2023

² ASX Announcement, 29 April 2022

The directors present their report, together with the financial statements, on the company for the year ended 31 December 2023.

Directors

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

Paul Lennon (Non-Executive Chairman)
Ian Levy (Executive Director)
Dr Mark Cooksey (Executive-Director)
Rex Adams (Non-Executive Director)
Derek Firth (Non-Executive Director) (resigned on 15 December 2023)

Principal activities

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

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

Refer to the "*Review of Operations*" in the preceding section.

Significant changes in the state of affairs

During the year ended 31 December 2023, Alcore Limited, has received \$5.68 million grant funding under the Federal Government's Modern Manufacturing Initiative ("MMI"). Alcore has agreed with the Department of Industry, Science, Energy and Resources to include activities relating to its pilot plant at the Alcore Technology Centre to the MMI project plan. Alcore will match the grant funding dollar-for-dollar for the project. The pilot plant is being designed to recover fluorine from 'excess bath', an aluminium smelter waste product, to produce hydrogen fluoride.

There were no other significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

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

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

Information on directors

Name: Paul Lennon
Title: Non-Executive Chairman
Experience and expertise: Mr Lennon served as the 42nd Premier of Tasmania (2004-2008) and brings substantial knowledge of industry, also serving as the state's Treasurer (2004-2006), the Minister for Infrastructure, Energy and Resources (1998-2002), and Minister for Economic Development, Energy and Resources (2002-2004).

With more than 30 years' experience assisting the development of Tasmanian industry through government, Mr Lennon is exceptionally well equipped to oversee the development of ABx's rare earths exploration and the proposed Alcore pilot plant, both of which are located in Tasmania.

In 2015, Mr Lennon was one of only two Tasmanians to be awarded Officer of the Order of Australia in recognition of his role in developing major infrastructure and enhancing economic diversification.

Special responsibilities: None

Name: Ian Levy
Title: Executive Director
Experience and expertise: Ian Levy is a geologist with more than forty years' experience developing mines from discovery through to production. Mr Levy has worked for a number of major resources companies, including WMC Limited, Pancontinental Mining, Gympie Gold and also served as CEO of Allegiance Mining. He has overseen the development of a number of gold, bauxite, base metals, nickel and industrial minerals projects. Ian was a member of the Joint Ore Reserves Committee (JORC) for 11 years including 4 years as Vice Chairman and Federal President, Australian Institute of Geoscientists.

Special responsibilities: None

Name: Dr Mark Cooksey
Title: Executive Director
Experience and expertise: Dr. Mark Cooksey is a highly experienced engineer with more than 25 years' experience in process improvement and process development leadership positions with Rio Tinto, GE and CSIRO. Mark has direct experience in aluminium smelting, commencing his career as an engineer at Comalco (now Rio Tinto Alcan) where he led process improvement initiatives at the aluminium smelter operations in Gladstone and New Zealand. Dr Cooksey also has substantial knowledge of the commercialisation process for new technologies, serving a number of roles, including Senior Principal Research Leader, at the CSIRO for approximately 16 years. Mark holds a PhD (Chemicals & Materials Engineering) from the University of Auckland and a Bachelor of Engineering (Materials – First Class Honours) and Bachelor of Science (Information Technology and Applied Mathematics) from the University of Western Australia.

Special responsibilities: None

Name: Rex Adams
Title: Non-Executive Director
Experience and expertise: Mr Adams was appointed on 13 June 2018. Mr Adams was a founding director of Blue Ocean Equities and Executive Director of Southern Cross Equities. He is a graduate of the Kalgoorlie School of Mines in Mining Geology with over 20 years in the mining industry and nearly 30 years in finance in Senior Resources Analyst and Research Manager roles. He has broad experience in the resources sector including development of new projects.

Special responsibilities: None

Company secretary

Mathew Watkins (appointed Joint Company Secretary effective 1 February 2024 and Company Secretary effective 12 March 2024)

Mr Watkins is a Chartered Accountant who has extensive ASX experience within several industry sectors including Biotechnology, Bioscience, Resources and Information Technology. He specialises in ASX statutory reporting, ASX compliance, Corporate Governance and board and secretarial support. Mr Watkins is appointed Company Secretary on a number of ASX listed Companies. Mr Watkins is employed at Vistra Australia Pty Ltd (Vistra), a professional Company Secretarial and Accounting firm. Vistra is a prominent provider of specialised consulting and administrative services to clients in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Henry Kinstlinger (Resigned effective 12 March 2024)

Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance. Henry resigned as Company Secretary of the Group effective 12 March 2024.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Full Board Attended	Held
Paul Lennon	10	10
Ian Levy	9	10
Mark Cooksey	10	10
Rex Adams	10	10
Derek Firth *	10	10

* Resigned on 15 December 2023

Held: represents the number of meetings held during the time the director held office.

Shares under option

Grant date	Expiry date	Exercise price	Number under option
01 June 2022	01 June 2028	\$0.35	750,000

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

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 31 December 2023 and up to the date of this report.

Loans to Directors and Key Management Personnel

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

Proceedings on behalf of the company

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Non-audit services

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

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

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


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

Auditor

K.S. Black & Co. continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Lennon
Non-Executive Director

2 April 2024

Level 6
350 Kent Street
SYDNEY NSW 2000

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DRUMMOYNE NSW 2047

K.S. Black & Co.

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20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

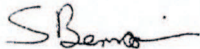
Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

To the Members of Alcore Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023 there has been:

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


KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated in Sydney on this 2 day of April 2024

Phone 02 8839 3000
Fax 02 8839 3055

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scheme approved
under Professional
Standards Legislation


CHARTERED ACCOUNTANTS
AUSTRALIA - NEW ZEALAND

Alcore Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023



	Note	2023 \$	2022 \$
Revenue			
Other income	4	758,346	915,010
Expenses			
Administrative and development expenses	5	(1,443,168)	(1,599,692)
Depreciation and amortisation expense		(83,245)	(49,424)
Finance costs		(517)	(310)
		<u>(768,584)</u>	<u>(734,416)</u>
Loss before income tax expense		(768,584)	(734,416)
Income tax expense	6	-	-
		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Alcore Limited		(768,584)	(734,416)
Other comprehensive loss for the year, net of tax		-	-
		<u>-</u>	<u>-</u>
Total comprehensive loss for the year attributable to the owners of Alcore Limited		<u>(768,584)</u>	<u>(734,416)</u>

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

Alcore Limited
Statement of financial position
As at 31 December 2023



	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	7	3,519	66,937
Trade and other receivables	8	15,512	548,686
Restricted cash	9	1,690,620	-
Other current assets		-	13,029
Total current assets		<u>1,709,651</u>	<u>628,652</u>
Non-current assets			
Property, plant and equipment	10	57,185	88,417
Restricted cash	9	3,695,698	-
Total non-current assets		<u>3,752,883</u>	<u>88,417</u>
Total assets		<u>5,462,534</u>	<u>717,069</u>
Liabilities			
Current liabilities			
Trade and other payables	11	237,055	195,975
Contract liabilities	12	1,690,620	-
Total current liabilities		<u>1,927,675</u>	<u>195,975</u>
Non-current liabilities			
Trade and other payables	11	-	52,413
Contract liabilities	12	3,834,762	-
Total non-current liabilities		<u>3,834,762</u>	<u>52,413</u>
Total liabilities		<u>5,762,437</u>	<u>248,388</u>
Net (liabilities)/assets		<u>(299,903)</u>	<u>468,681</u>
Equity			
Issued capital	13	5,005,949	5,005,949
Accumulated losses		<u>(5,305,852)</u>	<u>(4,537,268)</u>
Total (deficiency)/equity		<u>(299,903)</u>	<u>468,681</u>

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

Alcore Limited
Statement of changes in equity
For the year ended 31 December 2023



	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 January 2022	4,505,949	(3,802,852)	703,097
Loss after income tax expense for the year	-	(734,416)	(734,416)
Other comprehensive loss for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(734,416)	(734,416)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs (note 13)	500,000	-	500,000
Balance at 31 December 2022	<u>5,005,949</u>	<u>(4,537,268)</u>	<u>468,681</u>
	Issued capital \$	Retained profits \$	Total deficiency in equity \$
Balance at 1 January 2023	5,005,949	(4,537,268)	468,681
Loss after income tax expense for the year	-	(768,584)	(768,584)
Other comprehensive loss for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(768,584)	(768,584)
Balance at 31 December 2023	<u>5,005,949</u>	<u>(5,305,852)</u>	<u>(299,903)</u>

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

Alcore Limited
Statement of cash flows
For the year ended 31 December 2023



	Note	2023 \$	2022 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,429,484)	(1,656,878)
Receipt from MMI grant		5,687,225	-
		4,257,741	(1,656,878)
Interest received		155,708	3,310
		-	-
R&D tax incentives received		961,464	385,700
Net cash from/(used in) operating activities	21	<u>5,374,913</u>	<u>(1,267,868)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(52,013)	(104,463)
Increase in restricted cash		(5,386,318)	-
Net cash used in investing activities		<u>(5,438,331)</u>	<u>(104,463)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	500,000
Net cash from financing activities		<u>-</u>	<u>500,000</u>
Net decrease in cash and cash equivalents		(63,418)	(872,331)
Cash and cash equivalents at the beginning of the financial year		<u>66,937</u>	<u>939,268</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>3,519</u></u>	<u><u>66,937</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Alcore Limited as an individual entity. The financial statements are presented in Australian dollars, which is Alcore Limited's functional and presentation currency.

Alcore Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Registered and Corporate Office

Level 4, 100 Albert Road
Melbourne, Victoria 3205
Telephone: +61 3 9692 7722

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 2 April 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Company are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The following Accounting Standards and Interpretations are most relevant to the Company:

Material accounting policy information

The Australian Accounting Standards Board has released guidance on what is considered to be material accounting policy information. Such material accounting policy information relates to the following:

The following are also relevant:

- A material change in accounting policy;
- A choice of accounting policy permitted by Australian Accounting Standards;
- An accounting policy developed in the absence of an accounting standard that specifically applies; or
- Transactions, other events or conditions which are complex and the accounting policy information is required in order for the users of financial statements to understand them.

Consequently, the quantum of accounting policy information disclosed in these financial statements has been reduced from the previous financial reporting year.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Note 2. Material accounting policy information (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going Concern

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

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

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Grant revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income under AASB 15.

Income from grants accounted for under AASB 15 is recognised when the consolidated entity satisfies the performance obligation to the relevant bodies. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are received in advance or shortly after the relevant obligation is satisfied.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

Recognition for grant revenue

When recognising revenue in relation to the grants agreements, management exercised judgment to determine the key performance obligation(s) and to establish whether these are sufficiently specific in accordance with the requirements of AASB 15.

Management considers the input method of recognition is the most appropriate method for revenue recognition as this best depicts the transfer of the performance obligation required by the company. Therefore, research revenue is recognised under AASB15 over-time approach using the input method (i.e. as the expenses are incurred) and performance obligation is satisfied.

Note 4. Other income

	2023 \$	2022 \$
Interest income	155,708	9,310
Government MMI grant	81,843	80,000
Government research and development concession refunded	-	385,700
Research and development tax incentive	520,795	440,000
	<u>758,346</u>	<u>915,010</u>

Note 5. Administrative and development expenses

	2023 \$	2022 \$
Research and Development expenditures	1,430,736	1,587,873
Administrative expenses	12,432	11,819
	<u>1,443,168</u>	<u>1,599,692</u>

Note 6. Income tax expense

	2023 \$	2022 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(768,584)</u>	<u>(734,416)</u>
Tax at the statutory tax rate of 25%	(192,146)	(183,604)
Current year tax losses not recognised	192,146	183,604
Income tax expense	<u>-</u>	<u>-</u>

Note 7. Cash and cash equivalents

	2023 \$	2022 \$
<i>Current assets</i>		
Cash at bank	3,519	66,937

Note 8. Trade and other receivables

	2023 \$	2022 \$
<i>Current assets</i>		
Trade receivables	-	526,000
Receivables - GST	15,512	22,686
	<u>15,512</u>	<u>548,686</u>

Note 9. Restricted cash

	2023 \$	2022 \$
<i>Current assets</i>		
Cash held in trust- grant funding	1,690,620	-
<i>Non-current assets</i>		
Cash held in trust- grant funding	3,695,698	-
	<u>5,386,318</u>	<u>-</u>

During the year ended 31 December 2023, the Consolidated Entity through its subsidiary, Alcore Limited, has received \$5.68 million grant funding under the Federal Government's Modern Manufacturing Initiative ("MMI"). Total restricted cash balance of \$5.39 million represents the un-utilised balance of funds as at 31 December 2023.

Note 10. Property, plant and equipment

	2023 \$	2022 \$
<i>Non-current assets</i>		
Computer equipment - at cost	2,946	-
Less: Accumulated depreciation	(1,494)	-
	<u>1,452</u>	<u>-</u>
Capital Works In Progress	684,888	635,822
Less: Accumulated depreciation	(629,155)	(547,405)
	<u>55,733</u>	<u>88,417</u>
	<u>57,185</u>	<u>88,417</u>

Note 10. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Capital work in progress \$	Computer equipment \$	Total \$
Balance at 1 January 2022	33,378	-	33,378
Additions	104,463	-	104,463
Depreciation expense	(49,424)	-	(49,424)
Balance at 31 December 2022	88,417	-	88,417
Additions	49,067	2,946	52,013
Depreciation expense	(81,751)	(1,494)	(83,245)
Balance at 31 December 2023	<u>55,733</u>	<u>1,452</u>	<u>57,185</u>

Note 11. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	169,083	29,309
Accrued payable	4,420	166,666
Amount due to related party *	63,552	-
	<u>237,055</u>	<u>195,975</u>
<i>Non-current liabilities</i>		
Amount due from related party	-	52,413
	<u>237,055</u>	<u>248,388</u>

* The amount due to related party as at 31 December 2023 was unsecured, interest free and repayable on demand.

Note 12. Contract liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Contract liabilities	1,690,620	-
<i>Non-current liabilities</i>		
Deferred Income - Government MMI Grant	3,834,762	-
	<u>5,525,382</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	-	-
Funds received during the year	5,687,225	-
Transfer from grant receivable accrued in 2022 based performance obligations satisfied	(80,000)	-
Transfer to revenue during the year based on performance obligations satisfied	(81,843)	-
Closing balance	<u>5,525,382</u>	<u>-</u>

Note 13. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	<u>79,209,240</u>	<u>79,209,240</u>	<u>5,005,949</u>	<u>5,005,949</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

There were 750,000 Employee Share Plan options offered on unissued ordinary shares outstanding at 31 December 2023 and 31 December 2022.

Note 14. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 15. Financial instruments

Financial risk management objectives

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Categories of financial assets and financial liabilities

	2023 \$	2022 \$
Financial assets		
Cash and cash equivalents	3,519	66,937
Trade and other receivables	15,512	548,686
	<u>19,031</u>	<u>615,623</u>
	2023 \$	2022 \$
Financial liabilities		
Trade and other payables	<u>237,055</u>	<u>248,388</u>

Market risk

Price risk

The Company is not exposed to any significant price risk.

Interest rate risk

The Company is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. There is no bank borrowing at the balance date; therefore there is no material exposure to interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Company obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not hold any collateral.

The cash and cash equivalents and restricted cash are held with an Australian major banks. The Board believes the company is not exposed to significant credit risk.

Note 15. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. There is no bank borrowing at the balance date. It is the policy of the Board that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities of Company's financial liabilities were less than 12 months as at 31 December 2023 and 31 December 2022.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 16. Key management personnel disclosures

Directors

The following persons were directors of Alcore Limited during the financial year:

Paul Lennon	Non-Executive Chairman
Ian Levy	Executive Director
Dr Mark Cooksey	Executive Director
Rex Adams	Non-Executive Director
Derek Sinclair Firth	Non-Executive Director (resigned on 15 December 2023)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	2023 \$	2022 \$
Short-term employee benefits	<u>42,250</u>	<u>35,750</u>

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by K.S. Black & Co., the auditor of the company:

	2023 \$	2022 \$
<i>Audit services - K.S. Black & Co.</i>		
Audit or review of the financial statements	<u>10,495</u>	<u>8,395</u>
<i>Other services - K.S. Black & Co.</i>		
Preparation of the tax return	<u>3,395</u>	<u>2,025</u>
	<u>13,890</u>	<u>10,420</u>

Note 18. Contingent liabilities and commitments

The Company does not have any contingent liabilities and commitments as at 31 December 2023 and 31 December 2022.

Note 19. Related party transactions

Parent entity

The parent entity within the Group is ABx Group Limited.

Key management personnel

Disclosures relating to key management personnel are set out in note 16.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date other than amount due to related party disclosed in note 11.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 20. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 21. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	2023	2022
	\$	\$
Loss after income tax expense for the year	(768,584)	(734,416)
Adjustments for:		
Depreciation and amortisation	83,245	49,425
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	533,174	(517,230)
Decrease/(increase) in other current assets	13,029	(13,029)
Decrease in trade and other payables	(11,333)	(52,618)
Increase in contract liabilities	5,525,382	-
Net cash from/(used in) operating activities	<u>5,374,913</u>	<u>(1,267,868)</u>

Alcore Limited
Directors' declaration
31 December 2023



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Paul Lennon". The signature is written in a cursive style and is positioned above a horizontal line.

Paul Lennon
Non-Executive Director

2 April 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Alcore Limited

Opinion

We have audited the financial report of Alcore Limited (the company), which comprises the statement of financial position as at 31 December 2023, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001*.

Basis of opinion

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

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

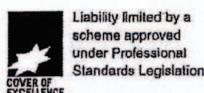
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Directors' responsibility for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the presentation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

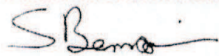
In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or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

Auditor's responsibility for the audit of the financial report

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

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

KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated: 2/4/24
Sydney

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