# Alita Resources Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) ACN 147 393 735

# **Explanatory Statement**

In respect of application for leave to transfer shares pursuant to section 444GA of the Corporations Act 2001 ("Cth")

### 19 August 2021

This is an important document. Shareholders (and their advisers and any other interested parties) should read this Explanatory Statement and accompanying Expert's Report carefully and in their entirety before making a decision whether or not to take any action in respect of the 444GA application. If you have any questions on the information in this document, you should consult your legal or other professional adviser.





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### **1** Explanatory Statement and Expert Report

This document is an Explanatory Statement in relation to the deed of company arrangement (**DOCA**) executed between Alita, Austroid Corporation and the Deed Administrators on 23 December 2020 (**Parent DOCA**). This Explanatory Statement should be read carefully in conjunction with the Expert Report prepared by Mr Matthew Donnelly of Deloitte on 19 August 2021 which is attached to this Explanatory Statement at Annexure A (**Expert Report**). Capitalised terms used in this Explanatory Statement have the meanings defined at section 9.

A copy of this Explanatory Statement and Expert Report will be relied upon by the Deed Administrators for the purpose of the 444GA Application and also for the purpose of obtaining ASIC Relief. Neither ASIC nor any of its officers take any responsibility for the contents of the Explanatory Statement.

### What is a DOCA

A DOCA is an arrangement between a company and its creditors governing how the company's affairs will be dealt with. A DOCA is one of three potential outcomes of the voluntary administration process. The other two options are (i) for control of the company to return to its directors, and (ii) for the company to be placed in liquidation with the company's assets sold and distributed to its creditors.

A DOCA binds all creditors of the company so far as concerns claims arising on or before the date of appointment of the administrators. It also binds shareholders of a company and, unless otherwise specified, the proprietary rights of owners of property, those who lease property to a company and secured creditors who vote in favour of a DOCA.

### Proposed transfer of Alita's shares

Subject to, amongst other things, a successful 444GA Application and the granting of ASIC Relief, the DOCA requires the transfer of all of the issued shares in Alita to Austroid Corporation for nil consideration. The 444GA Application has been made to the Court to effect that transfer.

If the 444GA Application is successful and the Parent DOCA effectuates in accordance with its terms and subject to its conditions, all of the issued shares in Alita will be transferred to Austroid Corporation for nil consideration. In these circumstances, you will cease to own shares in Alita and you will not receive any money or any other form of consideration.

### Process involved in transferring Alita's shares

Pursuant to the terms of the Parent DOCA, the Deed Administrators filed an Originating Process with the Supreme Court of Western Australia on or about 1 July 2021 initiating the 444GA Application. The proceedings were designated proceeding number COR 112 of 2021. On 2 July 2021, the Court made interlocutory orders programming the 444GA Application which:

- required the Deed Administrators to publicly advertise the proceedings by 7 July 2021;
- provided Shareholders until 4 August 2021 to oppose or intervene in the proceedings;
- required the Deed Administrators to file further evidence by 20 August 2021; and
- set the Final Hearing date for 1 September 2021 at 2:15pm (AWST).

The Court has since confirmed that the Final Hearing is listed for the **full day** on 1 September 2021 and will commence at **10.30am (AWST)**.

Shareholders who have not filed an appearance will not be entitled to be heard in relation to the 444GA Application, absent leave of the Court. Further details regarding the process and timeline are set out at Section 5.4. Shareholders who have already provided their comments to the Deed Administrators regarding the 444GA Application are not required to make further comment. The Deed Administrators will ensure all comments are submitted to the Court in evidence.

### Shareholder participation in the proceedings

As at the deadline of 4 August 2021 set by the Court for Shareholder participation, no Shareholder had filed a notice of intention to appear in the proceedings. However on 5 August 2021, Blackwall Legal LLP representing Ms Jayde Michelle Williams filed a notice of intention to appear. Ms Williams was granted leave to be heard in the proceedings on 12 August 2021.



As a consequence of Ms Williams being granted leave to be heard in the proceedings, the matter was returned to Court on 12 August 2021 to agree a revised timetable where the following revised programming orders were made:

- that Ms Williams and Austroid (as interested parties) file any lay evidence by 23 August 2021;
- that the Deed Administrators file any evidence in response, and their outline of submissions, by 25 August 2021;
- that Ms Williams and Austroid file expert evidence as to the value of Alita, and their outlines of submissions, by 27 August 2021; and
- that the Deed Administrators file any submissions in response by 31 August 2021.

### 2 Important Information

### 2.1 Purpose and status of the Explanatory Statement

This document is an Explanatory Statement in relation to the Parent DOCA.

If the 444GA Application is successful, ASIC Relief is granted, the remaining conditions precedent are satisfied and the Parent DOCA completes according to its terms and conditions, all of your shares in Alita will be transferred to Austroid Corporation for nil consideration, and you will cease to own shares in Alita. <u>The Explanatory Statement</u> should be read carefully together with the Expert Report.

The Explanatory Statement has been provided to you by the Deed Administrators to assist you to understand:

- the proposed restructure of Alita, by way of the Parent DOCA, and its effect on you as an existing Shareholder of Alita;
- the 444GA Application that has been made to the Court seeking leave to transfer all of the shares in Alita (including your shares) to Austroid Corporation for nil consideration; and
- the Expert Report prepared by Matthew Donnelly of Deloitte on the value of Alita's shares in support of the 444GA Application.

This document is not a prospectus or other disclosure document pursuant to Chapter 6D of the Act.

This Explanatory Statement and the Expert Report will be relied upon by the Deed Administrators for the purpose of the 444GA Application and to obtain ASIC Relief. Neither ASIC nor any of its officers take any responsibility for the contents of this Explanatory Statement.

### 2.2 Explanation of the Parent DOCA

The Parent DOCA is explained in detail at section 4.

The key terms of the Parent DOCA are summarised as follows.

- Objectives The primary objectives of the Parent DOCA are to:
  - maximise the chances of Alita continuing in existence as a solvent entity;
  - resolve the remaining creditor claim against Alita (Austroid Corporation); and
  - provide a greater return to Alita's remaining creditor (Austroid Corporation) than would be available in a liquidation.
- Participating creditors and distributions Austroid Corporation's claim against Alita is the only creditor claim against Alita noting all other liabilities of Alita were extinguished on effectuation of the Previous DOCA. In exchange for releasing Austroid Corporation's claim against Alita, Austroid Corporation will receive 100% of the shares of Alita for nil consideration.
- Conditions Completion of the Parent DOCA is conditional upon satisfaction of certain conditions, including (but not limited to) procurement of (i) ASIC Relief, and (ii) successfully obtaining orders pursuant to the 444GA Application.

At the Second Meeting of Alita, Austroid Corporation being the sole creditor of Alita (given all other debts were extinguished after effectuation of the Previous DOCA) resolved that Alita execute the Parent DOCA.

The Parent DOCA was fully executed on 23 December 2020.

### 2.3 444GA Application

The originating process to commence the 444GA Application was filed with the Court on or about 1 July 2021 with interlocutory orders granted on 2 July 2021.

The objective of the 444GA Application is to obtain leave of the Court to transfer all of the shares in Alita to Austroid Corporation for nil consideration. In considering the 444GA Application, the Court will consider whether the transfer will be unfairly prejudicial to Shareholders. The courts have held that where the value of the shares are such that there is no residual value to shareholders or there is unlikely to be any prospect of the shares obtaining such value the shareholders are generally unlikely to be unfairly prejudiced. Accordingly, in making its decision, the Court will necessarily need to consider the Expert Report on the value of the shares of Alita.

To the extent there are other reports put before the Court expressing an opinion of the value of the shares in Alita, we will update shareholders on any developments in accordance with any further orders of the Court.

A detailed timeline of the 444GA Application is set out in section 4 of this Explanatory Statement, however we draw your attention to the following:

- the Deed Administrators are to file further evidence by 20 August 2021;
- Ms Williams and Austroid are to file any lay evidence by 23 August 2021;
- the Deed Administrators are to file any responsive evidence by 25 August 2021; and
- Ms Williams and Austroid are to file any expert evidence as to the value of Alita's assets by 27 August 2021.

### 2.4 Expert Report

Legal advisors to the Deed Administrators engaged Matthew Donnelly of Deloitte to provide an independent opinion on the value of Alita's shares in the form of the Expert Report. A full copy of the Expert Report is provided at **Annexure A**.

The Expert Report was prepared in accordance with RG 111 and RG 112, is supported by an independent technical assessment and valuation report prepared by Deborah Lord of VRM in accordance with the VALMIN Code and the JORC Code, and a valuation of the plant and equipment prepared by Peter Rooke of Dalesford Pty Ltd.

Mr Donnelly has opined that whilst the Parent DOCA does not result in any compensation for shareholders, it is also the case that no compensation would be available for shareholders if the Parent DOCA failed, and Alita was liquidated. Mr Donnelly considers that Alita's equity has no value in either the "Low", "High" or "Preferred" scenario as detailed in the table below.

Summary of Independent Expert Report assessment of equity			
A\$'m	Low	High	Preferred
Total assets	34.4	66.4	50.4
Total liabilities	(72.3)	(68.8)	(70.8)
Equity value	(37.9)	(2.4)	(20.4)

Source: Expert Report dated 19 August 2021

### 2.5 Additional Information

Additional information regarding Alita, the Parent DOCA, and the 444GA Application can be obtained from the Deed Administrators' website (<u>https://www.mcgrathnicol.com/creditors/alita-group//</u>). Alternatively, this information can be requested from the Deed Administrators for no charge.

### 3 Background

### 3.1 Structure

Alita (formerly Alliance Minerals Assets Pty Ltd) is the direct parent company of Tawana through its 100% shareholding. Alita is the indirect parent company of Lithco which is 100% owned by Tawana. Alita and Tawana do

not trade. Lithco was the operator of the mining assets prior to the mine being placed on care and maintenance in August 2019.

Alita's primary assets are (i) its direct shareholding in Tawana, and (ii) its indirect shareholding in Lithco. Lithco is the owner and operator of the mining assets.

### 3.2 Development of Bald Hill Mine

The Group's primary asset is the Bald Hill Mine, a lithium and tantalum mine located in the Eastern Goldfields WA.

Alita and Tawana developed the Bald Hill Mine via a joint venture and commenced commercial production in July 2018. Shortly after, Alita acquired 100% of the shares in Tawana via a Scheme of Arrangement which completed in December 2018 and resulted in Alita being listed on the ASX at that time. Alita was delisted from the ASX on 1 October 2020 however it remains listed on the SGX as at the date of this report.

Prior to being placed on care and maintenance in August 2019, the Bald Hill Mine produced (i) premium coarse lithium concentrate with very low levels of Fe, K, Mica and H2O, and (ii) high quality tantalum concentrates.

### 3.3 Offtake Agreements

The Group had entered into two offtake agreements with JBJ. JBJ represented a joint venture between Burwill Lithium Company Ltd (a wholly owned subsidiary of Burwill Holdings Ltd) and Jiangxi Special Electric Motor Co. Ltd (**Jiangxi**). The JBJ joint venture established a Lithium concentrate processing plant in East China's Jiangxi province with spodumene concentrate to be sourced from the Bald Hill mine. The offtake agreements comprised:

- the Bald Hill Project Long-term Exclusive Concentrate Offtake Contract originally signed between the Group, Burwill, and Burwill Holdings dated 20 April 2017 and most recently amended and restated on 14 January 2019; and
- the Bald Hill Project Long-term Exclusive Concentrate Offtake Contract originally signed with Lithco, Tawana, Burwill and Burwill Holdings dated 20 April 2017 and most recently amended and restated on 14 January 2019.

Prior to the operations being placed on care and maintenance, the Offtake Agreements with JBJ generated most of the Group's revenue and provided for supply in 2019 at market-linked prices of between USD680/tonne and USD1,080/tonne.

### 3.4 Operational difficulties

On 23 May 2019, JBJ notified the Group of a force majeure event and requested delay of any impending shipments in accordance with the Offtake Agreements. We understand the Group:

- disputed the classification of the event as a force majeure event;
- advised JBJ that the temporary shutdown of JBJ's plant did not prevent JBJ from fulfilling its obligations under the Offtake Agreements;
- insisted shipments continue to occur as planned; and
- notified Tribeca (Alita's then secured creditor) of the position with JBJ on or around 5 June 2019.

Negotiations continued with JBJ thereafter between early June and mid July 2019. During these negotiations, we understand JBJ accepted a proposal by the Group made on or around 17 June 2019 for the resumption of shipping, though JBJ later reneged on the proposal in mid July 2019 citing amongst other matters, deteriorating market prices.

In addition to continuing its negotiations with JBJ, the Group was in negotiations with various potential alternate parties for the supply of product. These negotiations were ultimately unsuccessful and the position with JBJ deteriorated from late July 2019, noting:

- some shipments were significantly delayed and subject to a reduced price and/or deferred payment of the purchase price (with JBJ issuing various letters of credit against completed shipments);
- formal shipment request notices for shipments in August 2019 and September 2019 appeared to go unanswered by JBJ; and

• on 21 August 2019 Burwill released an announcement on the Hong Kong stock exchange confirming it had defaulted under its facility agreement with its lender (Haitong International Financial Products (Singapore) Pte. Ltd.) and its business operations had been mostly suspended.

### 3.5 Appointment of the Former Administrators and Former Receivers

The force majeure event and subsequent shipment delays with JBJ caused significant strain on the Group's financial position, impacting its key source of revenue.

Further compounding the Group's financial difficulties, we note:

- the Group had entered into a number of long-term contracts for mining services prior to the Former Administrators' appointment, essentially imposing a fixed operating cost structure with circa \$20m of monthly expenses on the Group;
- a number of these contracts included significant termination provisions, penalties and demobilisation costs which the Group did not have the financial capacity to meet;
- the spot market for lithium concentrate had deteriorated, impacting both potential revenue and the value of the Group's inventory; and
- the Group was subject to complex and costly listing requirements, limiting opportunities for sufficient additional capital raisings.

Facing significant financial difficulties, the Group sought to secure alternative finance and negotiate with the Group's existing lender, Tribeca. We understand various proposals were explored with credible parties, and despite some progress, these attempts were ultimately unsuccessful, resulting in:

- the board of the Group forming the view that the Group was, or was likely to become, insolvent and appointing the Former Administrators to the Group on 28 August 2019;
- the Former Administrators were also appointed to three dormant shell companies, in which it was determined the companies had no material assets but were not insolvent. Control of these entities was returned to one of the Former Directors in early October 2019; and
- the appointment of the Former Receivers to the Group by Galaxy on 29 August 2019 (who purchased Tribeca's debt on or around 25 August 2019).

### 3.6 Events leading up to the Administrators appointment

A summary of the key events between the appointment of the Former Administrators and the appointment of the Administrators on 4 December 2020 is set out below:

- following their respective appointments, the Former Receivers and Former Administrators assumed control and secured the assets and undertakings of the Group and commenced a sale and recapitalisation program;
- on or around 28 November 2019, Galaxy's debt was repaid in full by CHEL who entered into a circa \$70m LFA with Alita to assist Alita's restructuring efforts, thereby becoming secured creditor of the Group;
- after Galaxy was repaid, the Former Receivers retired on 29 November 2019;
- on 9 December 2019, the Previous DOCA was recommended to creditors by the Former Administrators;
- key features of the Previous DOCA provided for:
  - establishment of two creditors' trusts, being what the Former Administrators' referred to as the Cash Trust and the Stockpile Trust;
  - establishment and payment of funds into the Cash Trust;
  - establishment of the Stockpile Trust, conditional upon (i) receipt of approval from FIRB, and (ii) approval of a section 444GA application for the transfer of 100% of Alita's shares to the Proponent; and
  - upon establishment of each creditor trust, creditor claims against the Group were extinguished, instead having an equivalent claim against their relevant trust as beneficiary;
- on 17 December 2019, creditors of the Group voted in favour of the Previous DOCA. On its execution, the Former Administrators became the Former Deed Administrators;



- on 6 March 2020, the Former Deed Administrators' section 444GA application for the transfer of Alita's shares
  was approved by the Court. This had the effect of approving a transfer of the shares of Alita from the existing
  shareholders to Liatam / CHEL as proponents of the Previous DOCA (subject to FIRB approval);
- we have been advised that Liatam, one of the proponents for the Previous DOCA, made relevant applications to FIRB in December 2019, however the application was withdrawn in April 2020 following feedback from the Federal Treasurer without any decision being made;
- on 14 October 2020, the Group defaulted on the repayment terms of the CHEL LFA;
- on 6 November 2020, CHEL advised the Former Deed Administrators that it was no longer prepared to forbear from enforcing its rights under its security;
- on 24 November 2020, CHEL, the second Proponent of the Previous DOCA, made a successful application to the Court for orders varying the terms of the Previous DOCA such that the transfer of shares contemplated under the terms of the Stockpile Trust were not required prior to completion;
- on 26 November 2020, the Directors were appointed to each of the Companies;
- on 2 December 2020, CHEL wrote to the Directors regarding new finance arrangements for the Group noting its facilities at the time were in default;
- on 2 December 2020, Austroid Corporation purchased CHEL's \$70m debt, becoming the Group's secured creditor (and only creditor);
- on 3 December 2020, the Previous DOCA effectuated, extinguishing all claims and bringing about the retirement of the Deed Administrators;
- on 4 December 2020, the Directors rejected CHEL's previous offer of finance (which had been assigned to Austroid Corporation) to enter into the proposed new finance arrangements;
- on 4 December 2020, the secured creditor, Austroid Corporation, enforced its security and appointed the Receivers to the Group and shortly after appointed the Administrators;
- on 21 December 2020, Galaxy Resources Limited commenced proceedings in the Supreme Court of Western Australia (COR 154 of 2020) seeking to restrain the Administrators from calling the Second Meeting of Alita, Tawana and Lithco's creditors. Galaxy Resources Limited was unsuccessful with orders being made by Justice Hill on 22 December 2020;
- on 23 December 2020, the Second Meeting was held in respect of each of Alita, Tawana and Lithco, at which, Austroid Corporation, being the only creditor of those companies, voted in favour of the Parent DOCA and Subsidiary DOCA;
- on 4 January 2021, Lithium WA Investments Pty Ltd (LWA) commenced proceedings in the Supreme Court of Western Australia against the Deed Administrators (COR 158 of 2020) to restrain the Administrators from effectuating the Subsidiary DOCA (which was otherwise due to occur on 4 January 2021);
- on 18 March 2021, the proceedings commenced by LWA were settled and dismissed by consent; and
- on 19 March 2021, the Subsidiary DOCA effectuated.

### 3.7 Key events during the Administration

Shortly after being appointed as Administrators, two DOCA proposals were received from Austroid Corporation in respect of the Group on 4 December 2020. The Parent DOCA in respect of Alita and the Subsidiary DOCA in respect of Tawana and Lithco.

After receiving both DOCA proposals, the Administrators were provided with timely access to the information required to complete investigations. This included information provided by the Former Administrators, the Receivers and the Directors. On receipt of this information, the Administrators conducted detailed investigations into the affairs of the Group and undertook a thorough assessment of the Austroid Corporation DOCA proposals compared to a liquidation scenario.

On effectuation of the Previous DOCA, all creditor claims had been compromised such that Austroid Corporation (the proponent of the Parent DOCA and Subsidiary DOCA) was the only remaining creditor of the Group. Drafts of



the Parent DOCA and Subsidiary DOCA were at a sufficiently advanced stage by 16 December 2020, meaning the Administrators were sufficiently informed to recommend the DOCA proposals.

The Parent DOCA and the Subsidiary DOCA were both approved by the Group's sole creditor (Austroid Corporation) at the Second Meeting on 23 December 2020.

The Subsidiary DOCA was executed on 23 December 2020 and effectuated (i.e. completed) on 19 March 2021 following satisfaction of the conditions precedent. Accordingly, no further discussion or explanation on the Subsidiary DOCA is contained in this report. Details on the Subsidiary DOCA are available at https://www.mcgrathnicol.com/creditors/alita-group/ should Shareholders wish to review this.

The Parent DOCA was also executed on 23 December 2020 and Mr Brauer and Mr Kirman of McGrathNicol were appointed Deed Administrators of the Parent DOCA as detailed at section 4.

The Parent DOCA can be obtained from the link at https://www.mcgrathnicol.com/creditors/alita-group/.

### 4 Explanation of the Parent DOCA

This section of the report details the key terms of the Parent DOCA and its consequences for Alita's Shareholders.

### 4.1 Outcome of the Parent DOCA

Pursuant to the terms of the Parent DOCA, its completion will see:

- all creditor claims against Alita (except Austroid Corporation's secured debt) discharged, satisfied, released and extinguished. The Deed Administrators are not aware of any such claims in any event given these were extinguished by the Previous DOCA;
- control of Alita will revert to the Directors and the Deed Administrators will not have any obligation or responsibility for the affairs of Alita;
- the Deed Administrators must transfer all issued shares of Alita to the Proponent (or its nominee or as it directs) in accordance with the orders of the Court in consideration for the release of up to the full amount of the debt the subject of the Loan Facility Agreement dated 29 November 2019, as varied, restated or amended from time to time, including by way of the Deed of Assignment dated 2 December 2020 between Austroid Corporation, CHEL and the Group;
- the Proponent will fully release and discharge the Deed Administrators from all claims, debt and liability in relation to the Administrators' Loan Agreement, being the funding advanced to the Administrators by Austroid Corporation to fund the Administrators and Deed Administrators;
- the Parent DOCA will terminate; and
- the Deed Administrators will lodge written notice with ASIC.

### 4.2 Effectuation of the Parent DOCA

The Parent DOCA will effectuate on the date that is five business days after the date on which each of the conditions precedent have been satisfied (or waived). The conditions precedent to the Parent DOCA and their current status are detailed in the table below:

Ref	Cond	ition precedent	Comment	Status
6.1.1	Execu	tion of the Transfer Agreement	Executed on 23-Dec-20	Satisfied
6.1.2	Execu	tion of the Deed of Release	Executed on 23-Dec-20	Satisfied
6.1.3	Effect	uation of the Subsidiary DOCA	Effectuated on 19-Mar-21	Satisfied
6.1.4	Confirmation from ASIC that it has granted relief for the purposes of section 606 of the Corporations Act		Application lodged on 7- Jul-21	Ongoing
6.1.5	Either (a)	the Securities Industry Council of Singapore (or such other relevant regulatory authority or body in Singapore) granting such waivers or relief from	This condition precedent will be subject to the outcome of the 444GA Application	Ongoing



		the Singapore Code as are necessary or convenient in connection with the transfer of all of the issued share capital of Alita to Austroid Corporation pursuant to the leave of the Court under section 444GA of the Corporations Act; or		
	(b)	the parties being satisfied (acting reasonably) that the Singapore Code does not apply to Alita, or the Singapore Code ceasing to apply to Alita, including by reason of Alita and its shares being de-listed from the sponsor-supervised board of the securities market operated by Singapore Exchange Securities Trading Limited known as "Catalist".		
6.1.6	Obtain of the capita or as the fu Facility restate of the betwe	ning leave of the Court pursuant to section 444GA Corporations Act to transfer all of the issued share I of Alita to Austroid Corporation (or its nominee it directs) in consideration for the release of up to II amount of the debt the subject of the Loan y Agreement dated 29 November 2019, as varied, ed or amended from time to time, including by way Deed of Assignment dated 2 December 2020 en Austroid Corporation, CHEL and the Group.	The 444GA Application seeks to satisfy this condition precedent.	Ongoing
6.1.7	FIRB a	ipproval	Austroid Corporation has commenced the process of seeking FIRB approval and submitted its application on or about 21 June 2021.	Ongoing

### 4.3 Effect of the Parent DOCA on Shareholders

If the Parent DOCA effectuates according to its terms and subject to its conditions:

- all of the issued shares in Alita will be transferred to Austroid Corporation for nil consideration. In these circumstances, you will <u>cease</u> to own shares in Alita and you will <u>not</u> receive any money or any other form of consideration;
- Austroid Corporation will become the sole shareholder of Alita and will hold all rights and entitlements attributed to Alita's shareholders; and
- any claims that Shareholders may have against Alita, in their capacity as shareholders, will be extinguished.

### 4.4 Effect of the Parent DOCA on Alita

If the Parent DOCA effectuates according to its terms and conditions, Alita will cease to be under the control and direction of the Deed Administrators and will revert to the control of its directors (as retained, varied or amended by Austroid Corporation as the sole shareholder).

All claims of creditors, other than that of Austroid Corporation, were released in the Previous DOCA in exchange for their entitlement to receive a distribution as beneficiaries of the trust.

### 5 Expert Report

### 5.1 Overview

Lawyers acting for the Deed Administrators engaged Matthew Donnelly of Deloitte to provide an independent opinion on the value of Alita's shares in the form of an Expert Report. A copy of the Expert Report is provided at Annexure A and will be uploaded to the McGrathNicol website at <a href="https://www.mcgrathnicol.com/creditors/alita-group//">https://www.mcgrathnicol.com/creditors/alita-group//</a>



Mr Donnelly has assessed the residual value of Alita's equity in a liquidation scenario. Mr Donnelly has used the liquidation assessment as this is the alternative scenario for Alita, should the Parent DOCA not complete. In preparing the report, Mr Donnelly has considered:

- the value of the mining assets of the Group using the independent valuation report prepared by Deborah Lord of VRM;
- the value of the liabilities owed by Lithco and Tawana to Austroid; and
- the claim of Alita's only creditor, Austroid Corporation.

The Expert Report was prepared in accordance with RG 111, and is supported by an independent technical assessment and valuation report prepared by Deborah Lord of VRM in accordance with the VALMIN Code and the JORC Code, as well as a valuation report for the plant and equipment prepared by Peter Rooke of Dalesford Pty Ltd.

Mr Donnelly has opined that whilst the DOCA does not result in any compensation for shareholders, it is also the case that no compensation would be available for shareholders if the DOCA failed and Alita was liquidated. Mr Donnelly considers that Alita's equity has no value in either the "Low", "High" or "Preferred" scenario as detailed in the following table.

Summary of Independent Expert Report assessment of equity			
_A\$'m	Low	High	Preferred
Total assets	34.4	66.4	50.4
Total liabilities	(72.3)	(68.8)	(70.8)
Equity value (37.9) (2.4) (20.4)			

Source: Expert Report dated 19 August 2021

Notwithstanding the assumptions on which the above is based, Mr Donnelly considers there is a prospect of (i) increased costs and liabilities, and (ii) lower value being achieved for the assets, resulting in a further erosion to the negative equity values identified in the table above, for the following reasons:

- The asset valuation provided by Ms Lord has been prepared on the assumption of fair market value, on a going concern basis and therefore outside of a formal insolvency process such as a sale by a liquidator or receiver. The plant and equipment valuation prepared by Mr Rooke was based on a market-based method bearing in mind the cost of construction, condition of the plant and equipment and recent transactional evidence.
- A discount to the asset values has not been applied by Mr Donnelly in the above analysis to account for the likely discount arising out of a forced sale or liquidation realisation of the Group's assets.
- Mr Donnelly has not factored in 'ramp up' costs of the Bald Hill Mine, or removal costs for plant and equipment, which Mr Donnelly considers (i) may be considerable, and (ii) a potential purchaser would factor into their purchase price. Any such costs would reduce the value of the assets and further reduce the equity position.
- Both Ms Lord and Mr Rooke set out a low, high and preferred valuation for Alita's assets. Even in the 'high' scenario, i.e. the highest fair market value (i.e. outside a liquidation scenario), Alita's indebtedness exceeds the asset value. Given the factors outlined above, Mr Donnelly considers the 'high' asset value is unlikely to be achieved.

The Deed Administrators have also instructed Ms Lord to prepare a separate confidential valuation report in relation to a royalty and option agreement in relation to certain mining tenements held by Lithco. That report will be attached to a confidential affidavit to be filed with the Court. Any Shareholder who wishes to inspect a copy of that report may do so by notifying the Court and providing an undertaking that they will maintain the confidentiality of that report.

Mr Donnelly will also prepare an Addendum to his Expert Report in relation to the confidential valuation report to be prepared by Ms Lord.

The Deed Administrators will provide an update to this explanatory statement in relation to these further reports once they are available. In earlier proceedings commenced by Lithium WA Investments Pty Ltd (LWA), being



Supreme Court proceeding COR 158 of 2020, LWA filed an expert report drafted by Mr Jeffery Hall, providing an opinion on the value of the Bald Hill Mine (**Hall Report**). The Deed Administrators did not produce a copy of that report in the 444GA Application on the basis that the Deed Administrators held the view we were subject to an implied obligation not to use the document or the information contained in it for a collateral purpose (paragraph 42 of the affidavit of Robert Kirman sworn 7 July 2021).

On 17 August 2021, the Court made orders which had the effect of (i) releasing the Deed Administrators from the implied obligation, (ii) permitting the Hall Report to be used in the 444GA Application, and (iii) requiring any expert evidence in response to the Hall Report to be filed by 27 August 2021.

### 5.2 Alita's Assets

Mr Donnelly's assessment of the value of the Group's assets is summarised in the table below.

Market value of Alita's assets			
A\$'m	Low	High	Preferred
Cash at bank	0.3	0.3	0.3
Mineral resource estimate	18.8	35.0	26.9
Exploration target estimate	5.1	9.4	7.2
Exploration tenure	1.9	4.5	3.2
Plant & equipment (going concern)	8.1	16.9	12.5
Interest in Cowan Lithium	0.2	0.3	0.4
Total assets	34.4	66.4	50.4

Source: Expert Report dated 19 August 2021

Mr Donnelly's assessment of value has been prepared utilising input from industry experts. The asset valuations provided by Ms Lord have been prepared on the following assumptions:

- Mineral resource estimate: Fair market value, going concern.
- Exploration target estimated: Fair market value, going concern.
- Exploration tenure: Fair market value, going concern.
- Plant and equipment: Fair market value in the "High" scenario and salvage basis in the "Low" scenario.

As detailed in section 6.6, if the Parent DOCA terminates, it is likely Alita will be placed in liquidation.

Mr Donnelly opines in the Expert Report that the asset valuation figures are higher than what he would consider reasonable on a liquidation basis. Mr Donnelly cites the following reasons, which in his view would negatively impact on the realisable value of the assets;

- Valuation methodology The scope of the valuation only requested an opinion on the fair market value of assets (and a salvage value as to plant and equipment). The valuation figures do not consider the implications of a sale under a liquidation scenario. Mr Donnelly considers that a discount should be applied to the ascribed values to reflect the circumstances of a liquidation sale. Mr Donnelly states factors that would impact on any liquidation discount incurred include (but are not limited to):
  - a potential buyer leveraging the publicly available knowledge of the vendor's historical performance and current circumstances with respect to Alita and its assets;
  - parties being naturally opportunistic when seeking to acquire assets from a liquidator;
  - the nature of the asset acquisition, being on an "as is, where is" basis, and with no provision of representations or warranties; and
  - any limitations on the sale process or asset state that are not currently considered (i.e. risk that funding for care and maintenance costs or costs associated with completing the sale process could be withdrawn, thereby increasing the potential discount a buyer would ascribe against their offer for the assets).

Based upon his experience, Mr Donnelly opines this discount could be in the magnitude of 30% low, 5% high and 15% preferred.



- Plant and equipment removal, dismantling and transport costs The values ascribed by Mr Rooke notes that the plant and equipment values are exclusive of removal, demolition, dismantling and transport costs. Mr Donnelly considers it reasonable to assume that any prospective buyer may further discount the value ascribed to the plant and equipment assets to allow for these associated costs.
- Previous sale process Mr Donnelly notes the Former Administrators undertook a sale process from October to November 2019 for the Group, whereby 20 expressions of interest were received, 14 confidentiality agreements were signed and three parties undertook site tours. This resulted in two bids from Galaxy and CHEL, both of which were not sufficient to repay the total indebtedness of the Group at the time. Mr Donnelly noted there is no certainty that any better offers would be received in a liquidation.

Mr Donnelly considers the adoption of fair market value to be considered inherently conservative or another way, over valued.

### 5.3 Claims Against Alita's Assets

Mr Donnelly has presented the indebtedness of the Group (rather than just Alita), as the debt of the Group is ultimately due and payable by Alita for the following reasons:

- Austroid Corporation is the only creditor of the Group;
- Austroid Corporation's debt is secured against all assets of Alita, including its shareholdings in Tawana and Lithco; and
- Tawana and Lithco are wholly owned subsidiaries of Alita.

Given the operation of the Previous DOCA (refer to section 3.5), all unsecured creditors' claims against Alita have been extinguished. Accordingly, Mr Donnelly considers claims against Alita's assets are likely to comprise:

- the secured debt owed to Austroid Corporation by Alita, Lithco and Tawana;
- the costs of the Receivers to finalise their appointment;
- the costs of the Deed Administrators to finalise their appointment; and
- the costs of a liquidator in undertaking a liquidation of Alita.

Mr Donnelly's assessment of the claims against Alita's assets is set out in the below.

### Estimated value of Group liabilities

_A\$'m	Low	High	Preferred
Austroid Corporation's debt	(66.3)	(64.9)	(65.6)
Receivers' fees and costs	(0.6)	(0.4)	(0.5)
Deed Administrators' fees	(0.1)	(0.1)	(0.1)
Liquidators' fees and costs	(0.8)	(0.4)	(0.6)
Care and maintenance costs	(2.9)	(1.5)	(2.2)
Realisation costs	(1.7)	(1.6)	(1.9)
Total liabilities	(72.3)	(68.8)	(70.8)

Source: Expert Report dated 19 August 2021

### 6 444GA Application – What do you need to know

### 6.1 What must the Court be satisfied of for the 444GA Application to be successful?

The objective of the 444GA Application is to obtain leave of the Court to transfer all of the shares in Alita to Austroid Corporation for nil consideration. In considering the 444GA Application, the Court will consider whether the transfer will be unfairly prejudicial to Shareholders. The Court may only grant leave to transfer the shares in Alita to Austroid Corporation if it is satisfied that the transfer would not unfairly prejudice the interests of Shareholders. The courts have held that where the value of the shares are such that there is no residual value to shareholders or there is unlikely to be any prospect of the shares obtaining such value the shareholders are generally unlikely to be unfairly prejudiced. Accordingly, in making its decision, the Court will necessarily need to consider the Expert Report on the value of the shares of Alita.



To assist the Court in deciding the 444GA Application, Alita has commissioned the Expert Report to provide a valuation of the equity in Alita. A summary of the Expert Report is provided in section 5 above and a full copy of the Expert Report is provided at Annexure A. As set out at section 5, Mr Donnelly has assessed the equity of Alita to have no value in either the "Low", "High" or "Preferred" scenario.

### 6.2 What is the status of the 444GA Application?

The 444GA Application was filed with the Court on or about 1 July 2021. The 444GA Application seeks leave to transfer all of Alita's issued share capital in accordance with the terms of the Parent DOCA.

Pursuant to the terms of the Parent DOCA, the Deed Administrators filed an Originating Process with the Supreme Court of Western Australia on or about 1 July 2021 initiating the 444GA Application. The proceedings were designated proceeding number COR 112 of 2021.

On 2 July 2021, the Court made interlocutory orders programming the 444GA Application which:

- imposed a deadline of 7 July 2021 for the Deed Administrators to publicly advertise the proceedings;
- provided Shareholders until 4 August 2021 to oppose or intervene in the proceedings; and
- set the Final Hearing date for 1 September 2021 at 2:15pm (AWST).

Absent leave of the Court, Shareholders who have not already filed an appearance will not be entitled to be heard in relation to the 444GA Application.

Shareholders who have already provided their comments to the Deed Administrators regarding the 444GA Application are not required to make further comment. The Deed Administrators will ensure all comments are submitted to the Court in evidence.

At the Final Hearing, the Deed Administrators will ask the Court to make orders in relation to the 444GA Application. If the Court is satisfied that the transfer of the shares does not unfairly prejudice Shareholders, the Court may give the Deed Administrators permission to transfer the shares at the Final Hearing.

### 6.3 How can you participate in the proceedings?

Shareholders should consider this Explanatory Statement and the accompanying Expert Report in detail before deciding whether to take any action in relation to the 444GA Application. If you have any questions or are in any doubt as to the action you should take, you should seek your own independent advice from your legal, financial or other professional adviser(s).

If you wish to be heard by the Court in respect to the 444GA Application and did not file a notice of intention to appear before the deadline, you will be required to seek leave of the Court to join the proceedings noting the deadline for Shareholders to participate has already passed.

If you do not wish to appear before the Court, but wish to express your views in relation to the 444GA Application, you may provide the Deed Administrators with your views in writing. The Deed Administrators will notify the Court of any written submissions they receive from Shareholders. If you wish for the Deed Administrators to provide your views to the Court in this manner, please do so in writing to this office at the email <u>Alita@mcgrathnicol.com</u> by no later than 5 Business Days before the Final Hearing. Your submissions should include details of the substantive basis for your views.

### 6.4 What is the timetable for the 444GA Application?

The current timetable for the 444GA Application is as follows:

- the Deed Administrators are to file further evidence by 20 August 2021;
- Ms Williams and Austroid are to file any lay evidence by 23 August 2021;
- the Deed Administrators are to file any responsive evidence, and their outline of submissions, by 25 August 2021;
- Ms Williams and Austroid are to file any expert evidence as to the value of Alita's assets, and their outline of submissions by 27 August 2021;
- the Deed Administrators are to file any submissions in response by 31 August 2021; and



• the application is listed for Final Hearing for the full day on 1 September 2021 at 10.30am (AWST).

### 6.5 What if I do nothing?

You are not required to do anything.

However, if you take no action in respect of the 444GA Application, the Court will consider the 444GA Application in your absence and may grant leave to transfer your shares. If the 444GA Application is successful and the Parent DOCA effectuates according to its terms and conditions, all of the issued shares in Alita will be transferred to Austroid Corporation for nil consideration.

In these circumstances, you will cease to own shares in Alita and you will not receive any money or any other form of consideration.

### 6.6 What will happen if the 444GA Application is not successful?

Obtaining Court approval for the 444GA Application is a condition to completion of the Parent DOCA. If the Court does not make the orders sought in the 444GA Application, the conditions to completion of the Parent DOCA will not be satisfied.

If the conditions precedent are not satisfied or waived, the Deed Administrators may call a meeting of creditors in accordance with the Corporations Act, IPS and IPR to consider any proposed variation of the Parent DOCA or termination of the Parent DOCA.

If at that meeting, creditors resolve to terminate the Parent DOCA and that Alita be wound up then:

- Alita is taken to have passed, at the time the Parent DOCA is terminated, a special resolution under section 491 of the Corporations Act that Alita be wound up voluntarily, and to have done so without a declaration having been made and lodged under section 494 of the Corporations Act; and
- sub-section 446A(3), sub-sections 446A(5) to (7) and section 446B of the Corporations Act shall apply as if Alita
  was being would up under section 446A of the Corporations Act.

If the Parent DOCA is terminated, Alita will be taken to have passed a special resolution that it be voluntarily wound up and that the Deed Administrators be appointed as liquidators of Alita. If the Parent DOCA is varied by resolution of creditors, the details of that resolution will specify the impact on the Parent DOCA.

Mr Donnelly notes that whilst the Parent DOCA does not result in any compensation for shareholders, it is also the case that no compensation would be available for shareholders if the Parent DOCA failed and Alita was liquidated. Mr Donnelly considers that Alita's equity has no value in either the "Low", "High" or "Preferred" scenario as detailed in the following table.

Summary of Independent Expert Report assessment of equity			
A\$'m	Low	High	Preferred
Total assets	34.4	66.4	50.4
Total liabilities	(72.3)	(68.8)	(70.8)
Equity value	(37.9)	(2.4)	(20.4)

Source: Expert Report dated 19 August 2021

### 7 Advantages and disadvantages of the 444GA Application for Shareholders

Set out below are the key advantages and disadvantages of the Parent DOCA for Shareholders.

Notwithstanding the summarised information below, Shareholders should consider the Explanatory Statement and the Expert Report in detail before deciding whether to take any action in relation to the 444GA Application. If you have any questions, or are in any doubt as to the action you should take, you should seek your own independent advice from your legal, financial or other professional adviser(s).

### 7.1 Advantage

### 7.1.1 Tax consequences

This general information is for Shareholders who are Australian resident taxpayers holding their shares on capital account, not as trading stock, and who are not subject to the Taxation of Financial Arrangements rules in Division 230 of the Income Tax Assessment Act 1997 (Cth). It does not take account of the circumstances of individual Shareholders. You should seek your own tax advice on the consequences for you of the Parent DOCA and any transfer of your shares.

- The transfer of shares may give rise to a CGT event for Shareholders because it may trigger a CGT event and may crystallise a capital loss. Depending on each individual taxpayer's financial position, this capital loss may be available to offset against capital gains, potentially reducing the amount of tax payable.
- Australian Shareholders who hold their shares on capital account may incur a capital loss to the extent the reduced cost base of the shares transferred exceeds their market value.
- Given the transfer will occur by way of Court order, the time of the CGT event for Shareholders, if any, will
  most likely be when the transfer of shares takes effect in accordance with the Parent DOCA. The Deed
  Administrators anticipate that this will occur following the Final Hearing and completion of the Parent DOCA.

Non-Australian resident Shareholders may not obtain the benefit of the capital loss as their shares may not constitute taxable Australian property.

### 7.2 Disadvantages

### 7.2.1 You will no longer hold shares in Alita

If the 444GA Application is successful and the Parent DOCA effectuates according to its terms and conditions, all of the issued shares in Alita will be transferred to Austroid Corporation for nil consideration. In these circumstances, you will cease to own shares in Alita and you will not receive any money or other consideration for the shares.

### 7.2.2 Extinguishing claims against Alita

Any rights you have in your capacity as a shareholder will be extinguished if the Parent DOCA is effectuated and your shares are transferred. This will not affect any claims you may have against third parties.

### 7.2.3 Possibility that insolvency may provide a better outcome

The Expert Report, in effect, concludes that there is no residual equity value for Shareholders.

Notwithstanding this, Shareholders may consider that there is a potential for a better return under a winding up of Alita than the nil return to Shareholders assessed by the Deed Administrators and the Independent Expert.

Shareholders should read the Expert Report attached at Annexure A carefully and in its entirety.

### 8 Additional information

### 8.1 Regulatory Matters

On 7 July 2021, the Deed Administrators applied to ASIC for relief from the operation of section 606 of the Act with respect to the transfer of Alita's shares.

Section 606 of the Act sets out a general rule which prohibits a person from acquiring a relevant interest in a regulated entity (subject to certain exceptions) meaning the transfer of Alita's shares to Austroid Corporation would be prohibited in the absence of ASIC granting relief from the prohibition in this section.

Noting the provisions of Section 606, relief from ASIC is required (in addition to the Court orders sought in the 444GA Application) to enable the transfer of the shares to Austroid Corporation because Alita is an unlisted public company and Austroid Corporation will acquire voting power of more than 20% in Alita as a result of the effectuation of the Parent DOCA.

At the time of issuing this Explanatory Statement, that application has not been determined by ASIC.

The Deed Administrators will provide further updates at the 'Shareholders Information' section at https://www.mcgrathnicol.com/creditors/alita-group/.



### 8.2 Originating process

In accordance with ASIC Regulatory Guide 6: Takeovers: Exceptions to the general prohibition, we have attached to this Explanatory Statement at Annexure B the originating process documents in relation to the 444GA Application.

### 8.3 Further information

In addition to the Explanatory Statement and the enclosed Expert Report, shareholder information (including circulars and orders made by the Court) have and will continue to be made available by the Deed Administrators at the 'Shareholders Information' section at https://www.mcgrathnicol.com/creditors/alita-group/.

Reports and circulars issued to creditors of Alita since appointment of administrators to Alita together with the executed Parent DOCA are also available at <a href="https://www.mcgrathnicol.com/creditors/alita-group/">https://www.mcgrathnicol.com/creditors/alita-group/</a>.

Alternatively, you can request copies of these documents from the Deed Administrators and they can be emailed or posted to you. Please contact Amber Andre on +61 8 6363 7665 or <u>aandre@mcgrathnicol.com</u> if you would like copies of these documents.

### **9 Definitions**

In this Report, unless otherwise provided, please refer to the following definitions and abbreviations:

Term	Definition
\$A'000	Thousands of Australian Dollars
444GA Application	Application by the Deed Administrators for leave of the Court to transfer all of the issued shares in Alita to Austroid Corporation for nil consideration pursuant to section 444GA(1)(b) of the Act and other orders facilitating that transfer, being the subject of Supreme Court of Western Australia proceeding COR 112 of 2021
ACN	Australian Company Number
Act	Corporations Act 2001 (Cth)
Administrators' Loan Agreement	Loan Agreement entered into between Austroid Corporation and the Administrators on 7 December 2020
Alita	Alita Resources Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
ASIC	Australian Securities and Investments Commission
ASIC Relief	Relief from the operation of section 606 of the Act in respect of a transfer of all of the issued shares of Alita to Austroid Corporation
ASX	Australian Stock Exchange
Austroid Corporation	Austroid Corporation, a company incorporated in Nevada, United States of America (with business identification number NV20201866500)
Bald Hill Mine	Bald Hill lithium and tantalum mine (including associated tenements, permits and licences) located in the Eastern Goldfields, WA
CHEL	China Hydrogen Energy Limited, the former secured creditor of the Group and Proponent for the Previous DOCA
CGT	Capital Gains Tax
Companies	means Alita, Tawana and Lithco or each of any of them as the context requires
Court	Supreme Court of Western Australia
Deed Administrators	Robert Kirman and Robert Brauer of McGrathNicol
Deloitte	Independent party who prepared the Experts Report
Directors	David John Pile and Fergus Jockel
DOCA	Deed of Company Arrangement

Term	Definition
Expert Report	Independent Expert Report prepared by Matthew Donnelly of Deloitte dated 19 August 2021
Explanatory Statement	This document dated 20 August 2021
Final Hearing	The final hearing in relation to the 444GA Application to be held at 10:30am AWST on 1 September 2021
Former Administrators	Richard Tucker and John Bumbak of KordaMentha in their capacity as Voluntary Administrators of the Group from 28 August 2019 to 17 December 2019
Former Deed Administrators	Richard Tucker and John Bumbak of KordaMentha in their capacity as Deed Administrators of the Group from 17 December 2019 to 3 December 2020
Former Receivers	Martin Jones, Matthew Woods and Andrew Smith of KPMG in their capacity as Receivers and Managers of the Group from 29 August 2019 to 29 November 2019
Galaxy	Galaxy Resources Limited, a former secured creditor of the Group
Group	Alita, Lithco and Tawana
JBJ	Jiangxi Bao Jiang Lithium Industrial Limited
JORC	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
LFA	Loan Facility Agreement
Lithco	Lithco No.2 Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed)
Offtake Agreements	Bald Hill Project Long-term Exclusive Concentrate Offtake Contracts originally signed with the Companies, Burwill and Burwill Holdings and most recently amended and restated on 14 January 2019
Parent DOCA	Deed of Company Arrangement approved by creditors on 23 December 2020 and executed between Alita, Austroid Corporation and the Deed Administrators on 23 December 2020.
Previous DOCA	Deed of Company Arrangement proposed by CHEL and entered into on 17 December 2019 and fully effectuated on 3 December 2020
Proponent	Austroid Corporation
Receivers	Richard Tucker and John Bumbak of KordaMentha in their capacity as Receivers and Managers of the Group appointed on 4 December 2020
RG 111	ASIC Regulatory Guide 112: Content of expert reports
RG 112	ASIC Regulatory Guide 112: Independence of experts
SGX	Singapore Stock Exchange
Subsidiary DOCA	DOCA proposed by Austroid Corporation for Tawana and Lithco which effectuated on 19 March 2021
Second Meeting	Second Meeting of creditors held on 23 December 2020 pursuant to section 439A of the Act
Shareholders	Shareholders of Alita as at the date of the Explanatory Statement
SPA	Sale and Purchase Agreement
Tawana	Tawana Resources Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed)
Tribeca	Consortium of secured lenders led by Tribeca from whom Galaxy acquired the senior secured loan facility pursuant to a SPA and a Transfer Certificate dated 27 August 2019

Term	Definition
WST	Western Standard Time
Valmin	The 2015 edition of the Valmin code
VRM	Valuation & Resources Management Pty Ltd

# **Deloitte**.

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Expert Report Alita Resources Limited (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) ACN 147 393 735

19 August 2021

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# Glossary

Administrators/Deed Administrators	The Voluntary Administrators and Deed Administrators, Mr Rob Brauer and Mr Rob Kirman, of McGrathNicol
Administration	The Voluntary Administration and Deed Administration of the Company/Group
Administrators' Report	The Administrators' Report to Creditors pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) dated 16 December 2020
Act	Corporations Act 2001 (Cth)
ARITA	Australian Restructuring Insolvency and Turnaround Association
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Austroid	Austroid Corporation (a company incorporated in the State of Nevada in the United States of America)
Bald Hill Project	The Group's principal mining, processing and exploration operations
Burwill Holdings	Burwill Holdings Limited
Burwill Lithium	Burwill Lithium Company Limited
c./circa	Circa (approximately)
C&M	Care and maintenance
CHEL	China Hydrogen Energy Ltd
CHEL LFA	Circa \$70m loan facility agreement provided by CHEL to the Group
Clayton Utz	Lawyers for the Deed Administrators
Company/Alita	Alita Resources Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) (formerly known as Alliance Mineral Assets Ltd)
Court	The Supreme Court of Western Australia
СҮХХ	Calendar Year Ended XXXX
DCF	Discounted Cash Flow
Deloitte	Deloitte Financial Advisory Pty Ltd
Deloitte Valuation	Valuation of the assets of Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed) prepared by Deloitte Financial Advisory Pty Ltd (dated 17 December 2019)
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA/Parent DOCA	Deed of Company Arrangement in respect to Alita Resources Ltd
DMIRS	Department of Mines, Industry Regulation and Safety
DMS	Dense media separation
ERV	Estimated Realisable Value

EV	Electric Vehicle
GPN-EXP	Federal Court's Expert Evidence Practice Note
FEG	Fair Entitlements Guarantee Scheme
FIRB	Foreign Investment Review Board
Former Administrators	Mr Richard Tucker and Mr John Bumbak of KordaMentha
Former Receivers and Managers	Mr Martin Jones, Mr Matthew Woods and Mr Andrew Smith of KPMG
Former 444GA Application	The application brought by the Former Administrators pursuant to section 444GA in December 2019
FYXX	Financial Year 1 July XX to 30 June XX
Galaxy	Galaxy Resources Ltd
Group/Companies	Alita Resources Ltd, Lithco No. 2 Pty Ltd and Tawana Resources Pty Ltd (all Subject to Deed of Company Arrangement) (all Receivers and Managers Appointed)
НҮХХ	Half Year 1 July XXXX to 31 December XXXX
IPR	Insolvency Practice Regulations of the Corporations Act 2001
IPS	Insolvency Practice Schedule of the Corporations Act 2001
JBJ	Jiangxi Bao Jiang Lithium Industrial Limited
JBJ Offtake Agreements	Two lithium offtake agreements entered into by the Group with JBJ, prior to the appointment of the Former Administrators
Jiangxi	Jiangxi Special Electric Motor Co. Ltd
Kms	Kilometres
Kms LCE	Kilometres Lithium Carbonate Equivalent
Kms LCE Lithco	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement)         (Receivers and Managers Appointed)
Kms LCE Lithco Management	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement)         (Receivers and Managers Appointed)         Management of the Company
Kms LCE Lithco Management Mt	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement)         (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)
Kms       LCE       Lithco       Management       Mt       p.a.	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement)         (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation         Previous DOCA	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation         Previous DOCA         ROCAP	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020         Report on Company Activities and Property
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation         Previous DOCA         ROCAP         Receivers or Receivers and Managers	Kilometres         Lithium Carbonate Equivalent         Lithico No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020         Report on Company Activities and Property         Mr Richard Tucker and Mr John Bumbak of KordaMentha
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation         Previous DOCA         ROCAP         Receivers or Receivers and Managers         Second Meeting	Kilometres         Lithium Carbonate Equivalent         Lithico No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020         Report on Company Activities and Property         Mr Richard Tucker and Mr John Bumbak of KordaMentha         The Second Meeting of Creditors of the Company held on 23 December 2020
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation         Previous DOCA         ROCAP         Receivers or Receivers and Managers         Second Meeting         SGX - Catalist	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020         Report on Company Activities and Property         Mr Richard Tucker and Mr John Bumbak of KordaMentha         The Second Meeting of Creditors of the Company held on 23 December 2020         A trading board of the Singapore Stock Exchange
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation         Previous DOCA         ROCAP         Receivers or Receivers and Managers         Second Meeting         SGX - Catalist         SRK	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement)         (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020         Report on Company Activities and Property         Mr Richard Tucker and Mr John Bumbak of KordaMentha         The Second Meeting of Creditors of the Company held on 23 December 2020         A trading board of the Singapore Stock Exchange         SRK Consulting (Australasia) Pty Ltd
Kms         LCE         Lithco         Management         Mt         p.a.         P&E Valuation         Previous DOCA         ROCAP         Receivers or Receivers and Managers         Second Meeting         SGX - Catalist         SRK         Subsidiary DOCA	Kilometres         Lithium Carbonate Equivalent         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020         Report on Company Activities and Property         Mr Richard Tucker and Mr John Bumbak of KordaMentha         The Second Meeting of Creditors of the Company held on 23 December 2020         A trading board of the Singapore Stock Exchange         SRK Consulting (Australasia) Pty Ltd         The Deed of Company Arrangement pertaining to Lithco and Tawana
KmsLCELithcoManagementMtp.a.P&E ValuationPrevious DOCAROCAPReceivers or Receivers and ManagersSecond MeetingSGX - CatalistSRKSubsidiary DOCATawana	Kilometres         Lithium Carbonate Equivalent         Lithco No. 2 Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)         Management of the Company         Megatonne (million tonnes)         Per annum         The plant and equipment valuation contained within the VRM Report and prepared by Mr Peter Rooke         DOCA proposed by CHEL and entered into on 17 December 2019 and effectuated on 3 December 2020         Report on Company Activities and Property         Mr Richard Tucker and Mr John Bumbak of KordaMentha         The Second Meeting of Creditors of the Company held on 23 December 2020         A trading board of the Singapore Stock Exchange         SRK Consulting (Australasia) Pty Ltd         The Deed of Company Arrangement pertaining to Lithco and Tawana         Tawana Resources Pty Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)

The Regulations	Corporations Regulations 2001
VALMIN	The industry code for the technical assessment and valuation of mineral assets and securities
VRM	Valuation and Resource Management
VRM Report	The Independent Expert Report dated 9 August 2021 prepared by VRM

# 1 Overview

### 1.1 Executive Summary

The purpose of this Expert Report is to provide shareholders of the Company with detailed information as to the value of the Company's shares in a liquidation.

As discussed throughout this report, the Administrators executed a DOCA with Austroid which, amongst other things, contemplates an application to the Court for leave to transfer all of the shares of the Company to Austroid (or nominee) for nil consideration, on the basis that the shares have no value. In this circumstance, shareholders of the Company at the date of appointment of the Administrators would receive no return with respect to their holdings.

This report sets out my opinion as to the value of the Company in a liquidation scenario, utilising input from industry experts, to provide shareholders with confirmation that the shares in the Company have no value.

I table below a summary of the high, low and preferred values of the Company's assets and its present indebtedness:

### Table 1 – Estimated surplus/(deficiency) to shareholders

	Assessed values		
\$'m	Low	High	Preferred
Total assets	34.4	66.4	50.4
Total indebtedness	(72.3)	(68.8)	(70.8)
Surplus/(deficiency) to shareholders	(37.9)	(2.4)	(20.4)

In respect of the above, I make the following comments:

- Industry experts have been instructed by lawyers for the Administrators to provide me with an assessment of the market value of the Company's assets and I have relied on their determination of the appropriate valuation methodology. I consider that it would be inappropriate to consider the assets on a DCF, earnings multiple or quoted price of securities basis, as the Company is subject to a formal insolvency appointment and is not currently operating. This view is shared by the industry experts that I have relied upon.
- The asset valuations have been prepared on the assumption of fair market value, on a going concern basis, and therefore outside of a formal insolvency process such as sale by a liquidator or receiver. A discount to the asset values has not been applied, however I am asked to consider the value of the Company in a liquidation scenario. A forced sale or liquidation realisation of the Group's assets would, in my experience, reduce the value of the assets and therefore my adoption of fair market value is considered highly conservative. If there is no equity value in comparison to a fair market value analysis, it follows there is inevitably no equity value in a liquidation analysis.
- I have not factored removal costs for plant and equipment (which may be considerable), that a potential purchaser would factor into their price for such assets. Such factors would also reduce the value of the assets and therefore further decrease the equity position.
- My preferred valuation relies upon industry expert analysis (refer to Section 6 for further particulars as to why I have adopted these numbers as my preferred valuation). In this regard, I note that my preferred valuation is less than Austroid's secured indebtedness and therefore, in this situation (and before adjusting for the point above regarding liquidation discount), there is no value for shareholders in the event of liquidation.
- Even on the highest fair market value of assets (which, noting the above, is not practically achievable), the Company's existing indebtedness exceeds the Company's asset value, and consequently, the Company's shares have no value.

# Accordingly, and having regard to the comments and analysis contained within this report, I am of the opinion that the shares in the Company have no value.

### 1.2 Scope of Work

This report has been prepared to provide an assessment of the value of the Company and its assets and therefore the value of the existing issued shares in the Company.

The report is intended to:

- Assist the Court in determining whether the proposed transfer of the Company's shares to Austroid (or their nominee) will unfairly prejudice the interest of the Company's shareholders for the purpose of the application being made pursuant to Section 444GA of the Act; and,
- Be included in the Explanatory Statement to be made available to the shareholders of the Company in relation to the DOCA, ahead of the orders being sought pursuant to Section 444GA of the Act.

The sole purpose of this report is to provide an assessment of the value of the Company in a liquidation. In accordance with Section 444GA of the Act, the Court will only grant leave to transfer shares if it is satisfied that the transfer would not unfairly prejudice the interest of the shareholders. There would be no prejudice to shareholders if the shares have no value.

This report should not be used for any other purpose or by any other party.

### 1.3 Use of Experts

ASIC Regulatory Guide 111 – Content of Expert Reports refers to experts retaining a specialist to advise them in technical matters beyond an expert's expertise. In preparing this report, I have utilised the VRM Report, which included a P&E Valuation. A copy of the VRM Report is included at Appendix F.

### 1.3.1 VRM

VRM is an independent consulting company who specialise in mineral asset valuation and management, providing independent technical and valuation advice, VALMIN reports, expert opinions, consulting and economic geology services to the exploration and mining sector, their advisors and investors.

VRM were engaged by Clayton Utz (lawyers for the Deed Administrators) on 25 June 2021 to provide the VRM Report in relation to the fair market value as at 25 June 2021 of the Group's principal asset, being the Bald Hill Project, exploration assets, and plant and equipment (on a salvage and going concern basis). The VRM Report was prepared under the general guidance of the VALMIN Code (2015). Further information about their capabilities and therefore, their suitability as experts, is set out in their report.

The VRM Report has considered value on a "fair market value" basis, being the amount of money for which a mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties each acted knowledgeably, prudently and without compulsion. I note that this assumption is not applicable in a liquidation scenario where the Company is insolvent. This valuation is discussed further at Section 6 of this report.

The P&E Valuation is prepared on a market-based method bearing in mind the cost of construction, condition of the plant and equipment and recent transactional evidence.

### 1.4 Information and Limitations

This report has been prepared solely for the purpose set out in Section 1.2 of this report. The report represents my opinion as to the current value of the Company's assets and liabilities in a liquidation. My opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change over relatively short periods of time and any material change may impact my opinion.

My express written consent must be obtained prior to relying upon, publishing or distributing this report, or any part of it, for any purpose other than that detailed in Section 1.2. This report may only be published or distributed:

- As an appendix to the Explanatory Statement which is to be provided to the Company's shareholders and others as part of the evidence in support of the application under Section 444GA.
- For use by ASIC in determining their opinion with respect to the application under Section 606 of the Act.
- For use in the proceedings before the Court relating to the application pursuant to Section 444GA of the Act.
- In accordance with any law or by order of a Court of competent jurisdiction.

Statements and opinions contained in this report are given in good faith and in the preparation of this report I have relied upon the accuracy and completeness of the information provided to me and detailed at Appendix A. In forming my opinion, I have assumed:

- Matters such as title, compliance with laws and regulations, tenements and contracts in place are in good standing and will remain so, and that there are no material legal proceedings other than those identified.
- Any publicly available information relied upon in my analysis is accurate and not misleading.

I do not imply, and it should not be construed, that I have carried out any form of audit or verification of the information and records of the Group. However, I have no reason to believe that there is any concern as to the reasonableness of this information for the purposes of my work detailed in Section 1.2 of this report.

### 1.5 Appointment of Voluntary Administrators and Receivers

On 4 December 2020, the Administrators were appointed to the Company by resolution of Austroid pursuant to Section436C of the Act.

On 4 December 2020, the Receivers were appointed to the Company by the Company's secured creditor, Austroid.

The Administrators and Receivers were also appointed to Lithco and Tawana, being wholly owned subsidiaries of the Company (collectively **the** Group).

The Group had previously been under separate administration and receivership appointments almost immediately prior to the appointment of the Administrators and Receivers such that the Group has effectively been under external administration since 28 August 2019. Refer Section 3 for further detail on recent history of the Group.

I understand that the Bald Hill Project has been in care and maintenance since approximately 29 August 2019.

### 1.6 Deed of Company Arrangement

At the second meeting of creditors held on 23 December 2020, the sole creditor of the Company resolved to execute the Parent DOCA proposed by Austroid. The sole creditor also resolved to execute the Subsidiary DOCA in respect to Lithco and Tawana. The DOCAs were subsequently executed by the Deed Administrators, the Companies and Austroid on 23 December 2020.

One of the key conditions precedent to the Parent DOCA's effectuation is the requirement for the Deed Administrators to make an application to the Court pursuant to Section 444GA of the Act to transfer to Austroid (or its nominee) all of the shares in the Company.

If the Court makes orders pursuant to Section 444GA of the Act and the other conditions of the DOCA are satisfied, 100% of the existing shares in the Company will be transferred to Austroid (or its nominee). Existing shareholders will not be compensated for the transfer of their shares.

Whilst the Parent DOCA does not result in any compensation for shareholders, it is also the case that no compensation would be available for shareholders if the Parent DOCA failed and the Company was liquidated.

### 1.7 Pre-Existing Relationships

I have considered my independence in accordance with the guidelines as set out in ASIC Regulatory Guide 112 – Independence of Experts and note that:

- There is no actual or perceived conflict of interest.
- There is no actual or perceived threat to independence.
- My firm's former role as a technical expert, discussed below, does not impact my independence.
- There is no other reason why I would be unable to prepare this report.

The firm of which I am a partner of, Deloitte, has previously been engaged by the Former Administrators of the Company as a technical expert to prepare a valuation of the Company's assets in respect to the Former 444GA Application. This valuation was provided in December 2019.

I do not consider that my firm's previous role as technical expert impacts upon my independence because:

• The previous role of my firm was to act as technical expert only to the Former Administrators who prepared the Independent Experts' Report in support of the Former 444GA Application.

- As technical expert, Deloitte's role was limited to a valuation of the Company's assets, not an opinion as to the potential value of the Company's shares.
- I have not relied upon Deloitte's valuation other than for the value of the interest in Cowan Lithium (and as referenced in the Administrators' Report), which is an immaterial asset, and by way of general reference to the Group's background and industry.
- I have relied upon the recent VRM Report (in their capacity as technical experts providing a valuation of the Company's assets) for the purposes of this report.

I confirm that I have had no prior involvement with the Company, its directors, or any related parties, which would preclude me from preparing this report.

### 1.8 Assistance by Colleagues

In order to arrive at my opinions in this report, I have selected colleagues to assist me. My colleagues carried out the work I decided they should perform and as directed by me. I have reviewed their work and original documents to the extent I considered necessary to form my opinions. The opinions expressed in this report are my own.

### 1.9 Statement Regarding Expert Witness Code

I confirm that I have read and understood the Federal Court's Expert Evidence Practice Note (**GPN-EXPT**), which includes the Harmonised Expert Witness Code of Conduct and have prepared this report in accordance with it, and on the basis that I am bound by it.

### 1.10 Limitations Regarding Mineral Resources and Ore Reserves

The information in this report that relates to Mineral Resources and Ore Resources is based on the records of the Company, in accordance with the 2012 JORC code, as reported to the ASX from time to time.

Neither VRM nor I have independently verified the Mineral Resource and Ore Reserve estimates and have not performed, nor do I accept, the responsibilities of a Competent Person as defined by the JORC Code in respect to the Mineral Resources and Ore Reserve estimates presented in this report.

The Company has from time-to-time issued announcements in relation to the Mineral Resources and Ore Reserve estimates for the Bald Hill Project that are available at www.allianceminerals.com.au and www.sgx.com.

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# 2 Industry Overview

### 2.1 Introduction

To provide a context for assessing the future prospects of Alita, I have set out below an overview of the recent and expected trends in the domestic and international lithium market.

### 2.2 Overview

Lithium is a lightweight, soft, silver-white metal uniquely found in salt and mineral compounds. Lithium exists in a chemical compound state as either Hard Rock (spodumene) or rich Brine. Due to its natural chemical composition, lithium is further processed into either Lithium Hydroxide or Carbonate. Commonly, these lithium compounds are referred to as Lithium Carbonate Equivalent (LCE).

Lithium's physical properties including its lightweight nature, high conductivity, thermal stability, and its efficient recharge characteristics give the commodity several multifaceted purposes which make it viable for commercial and industrial use. The global acceleration towards a renewable, decarbonised economy supports the drive in the price and demand in the lithium market.

### 2.2.1 Hard rock mining vs brine

Australia primarily mines Lithium Hard Rock, whilst China, Argentina and Chile produce both Lithium Hard Rock and Brine. Capital expenditure requirements for the exploration of spodumene (Hard Rock) are considerably lower than that of Brine, resulting in the high prevalence of global Hard Rock projects. Spodumene requires the rocks to be crushed and through a refinery process can then be used for glass and ceramic purposes or further refined into LCE/Lithium Hydroxide.

High concentrations of lithium combined with leached water from surrounding rocks forms the chemical compounds of Lithium Brine bodies. The extraction of Brine involves pumping water into ponds and once evaporated, a high concentrate of Lithium Carbonate remains.

Alita is a Hard Rock miner.

### 2.3 Lithium demand

Lithium is used in a range of technical and chemical applications. Traditionally, the commodity is used in the production of glass, ceramics, alloys, grease and lubricants for heavy metal production. Demand for lithium has experienced a significant spike since mid-2020 (see correlation with price in Figure 1), due in part to the shift in focus towards renewable energy sources, transformation of the transportation industry and revolutionisation of personal electronics.

The movement towards renewable resources in the automotive industry has promoted the transition from regular combustion engines to EVs. The introduction of various government initiatives across the globe, along with increasing consumer demand, has driven demand of EVs which has contributed significantly to the demand for lithium ion batteries.<sup>1</sup> Approximately 46% of global lithium consumption is currently utilised in rechargeable batteries, with the expectation to grow up to 80% by 2025.<sup>2</sup> Growth within this sector has already seen a sharp rise as car manufacturers introduce new hybrid and electric vehicles to adapt to evolving consumer preferences. China remains the largest consumer of lithium, which is largely attributable to its extensive involvement within the EV and personal electronics industries.

EVs have seen a 126% year on year rise with the annual sales volume exceeding 3 million in 2020. The projected 2030 annual sales volume outlook is expected to exceed 26 million units.<sup>3</sup> This will increase demand for spodumene and Lithium Hydroxide. The EV market is forecast to increase sharply in market share (of vehicles) from 2025 when EVs are expected to reach cost parity with internal combustion engine vehicles.<sup>4</sup> Additionally, demand for battery grade lithium hydroxide is expected to grow at a rate of 27% p.a from 2020 to 2030.<sup>5</sup>

Grid energy storage sources, which include lithium-based battery solutions, for electricity are increasingly being adopted to facilitate energy management. Energy grid storage is used in managing on and off-peak electricity demand, which is expected to become prevalent as renewable energy contributes to a larger proportion of the overall future global power usage.

<sup>&</sup>lt;sup>1</sup> Azevedo, et al. 2018. *Lithium and Cobalt: A Tale of Two Commodities*. Mckinsey & Company.

<sup>&</sup>lt;sup>2</sup> Australian Government, Dept of Industry, Science, Energy and Resources. 2021. Lithium Resources and Energy Quarterly June 2021 Report

<sup>&</sup>lt;sup>3</sup> Ibid

<sup>&</sup>lt;sup>4</sup> Ibid

<sup>&</sup>lt;sup>5</sup> Ibid

### 2.4 Lithium supply

The lithium supply market is considered relatively concentrated with 85% of production and extraction coming directly from Australia, Chile, Argentina, and China. Barriers to entry remain relatively low due to the simplicity of extraction for Lithium Hard Rock, which has influenced the excess lithium supply in recent years. The rapid commencement of three new Australian spodumene projects in 2018 contributed a substantial oversupply of the metal which heavily impacted the price decline from 2017-2020. Contract prices slumped from highs of US\$15,000/t to lows of US\$5,000/t in late 2020.<sup>6</sup> However, when incorporating the forecasted demand outlook of lithium with the potential implications of rising quality requirements it is forecasted to likely cause supply constraints beginning in 2023.

The recent excess supply of lithium over the past years has caused prices to remain relatively stagnant over 2020. However, rising EV and energy storage system demand is expected to drive material supply deficits in the coming years. Output supply forecasts of LCE for 2021 are expected to reach 441,000 Tonnes and increase further in the years following.<sup>7</sup> It is evident that there may be a supply shortfall unless mining operations are expanded.

### 2.5 Lithium price

The price of spodumene is directly correlated to the price of LCE, whilst LCE and Lithium Hydroxide are heavily influenced by the demand factors of EVs and energy storage sources. Unlike other commodity markets, there is no open exchange traded market for Lithium compounds. Prices of lithium are generally determined through private negotiations between producers and consumers. Over the past 5 years, LCE has experienced significant price volatility. In 2015 the metal traded between US\$5,000/t – US\$6,000/t, and suddenly experienced a significant price surge to c.US\$25,000/t in 2018.<sup>8</sup> This was followed in 2020 by a fall as low as US\$8,000/t due to excess supply in the market.<sup>9</sup> In recent months, lithium prices have seen a recovery, however a report from Macquarie Research regarding the future outlook of the lithium market expects that LCE pricing will not accelerate to its previous peaks but will experience a steadier price rise given the improved supply outlook.



Figure 1 – Historical lithium commodity price

Source: VRM Valuation Report (August 2021)

VRM's Report notes that as at June 2021, forecast lithium pricing is expected to range between US\$9,638/t and US\$11,559/t over the next five years, sitting between the previous peak values in 2017/18 and the lows of late 2020.

Further information on the lithium market, supply, demand, and pricing can be found at Section 5 of VRM's Report.

<sup>&</sup>lt;sup>6</sup> Bairstow et al. 2021. *Lithium Market Outlook.* Macquarie Research.

<sup>&</sup>lt;sup>7</sup> Australian Government, Dept of Industry, Science, Energy and Resources. 2021. Lithium Resources and Energy Quarterly June 2021 Report

<sup>&</sup>lt;sup>8</sup> Bairstow et al. 2021. *Lithium Market Outlook.* Macquarie Research.

<sup>&</sup>lt;sup>9</sup> Ibid.

# 3 Company Overview and Background

### 3.1 Company Overview at Date of Administration

### 3.1.1 Overview

The Company is a Singaporean listed (SGX - Catalist)<sup>10</sup> lithium concentrate (spodumene) and tantalum by-product producer, with its principal operation being its 100%-owned Bald Hill Project located in the Eastern Goldfields of Western Australia. The Bald Hill Project has been on care and maintenance since approximately 29 August 2019.

### 3.1.2 Group structure

Figure 2 below illustrates the Company and its subsidiaries. Alita serves as the ultimate parent company and does not trade in its own right, but did hold a number of mining tenements, which I understand have been transferred to Lithco under the terms of the DOCA. Tawana also does not trade but is the 100% owner of Lithco which is the operator of the Bald Hill Project.

Figure 2 - Group structure



### Subject to Deed of Company Arrangement and Receivers and Managers Appointed

### 3.1.3 Timeline of key events

Recent key events in respect of the Company are set out below:

Table 2 - Timeline of key events

Date	Event
Jul 2018	Commencement of commercial production.

<sup>&</sup>lt;sup>10</sup> The Company was previously also ASX listed until 1 October 2020.

Date	Event
5 Dec 2018	Alita (formerly known as Alliance Mineral Assets Limited until 16 July 2019) commences trading upon the ASX (following the merger with Tawana)
Jan 2019 -Mar 2019	Steady state production.
May 2019 – Jul 2019	Declining global spodumene concentrate prices since December 2017. The Group's offtake counterparty claims force majeure, refusing to accept deliveries. Negotiations with offtake counterparty for the resumption of supply ultimately unsuccessful.
	With the Group subject to long-term agreements with its suppliers, resulting in significant ongoing fixed costs and high termination charges, and without a steady source of revenue, the Group's finances were under significant strain.
25 Aug 2019	Galaxy acquires the \$40m senior secured debt formerly held by the Tribeca consortium
28 Aug 2019	The Group's board appoints the Former Administrators
29 Aug 2019	Galaxy appoint the Former Receivers and Managers to the Group
29 Aug 2019	Bald Hill Project placed on care and maintenance
Oct 2019 – Nov 2019	Former Administrators undertake a sale and/or recapitalisation process for the Group. 20 Expressions of interest received, 14 confidentiality agreements signed and three parties undertook site tours, resulting ultimately in two bids.
	The two bids received were from Galaxy and CHEL.
28 Nov 2019	Galaxy's senior secured debt position repaid by CHEL, whereby CHEL enter into the CHEL LFA with the Company and become the Group's senior secured creditor. Former Receivers retire following the repayment of the debt to Galaxy.
	Creditors vote in favour the Previous DOCA. Key features of the Previous DOCA included:
	• The establishment of two creditors' trusts, being what the Former Administrators referred to as the Cash Trust and the Stockpile Trust.
17 Dec 2019	<ul> <li>Establishment and payment of funds into the Cash Trust.</li> <li>Establishment of the Stockpile Trust, conditional upon (i) receipt of approval from FIRB, and (ii) approval of a section 444GA application for the transfer of 100% of Alita's shares to the proponent.</li> <li>Upon establishment of each trust, creditor claims against the Group were extinguished, instead having an equivalent claim against their relevant trust as a beneficiary.</li> </ul>
	The Former Administrators became the Former Deed Administrators upon execution of the Previous DOCA.
Dec 2019	CHEL, as proponents of the Previous DOCA, submitted the relevant applications to FIRB seeking foreign investment approval.
6 Mar 2020	The Former Deed Administrators' section 444GA application to transfer Alita's shares is successful. This allowed for the transfer of the shares of Alita from the existing shareholders to CHEL. The effectuation of the Previous DOCA remained subject to FIRB approval.
April 2020	The application to FIRB filed by CHEL was withdrawn following feedback from the Federal Treasurer.
14 Oct 2020	The Companies defaulted on the repayment terms of the CHEL LFA.

Date	Event
6 Nov 2020	CHEL advised the Former Deed Administrators it was no longer prepared to forebear from enforcing its rights under its security.
24 Nov 2020	CHEL (as proponents of the Previous DOCA) made a successful application to the Court for orders varying the terms of the Previous DOCA so that the transfer of shares contemplated under the terms of the Stockpile Trust was not required as a condition precedent to effectuation.
2 Dec 2020	Austroid purchase CHEL's c.\$70m debt facility, becoming the Group's secured creditor.
3 Dec 2020	The Previous DOCA effectuates, extinguishing all unsecured claims and bringing about the retirement of the Former Deed Administrators. As a result of the effectuation of the Previous DOCA, Austroid became the only creditor of the Group.
4 Dec 2020	Austroid, as the secured creditor, enforced its security and appointed the Receivers to the Group and shortly after appointed the Administrators.
23 Dec 2020	The Group's sole creditor Austroid votes in favour of the DOCA and Subsidiary DOCA.
19 Mar 2021	The Subsidiary DOCA completed.

### 3.2 Deeds of company arrangement

The key terms of the DOCA and Subsidiary DOCA proposed by Austroid, include:

- An application to be made pursuant to Section 444GA of the Act to obtain leave of the Court for all the issued shares in Alita to be transferred to Austroid (or nominee).
- Austroid will convert (up to) the full amount of its debt to shares.
- FIRB approval is required.
- Tawana and Lithco to be released from approximately \$28m of the total debt owed to Austroid with Tawana and Lithco to remain indebted for approximately \$20m jointly and severally. I understand this has occurred.
- Tawana and Lithco to enter into a new loan facility with Austroid with a limit of \$40m, with \$20m representing a new working capital facility, and the balance the \$20m of existing debt mentioned immediately above. I understand this has occurred.
- Alita to transfer all assets used or applied exclusively in the operation of the Bald Hill Project to Lithco. I understand this has occurred.
- All creditors' claims, other than those of Austroid are extinguished (presumably out of an abundance of caution, noting that there is only one creditor being Austroid).
- The Deed of Cross Guarantee between the Group entities is terminated.

### 3.3 Historical Financial Performance

When considering the following historical information, I note:

- The Group's primary asset is the Bald Hill Project, and was developed via a joint venture between Alita and Tawana, and commenced production in July 2018.
- Alita acquired its shareholding in Tawana (and Lithco as a subsidiary of Tawana) via a scheme of arrangement that completed in December 2018.
- As illustrated at Section 3.1.2 Tawana and Lithco are currently wholly owned subsidiaries of Alita.

The Group's financial statements are prepared at a 30 June year end, with the last reported annual results being prepared to 30 June 2018, which did not include the 100% ownership of Tawana and Lithco, as this did not occur until FY19. The Group's last full financial year prior to the appointment of the Former Administrators was FY19. Audited financial statements were not prepared for FY19. The Group's financial statements for FY16 to FY18 were audited. Financial information for FY19 is based upon draft management accounts as recorded in the Administrators' Report.
As the Group has effectively been in some form of external administration with operations on care and maintenance since approximately 28 August 2019, there is no meaningful financial performance information available after this date.

### 3.3.1 Profit and Loss

The profit and loss statements for FY16 to FY19 are summarised as follows:

Table 3 - Profit and loss

\$'000	FY16	FY17	FY18	FY19
Revenue	-	-	-	92,658
Cost of goods sold	-	-	-	(102,130)
Gross Profit	-	-	-	(9,472)
Other income	135	321	-	49
Corporate and other expenditure	(2,528)	(5,159)	(1,310)	(61,147)
EBIT	(2,394)	(4,839)	(1,310)	(70,570)
Interest income	23	35	176	272
Income tax expense	(1,711)	-	-	4,889
Net Profit/(Loss)	(4,082)	(4,804)	(1,134)	(65,409)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive income for the year	(4,082)	(4,804)	(1,134)	(65,409)

Source: FY16, FY17, & FY18 audited financial statements, and draft FY19 management accounts extracted from the Administrators' Report.

I provide the following commentary on the Group's profit and loss statements:

- The Group did not generate revenue prior to FY19, as commercial production at the Bald Hill Project did not commence until July 2018. The losses for FY16 to FY18 are not necessarily unusual for a Group that is in the development and construction phase of a mining project.
- The significant reduction in corporate and other expenditure from \$5.2m in FY17 to \$1.3m in FY18 was due to the reversal of a prior year (FY15) impairment of \$5.3m.
- The Administrators' Report states that the Group's loss experienced in FY19 is likely attributable to production inefficiencies typically experienced during the first year of production. The Administrators' Report also identifies financing costs, acquisition costs (Tawana merger), impairments and losses on the disposal of assets as contributing to the loss in FY19.
- Further, the Group's FY19 management accounts indicate the loss experienced in that year was in part attributable to:
  - \$5.1m in fixed asset impairment charges.
  - \$17.2m in acquisition costs relating to the scheme of arrangement whereby Alita (known as Alliance Mineral Assets Limited at the time) merged with Tawana.
  - \$7.2m in mine property and rehabilitation amortisation expenses.
  - \$16.5m in adjustments to off-take agreement valuation.
  - The Expert Report accompanying the Former 444GA Application, notes also the following regarding FY19 performance:
    - No revenue in December 2018 and January 2019 due in part to negotiations being held with an offtake counterparty and the shutdown of the Esperance Port in early January 2019.
    - A \$3.8m expense was incurred relating to the consolidation of financing arrangements.
    - Revenue being impacted in June 2019 due to delays in negotiating arrangements with an offtake counterparty.

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### 3.3.2 Balance Sheet

Set out below are the balance sheets for FY16 to FY19, as well as the financial position of the Group as at the date of the Administrators' appointment as per the directors' ROCAP dated 11 December 2020, as set out in the Administrators' Report:

Table 4 - Balance sheet

\$'000	FY16	FY17	FY18	FY19	ROCAP
Current assets					
Cash and cash equivalents	5,390	2,857	18,841	20,052	-
Receivables	2,148	148	2,151	2,631	-
Other current assets	23	3,790	586	1,595	-
Inventory	-	-	842	38,632	567
Total current Assets	7,561	6,795	22,421	62,910	567
Non-current assets					
Bald Hill Mine	16,724	15,800	66,965	225,253	32,800
Investment in Cowan Lithium	-	-	-	634	200
Goodwill and other assets	-	-	-	22,730	-
Reimbursement asset - rehabilitation obligation	-	-	2,821	6,520	-
Total non-current assets	16,724	15,800	69,786	255,137	33,000
Total assets	24,284	22,595	92,207	318,047	33,567
Current liabilities					
Trade and other payables	(3,586)	(3,299)	(8,327)	(18,535)	-
Deferred revenue	-	(3,702)	(7,343)	-	-
Employee benefit liabilities	(38)	(45)	(210)	(26,248)	-
Provisions	-	-	-	(546)	-
Interest bearing loans and borrowings	(1,032)	(25)	(658)	(41,628)	(46,946)
Total current liabilities	(4,656)	(7,071)	(16,538)	(86,957)	(46,946)
Non-current liabilities					
Trade and other payables	(670)	-	-	-	-
Proceeds received in advance	-	-	-	(11,437)	-
Deferred tax liabilities	-	-	-	(4,311)	-
Provision for rehabilitation	(1,079)	(1,079)	(5,642)	(7,916)	-
Interest bearing loans and borrowings	(35)	(17)	(10,337)	(204)	-
Total non-current liabilities	(1,783)	(1,096)	(15,978)	(23,868)	-
Total liabilities	(6,439)	(8,168)	(32,516)	(110,825)	(46,946)
Net assets / (liabilities)	17,846	14,428	59,691	207,222	(13,379)

Source: FY16, FY17, & FY18 audited financial statements, draft FY19 management accounts and Director's ROCAP extracted from the Administrators' Report.

I provide the following analysis and commentary on the Group's balance sheet statements:

- The Group reported an increasing net asset position from FY17 to FY19, despite the year-on-year losses, largely as a result of successful capital raising activities over the period.
- As the Bald Hill Project was developed its value for accounting purposes significantly increased.
- The management accounts reported interest bearing loans and borrowings of circa \$41.8m as at 30 June 2019 primarily comprised of the facility provided by Tribeca. This facility was acquired by Galaxy in August 2019 prior to the appointment of the Former Administrators, refinanced by CHEL, and then acquired by Austroid in December 2020.
- According to the Administrators' Report, the Group's FY19 management accounts reported material non-current assets which have limited attributable realisation value in a liquidation scenario, including:
  - capitalised mine development expenditure of circa \$98.7m.
  - capitalised exploration and evaluation expenditure of circa \$73m.
  - goodwill resulting from the merger with Tawana of circa \$22.4m.
- From 1 July 2019 to the appointment of the Administrators, the Group's balance sheet has changed significantly and was comprised of assets including the value of the Bald Hill Project, a small amount of mine consumables inventory and the investment in Cowan Lithium. During this time liabilities also changed significantly, with there now being only one creditor, being the secured debt owed to Austroid. These changes were a result of:

- Cash remaining at the appointment of the Former Administrators and Former Receivers was applied to the Group's secured creditor's debt, care and maintenance liabilities incurred post appointment, professional fees and costs of the Former Administrators and Former Receivers, and distributions to unsecured creditors pursuant to the Previous DOCA. According to the Administrators' Report there was no cash available to the Group on their appointment.
- Receivables were either collected by the Former Receivers and/or subject to claims of set-off.
- Inventory comprising predominantly of stockpiles (spodumene and tantalum) was sold and the net proceeds distributed to unsecured creditors pursuant to the Previous DOCA. The Administrators' Report indicates no stockpiles were available in their administration.
- Goodwill resulting from the merger with Tawana, being an accounting construct, had no realisable value.
- All liabilities other than amounts owed to Austroid were extinguished by the Previous DOCA so that there was now only one creditor, being Austroid.

### 3.3.3 Sources and application of funds

Set out below is the source and application of funds for the period from FY16 to FY18. No audited accounts were prepared for FY19 and accordingly, no cash flow statement was available for this period.

### Table 5 - Cash flow statement

\$'000	FY16	FY17	FY18
Cash flows from operations			
Interest received	23	35	176
Interest paid	(31)	(11)	(30)
Research and development tax rebate on operating expenditure	919	400	-
Services income received	-	191	120
Revenue received in advance	-	-	8,125
Payments to suppliers and employees	(1,754)	(2,521)	(3,667)
Net cash (outflow) / inflow from operations	(843)	(1,906)	4,725
Cash flows from investments			
Proceeds from the Sale of Assets	-	29	-
Proceeds from redemption of fixed deposit	-	988	-
Proceeds from sale of product during the development phase	38	188	4,311
Research and development tax rebate on capital expenditure	784	706	-
Cash calls paid to join operation not yet spent	-	-	(397)
Mine development expenditure	(3,054)	-	(20,543)
Purchase and refurbishment of plant & equipment	(424)	(4)	(24,440)
Net cash inflow / (outflow) from investments	(2,656)	1,906	(41,069)
Cash flows from financing			
Proceeds from share issues	4,981	-	44,575
Payments for share issue costs	(32)	-	(1,518)
Repayment of secured loan	-	(943)	-
Payment of finance lease principal	(16)	(17)	(18)
Payment of insurance premium loan principal	(70)	(170)	(56)
Proceeds from insurance premium loan	59	160	13,079
Repayment of unsecured loan	-	(1,389)	(1,061)
Transaction costs associated with borrowings	-	-	(2,611)
Net cash inflow / (outflow) from financing	4,922	(2,358)	52,389
Net increase / (decrease) in cash	1,423	(2,358)	16,045
Cash at the beginning of the financial year	3,856	5,390	2,857
Net foreign exchange difference on cash balances	111	(174)	(60)
Cash at the end of the financial year	5,390	2,857	18,841

Source: FY16, FY17, & FY18 audited financial statements.

I provide the following comments in respect to the Group's cash flow statements:

- The Group experienced a cash shortfall from operating activities during FY16 and FY17 attributable to the development phase of the Bald Hill Project.
- During FY18, cash from operations was positive as a result of revenue received in advanced of \$8.1m.
- Cash spent on mine development increased significantly from FY16 to FY18 as the Group completed the development of the Bald Hill Project and approached the commencement of commercial production.
- The Group was reliant on the proceeds from share issues to remain cash flow positive.

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### 4 Total Indebtedness

### 4.1 Summary

For simplicity, the indebtedness of the Group is presented on a consolidated basis given the following:

- Austroid is the only identified creditor of the Group.
- Austroid's debt is secured against all of the assets of the Alita, including its shareholding in Tawana and Lithco.
- Austroid's debt to Lithco and Tawana is secured by the assets of Lithco and Tawana
- Tawana and Lithco are wholly owned subsidiaries of Alita.
- Accordingly, the indebtedness of the Group is effectively also the indebtedness of Alita, and the net value of Alita is reflective of the assets and liabilities of Lithco and Tawana and Alita itself.

Set out below is a summary of estimated creditor claims against the Company in a liquidation scenario:

Table 6 – Estimated total indebtedness

\$'000	Ref.	Low	High	Preferred
Austroid debt (secured)	4.1	(66,303)	(64,942)	(65 <i>,</i> 622)
Receivers' fees and costs	4.1.3	(600)	(350)	(475)
Deed Administrators' fees	4.1.2	(75)	(75)	(75)
Liquidators' fees and costs	4.1.4	(750)	(350)	(550)
C&M costs	4.1.6	(2,904)	(1,452)	(2,178)
Realisation costs	4.1.5	(1,695)	(1,643)	(1,868)
Total Indebtedness		(72,326)	(68,811)	(70,767)

Accordingly, I expect that the total indebtedness in a liquidation will be between \$68.8m and \$72.3m.

The values ascribed for the total indebtedness in Table 6 assume that costs incurred to 30 June 2021 (or 22 July 2021 for Deed Administrators' fees) with respect to C&M, Receivers' fees and costs and Deed Administrators' fees and costs are already accounted for in the secured debt value of Austroid. Therefore, all other values in Table 6 reflect estimates of future fees and costs to be incurred from 1 July 2021 and payable in a liquidation scenario, noting that practically the funding for these costs would likely flow from Austroid and therefore increase their total secured indebtedness. Further detail can be found at notes 2 and 3 following Table 7 below.

As referred to at Section 3.1.3, on 2 December 2020, Austroid purchased and was assigned the entirety of the debt facility owing by the Group under their existing facilities with CHEL. As detailed in a letter from Austroid (To whom it may concern) dated 1 July 2021, the amount owing to Austroid at 30 June 2021 is as follows:

### Table 7 – Secured debt

\$'000	Borrower	Interest rate	Low	High	Preferred
Loan facility agreement - 28 November 2019	Alita	5% (+2% default rate)	(50,428)	(50 <i>,</i> 428)	(50 <i>,</i> 428)
Loan facility agreement - 8 December 2020	Deed Administrators	9%	(1,072)	(1,072)	(1,072)
Loan facility agreement - 11 December 2020	Receivers	12.5%	(3,852)	(3 <i>,</i> 852)	(3 <i>,</i> 852)
Loan facility agreement - 19 March 2021	Tawana and Lithco	10% (+5% default rate)	(7,902)	(7,902)	(7,902)
Total Secured Debt			(63,255)	(63,255)	(63,255)
Provision for future interest charges (refer Note 1			(2 0 1 8)	(1 697)	(2 267)
and Table 8)			(3,048)	(1,087)	(2,307)
Total Secured Debt (including future provisions)			(66,303)	(64,942)	(65,622)

Source: Document "12B. Austroid Debt", provided by Clayton Utz

Notes:

1. The future interest accrual calculations are presented in the below Table 8, calculated for three months in a high scenario and six months in a low scenario, with the preferred value being the mid-point of the two values. Interest calculations also include in all

scenarios one additional month being July 2021 to allow for costs and interest thereon, as the starting Austroid debt position is as at 30 June 2021 and we assume the sale process for assets commences from 1 August 2021.

Table 8 – Interest accrual estimation

\$'000	Borrower	Interest rate	Low	High	Preferred
Loan facility agreement - 28 November 2019	Alita	5% (+2% default rate)	(2,116)	(1,190)	(1,653)
Loan facility agreement - 8 December 2020	Deed Administrators	9%	(58)	(33)	(45)
Loan facility agreement - 11 December 2020	Receivers	12.5%	(293)	(163)	(228)
Loan facility agreement - 19 March 2021	Tawana and Lithco	10% (+5% default rate)	(477)	(267)	(372)
Future C&M costs	Tawana and Lithco	10% (+5% default rate)	(103)	(33)	(68)
Total Future Interest (estimate)			(3,048)	(1,687)	(2,367)

I have calculated the above on the following basis:

- Future Receivers' fees have been excluded from the above calculations, outside of those included in the C&M costs. In my experience it is not unusual for these fees to be paid upon realisation of the relevant security. Further, there are potentially many variables that may influence the rate at which the Receivers will incur their fees and when they will draw down on the Receivers' loan facility with Austroid. Therefore, it is impractical for me to include an estimate of future interest on Receivers' fees. In any event such interest expense would be immaterial.
- I have not calculated interest on Deed Administrators' fees, as I have not been advised when the remaining \$75k of fee approval in Alita will be incurred and drawn down. In any event such interest would be immaterial.
- Based on the information provided to me, I understand that the Receivers have retired from their appointment over Tawana and Lithco, and therefore I have assumed the future C&M costs for the mining assets held under Tawana and Lithco are being funded via the Tawana and Lithco debt facility.
- Per the loan documents, interest is calculated on the daily balance of the outstanding principal and capitalised on the last day of the month.
- 2. I have assumed that the current value of cash held by the Receivers, being \$290k, directly flows from the provision of funding under the Loan Facility Agreement dated 8 December 2020 between Austroid and the Receivers, and therefore is assumed to form part of the secured debt value as at 30 June 2021. Further, as I have included the cash at bank balance as at the date of this report as an asset of the Company at Section 5.5, future C&M costs (or other Receivers costs) are carried in the total indebtedness values in Section 4, and are expected to be paid out of these funds in due course, in order to avoid duplicating costs.
- 3. The Deed Administrators' fees and costs incurred to 22 July 2021 (noting the Deed Administrator's appear to have drawn down fees in advance) are included in Austroid's principal debt figure at 30 June 2021. Future estimates for Deed Administrators' fees and costs are detailed at Section 4.1.2.

### 4.1.1 Unsecured creditors

As discussed in Section 3.3.2 of this Report, all unsecured creditor claims that were submitted to the Former Deed Administrators and adjudicated to be valid were dealt by the Creditors and Stockpile Trusts pursuant to the Previous DOCA. Therefore, there are no unsecured creditors' claims against Alita. We are unaware of any other possible liabilities in the subsidiaries themselves.

### 4.1.2 Deed Administrators' fees and costs

Of the total Deed Administrators' fee estimate to the conclusion of the deed administration (as described in the Remuneration Approval Report annexure of the Administrators' Report), being \$400k for Alita and \$75k for each of Tawana and Lithco, Clayton Utz have confirmed that the entire \$75k of fee approval has been exhausted on both Tawana and Lithco. Approximately \$75k of fee approval remains to be drawn down on Alita. Given the DOCA is close to effectuation (subject to the outcome of the Section 444GA application), I have assumed that the Deed Administrators will not seek further fee approval from creditors should their WIP exceed their current fee approvals, and therefore have adopted the remaining fee approval as the estimate for future fees. I have assumed also that these future fees will be drawn down from the debt facility with Austroid and therefore represent an increase in Austroid's indebtedness.

Further, Clayton Utz have confirmed that all Administrators' fees to 22 July 2021 have been funded from the amount drawn down out of the Administrators' loan facility with Austroid (detailed at Table 7) as at 30 June 2021, and therefore I have only included the remaining fee approval for Alita as my estimate for future fees and costs. I do not see the need to complicate the analysis with high, low and preferred estimates as these amounts were approved by the Group's sole creditor.

### Table 9 – Estimated future Deed Administrators' fees

\$'000	Low	High	Preferred
Deed Administrators' fees			
Alita	(75)	(75)	(75)
Tawana	-	-	-
Lithco	-	-	-
Total Deed Administrators' fees	(75)	(75)	(75)

### 4.1.3 Receivers' fees and costs

Based on my experience in undertaking administrations of a similar nature, I have adopted the below range as an estimate of future Receivers' fees, disbursements and legal costs, as at the date of this Report. My estimate is based on the key tasks and activities the Receivers will likely be required to undertake, which include (but are not limited to):

- Consider and prepare the sale strategy for the Bald Hill Project.
- Review and engage an appropriate investment bank(s) and/or agents to assist in the sale process.
- Prepare an information memorandum for the Bald Hill Project.
- Engage with interested parties, and maintain interested party register.
- Facilitate the due diligence process.
- Attend to negotiations with interested parties.
- Prepare regular status updates to the Secured Creditor, and attend to correspondence with Secured Creditor as required.
- Instruct solicitors on preparation of sale contracts and addressing legal attendances in relation to the sale process.
- Review offers and obtain consents for sale of assets from the Secured Creditor.
- Address the satisfaction of any conditions precedent and subsequent.
- Attend to any regulatory approvals required for the transfer of assets.
- Remit funds from asset realisation to Secured Creditor.

Table 10 - Estimated future Receivers' fees and costs

\$'000	Low	High	Preferred
Receivers' fees, disbursements and legal costs	(600)	(350)	(475)
Total Receivers' fees and costs	(600)	(350)	(475)

I note that the above figures are exclusive of Receivers fees and costs associated with C&M (being incurred at approximately \$50k per month), or any anticipated advisor commission or other asset realisation costs which would likely be incurred in a sale process. These costs are considered separately in Sections 4.1.6 and 4.1.5 respectively.

### 4.1.4 Liquidators' fees and costs

As advised at Section 7.1 of the Administrators' Report, the Administrators' estimated Liquidators' fees, disbursements and legal costs are between \$500k in the low outcome scenario and \$1.5m in the high outcome scenario. Whilst the Administrators have not provided a breakdown of the estimated figure, I assume the \$1.5m in the high scenario relates to the additional time required to pursue the c.\$20m insolvent trading claim (see Section 5.4 of this Report), along with associated legal fees. Given that my high scenario assumes that no insolvent trading claims will be recoverable, per Section 5.4 of this Report, I have reduced the estimated Liquidators' fees, disbursements and legal costs on the basis that there may be less work undertaken by the Liquidators across all scenarios. I note that the below estimates assume that the Receivers will remain in place and undertake the asset sale process. Typical tasks that I have considered and expect a liquidator would undertake in order to arrive at my adjusted fees and cost estimate include (but are not limited to):

- Conducting detailed investigations (including reviewing books and records and quantification of potential claims), and potential pursuit of liquidator recoveries (where I believe the significant portion of the fee estimate will be in relation to investigating the insolvent trading claim).
- Reports to creditors.
- Statutory reporting and lodgements (including to ASIC and ATO).
- Correspondence with Receivers and Secured Creditor regarding sale process for assets.
- Considering whether the Receivers complied with duties as to the sale process.

• Engagement maintenance and administrative tasks.

Table 11 – Estimated future Liquidators' fees and costs

\$'000	Low	High	Preferred
Liquidators' fees, disbursements and legal costs	(750)	(350)	(500)
Total Liquidators' fees and costs	(750)	(350)	(500)

### 4.1.5 Costs of realisation

Should the Company be placed into liquidation, I have assumed that the Receivers (or the Liquidators) would be required to undertake a sales campaign and other tasks associated with running a sale process to realise Alita's assets. To allow for these costs, I have utilised a percentage-based approach which is applied to the value of the Bald Hill Project assets, being 2.5%, 3.75% and 5% to the high, preferred and low scenarios respectively. These costs are based upon my experience in realising similar assets.

Table 12 – Estimated cost of realisation

\$'000	Ref.	Low	High	Preferred
Bald Hill Project Value	6	33,900	65,700	49,800
Applied realisation cost (%)		5.00%	2.50%	3.75%
Total Realisation costs		(1,695)	(1,643)	(1,868)

### 4.1.6 Care and maintenance costs

As discussed in Section 3 of this Report, the Bald Hill Project is currently subject to C&M. In a liquidation scenario, the Group will require funding to remain on C&M for an additional 3-6 months to allow for the sale process. The current indicative C&M costs, as provided by Clayton Utz in document "12A - CM Costs", are detailed in the table below:

Table 13 – Current indicative monthly C&M costs

\$'000	Estimate
Office rent	(25)
Employee wages	(200)
Food	(8)
Insurance	(20)
C&M consumables	(20)
Tenements inc. min expenditure	(90)
Admin	(21)
Site rentals	(39)
PPCF	(11)
Receivers' fees and costs (trading)	(50)
Current indicative monthly C&M costs	(484)

Source: Document "12A – CM Costs", provided by Clayton Utz

I have assumed that the Receivers' fees and costs for C&M are in addition to those at Table 10.

To allow for the required future funding, I have applied the above figures over six months under the low scenario and 3 months under a high scenario, with the preferred scenario being the mid-point of the two. The total estimated future C&M costs are as follows:

### Table 14 – Estimated future C&M costs

\$'000	Low	High	Preferred
Office rent	(150)	(75)	(113)
Employee wages	(1,200)	(600)	(900)
Food	(48)	(24)	(36)
Insurance	(120)	(60)	(90)
C&M consumables	(120)	(60)	(90)
Tenements inc. min expenditure	(540)	(270)	(405)
Admin	(127)	(64)	(95)
Site rentals	(232)	(116)	(174)
PPCF	(66)	(33)	(50)
Receivers' fees and costs (trading)	(300)	(150)	(225)
Total estimated future C&M costs	(2,904)	(1,452)	(2,178)

[This section has been left blank intentionally]

### 5 Assets

The assets of the Group primarily consist of the flagship Bald Hill Project. These assets, while legally individually owned by either Alita, Tawana and/or Lithco and have been presented on a consolidated basis given the following:

- Austroid is the only identified creditor of the Group.
- Austroid's debt is secured against all of the assets of the Alita, including its shareholding in Tawana and Lithco.
- Austroid's debt to Lithco and Tawana is secured by the assets of Lithco and Tawana.
- Tawana and Lithco are wholly owned subsidiaries of Alita.
- Accordingly, the indebtedness of the Group is effectively also the indebtedness of Alita, and the net value of Alita is reflective of the assets and liabilities of Lithco and Tawana and Alita itself.

### 5.1 Bald Hill Project

### 5.1.1 Overview of the Bald Hill Project

The Group's primary asset is the Bald Hill Project, a lithium and tantalum mine located southeast of the Goldfields-Esperance Region of Western Australia, 105km southeast of Kalgoorlie. The Bald Hill Project operated as a conventional open pit mine with the majority of operational activities performed by contractors. Production of lithium concentrate commenced on 14 March 2018, with tantalum recovered as a by-product. Following the appointment of Receivers on 29 August 2019, the Bald Hill Project was placed into C&M and continues to be controlled by the Receivers as at the date of this Report. A detailed timeline with respect to the Bald Hill Project is set out in Table 15 below.





### Table 15 - Bald Hill Project Timeline

Date	Event
2002 - 2006	Bald Hill Project - a hard rock tantalum mine with 1.35 Mt ore processed and 820,000 per pound of Tantalum Pentoxide produced
Nov 2016	First lithium drill holes at Bald Hill
Jun – Jul 2017	Maiden lithium mineral resource 12.8 Mt pre-feasibility study and reserve estimate of 5.7 Mt total lithium and tantalum ore completed

Aug 2017	DMS plant construction commences
March 2018	Commissioning of DMS plant
Jun 2018	Total lithium resource upgrade to 26.5 Mt total lithium and tantalum ore
Jul 2018	Commercial production commences
Dec 2018	Detailed design of Stage 2 of plant upgrade of the fines circuit continues and long lead items are ordered
Mar 2019	Stage 1 steady state production reached
Jul 2019	Alita announces strategic review of operations including halt of fines circuit construction
Aug/Sep 2019	Bald Hill Project placed on care and maintenance

I note that paragraph 6.3 of the VRM Report states, according to the VALMIN Code definitions, the Bald Hill Project can be classified as a "predevelopment project" which includes properties on care and maintenance, whilst the surrounding exploration assets are considered "early to advanced stage exploration projects". VRM has therefore adopted these classifications when undertaking their valuation (see Section 6 of this Report).

### 5.1.2 Tenements

The tenements include exploration (**E**), mining (**M**), prospecting (**P**), general (**G**), miscellaneous (**L**) and retention (**R**) leases and licences as detailed in the below table. I note a condition precedent of the Subsidiary DOCA includes the execution of a transfer agreement, whereby Alita transfers all of its rights title and interest in any mining tenements and plant and equipment to Lithco. I understand an agreement has been executed to transfer these assets. A search of the WA Department of Mines, Industry Regulation and Safety TENGRAPH system provided in the VRM Report indicates the following leases and licences are owned by the Group (and may not be reflective of the change of ownership to Lithco):

Number	Grant Date	Expiry date	Area	Area Unit	Tenement Holder
E 15/1058	12/03/2009	11/03/2021	9.0	Blocks	ALITA RESOURCES LIMITED
E 15/1066	20/08/2009	19/08/2021	23.0	Blocks	ALITA RESOURCES LIMITED
E 15/1067	20/08/2009	19/08/2021	23.0	Blocks	ALITA RESOURCES LIMITED
E 15/1161	25/01/2011	24/01/2021	1.0	Blocks	ALITA RESOURCES LIMITED
E 15/1162	10/01/2011	9/01/2021	3.0	Blocks	ALITA RESOURCES LIMITED
E 15/1166	31/08/2010	30/08/2022	5.0	Blocks	ALITA RESOURCES LIMITED
E 15/1212	2/05/2011	1/05/2021	10.0	Blocks	ALITA RESOURCES LIMITED
E 15/1353	5/08/2013	4/08/2023	42.0	Blocks	ALITA RESOURCES LIMITED
E 15/1492	23/02/2017	22/02/2022	51.0	Blocks	ALITA RESOURCES LIMITED
E 15/1493	24/02/2017	23/02/2022	26.0	Blocks	ALITA RESOURCES LIMITED
E 15/1555	16/03/2017	15/03/2022	20.0	Blocks	ALITA RESOURCES LIMITED
E 15/1556	16/03/2017	15/03/2022	16.0	Blocks	ALITA RESOURCES LIMITED
G 15/28	25/05/2017	24/05/2038	1.4	Hectares	ALITA RESOURCES LIMITED
M 15/400	8/09/1988	7/09/2030	501.0	Hectares	ALITA RESOURCES LIMITED
M 15/1305	29/12/2000	28/12/2021	97.9	Hectares	ALITA RESOURCES LIMITED
M 15/1308	29/12/2000	28/12/2021	92.5	Hectares	ALITA RESOURCES LIMITED
M 15/1470	13/05/2010	12/05/2031	399.8	Hectares	ALITA RESOURCES LIMITED
M 15/1840	Pending	Pending	972.7	Hectares	ALITA RESOURCES LIMITED
M 15/1851	Pending	Pending	570.3	Hectares	ALITA RESOURCES LIMITED
L 15/348	5/09/2014	4/09/2035	3.2	Hectares	ALITA RESOURCES LIMITED
L 15/365	19/07/2017	18/07/2038	15.5	Hectares	ALITA RESOURCES LIMITED

Table 16 - List of Bald Hill Project tenements

L 15/366	19/07/2017	18/07/2038	61.5	Hectares	ALITA RESOURCES LIMITED
L 15/380	Pending	Pending	104.0	Hectares	ALITA RESOURCES LIMITED
L 15/384	1/11/2018	31/10/2039	234.4	Hectares	LITHCO NO.2 PTY LTD
P 15/5862	15/10/2014	14/10/2022	10.8	Hectares	ALITA RESOURCES LIMITED
P 15/5863	15/10/2014	14/10/2022	180.2	Hectares	ALITA RESOURCES LIMITED
P 15/5864	15/10/2014	14/10/2022	93.3	Hectares	ALITA RESOURCES LIMITED
P 15/5865	15/10/2014	14/10/2022	15.7	Hectares	ALITA RESOURCES LIMITED
P 15/6353	19/07/2019	18/07/2023	149.6	Hectares	ALITA RESOURCES LIMITED
P 15/6354	19/07/2019	18/07/2023	150.1	Hectares	ALITA RESOURCES LIMITED
P 15/6355	19/07/2019	18/07/2023	150.1	Hectares	ALITA RESOURCES LIMITED
R 15/1	9/06/2010	8/06/2020	973.0	Hectares	ALITA RESOURCES LIMITED

Source: List of tenements provided by Clayton Utz, noting searches on the tenements were completed on 6 March 2021

### 5.1.3 Offtake agreements

As outlined in the Administrators' Report, the Group entered into the JBJ Offtake Agreements prior to the appointment of the Former Administrators. JBJ is a joint venture between Jiangxi and Burwill Holdings (indirectly by their respective subsidiaries). I understand Jiangxi has a facility in China for the production of lithium carbonate. The offtake agreements were:

- The Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contract initially between the Group, Burwill Holdings and Burwill Lithium (a wholly owned subsidiary of Burwill Holdings) dated 20 April 2017 as varied, amended and restated in October 2017 and again on 14 January 2019.
- The Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contract initially between Lithco, Tawana, Burwill Lithium and Burwill Holdings dated 20 April 2017 as amended and restated in October 2017 and again on 14 January 2019.

The JBJ Offtake Agreements generated most of the Group's revenue and provided for non-exclusive concentrate supply at market-linked prices between USD\$680/t and USD\$1,080/t, with further supply from 2020 to 2022. Tantalum concentrate contributed a smaller portion of the Group's revenue and had historically been sold to various parties including H.C. Starck Tantalum and Niobium GmbH and Global Advanced Metals Greenbushes<sup>11</sup>.

### 5.1.4 Operational difficulties

As detailed in the Administrators' Report, JBJ notified the Group of a force majeure event and subsequently requested a delay of any impending shipments in accordance with the JBJ Offtake Agreements, on 23 May 2019. It was understood that the Group:

- Disputed the classification of the event as a force majeure event.
- Advised JBJ that the temporary shutdown of JBJ's plant did not prevent JBJ from fulfilling its obligations under the JBJ Offtake Agreements.
- Insisted shipments continue to occur as planned.
- Notified the Group's secured creditor at the time of the position with JBJ, around 5 June 2019.

Throughout CY19 the Group negotiated with alternative parties and JBJ to restructure the Offtake Agreements, however, these negotiations were ultimately unsuccessful.

### 5.2 Resources and reserves

#### 5.2.1 Mineral resources

The following Table sets out the mineral resources of the Group as at 30 April 2018.

<sup>&</sup>lt;sup>11</sup> Alita Group Administrators Report to Creditors pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) prepared by KordaMentha (dated 9 December 2019)

### Table 17 – Bald Hill Project Mineral Resource estimate

Mineral resource category	Tonnes (MT)	Lithium Grade (%)	Contained Lithium (t)	Grade Tantalum (ppm)	Contained Tantalum ('000 lb)		
Bald Hill Project – Lithium Resources above 0.3% Lithium Oxide cut-off grade							
Indicated	14.4	1.02	147,200	168	5,300		
Inferred	12.1	0.90	108,000	123	3,300		
Total	26.5	0.96	255,200	149	8,600		
Bald Hill Project - Tantalum Resource	Bald Hill Project - Tantalum Resources below 0.3% Li20						
Indicated	3.0	0.16	4,700	333	2,200		
Inferred	1.4	0.15	2,200	339	1,100		
Total Bald Hill Project	4.4	0.16	6,900	336	3,300		

Source: VRM Report

### 5.2.2 Ore Reserves

Ore Reserve estimates as at 30 April 2018 are set out in Table 18 below:

Table 18 - Bald Hill Project Ore Reserves estimate

Mineral resource category	Tonnes (MT)	Lithium Grade (%)	Contained Lithium (t)	Grade Tantalum (ppm)	Contained Tantalum ('000 lb)			
Bald Hill Project - Resources above 0.3	3% Lithium oxide cut-	off grade						
Proven	-	-	-	-	-			
Probable	11.3	1.01	114,100	160	4,000			
Total	11.3	1.01	114,100	160	4,000			
Bald Hill Project - Tantalum Resources	Bald Hill Project - Tantalum Resources below 0.3% Lithium oxide							
Proven	-	-	-	-	-			
Probable	2.0	-	-	313	1,400			
Total Bald Hill Project	2.0	-	-	313	1,400			

Source: VRM Report

### 5.2.3 Exploration Target

An Exploration Target was reported by Alita in an ASX announcement dated 10 May 2019, ranging from 17Mt to 24Mt at 1.35% Lithium oxide and 1.40% Lithium oxide respectively. This relates to exploration drilling completed by Alita to define mineralisation relating to another mineralised pegmatite body, and is discussed further in paragraph 3.30 of the VRM Report.

### 5.3 Plant and equipment

VRM have provided a valuation of the Group's plant and equipment, utilising a valuation provided by a third party expert, Mr Peter Rooke. The P&E Valuation is prepared on a market-based method bearing in mind the condition of the plant and equipment and recent transactional evidence, together with a percentage of the cost of construction. The P&E valuation also provided a salvage value. The plant and equipment, inclusive of mine consumables, at the Bald Hill Project are as follows:

- Process plant.
- Infrastructure:
  - Communications
  - Computers and printers
  - Servers, routers and uninterruptible power supply
  - Site infrastructure buildings
  - Accommodation village
  - Vehicles
  - Sea containers
  - Maintenance parts
  - Inventory.

Further information regarding the valuation methodology and estimated values of the above items are discussed further in Section 6 of this Report.

### 5.4 Insolvent trading

The Administrators' Report indicated that, based on preliminary investigations, the Group was likely insolvent between the period 1 June 2019 to 28 August 2019. The potential claim was estimated in the amount of circa \$20m (before directly attributable costs of realisation), but after adjusting the claim for dividends received by creditors under the Previous DOCA.

Whilst the quantum of the potential claim is material, the Administrators identified a number of potential challenges a liquidator would likely face in pursuing the claim. These are set out below:

- There is risk that the Previous DOCA may impact the ability of the liquidator to pursue an insolvent trading claim given that the relevant directors may seek to raise the Previous DOCA as a defence.
- Actual recoveries from an insolvent trading claim (if successful) may be materially lower noting the defences available.
- The potential costs of litigation are likely to be significant and would require appropriate funding, both of which would further erode the net return.

I deal with these separately below.

### 5.4.1 Impact of Previous DOCA

The Administrators considered the impact of the effectuation of the Previous DOCA on the ability of a liquidator to pursue an insolvent trading claim and identified the following reasons why there may still be potential for a liquidator to pursue an insolvent trading claim:

- Any monies recovered from an insolvent trading claim is payable as a debt due to the Group. The nature of the compensation is that it represents the loss suffered by the creditors by reason of insolvent trading, but is not a recovery of the creditors' debts.
- The Previous DOCA compromised and released the creditors' claims as at the relevant date against the Group. Following this release, the creditors no longer have any claim or entitlement to payment from the Group, and as such no basis to prove for or share in any monies subsequently received by the Group in a liquidation as a compensation payment (i.e. creditors whose claims were compromised by the Previous DOCA would not have any right to prove in a scenario where a liquidator successfully pursued an insolvent trading claim).
- The Previous DOCA did not release the Group's statutory right to sue in a liquidation for insolvent trading.
- Should compensation be received by the Group in relation to the insolvent trading claim, it would be available for the benefit of the Group's current creditors (not the creditors who claimed under the Previous DOCA). Noting the claims of Austroid were not released under the Previous DOCA and Austroid is the Group's only creditor, any recoveries from a liquidators' insolvent trading claim would be available to repay Austroid's debt.

### 5.4.2 Conclusion on insolvent trading

Given the above, the Administrators ascribed a nil recovery in their low and preferred scenarios and \$10m in a high scenario, reflecting the limit of the Directors and Officers' insurance policies. I agree with the Administrators as to the challenges faced in bringing a claim for insolvent trading. I also question how a claim for loss on insolvent trading, which ultimately represents the debts incurred by creditors could result in surplus funds available for shareholders. Finally, I query whether, in accepting the compensation from the Former DOCA, the Company and its creditors have surrendered their claim – that is there can be no 'double dip'.

This is ultimately a complex legal issue, which would require qualified legal advice on the merits of any claim.

Given the considerable uncertainty I have ultimately conservatively resolved not to ascribe any value to the claim. If the legal complexities were ultimately resolved and claim was considered viable, I would, and subject to the particulars of this clarification, consider ascribing a value to the claim.

### 5.5 Other assets

Other assets held by the Group are set out below:

### Table 19 – Other assets

		Asse	ssed values	
\$'000	Note	Low	High	Preferred
Cash at bank	1	293	293	293
Interest in Cowan Lithium	2	200	350	275
Total		493	643	568

Notes:

- 1. Clayton Utz have confirmed in an email dated 28 July 2021 that the cash at bank currently held by the Receivers is \$292,995.44. I have assumed any cash currently held by the Administrators is fully absorbed in the Administrators' fees and costs.
- 2. Tawana holds an 11.33% interest in Cowan Lithium as a result of a demerger of various exploration assets in July 2018. The Administrators' Report identified a corporate update release by Cowan Lithium in October 2020, confirming the divestment of the various exploration assets held by Cowan Lithium for \$3m (excluding GST). Given I do not have access to updated information since the date of the Administrators' Report, I have ascribed the same values used by the Administrators (\$200k in the low scenario based on the Deloitte Valuation; \$350k in the high scenario based on estimated equity value; preferred and mid scenarios being the midpoint of the low and high scenarios).

[This section has been left blank intentionally]

### 6 Valuation

### 6.1 Methodology

In determining my opinion, I have utilised opinions from the following experts who were appointed to value the assets of the Group:

- VRM's fair market valuation of the Bald Hill Project, including the exploration assets and the plant and equipment (on a salvage and going concern basis). This is discussed further at Section 6.3.1 of this report, noting that VRM utilised a third party to value the processing plant, plant infrastructure, camp and consumables.
- The P&E Valuation with regard to the Bald Hill Project, prepared on a market-based method (on a salvage and going concern basis) bearing in mind the condition of the facilities (discussed further at Section 6.3.2 of this report).

ASIC Regulatory Guide 111 – Content of Expert Reports lists the following methodologies as appropriate for an expert to consider:

- The discounted cash flow method and the estimated realisable value of any surplus assets.
- The application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- The quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.
- Any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation for those business units or assets.
- The amount that would be available for distribution to security holders on an orderly realisation of assets.

I have considered the above guidance, valuation methodologies commonly utilised, as well as the advice of the experts, VRM and Mr Peter Rooke, and have determined that the most appropriate method of valuation is based on the amount that would be available for distribution to security holders in an orderly realisation of assets, having regard to Alita's current circumstances. I have chosen this method as Alita is currently insolvent and subject to external administration and relies wholly on the funding of its secured lender. I make the following comments in respect to the alternative valuation methodologies below and in support of my reasoning in choosing the most appropriate methodology:

- The discounted cash flow method is inappropriate as there are no current Ore Reserve estimates for the Bald Hill Project upon which to calculate the value of cash flows, as identified in paragraph 6.9 of the VRM Report.
- The earnings multiples method is inappropriate as there is no acceptable future maintainable earnings information to enable value to be calculated.
- The quoted price for listed securities method is inappropriate because Alita is no longer listed upon the ASX and is currently suspended from the SGX-Catalist, and accordingly, there is no liquid and active market for Alita's securities.
- In relation to the consideration of the recent genuine offers method, the Former Administrators undertook a sale process from October 2019 to November 2019 for the Group, whereby 20 expressions of interest were received, 14 confidentiality agreements were signed and three parties undertook site tours. This resulted in two bids from Galaxy and CHEL, both of which were not sufficient to repay the total indebtedness at the time<sup>12</sup>.
- Clayton Utz have provided details of two proposals received by the Deed Administrators from two separate parties on/around December 2020 and January 2021. These proposals were ultimately not pursued by the Deed Administrators. The proposals were predicated on an understanding of the Secured Creditor's indebtedness at the time of c.\$48m. The total transaction value of these proposals was \$53m and \$55m, which would not be sufficient to repay the value of the Secured Creditor's indebtedness as at the date of this report.
- Further, there is no certainty that any better offers would be received in a liquidation.

The following methodologies have been utilised by the relevant experts to form an opinion as to the value of the Company's assets:

<sup>&</sup>lt;sup>12</sup> Experts Report in support of the Former 444GA Application

### Table 20 – Valuation methodologies

Expert	Primary method	Secondary method
VRM	Comparable market transactions	Yardstick
VRM	Comparable market transactions	Yardstick
VRM	Comparable market transactions	Geoscientific (Kilburn) (Adopted)
Mr Peter Rooke	Market-based	N/A
	Expert VRM VRM VRM Mr Peter Rooke	ExpertPrimary methodVRMComparable market transactionsVRMComparable market transactionsVRMComparable market transactionsMr Peter RookeMarket-based

Source: VRM Report

### 6.2 Valuation Summary

A summary of the valuation of the Company's assets as at 25 June 2021 based on three scenarios (low, high and preferred) is tabled below:

Table 21 – Valuation summary

referred
26.9
7.2
3.2
12.5
49.8
2.2

Source: VRM Report

### 6.3 Asset Valuation

### 6.3.1 Bald Hill Project Minerals and Reserves

### 6.3.1.1 Mineral Resource estimate

VRM's valuation of the Mineral Resource estimates at the Bald Hill Project was determined using a comparable transactions methodology. Given that there are no current Ore Reserve estimates for the mine, VRM did not consider the use of an income-based approach as suitable in this scenario. This approach was cross-checked using a yardstick valuation.

The comparable transaction valuation methodology was applied using the S&P Global database in order to identify recent market transactions relating to mineral assets that may be considered similar to the Bald Hill Project, in terms of mineralisation style and stage of advancement. VRM identified 91 property transactions, from exploration through to operations, that had taken place over the past five years. Of this group of transactions, four of which included metrics related to purchase of Mineral Resources, and in one case Ore Reserves. VRM also note that they considered the primary commodity as lithium, rather than including any equivalent values for tantalum.

After assessing the appropriateness of utilising each of the four transactions with respect to the current state of the Bald Hill Project, VRM considered that only two of the four transactions were appropriate to use. After normalising the transactions against the global monthly average price of lithium carbonate for June 2021, the average of the two relevant transactions equated to \$105.28/t which, when applied to the 255,200 contained lithium tonnes in the lithium Mineral Resources estimate (see Table 17 of this report), resulted in a preferred value of \$26.9m.

The lower and upper values were determined by subtracting and adding 30% respectively, to allow for the uncertainty typically associated with Mineral Resources. This resulted in a valuation range for the Bald Hill Project's Mineral Resources estimate of  $\frac{18.8 \text{ m}}{1.8 \text{ m}}$  in a low scenario,  $\frac{34.9 \text{ m}}{1.8 \text{ m}}$  in a high scenario with a preferred value of  $\frac{26.9 \text{ m}}{1.8 \text{ m}}$ . This is summarised in the table below:

### Table 22 - Mineral Resource estimate valuation

	Unit	Low	High	Preferred
Normalised \$/t for comparable transactions	\$/t	105.28	105.28	105.28
Estimated contained lithium tonnes	t	255,200	255,200	255,200
Preferred value	\$'m	26.9	26.9	26.9
Uncertainty percentage addition/(discount)	%	(30%)	30%	n/a
Total Mineral Resource estimate value		18.8	34.9	26.9

Source: VRM Report

### 6.3.1.2 Exploration Target estimate

As stated by Alita in an ASX announcement dated 10 May 2019, the reported lithium Exploration Target estimates ranges from 17Mt to 24Mt at 1.35% Lithium oxide and 1.40% Lithium oxide respectively, producing a range between 212,500 and 336,000 contained lithium tonnes. VRM utilised the midpoint of the range, being 274,250 contained lithium tonnes, and applied the \$105.28/t comparable transaction average to arrive at \$28.9m. Given VRM consider the Exploration Target has had limited drill testing, they note that there is significant risk associated with this mineralisation<sup>13</sup>. On this basis, VRM have applied a 75% discount to the comparable metrics to account for the risk associated with mineralisation that is conceptual in nature and for which there is insufficient exploration to estimate a Mineral Resource. This results in a preferred value of \$7.2m.

As implemented under the Mineral Resource estimate in Section 6.3.1.1 above, the lower and upper values were determined by subtracting and adding 30% respectively, to allow for the uncertainty typically associated with Mineral Resources. This resulted in a valuation range for the Bald Hill Project's Exploration Target estimate of <u>\$5.1m in a low scenario</u>, <u>\$9.4m in a high scenario with a preferred value of</u> <del>\$7.2m.</del> This is summarised in the table below:

### Table 23 – Exploration Target estimate valuation

	Unit	Low	High	Preferred
Normalised \$/t for comparable transactions	\$/t	105.28	105.28	105.28
Estimated contained lithium tonnes	t	274,250	274,250	274,250
Pre-risk discount value	\$'m	28.9	28.9	28.9
Risk discount	%	(75%)	(75%)	(75%)
Preferred value	\$'m	7.2	7.2	7.2
Uncertainty percentage addition/(discount)	%	(30%)	30%	n/a
Total Mineral Resource estimate value		5.1	9.4	7.2

Source: VRM Report

### 6.3.1.3 Exploration tenure

VRM initially conducted a valuation of the exploration tenure (tenements) using a comparable transaction methodology, however, VRM considered the geoscientific (Kilburn) based valuation to be more appropriate given it reflects the prospectivity of the exploration ground, rather than simply the area of the licences<sup>14</sup>.

The geoscientific (Kilburn) methodology ranks the potential of an economic mineralised system being outlined within specific tenements. The tenements are ranked based on a variety of factors to provide an overall multiple of the base acquisition cost (being the cost of rent plus the annual exploration commitment for the tenements being valued). The figure is then discounted by 20%, resulting in a valuation of the exploration assets of \$1.9m in a low scenario, \$4.5m in a high scenario with a preferred value of \$3.2m. This methodology is discussed further in Section 6 of the VRM Report.

### 6.3.2 Plant and equipment

The P&E Valuation was conducted using a market-based method on both an ongoing basis and a salvage basis. The assets valued are categorised as the processing plant and infrastructure (inclusive of mine consumables), which have been valued as follows:

- Process Plant the valuation of the processing plant was determined by estimating the supply cost of the mechanical equipment items which are then factored using industry norms to provide an installed capital costs that includes foundations, structures, platework, piping and electrical reticulation. The product is the direct capital costs, excluding costs considered to be sunk costs (i.e. engineering, procurement, construction management, profit and contingencies). A percentage discount was then applied to reflect both the ongoing value (45% of direct cost) and the salvage value (7% of direct cost), with consideration to the age and condition of the facility.
- Infrastructure estimates for infrastructure items were applied to all items per the Group's fixed asset register, based on the condition of the items. Various discounts (presented in Table 24) were applied to determine the salvage value basis of the items, however, these amounts are exclusive of any costs to demolish or to transport the recovered items. It is also noted that there were a large number of items on the fixed asset register and inventory list that did not have quantities. Consumables, spares and other stock were ascribed an estimated notional value of \$150,000.

<sup>&</sup>lt;sup>13</sup> VRM Report, paragraph 6.27

<sup>&</sup>lt;sup>14</sup> VRM Report, paragraph 7.4

The P&E Valuation provided the following additional notes:

- An additional 35% is added to the preferred value in the high scenario and is subtracted in the low scenario.
- The valuation does not include estimated costs for refurbishments or upgrade of the facilities, any replacement of missing facilities, items of equipment or store stocks.
- Mr Rooke believes the upgrade and replacement of equipment will require a more detailed study by management and process and maintenance personnel with appropriate engineering support.
- The values of the plant and equipment are exclusive of any costs relating to dismantling, demolition and removal.
- No value is ascribed to the existing tantalum plant, given Mr Rooke has advised the plant is redundant and it is expected that the cost of reclaiming any usable equipment and scrapping the remainder would likely be less than its resale value.

The plant and equipment values are tabled below:

Table 24 - Plant and equipment valuation

\$'000	Low	High	Preferred
Process Plant			
Factored plant direct cost	10,270.0	21,330.0	15,800.0
ongoing value (45%)	4,574.0	9,499.8	7,036.9
scrap (second-hand) value <sup>1</sup>	726.5	1,508.9	1,117.7
Infrastructure			
Communications			
ongoing value	48.8	101.3	75.0
scrap (second-hand) value (10%)	4.9	10.1	7.5
Computers and printers			
ongoing value	61.4	127.6	94.5
scrap (second-hand) value (10%)	6.1	12.8	9.5
Servers and routers			
ongoing value	22.8	47.3	35.0
scrap (second-hand) value (10%)	2.3	4.7	3.5
Site infrastructure buildings			
ongoing value	119.9	249.1	184.5
scrap (second-hand) value (15%)	18.0	37.4	27.7
Accommodation village			
ongoing value	3,120.0	6,480.0	4,800.0
scrap (second-hand) value (20%)	624.0	1,296.0	960.0
Vehicles			
ongoing value	42.9	89.1	66.0
scrap (second-hand) value (40%)	17.2	35.6	26.4
Sea containers			
ongoing value	36.4	75.6	56.0
scrap (second-hand) value (20%)	7.3	15.1	11.2
Maintenance parts			
ongoing value (50%)	33.5	69.5	51.5
scrap (second-hand) value (20%)	6.7	13.9	10.3
Inventory list			
ongoing value (50%)	48.8	101.3	75.0
scrap (second-hand) value (20%)	9.8	20.3	15.0
John Deere Gators: 2 x \$20k, 1 x \$12k	33.8	70.2	52.0
John Deere Gators: ongoing value (70%)	23.7	49.1	36.4
scrap (second-hand) value (50%)	16.9	35.1	26.0
Combined plant and infrastructure (ongoing value)	8,132.0	16,889.5	12,510.8
Combined plant and infrastructure (salvage value)	1,439.6	2,989.9	2,214.7

Source: VRM Report (Appendix C)

<sup>1</sup>This value excludes costs of dismantling equipment, demolition and removal of structures and foundations.

Refer to Appendix C of the VRM Report for further information regarding the plant and equipment valuation.

### 6.4 My opinion as to asset value

In my opinion, the asset valuation figures are higher than what I would consider reasonable on a liquidation basis for the following key reasons which would negatively impact on the value of the assets:

- Valuation methodology Given that the scope of the valuation only requested an opinion on the fair market value of assets (and a salvage value as to plant and equipment), the valuation figures provided by VRM do not consider the implications of a sale under a liquidation scenario. I consider that a discount should be applied to the ascribed values to reflect the circumstances of a liquidation sale. Factors that would impact on any liquidation discount incurred include (but are not limited to):
  - a potential buyer leveraging the publicly available knowledge of the vendor's historical performance and current circumstances with respect to the Company and its assets.
  - parties being naturally opportunistic when seeking to acquire assets from a liquidator.
  - the circumstances of the seller, being a liquidator who is anxious and highly motivated to complete a transaction to sell the assets of the Group.
  - the nature of the asset acquisition, being on an "as is, where is" basis, and with no provision of representations or warranties (or in other words, the consideration and application of a risk discount by a potential buyer).
  - any limitations on the sale process or asset state that are not currently considered (i.e. risk that funding for care and maintenance costs or costs associated with completing the sale process could be withdrawn, thereby increasing the potential discount a buyer would ascribe against their offer for the assets).
  - complicating factors in relation to COVID-19 and its impact on continued uncertainty around appropriate supply and labour
    acquisition, thereby risking an increase in the holding time and subsequent costs for the mining assets.
  - Based upon my experience as a liquidator, this discount could be in the magnitude of 30% low, 5% high and 15% preferred.
- Plant and equipment removal, dismantling and transport costs the P&E Valuation notes that the plant and equipment values are exclusive of removal, demolition, dismantling and transport costs. I consider it reasonable to assume that any prospective buyer may further discount the value ascribed to the plant and equipment assets to allow for these associated costs.
- *Previous sale process* the Former Administrators undertook a sale process from October 2019 to November 2019 for the Group, whereby 20 expressions of interest were received, 14 confidentiality agreements were signed and three parties undertook site tours. This resulted in two bids from Galaxy and CHEL, both of which were not sufficient to repay the total indebtedness of the Company at the time. There is no certainty that any better offers would be received in a liquidation.

Despite my comments above, I have not applied discounts to reflect the potential reduction in value for liquidation sale conditions, or dismantling and removal costs. On this basis my opinion as to value in favour of shareholders is inherently conservative or another way, over-valued. The following tables illustrates the impact of a discount for a liquidation sale. I have not considered these costs in detail and they are shown for illustrative purposes only and do not form part of my assessment of the value of the Group's assets and liabilities for the purposes of this report.

Table 25 – Adjusted total asset and liability summary

	As	Assessed values		
A\$'m	Low	High	Preferred	
Total Bald Hill Project Value	33.9	65.7	49.8	
Adjustments				
Liquidation sale discount (%)	30%	5%	15%	
Liquidation sale discount	(10.2)	(3.3)	(7.5)	
Adjusted Bald Hill Mine Value	23.7	62.4	42.3	
Other assets				
Cash at bank	0.3	0.3	0.3	
Insolvent trading claim	-	-	-	
Interest in Cowan Lithium	0.2	0.3	0.4	
Total asset value	24.2	63.0	43.0	
Total indebtedness	(72.3)	(68.8)	(70.8)	
Adjusted surplus/(deficiency) to shareholders	(48.1)	(5.8)	(27.8)	
Adopted surplus/(deficiency) to shareholders for the purposes				
of this report	(37.9)	(2.5)	(20.4)	

### 6.4.1 Likely Liquidation Process

In my experience, a liquidation of the Company's assets is likely to occur in the following manner:

- Austroid funds the Receivers to undertake an orderly realisation of the assets, undertaking a comprehensive marketing and sale process. I note that whilst funding is being provided by Austroid, the ongoing availability of this funding is not guaranteed.
- This process would be conducted on a trade sale basis, having regard to the Receivers' statutory obligations under Section 420A of the Act to obtain market value for the assets.
- This process may result in the engagement of a separate advisor to increase connectivity to buyers who may not be accessible by the Receivers.
- The orderly process may take between three and six months, subject to the level of interest by parties, due diligence requirements, the complexity of negotiation and contracting, the parties' ability to complete a transaction, the conditions associated with any proposals and value ascribed.
- Austroid's indebtedness will increase as a result of funding the receivership process, including but not limited to:
  - Additional care and maintenance costs.
  - Additional receivers' fees and disbursements.
  - Any commission paid to an investment bank / specialty advisor.
  - Interest.
- I estimate that after the additional fees and costs above, Austroid's indebtedness will total between \$68.8m and \$72.3m at the end of the sale process (refer to Section 4.1). This increase further widens the gap between the current preferred asset value and Austroid's debt.

Therefore, the likely outcome in a liquidation is such that Austroid's debt is not repaid in full. If in the unlikely event Austroid refuse to provide ongoing financial support to enable a sale process, the value upon liquidation could be drastically less as the assets may need to be abandoned and/or fetch salvage value only.

[This section has been left blank intentionally]

### 7 Valuation Summary and opinion

### 7.1 Asset Summary

Set out below is a summary of the Company's estimated assets on a fair market value basis as at 25 June 2021:

Table 26 - Estimated total asset summary

		Assessed values		
\$'m	Ref.	Low	High	Preferred
Bald Hill Project Valuation				
Mineral Resource estimate	6.3.1.1	18.8	34.9	26.9
Exploration Target estimate	6.3.1.2	5.1	9.4	7.2
Exploration tenure	6.3.1.3	1.9	4.5	3.2
Plant and equipment (going concern)	6.3.2	8.1	16.9	12.5
Bald Hill Project Value		33.9	65.7	49.8
Other assets				
Cash at bank	5.5	0.3	0.3	0.3
Insolvent trading claim	5.4	-	-	-
Interest in Cowan Lithium	5.5	0.2	0.4	0.3
Total other assets		0.5	0.7	0.6
Total asset value		34.4	66.4	50.4

Please refer to the sections as noted above for further particulars with respect to specific assets.

### 7.2 Total Indebtedness

Set out below is an estimate of the Company's total indebtedness in a liquidation scenario:

Table 27 - Estimated total indebtedness summary

\$'m	Ref.	Low	High	Preferred
Austroid debt (secured)	4.1	(66.3)	(64.9)	(65.6)
Receivers' fees and costs	4.1.3	(0.6)	(0.4)	(0.5)
Deed Administrators' fees and costs	4.1.2	(0.1)	(0.1)	(0.1)
Liquidators' fees and costs	4.1.4	(0.8)	(0.4)	(0.6)
C&M costs	4.1.6	(2.9)	(1.5)	(2.2)
Realisation costs	4.1.5	(1.7)	(1.6)	(1.9)
Total Indebtedness		(72.3)	(68.8)	(70.8)

Further details of the above assumptions are provided in Section 4 of this report.

### 7.3 Opinion

Based on my analysis, the Company's total indebtedness range of \$68.8m to \$72.3m materially exceeds the highest fair market value estimate of its assets of \$66.4m, with asset and liability ranges summarised below:

### Table 28 – Estimated surplus/(deficiency) to shareholders

		Assessed values		
\$'m	Low	High	Preferred	
Total assets	34.4	66.4	50.4	
Total indebtedness	(72.3)	(68.8)	(70.8)	
Surplus/(deficiency) to shareholders	(37.9)	(2.4)	(20.4)	

While all of the above scenarios produce a deficiency to shareholders, I consider the analysis is inherently conservative due to a number of factors discussed in Section 6.4 of this Report that would further increase the deficit.

Consequently, I consider the Company's shares in a liquidation scenario to have nil value.

**Matthew Donnelly** Partner Deloitte Financial Advisory Pty Ltd

[This section has been left blank intentionally]

### Appendix A – Sources of information

The list of source documents used in preparing this Report are set out below:

- Independent Specialist Report on the Mineral Assets of Alita Resources Limited prepared by SRK, for KordaMentha Pty Ltd and Deloitte Financial Advisory Pty Ltd (dated November 2019)
- Explanantory Statement and Experts Report, including annexures dated 14 January 2020 prepared by the Former Administrators
- Valuation of the assets of Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed) prepared by Deloitte Financial Advisory Pty Ltd (dated 17 December 2019)
- Valuation of the Mineral Assets of the Alita Resources Limited Further statement by SRK outlining the differences between SRK's 2018 and 2019 Reports prepared by SRK (dated 4 February 2020)
- Valuation of the Mineral Assets of the Alita Group (Receivers and Managers Appointed) (Administrators Appointed) Updated valuation addendum prepared by SRK Consulting as at 10 December 2020 (dated 11 and 13 December 2020)
- Alliance Mineral Assets Limited FY17 and FY18 Annual Reports
- Alliance Mineral Assets Limited interim financials for the twelve months ended 31 December 2018
- Tawana Resources NL 2016 Annual Report
- Tawana Resources NL interim financials for the six months ended 30 June 2018
- Alita Group Administrators Report to Creditors pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) prepared by McGrathNicol (dated 16 December 2020)
- Alita Group Administrators Report to Creditors pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) prepared by KordaMentha (dated 9 December 2019)
- Parent DOCA
- Subsidiary DOCA
- Care and maintenance cost schedule
- List of tenements provided by Clayton Utz
- Letter from Austroid detailing debt owing as at 30 June 2021 (dated 1 July 2021)
- Various announcements released on the ASX by the Company and Tawana
- Expert Evidence Practice Note (GPN-EXPT)
- ASIC Regulatory Guide 111 Content of Expert Reports
- ASIC Regulatory Guide 112 Independence of Experts
- The information and documentation as referenced in Clayton Utz' letter to Matthew Donnelly dated 11 August 2021
- FY19 management accounts
- Email from Clayton Utz to Deloitte dated 17 August 2021 regarding Deed Administrators' fees.

### Appendix B – Statement of qualified person

The statements and opinions given in this Report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this Report, I have relied upon and considered information believed, after due inquiry, to be reliable and accurate.

I have no reason to believe that any information supplied to me was false or that any material information has been withheld. I have evaluated the information provided to me by Clayton Utz, through inquiry, analysis and review, and nothing has come to my attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base my Report. Whilst I do not imply, and it should not be construed that, I have audited any of the information provided to me; I believe that the information provided to me is reasonable for me to address my scope set out in Section 1.2 and that there are reasonable grounds for the value of the Alita's Mineral Assets and its remaining assets set out in Sections 5 and 6.

The information relied upon in the preparation of this Report is set out in Appendix A.

I have the necessary experience and professional qualifications appropriate to prepare this Report for the purpose set out in Section 1.2 (my curriculum vitae is set out in Appendix C). As noted in Section 1.8, other Deloitte staff have been consulted in the preparation of this Report where appropriate.

It is not intended that the Report should be used for any other purpose other than that contemplated in Section 1.2 of this Report.

Appendix C – Curriculum Vitae - Matthew Donnelly

## Matthew Donnelly

### Partner, Financial Advisory





+61 (0) 413 028 998

🖢 mdonnelly@deloitte.com.au

### Career summary

Matthew has over 25 years of experience in formal insolvency appointments, providing financial review and restructuring advice to boards, management, high net worth individuals and the public sector.

Matthew has spent his career analysing and solving complex strategic and financial problems.

Matthew specialises in assessing, protecting and extracting value, even in the most difficult circumstances.

### Technologies and skills

Matthew leads boards, management and financiers through complex financial analysis and strategic restructuring. Matthew acts as a strategic and investigative accountant, restructuring advisor and Voluntary Administrator, in order to maximise the outcome for invested stakeholders.

Matthew has experience is complex work-outs, international investigations, industry restructurings, informal debt restructuring and large administration trade-on and sales.

### Industries and summaries

- Mining services
- Energy & Resources
- Retail
- Real estate
- Agriculture
- Manufacturing
- Hospitality & Tourism
- Professional services

### Education

- Bachelor of Economics, Monash University
- Member the Chartered Accountants Australia & New Zealand
- Graduate of the Insolvency Education Program
- Full Member of the Australian Restructuring, Insolvency and Turnaround Association
- · Member of the Australian Institute of Company Directors
- Member of the Turnaround Management Association (Australia)
- · Certified Practicing Accountant
- · Said Business School Oxford University: Managing Professional Services Firms

### Selection of project experiences

#### Millennium Minerals Limited

Voluntary Administration of Millennium Minerals Limited (ASX:MOY), an ASX-listed WA-based producing gold miner with open cut and underground mining operations near Newman

#### Project Power

Leader of a review of the step in rights and work-out scenarios of a significant state power resource. Major contracts were renegotiated to allow for ongoing viability.

#### Project Cloud

Leader of the renegotiation of \$600m of debt for a high net worth individual including the development of an innovative forbearance and upside waterfall arrangement.

#### Project Real

Administration and restructuring of north-west WA's largest real estate network, resulting in the majority of the network remaining viable.

### Project Plant

Leading the informal work out of over \$400m of assets in one of Australia's largest failed managed investment schemes, ensuring a 100% return to the financier.

### Project Plug

Review of the viability and market position of a leading electricity retailer, including financial due diligence and contractual re-negotiation.

#### Project Hull

Financial Advisory assistance in respect to a large private service provider to the oil & gas and port infrastructure sectors with debt of c.\$90m.

### Project Steely

Informal work out of one of Australia's largest steel detailing business, including its operations in overseas jurisdictions. The majority of the business continued to trade.

### Project Pencil

Leader of the restructuring of WA's largest school supplies and photos business.

#### Project Cow

Leader of the work out of one of Australia's largest live export businesses, including commencing and succeeding in a complex and precedent setting PPSR trial.

Appendix D – Brief to Matthew Donnelly

T +61 8 9426 8000

F +61 8 9481 3095 www.claytonutz.com

QV.1, 250 St Georges Terrace

Perth WA 6000, Australia

### Confidential

### Email

Mr Matthew Donnelly Partner Deloitte Level 7 - 9 Brookfield Place, Tower 2 123 St Georges Terrace PERTH WA 6000

### mdonnelly@deloitte.com.au

Dear Matthew

## Alita Resources Limited (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement)

### 1. Introduction

- 1.1 We act for Robert Kirman and Robert Brauer (**Deed Administrators**) in their capacities as joint and several deed administrators of Alita Resources Limited (ACN 147 393 735) (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) (**Alita**).
- 1.2 Alita has entered into a deed of company arrangement with Austroid Corporation, a company incorporated in the State of Nevada in the United States of America (**Austroid**). Completion of the DOCA is conditional upon, among other things:
  - the Australian Securities and Investments Commission (ASIC) granting relief for the purposes of section 606 of the *Corporations Act 2001* (Cth) (Corporations Act); and
  - (b) the Deed Administrators obtaining leave of the Court pursuant to section 444GA of the Corporations Act to transfer the shares in Alita to Austroid (or its nominee) in consideration for the release of up to the full amount of Austroid's secured debt.
- 1.3 The Deed Administrators intend to file an application in the Supreme Court of Western Australia pursuant to section 444GA(1) of the Corporations Act by Friday, 25 June 2021.
- 1.4 Pursuant to section 444GA(3) of the Corporations Act, the Court will only approve the transfer of the shares in Alita if it is satisfied that the proposed transfer will not unfairly prejudice the interests of members of Alita.

### 2. Instructions

- 2.1 We are instructed to retain you to provide an independent technical expert report (**Report**), which sets out your opinion in response to the question set out in section 5 and is prepared in accordance with the instructions set out below.
- 2.2 The Report will be provided to the Court in determining whether the proposed transfer of Alita's shares to Austroid will unfairly prejudice the interests of Alita's members for the purposes of the Application.

CLAYTON UTZ

25 June 2021

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- 2.3 A copy of the Report will also be provided to ASIC, and will be made available to shareholders of Alita and any other interested party in relation to the Application.
- 2.4 Please provide your report by **5 August 2021**. Please provide us with a draft of your Report prior to that date.

### 3. The preparation of your Report

- 3.1 We enclose a copy of the Federal Court's Expert Evidence Practice Note (**Practice Note**), which includes the Harmonised Expert Witness Code of Conduct (**Code**), with this Brief. Your Report should be prepared in accordance with the Code. Whilst the Code is not intended to address all aspects of an expert witness' duties, it is intended to facilitate the admission of opinion evidence and to assist experts to understand in general terms what the Court expects of an expert witness giving opinion evidence.
- 3.2 As an expert witness, you have an overriding duty to assist the Court on matters within your area of expertise. You are not an advocate for a party. Your paramount duty is to the Court and not to the party retaining you (or anyone else).
- 3.3 As noted in the Practice Note, your Report should:
  - (a) include an acknowledgement that you have read and understood the Practice Note, that your Report is prepared in accordance with it, and that you agree to be bound by the Code, provided this is, in fact, the case;
  - (b) include a statement that you are independent from the parties to the Proceeding, or, if you are not independent from the parties to the Proceeding, set out details of your association or connection to the party or parties;
  - (c) identify and state the training, study or experience relevant to the field of expertise upon which the opinion in your Report is predicated;
  - (d) identify the questions that you have been asked to address;
  - (e) identify and attach the documents and other materials that you have been instructed to consider;
  - (f) summarise each of your opinions;
  - (g) set out the reasons for each of your opinions;
  - (h) set out separately each of the factual findings or assumptions on which your opinion is based;
  - distinguish between your opinion and any fact or assumption upon which your opinion is based;
  - (j) make it clear when a particular question or issue falls outside your relevant field of expertise;
  - (k) include any calculations, analyses or other extrinsic matter referred to in your Report;
  - (I) at the end of your Report:

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- (i) confirm that all facts, matters, working papers and calculations upon which you have relied have been disclosed and no relevant material has been omitted; and
- (ii) declare (if it is, in fact, the case) that: "I have made all the inquiries that I believe are desirable and appropriate and that no matters of significance that I regard as relevant have, to my knowledge, been withheld from the Court".
- 3.4 We also enclose a copy of ASIC Regulatory Guide 111 Content of Expert Reports (**RG 111**). Please ensure that your Report complies with RG 111, in particular RG 111.70 - RG 111.80.
- 3.5 To the extent there are any other guides or industry codes that you consider relevant to the preparation of your Report, please identify those and ensure that your Report complies with them.
- 3.6 Please let us know if you have any questions about the Practice Note, RG 111 or the preparation of your Report.

### 4. Background

- 4.1 Alita is the ultimate parent company of the Alita Group. Alita owns 100% of the shares in Tawana Resources Pty Ltd (ACN 085 166 721) (**Tawana**), which owns 100% of the shares in Lithco No.2 Pty Ltd (ACN 612 726 922) (**Lithco**) (together, the **Alita Group**).
- 4.2 The key asset of the Alita Group is the Bald Hill Lithium and Tantalum Mine (including associated tenements, permits and licences) located in the Eastern Goldfields, Western Australia (**Bald Hill Mine**). We refer to **tab 6**.
- 4.3 On 4 December 2020, Austroid (the secured creditor of the Alita Group) appointed Mr Kirman and Mr Brauer of McGrathNicol as voluntary administrators of the Alita Group. Austroid also appointed Richard Tucker and John Bumbak of KordaMentha as receivers and managers of the Alita Group.
- 4.4 On 13 December 2020, the Deed Administrators obtained from SRK Consulting an "updated addendum" to an earlier valuation report prepared by SRK Consulting for Deloitte. Copies of the SRK updated addendum, the SRK and Deloitte valuation reports, are at **tabs 3 to 5**.
- 4.5 On 23 December 2020, Alita and Austroid executed the DOCA. Austroid, Tawana and Lithco also executed a separate deed of company arrangement, known as the Subsidiary DOCA. The Subsidiary DOCA effectuated on 19 March 2020 with control of these entities returning to the directors.
- 4.6 Also on 23 December 2020, Alita, Tawana and Lithco executed a transfer agreement, pursuant to which Alita transferred all assets used or applied exclusively in the operation of the Bald Hill lithium and tantalum project, including the associated tenements, to Lithco.
- 4.7 Consequently, Alita's remaining asset is its shareholding in Tawana, which in turn owns 100% of the shares in Lithco (which now owns the Bald Hill Mine).
- 4.8 The Deed Administrators have separately instructed Deborah Lord of Valuation and Resource Management to prepare an independent technical expert report in relation to the fair market value of the Bald Hill Mine, exploration assets and plant and equipment (on a salvage and

### CLAYTON UTZ

going concern basis) as at 25 June 2021. We expect to receive that report on 14 July 2021 and will provide a copy of that report to you once we have received it.

### 5. Question

5.1 Having regard to the independent technical expert report prepared by Ms Lord, the materials provided in this brief and any other materials or information you consider relevant, please provide an assessment of the value of Alita in a liquidation scenario.

### 6. **Confidentiality**

- 6.1 All documents including notes, records, printouts and drafts created in relation to this matter must be kept strictly confidential and must not be provided to any other person without our written consent. All documents must be made available to us at the completion of your engagement with us or when requested by our client.
- 6.2 Any communications between us, including this letter, are confidential and presently protected by legal professional privilege. We therefore ask that you take all reasonable steps to protect the confidentiality of those communications and do not disclose or discuss the contents of those communications with anyone without our prior consent.
- 6.3 Each page of any written communication provided to us should be marked:

"Draft" and "Privileged and confidential. Prepared for the purposes of legal advice and for use in legal proceedings."

6.4 Any photographs or documents (including file notes) that you prepare for the purpose of providing us with your expert advice should be stored by you in a secure location and each page should be marked:

"Privileged and confidential: Prepared for the purposes of legal advice and for use in legal proceedings."

- 6.5 There may come a time in the Proceeding when legal professional privilege no longer applies, whether by law or because our client has voluntarily elected to waive that privilege.
- 6.6 Nevertheless, we ask that if you are served at any time with a subpoena or other court process that requires you to produce documents recording communications between you and us, you contact us first before producing those documents. This will give us an opportunity to consider whether our client can maintain a valid claim to privilege or whether any claim to privilege has been waived and, if it has not, to make an appropriate application to the Court to oppose production of the privileged material.

Please do not hesitate to contact us if you have any queries.

25 June 2021

Yours faithfully

Alistair Fleming, Partner +61 8 9426 8288 afleming@claytonutz.com

Enc Our ref 14887/17761/81011396 Fiona Schmedje, Senior Associate +61 8 9426 8478 fschmedje@claytonutz.com

### INDEX

Tab	Document Description	Date
1	Federal Court of Australia Expert Evidence Practice Note	
2	ASIC RG 111	
3	SRK valuation report	26 November 2019
4	Deloitte valuation report	17 December 2019
5	SRK updated addendum	13 December 2020
6	List of tenements	-

Appendix E – Letter of Engagement

# Deloitte.

Deloitte Financial Advisory Pty Ltd ACN 611 749 841

Deloitte Touche Tohmatsu Tower 2, Brookfield Place Level 9, 123 St Georges Terrace Perth WA 6000 Tel + 08 9365 7000 Fax + 08 9365 7001 www.deloitte.com.au

28 June 2021

Rob Kirman and Rob Brauer as joint and several deed administrators of Alita Resources Limited (Receivers & Managers Appointed) (Subject to Deed of Company Arrangement) C/- McGrath Nicol Level 19, 2 The Esplanade Perth WA 6000

Dear Messrs Kirman and Brauer

### Alita Resources Limited (Receivers & Managers Appointed) (Subject to Deed of Company Arrangement) ("Alita")

### **Independent Expert's Report**

Thank you for asking Deloitte Financial Advisory (Deloitte) to assist with this engagement.

We understand that you are the joint and several Deed Administrators of Alita (**your Client**), and that Clayton Utz, copied to this letter, are your legal advisors.

This letter, and our standard terms and conditions (the **Terms**) which are enclosed in this letter, set out the basis on which we will provide our services to you. If not defined in this letter, capitalised terms in this letter have the meaning given to them in the Terms.

### 1. Background

We understand that:

- You were appointed as a Joint and Several Administrators of Alita on 4 December 2020.
- On the same day, you were appointed Joint and Several Administrators of Lithco No.2 Pty Ltd and Tawana Pty Ltd (together "**the Subsidiaries**").
- Austroid appointed Richard Tucker and John Bumback of KordaMentha as Joint and Several Receivers and Managers of Alita and the Subsidiaries on the same day.
- At the second meeting of creditors of Alita and the Subsidiaries on 23 December 2020, Austroid (Alita's only creditor) resolved to approve two Deed's of Company Arrangement (**DOCA**). One DOCA in respect of Alita and a separate DOCA in respect of the Subsidiaries. Both DOCA's were executed on the same day.

#### Deloitte Australia

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### Deloitte.

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- The Subsidiary DOCA effectuated on 19 March 2021.
- The compulsory transfer of Alita's shares to the DOCA proponent pursuant to section 444GA of the Corporations Act 2001 (the Act) is a condition precedent to the effectuation of the Alita DOCA.
- You have commissioned a third party mineral valuation upon which our Report may rely. Our anticipated timeframe for delivery of our Report is predicated on timely receipt of this information.

### 2. Our Services

You have asked us to provide you with an independent expert's report (**Report**) in support of your Client's application pursuant to section 444GA of the Act (the **Services**).

The purpose of our Report is to provide an assessment of the value of Alita in a liquidation scenario (the **Purpose**).

We confirm that Clayton Utz will provide us with a formal letter of instruction setting out the specific instructions and scope for the preparation of the Report.

Our Services may also include the provision of further expert evidence, including conferral and the preparation of joint evidence with other experts and cross-examination on any produced evidence (as appropriate).

The Services will be performed in accordance with:

- APES 215 Forensic Accounting Services issued by the Accounting Professional and Ethical Standards Board
- ASIC Regulatory Guide 111 and Regulatory Guide 112
- Other applicable professional statements, standards and guidelines issued by the Chartered Accountants Australia and New Zealand.

You may ask us to perform additional Services at the conclusion of this engagement. This will be subject to agreement between us and will be covered by a separate engagement letter.

Unless otherwise agreed in writing, our Report may be used only by you for the Purpose and in the manner described in this letter.

### 3. Our team

This engagement will be led by Matthew Donnelly, Partner in our Financial Advisory (**FA**) team. Sean Holmes, a FA Director, will manage the day to day aspects of the work together with other FA staff as required.

From time to time we may need to include other partners and staff to assist us to provide our Services to your Client. This may include specialists from other practice areas within Deloitte.

### 4. Timing

Subject to programming orders in connection with the application pursuant to section 444GA of the Act, and all information and other assistance being provided to us in a timely fashion, it is our intention to submit our Report to you within 6 to 8 weeks of the date of acceptance of our engagement.

### 5. Assumptions and limitations

The scope of the Services, the time frames for completion and the fee estimate have been prepared on the following assumptions:

- our Services will be limited to the scope of work as set out above. For clarity, in providing the Services our work will not constitute a formal valuation by an accredited valuer, rather an expert opinion by registered liquidator as to value of Alita's assets in a liquidation relying on third party valuation and other evidence.
- all information will be provided to us in a timely manner.
# Deloitte.

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- our Report will be based on the information provided to us. We will not perform any audit of the information supplied to us and we will assume that the information provided is true, correct, complete and not misleading. If this is not the case, or the Information changes after we receive it, then our Report may be incorrect or inappropriate for your Client.
- our Report will be based on the prevailing laws, regulations and professional standards in effect at the date of the Report.
- our Report is not binding on the courts or any relevant regulator, and this is not a representation, warranty, or guarantee that the courts will agree with our Report.
- the Services will be limited by the time available to us, the agreed scope, the information available, the accessibility of information sources and clarity (or lack of clarity) of your Client's objectives.
- we reserve the right to revise any opinion or conclusion in our Report if material information becomes known to us after the date our Report is issued.
- if we need to rely on the advice of any third parties, you agree that you will obtain the consent of the respective third parties for us to disclose their name, opinion, qualifications and experience in our report in accordance with the requirements of Accounting Professional and Ethical Standards APES 215 Forensic Accounting Services and ASIC Regulatory Guide 111.
- there are no undue complications or delays in providing the Services.

If these assumptions are wrong or the circumstances change then we may need to change the scope of the Services, vary the fees or extend the timeframes for completion.

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# **Deloitte.**

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#### 7. Acceptance

Please confirm that you agree to these terms by signing, dating and returning a copy of this letter to us.

Please contact me or Sean Holmes if you would like to discuss this letter and the terms of engagement with us.

We look forward to working with you.

Yours sincerely

Matthew Donnelly Partner Deloitte Financial Advisory Pty Ltd

cc: Alistair Fleming Partner Clayton Utz 250 St Georges Terrace Perth WA 6000

By email: afleming@claytonutz.com

The joint and several deed administrators of Alita agree to the terms of this Agreement.

Signature BEET KIRMAN APMZNISTRATOR Name Title Date

# Deloitte.

# Standard Terms and Conditions

#### **1. This Agreement**

This Agreement sets out the terms on which we will provide the Services to you. Where the Letter is addressed to more than one Addressee, each Addressee is a party to, and is bound by, the terms of this Agreement. We will treat you as having accepted this Agreement if you continue to instruct us after you receive it.

#### 2. Term

This Agreement starts on the date you sign and return the Letter to us or when we first start work on the Services for you, whichever is first. Unless it is terminated earlier, this Agreement terminates when we have completed providing the Services to you and you have paid us our Fees.

#### 3. Our Services

- 3.1 We will provide the Services to you in accordance with this Agreement and with the degree of skill, care and diligence expected of a professional providing services of the same kind.
- 3.2 We will use all reasonable efforts to complete the Services within any agreed time frame.

#### 4. Our team

- 4.1 We will use reasonable efforts to ensure that our Representatives named in the Letter are available to provide the Services. However, if we need to, we may replace or reassign any Representative at any time on reasonable notice to you.
- 4.2 Each of us agrees that, during the term of this Agreement and for a period of six months after it ends, neither of us will directly or indirectly solicit for employment any Representative of the other who is involved with the Services. However, both of us may advertise or recruit generally.

#### 5. About Deloitte

- 5.1 We are a Member Firm of DTTL. Accordingly, you acknowledge that:
  - (a) each of the Member Firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" or other related names;
  - (b) the Services are provided by us and not by DTTL or any other Member Firm; and
  - (c) neither DTTL nor any of the Member Firms is liable for each other's acts or omissions.
- 5.2 Sometimes we may use other Member Firms to help us to provide the Services to you. Where this happens, we will be responsible for any work undertaken by another Member Firm and you agree that:
  - (a) none of the Member Firms, apart from us, will be responsible to you; and
  - (b) you will not bring any claim or proceedings in connection with the Services or this Agreement against any of the other Member Firms that we may use to provide the Services to you.
- 5.3 Any Member Firm that helps us to provide the Services to you will rely on subclause 5.2 and is, to the extent permitted by the Law of any relevant jurisdiction, an intended third-party beneficiary of, and entitled to enforce this Agreement as if it were a party to it.
- 5.4 If we provide you with Licensed Services, you acknowledge that:
  - (a) the relevant Licensed Entity will provide the Licensed Services directly to you;
  - (b) Deloitte enters into this Agreement as agent for the Licensed Entity; and
  - (c) the terms of this Agreement apply to the Licensed Services.

#### 6. Confidentiality

- 6.1 Each of us agrees to protect and keep confidential any
- Confidential Information that is given to us by the other.
- 6.2 Except as set out in this Agreement, or where both of us agree otherwise in writing, we will only use or disclose your Confidential Information to provide the Services to you or other services you may request.
- 6.3 Where relevant, we may use, disclose and transfer your Information to other Member Firms and our Representatives, who will use and disclose it only to provide the Services to you.

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- 6.4 We may disclose your Information to our own professional advisers and insurers on a confidential basis.
- 6.5 Subject to subclause 6.6, either of us may disclose any Confidential Information to the extent that it is required to be disclosed by Law, order of any court, tribunal, authority or regulatory body, rules of any stock exchange or any professional obligations or requirements.
- 6.6 A party disclosing any Confidential Information under subclause 6.5 must, where practical and to the extent permitted by Law, notify the other of the requirement to disclose and only disclose the minimum Confidential Information required to comply with the Law or requirement.
- 6.7 You agree that we may aggregate your Information and use and disclose that information in de-identified form as part of research and advice, including, without limitation, benchmarking services.
- 6.8 We will return your Information to you at any time at your request. We may also destroy it if you ask us to. However, we are entitled to retain a copy of any Information you provide to us or which forms part of our Work or our Working Papers, provided that we will continue to keep this Information confidential in accordance with this Agreement.

#### 7. Personal Information and privacy

- 7.1 We will handle Personal Information in accordance with the Privacy Act and our privacy policy available at <u>http://www.deloitte.com/view/en\_AU/au/privacy/index.htm</u>.
- 7.2 You agree to work with us to ensure that both of us meet any obligations that each of us may have under the Privacy Act including, where relevant, notifying the individual to whom the Personal Information relates of who we are and how we propose to use and disclose their information.
- 7.3 Where you provide us with any Personal Information, you confirm that you have collected the Personal Information in accordance with the Privacy Act, that you are entitled to provide the Personal Information to us and that we may collect, use and disclose the Personal Information for the purpose of providing the Services to you or as otherwise permitted by this Agreement.

#### 8. Intellectual Property

- 8.1 Unless we agree otherwise, we will retain ownership of the Intellectual Property in our Work. We give you a royalty-free, non-exclusive, perpetual, world-wide licence to use and reproduce any Reports for the Purpose for which the Report was prepared and any related incidental internal purposes in accordance with the terms of this Agreement.
- 8.2 You agree we can use your logos and marks on our Work, unless you tell us otherwise.

#### 9. Our Work

- 9.1 Our Work is for your exclusive use and must be used only by you and only for the Purpose.
- 9.2 Unless we give our Consent:
  - (a) our Work must not be used or disclosed for any other purpose or made available to any other person, except your Professional Advisers and Auditor, on the terms discussed in subclause 9.3, or except to the extent permitted by subclause 6.5;
  - (b) our Work and the Services may not be relied on by anyone other than you; and
  - (c) you must not name us or refer to us, our Work or the Services in any written materials (other than to your Professional Advisers and Auditor), or any publicly filed documents, except as required by Law.
- 9.3 You may provide a copy of our Report to:
  - (a) your Professional Advisers and Auditor, provided that you ensure that each Professional Adviser and Auditor:
    - (i) is aware of the limits placed on the use of our Report by this Agreement, including that they may not rely on the Report;
    - (ii) for the Professional Adviser, uses our Report only to advise you in relation to the Services or, for the Auditor, uses our Report only in conducting the Audit; and
    - (iii) treats our Report as confidential and does not use or disclose our Report in a manner that is not expressly permitted by this Agreement;
  - (b) any other person who is acceptable to us, with our Consent, but only where that person has first executed an agreement provided by us.

- 9.4 We are not responsible to anyone (apart from you) who is provided with or obtains a copy of our Work without our Consent.
- 9.5 If we give you our Work in draft form or orally, we do so only on the basis that you may not rely on it in that form. Accordingly, we will not be responsible if you or anyone else relies on our draft Work or oral comments or advice.
- 9.6 You acknowledge that the final or signed copy of our Report is the definitive version.
- 9.7 Sometimes, circumstances may change after we have provided our final Work to you; unless we agree with you otherwise, we will not update any final Work we have provided to you.
- 9.8 You acknowledge that any use of or reliance on our Work that is contrary to this Agreement may expose us to a claim from someone with whom we have no relationship or whose interests we have not considered in providing the Services.
- 9.9 Accordingly, you agree to indemnify us against any Loss we may suffer or incur in respect of any claim or action by a third party that arises as a result of:
  - (a) any use or distribution of, or reliance on, our Work that is contrary to the terms of this Agreement or a Consent; or
  - (b) any access to or use of our Work, by any of your Professional Advisers or Auditor.
- 9.10 This indemnity does not apply to any Loss incurred in defending a claim or action by a third party:
  - (a) that results from any wilful misconduct or fraudulent act or omission by us;
  - (b) where that third party has signed an agreement with us that provides that it can rely on our Work; or
  - (c) where we have agreed in writing that our Work may be included in publicly available documents.

#### 10. Our Fees

- 10.1 The Fees and the basis on which they are calculated are set out in this Agreement. We may review the Fees where:
  - (a) an Unexpected Delay occurs;
  - (b) there is a change in the scope of the Services we agreed to provide to you; or
  - (c) you do not accept this Agreement within three months of the date of the Letter.
- 10.2 You agree to pay us the Fees for the Services in accordance with this Agreement.
- 10.3 Unless we state otherwise, our Fees exclude GST. You agree to pay any GST imposed on us, now or in the future, in relation to this Agreement. Where GST is payable on any taxable supply made under this Agreement, you agree that the Fee payable for this supply will be increased by an amount equivalent to the GST payable by us in respect of that supply.
- 10.4 We will charge you at cost for any expenses we incur in providing the Services to you. We will tell you what these expenses are before we incur them if they are anything other than incidental.
- 10.5 Unless we agree with you otherwise, we will use business class (or equivalent) for travel overseas and between the east and west coasts of Australia, and economy class for travel within the rest of Australia.
- 10.6 We will also charge you an administration, overhead and telecommunications charge, which is calculated at 5% of our Fees. This charge covers all our out-of-pocket expenses such as telecommunications, stationery and postage.
- 10.7 We will invoice you monthly in arrears for the Fees (unless we agree with you otherwise) and you agree to pay our invoice within 14 days of receiving it. You agree to pay any undisputed portions of an invoice even if there is a dispute between us about that invoice or another invoice. Where amounts remain due and unpaid we may charge you interest at an annual rate of 2% over the Bank Bill Swap Rate published in the Australian Financial Review on the date payment is due.
- 10.8 Without limiting any other rights we may have, we are entitled to suspend or terminate the Services, in whole or part, or to retain or withhold any Information we may hold in relation to the Services or any Work we have done for you if you do not pay our invoices on time.
- 10.9 If we are required to provide Information about you or the Services to comply with a statutory obligation, court order or other compulsory process, you agree to pay all of our reasonable costs and expenses we incur in doing so.

#### 11. What you agree to do

- 11.1 You agree to co-operate with us and provide us with all reasonable and necessary assistance so that we can provide the Services to you. This includes providing us with timely and reasonable access as appropriate, to your premises, facilities, Information and Representatives.
- 11.2 In addition to any responsibilities you may have that are set out in the Letter, you are responsible for:
  - (a) the performance of your Representatives;
  - (b) making timely decisions in connection with the Services;
  - (c) designating a competent employee to oversee the Services;
  - (d) evaluating the adequacy of the Services, as they have been described in the Letter, for your particular purposes and needs;
  - (e) providing us with accurate and complete Information. Where any Information that we require in order to provide the Services is to be provided by someone else, you are responsible for ensuring that Information is provided to us. You will need to give us all Information that is relevant to the Services, even if the same Information has been given to us previously during another engagement; and
  - (f) updating any Information where there has been a material change to that Information, including telling us if any of your circumstances change during the course of the Services.
- 11.3 You acknowledge that:
  - (a) the Services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations will be your responsibility, and made by you;
  - (b) our ability to provide the Services depends on you meeting your responsibilities under this Agreement and instructing us or responding to our requests in a timely and effective manner; and
  - (c) we are entitled to and will rely on Information provided by you, the decisions you make and any approvals you give; and
  - (d) we will not be liable for any default that arises because you do not fulfil your obligations.

#### 12. Unexpected Delay

- 12.1 We are not responsible to you or anyone else for any failure in providing the Services caused by an Unexpected Delay. We will tell you if there is a delay that will affect the Services and the cause of the delay, if known. You acknowledge that this Agreement will be varied to include any change to the scope of the Services, the Fees or the timeframes for completion of the Services if any delay requires it.
- 12.2 If we are required to perform additional services because of an Unexpected Delay, then this Agreement will also be varied to include those additional services and any additional Fees that apply.

#### 13. Our responsibility to you

- 13.1 We are subject to a limitation of liability scheme approved under Professional Standards Legislation. Our aggregate liability to you is limited in the manner provided by the scheme. Please contact us if you require a copy of the relevant scheme.
- 13.2 Where the law requires it, our liability to you will not be limited. Where our liability is not limited by a scheme our aggregate liability to you for any Loss or causes of action arising in relation to this Agreement, including for negligence, is limited to the amount that is the lesser of ten times our Fees and \$20 million.
- 13.3 We will be liable to you only for that proportion of the total Loss that we have caused or to which we have contributed and we will not be liable for any Consequential Loss.
- 13.4 We will not be liable for any Loss, or failure to provide the Services, which is caused by an Unexpected Delay or which arises as a result of us relying on any false, misleading or incomplete Information.
- 13.5 The limit of liability set out above applies to all Addressees as a group and it is up to you to agree how the limit is allocated between you. You agree not to dispute the limit if you are unable to agree on how it will be allocated between you.

#### 14. Conflict of interest

We have relationships with many clients. This means that after this Agreement starts we may identify circumstances that could cause us to have a conflict of interest. If this happens, we will evaluate the potential conflict and, depending on the circumstances, apply appropriate safeguards to manage it. For example, we may notify you of a relationship that causes us a conflict and ask for your consent to continue to provide you with the Services. However, you acknowledge that we may need to terminate this Agreement if we are unable to resolve or manage a conflict of interest satisfactorily.

#### 15. Insurance

We will maintain appropriate insurance in relation to the Services, including professional indemnity insurance in an amount of not less than \$10 million during the term of this Agreement and for a period of seven years after it ends.

#### 16. Termination

- 16.1 Either of us may terminate this Agreement:
  - (a) at any time by giving the other 30 days' written notice; or
  - (b) immediately if the other suffers an Insolvency Event, is unable to pay all of its debts as and when they become due and payable, suspends payment of such debts or otherwise ceases to carry on business; or
  - (c) immediately if the other commits any material breach of this Agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.
- 16.2 We may terminate this Agreement if:
  - (a) you fail to meet your obligations under this Agreement including to pay our Fees within the time specified or to provide us with adequate Information or instructions; or
  - (b) there is a change of circumstances beyond our reasonable control (such as auditor independence or regulatory related developments) that prevents us from providing the Services to you.
- 16.3 If this Agreement is terminated:
  - (a) you agree to pay us the Fees for any work we have done and any expenses we have incurred up to the date of termination;
  - (b) except as set out in this Agreement, and only where relevant, each of us will return to the other any documents or property of the other, except that we may retain one copy of all Information to allow us to satisfy our professional obligations and record keeping requirements;
  - (c) the termination does not affect any accrued rights of either of us or any provision of this Agreement that continues to apply.
- 16.4 The provisions of this Agreement that survive its termination include those relating to clause 5, About Deloitte; clause 6, Confidentiality; clause 7, Personal Information and privacy; clause 8, Intellectual Property; clause 9, Our Work; clause 10, Our Fees; clause 13, Our responsibility to you; clause 15, Insurance; subclause 16.3, Termination; clause 17, Dispute resolution; and clause 18, Disclosure of Tax Advice.

#### 17. Dispute resolution

- 17.1 Each of us agrees to use reasonable endeavours to resolve any dispute that arises in connection with this Agreement by mediation before bringing a legal claim or starting legal proceedings against the other.
- 17.2 Nothing in this clause prevents either of us from seeking any equitable relief in relation to our rights under this Agreement.

#### **18. Disclosure of Tax Advice**

In relation to Tax Advice and in compliance with Disclosure Laws, it is acknowledged and agreed that nothing contained in this Agreement shall be construed as limiting or restricting your disclosure of Tax Advice. It is also understood that none of your other advisers will or have imposed any conditions of confidentiality with respect to Tax Advice. Copies of any Tax Advice provided to others is on the basis that such recipients may not rely on such Tax Advice and that we owe no duty of care or liability to them, or any other persons who subsequently receive the same. Except as set out in this clause, all other terms of this Agreement remain unamended.

#### 19. Relationship between the parties

We are engaged as an independent contractor. Neither of us is an agent or representative of or has the authority to bind the other. Neither of us will act or represent ourselves, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other. This Agreement is not intended and will not be taken to constitute a partnership, agency, employment, joint venture or fiduciary relationship between us.

#### 20. Entire agreement

- 20.1 This Agreement is the entire agreement between us for the Services. It supersedes all prior communications, negotiations, arrangements and agreements, either oral or written between us in relation to its subject matter.
- 20.2 Any changes to this Agreement must be agreed to in writing by both of us.

#### 21. Assignment

Neither of us may transfer, assign or novate this Agreement without the Consent of the other. However, we may assign this Agreement to any entity in Deloitte Australia or any successor to our business.

#### 22. Electronic communication

Each of us agrees that we may communicate with each other electronically. You acknowledge that electronic transmissions are inherently insecure, can be corrupted or intercepted, may not be delivered and may contain viruses. Neither of us is responsible to the other for any loss suffered in connection with the use of email as a form of communication between us.

#### 23. Severability

If any of the terms of this Agreement are not legally enforceable then that term or the relevant part of it will be either amended as appropriate to make it enforceable or ignored, but in all other respects this Agreement will have full effect.

#### 24. Governing Law

This Agreement is governed by the Laws of New South Wales and each party irrevocably submits to the jurisdiction of the courts exercising jurisdiction in that State.

#### 25. Your feedback

We value your feedback. We aim to obtain, either formally or informally, a regular assessment of our performance. If you wish to make a complaint, please refer to the Complaints Management Policy available at <a href="http://www.deloitte.com/view/en\_AU/au/index.htm">http://www.deloitte.com/view/en\_AU/au/index.htm</a> or write to the Complaints Officer at <a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com/view/en\_AU/au/index.htm</a> or write to the Complaints Officer at <a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com/view/en\_AU/au/index.htm</a> or write to the Complaints Officer at <a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com/view/en\_AU/au/index.htm</a> or write to the Complaints Officer at <a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com/view/en\_AU/au/index.htm</a> or write to the Complaints Officer at <a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com.au</a>.

#### 26. General

- 26.1 A waiver by one of us of a breach by the other party of any term of this Agreement does not operate as a waiver of another term or a continuing breach by the other of the same or any other term of this Agreement.
- 26.2 To the extent permitted by Law, we disclaim all warranties, either express or implied, in relation to the Services and the Work other than any written warranty made in the Terms.
- 26.3 The rights and remedies in this Agreement are cumulative and not exclusive of any rights or remedies provided by Law.

#### 27. Reading this Agreement

#### In this Agreement:

- (a) headings are for convenience only and do not affect how this Agreement is interpreted;
- (b) the singular includes the plural and conversely;
- (c) the word person includes an entity, a firm, a body corporate, an unincorporated association or an authority;
- (d) a reference to this Agreement or an act or instrument is to this Agreement, or that act or instrument as amended, varied, novated or replaced from time to time;
- (e) a reference to dollars or \$ means Australian dollars:
- (f) an Annexure forms part of this Agreement; and
- (g) if there is any conflict between these Terms and any other part of this Agreement, the following order of priority will apply:
  - (i) the Letter;
  - (ii) the Annexure; and
  - (iii) the Terms.

#### 28. Definitions

In this Agreement the following words have the meanings set out below:

**Addressee** means each person to whom the Letter is addressed and includes, where relevant, any additional parties who may agree to the terms of this Agreement.

Agreement means the Letter and the Terms.

**Annexure** means a document which is annexed or attached to the Letter and identified as an annexure or attachment to it

**Audit** means an audit under the *Corporations Act 2001* (Cth) or an equivalent Law, conducted in accordance with relevant auditing standards.

 $\ensuremath{\textit{Auditor}}$  means an auditor who is appointed to conduct an Audit of you.

Confidential Information means and includes:

- (a) the terms of this Agreement and the details of the Services;
- (b) any information or material which is proprietary to a party or acquired by either of us solely as a result of the Services;
- (c) any Intellectual Property and methodologies and technologies that:
  - (i) you use in your business, and to which we are exposed in the course of providing the Services; or
  - (ii) we use to provide the Services;
- (d) any information designated as confidential by either of us; and
- (e) any Work we provide to you,
- but excludes any information that:
- (a) is or becomes publicly available, except by a breach of this Agreement;
- (b) is disclosed to either of us by a third party provided that the recipient reasonably believes the third party is legally entitled to disclose such information;
- (c) was known to either of us before we received it from the other or is developed by either of us independently;
- (d) is disclosed with the other's Consent; or

(e) is required to be disclosed as contemplated by subclause 6.5.

**Consent** means prior written consent which may be granted at the consenting party's discretion and which may be subject to conditions.

**Consequential Loss** means any loss or damage which is indirect, consequential, special, punitive, exemplary or incidental, including any loss of profit, revenue, anticipated savings or business opportunity, loss or corruption of data or systems, or damage to goodwill however caused or arising as a result of the Services or this Agreement.

**Deloitte** means the Deloitte Australia entity or entities entering into the Agreement as identified in the Letter.

**Deloitte Australia** means the Australian partnership of Deloitte Touche Tohmatsu, each of the entities under its control and any of their respective predecessors, successors or assignees.

 $\ensuremath{\textit{DTTL}}$  means Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee.

**Disclosure Law** means Rule 3501(c)(i) of PCAOB Release 2005-014, or US Internal Revenue Code sections 6011 and 6111 and related Internal Revenue Service guidance, or any equivalent legislation, statute or subordinate legislation or guidance in any relevant jurisdiction relating to the disclosure of Tax Advice which applies to you or any Tax Advice we may give you.

**Fees** means the fees for the Services as stated in, or calculated in accordance with, this Agreement.

**GST** has the meaning given to it under A New Tax System (Goods and Services Tax) Act 1999 (Cth).

**Information** means any information, documents, materials, facts, instructions or Confidential Information provided to us by you or your Representatives or anyone else at your request.

Insolvency Event means and includes:

- (a) the making of an arrangement, compromise or composition with, or assignment for the benefit or, one or more creditors of a party;
- (b) the appointment of administrators, liquidators, receivers, a bankruptcy trustee or analogous person to, or over, all or part of a party's business, assets or securities;

- (c) an application being made, or a resolution being proposed, which seeks to effect such an appointment other than for a solvent reconstruction; and
- (d) the existence of a legislative presumption of insolvency in relation to a party.

**Intellectual Property** means all industrial and intellectual property rights throughout the world and includes rights in respect of copyright, patents, trade marks, designs, trade secrets, know-how and circuit layouts.

*Law* includes the *Corporations Act 2001* (Cth) and the rules of the United States Securities and Exchange Commission.

*Letter* means the engagement letter between us to which the Terms are attached.

*Licensed Entity* means a Deloitte Australia entity that holds a licence or registration.

*Licensed Services* means that part of the Services that are required to be provided by a Licensed Entity.

**Loss** means any losses, liabilities, claims, damages, costs or expenses (including interest where applicable and Consequential Loss), judgments or orders however caused or arising as a result of the Services or this Agreement.

**Member Firm** means a partnership or an entity that is a member of DTTL and each of that partnership's or entity's controlled entities, predecessors, successors, assignees, partners, principals, members, owners, directors, employees and agents.

**Personal Information** has the meaning given to it in the Privacy Act.

Privacy Act means the Privacy Act 1988 (Cth).

**Professional Advisers** means your professional advisers who are advising you in relation to the Services but excludes any investor, agent, intermediary, underwriter, syndicate participant, lender or other financial institution or anyone who may provide you with any credit enhancement or credit rating.

**Professional Standards Legislation** means a Law providing for the limitation of occupational liability by reference to schemes that are formulated and published in accordance with that Law and includes the *Professional Standards Act 1994* (NSW) and any similar legislation in each state and territory in Australia.

**Purpose** has the meaning given to it in the Letter or our Work, or where silent on this, the purpose for which we provide our Work to you.

**Report** has the meaning given to it in the Letter or where the Letter does not set out a specific report, means any final form documents, reports or deliverables we provide to you as a result of the Services or this Agreement including those consisting of advice or opinions.

**Representative** means any officer, employee, consultant, agent, contractor or subcontractor of either of us, who is involved in the activities to which this Agreement relates and in the case of Deloitte, includes a partner.

Services means the services described in the Letter.

**Tax Advice** means any advice, whether written or oral, relating to tax, tax structuring or tax treatment provided by us as a result of the Services but excludes any tax due diligence Work which we prepare as a result of the Services.

Terms means these standard terms and conditions.

**Unexpected Delay** means any delay in providing the Services that is caused or contributed to by an act or event (including the non-performance of your obligations) that is beyond our control or was not reasonably foreseeable by us at the date of this Agreement.

**us** means Deloitte, or both you and Deloitte, as the context requires.

**we** and **our** means Deloitte and, where applicable as the context requires, the members of Deloitte Australia and any of their Representatives.

**Work** means any advice or materials including any reports, documents, advice, opinions, e-mails, notes or other deliverables, whether in draft or final form, in writing or provided orally, that we prepare either alone or in conjunction with you or provide to you as a result of this Agreement and includes any Reports but excludes our Working Papers or any source code.

**Working Papers** means any files or working papers created by us as our record of the Services, in any form.

**you** and **your** means each Addressee, and where applicable as the context requires, each Addressee's Representative.

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Appendix F – VRM Valuation
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Valuation & Resource Management

# INDEPENDENT REPORT – ALITA GROUP MINERAL ASSET VALUATION

Presented To: Clayton Utz



Date Issued: 9 August 2021

Document Reference	Independent Report – Alita Group Mineral Asset Valuation Rev5				
Distribution	Clayton Utz Pty Ltd				
	Robert Kirman and Robert Brauer (as Deed	d Administrators of Alita Resources			
	Ltd (Subject to Deed of Company Arrange	ment))			
	Valuation and Resource Management Pty	Ltd			
Principal Author	Deborah Lord				
	BSc Hons (Geology)				
	FAusIMM	Deborah Lord			
	MAIG				
	GAICD	Date: 9 August 2021			
Contribution	Peter Rooke				
Peer Review	Paul Dunbar				
Valuation Date	25 June 2021				

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# 1. <u>Executive Summary</u>

- 1.1. Clayton Utz acts for Rob Kirman and Rob Brauer both of McGrathNicol as joint and several deed administrators (**Deed Administrators**) of Alita Resources Limited (ACN 147 393 735) (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) (**Alita**). Alita owns 100% of the shares in Tawana Resources Pty Ltd (ACN 085 166 721) (**Tawana**), which owns 100% of the shares in Lithco No.2 Pty Ltd (ACN 612 726 922) (**Lithco**), (with these companies collectively known as the **Alita Group**). Alita has entered a Deed of Company Arrangement (**DOCA**) with United States company Austroid Corporation (**Austroid**), the completion of which is conditional upon, amongst other things, the transfer of shares in Alita to Austroid (or its nominee).
- 1.2. The Deed Administrators filed an application on 25 June 2021 in the Supreme Court of Western Australia pursuant to section 444GA(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), whereby the Court will only approve the transfer of shares in Alita if it is satisfied that the proposed transfer will not unfairly prejudice the interests of member of Alita.
- 1.3. I, Deborah Lord of Valuation and Resource Management Pty Ltd (VRM), am engaged by Clayton Utz to assist providing an Independent Expert Report (Report) that sets out my opinion in response to questions set out in Section 5 described in the instruction letter dated 25 June 2021.<sup>1</sup>
- 1.4. My Report relates to the value of the Alita Group's key asset being the Bald Hill Lithium and Tantalum Mine (including associated tenements, permits and licences) located in the Eastern Goldfields, Western Australia (**Bald Hill Mine**) as at 25 June 2021. I am instructed to provide an opinion on this issue by provision of a Report that will also be provided to Deloitte Financial Advisory Pty Ltd (**Deloitte**) (which is preparing an Independent Expert Report in relation to the value of Alita in liquidation). A copy will be made available to Australian Securities and Investments Commission (**ASIC**), shareholders of Alita and other interested parties in relation to the Court application.
- 1.5. This Report is prepared in accordance with the Federal Court's Expert Evidence Practice Note (**Practice Note**), which includes the Harmonised Expert Witness Code of Conduct (**Code**) as enclosed within the brief from Clayton Utz.
- 1.6. This Report also applies the guidelines and principles of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition) (the VALMIN Code) and the Australasian Code for Reporting of Exploration Targets, Mineral Resources and Ore Reserves (2012 Edition) (the JORC Code). The VALMIN Code and the JORC Code are mandatory for all members of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). These Codes are also requirements under ASIC rules and guidelines and the listing rules of the Australian Securities Exchange (ASX) for listed companies.
- 1.7. As an expert witness, I have an overriding duty to assist the Court on matters within my area of expertise in relation to the question provided by Clayton Utz.

<sup>&</sup>lt;sup>1</sup> Document L\340544667.4 and Supplementary Brief dated 12 July 2021 (see Appendix A).



## Review Outcomes

- 1.8. As recommended by the VALMIN Code I have included a description of the Mineral Assets, an account of their Material history, statements regarding my review to understand the merits of the Mineral Assets, their value and associated risks. I have included figures, maps and diagrams to assist in this understanding. I have reviewed Tenure, geology, Mineral Resources, Ore Reserves and Exploration Targets within the Bald Hill Project, and other factors that could reasonably be expected to impact on the economic potential of the Project at the current stage of development. My research includes analysis of comparable market transactions on lithium projects at a similar development stage, as detailed in paragraphs 6.11 to 6.24 and 6.40 to 6.42 of this Report.
- 1.9. I have used this Independent Expert Report to respond to the question below. Further details regarding the response to the question is provided within the body of this Report.

Question - Please provide your opinion on the fair market value of the following assets of the Alita Group as at 25 June 2021:

- the Bald Hill Mine;
- the exploration assets; and
- the plant and equipment (on a salvage and going concern basis).

In answering the question, please assume that none of the tenements had been forfeited or had expired as at 24 June 2021.

- 1.10. For the Bald Hill Mine, I identified three properties to form my opinion of the fair market value considering comparable transactions relating to similar lithium deposits with Mineral Resource estimates at the time of the transaction. These were Lynas Find, Mt Holland and Mt Marion. The normalised price paid per tonne of lithium Mineral Resource was calculated and resulted in a wide range of comparable transaction values being AUD\$86.69, AUD\$123.88 and AUD\$642.03, respectively, for these properties. As Mt Marion was an operating mine at the time of the transaction, I consider it to be a more advanced stage project than the Bald Hill Mine at the Valuation Date. I therefore selected the average of the other two transactions of AUD\$105.28 per tonne contained lithium in Mineral Resource to calculate the Preferred Valuation. The lower and upper values were determined as being +/- 30% reflecting, in my opinion, the typical level of uncertainty associated with Inferred and Indicated Mineral Resource estimates. This results in a valuation range for the Mineral Resource estimate at the Bald Hill Mine (on care and maintenance) from a Low Value of AUD\$18.8 million to a High Value of AUD\$34.9 million, with a Preferred Value of AUD\$26.9 million.
- 1.11. Also within the Bald Hill Mine area, Alita formerly known as Alliance Mineral Assets (Alliance) reported an Exploration Target estimate that has had limited drill testing. While there is significant risk that this may not convert to a Mineral Resource and considerable drilling will be required to determine whether a Mineral Resource can be estimated, this represents an immediate target for future exploration. I have therefore assigned a 25% likelihood of that conversion and have therefore applied a 75% discount to the comparable transaction metrics to generate a valuation for the Exploration Target.



- 1.12. This results in a valuation range for the Exploration Target at the Bald Hill Mine estimate from a Low Value of AUD\$5.1 million to a High Value of AUD\$9.4 million, with a Preferred Value of AUD\$7.2 million.
- 1.13. This results in a total valuation for the Bald Hill Mine from a Low Value of AUD\$23.9 million to a High Value of AUD\$44.3 million, with a Preferred Value of AUD\$34.1 million (see paragraphs 6.25 to 6.29 of this Report).
- 1.14. A secondary method, based on a yardstick approach, was used to value the Bald Hill Mine Mineral Resource and Exploration Targets estimate. This is somewhat higher than the comparable transactions valuation as the results were from a Low Value of AUD\$28.6 million to a High Value of AUD\$52.8 million, with a Preferred Value of AUD\$40.7 million (see paragraphs 6.37 to 6.38, including Table 15 of this Report). In my opinion the valuation based on comparable transactions is more valid as this reflects what has been tested in the market.
- 1.15. To value the surrounding exploration ground I have undertaken comparable transactions analysis based on information supplied by the S&P Global database. Eight transactions were identified that related to properties I considered Early Stage to Advanced Exploration Projects with sufficient information to undertake an analysis. The eight transactions were for the Kathleen Valley, Nardoo, Poona, Mallina (two transactions), Cowan, Lake Cowan and Greenbushes South properties. I have applied the median value from the eight transactions of AUD\$1,848 per square kilometre (as set out further in 6.24 and Table 16 of this Report) to the total tenement area of 743 square kilometres to calculate a Preferred Value of AUD\$1.4 million. The lower and upper values were determined as being +/- 50% of this as this is the level of uncertainty I believe is typically associated with exploration assets. This results in a valuation range for the Alita exploration assets from a Low Value of AUD\$0.7 million to a High Value of AUD\$2.1 million, with a Preferred Value of AUD\$1.4 million.
- 1.16. An alternate method was used to value the surrounding exploration ground, based on a geoscientific/Kilburn approach (see paragraphs 6.46 to 6.48 and Table 18 of this Report). This resulted in a somewhat higher valuation compared to the comparable transactions (area based) valuation as the results were from a Low Value of AUD\$1.9 million to a High Value of AUD\$4.5 million, with a Preferred Value of AUD\$3.2 million. In my opinion the valuation based on a geoscientific approach is more valid as this reflects the prospectivity of the exploration ground rather than simply the area of the licences.
- 1.17. The value of the process plant, plant infrastructure and camp was prepared by Peter Rooke of Dalesford Pty Ltd, Associate to VRM, as I am not expert in this area. The estimates are based on a market-based method bearing in mind the condition of the facilities that were inspected on 13 July 2021. The costs for refurbishment or upgrade of the facilities were not estimated, nor were the costs of replacing missing facilities or items of equipment or store stocks. The upgrade and replacement equipment will require a more detailed study over a longer period of time by Management, Process and Maintenance personnel with appropriate engineering support. The Process Design has not been reviewed (see paragraph 6.49 and Appendix C of this Report).
- 1.18. I am providing an independent objective unbiased opinion in relation to matters within my area of expertise in relation to the review. The fair market value of the Bald Hill Mine, the exploration assets and the plant and equipment is summarised in Table ES-1.



Table ES-1 – Summary of fair market value of Bald Hill Mine, exploration assets, plant and equipment

Asset	Low (AUD\$M)	Preferred (AUD\$M)	High (AUD\$M)
Mineral Resource estimate	18.8	26.9	34.9
Exploration Target estimate	5.1	7.2	9.4
Exploration tenure	1.9	3.2	4.5
Plant & equipment (going concern)	8.1	12.5	16.9
Plant & equipment (salvage)	1.4	2.2	3.0

1.19. This results in a total valuation estimate for the Bald Hill Mine, exploration assets, plant and equipment (going concern basis) from a Low Value of AUD\$33.9 million to a High Value of AUD\$65.7 million, with a Preferred Value of AUD\$49.8 million or a total valuation estimate for the Bald Hill Mine, exploration assets, plant and equipment (salvage basis) from a Low Value of AUD\$27.2 million to a High Value of AUD\$51.8 million, with a Preferred Value of AUD\$39.5 million.



# 2. <u>Introduction</u>

- 2.1. On 4 December 2020, Austroid (the secured creditor of the Alita Group) appointed Rob Kirman and Rob Brauer of McGrathNicol as voluntary administrators of the Alita Group. Austroid also appointed Richard Tucker and John Bumbak of KordaMentha as receivers and managers of the Alita Group.
- 2.2. On 13 December 2020, Deed Administrators Rob Kirman and Rob Bauer received a valuation of the mineral assets of the Alita Group prepared by SRK Consulting (Australasia) Pty Ltd (SRK). The valuation letter dated 13 December 2020 (SRK 2020 Valuation) provided an updated addendum letter to the 2019 valuation as at 10 December 2020. The SRK letter describes that the Deed Administrators had been presented a draft Deed of Company Arrangement (DOCA) and required the valuation to provide a recommendation to creditors as to whether the DOCA should be accepted, or alternatively rejected thereby triggering the Alita Group to be placed into liquidation.
- 2.3. The SRK 2020 Valuation updated a previous valuation as at 20 October 2019 (**SRK 2019 Valuation**). SRK 2019 had been prepared as part of a larger report prepared by Deloitte that was engaged by Richard Tucker and John Bumbak of KordaMentha in their capacity as voluntary administrators of the Alita Group at that time.<sup>2</sup>
- 2.4. The SRK 2019 Valuation provided an Independent Specialist Report on the principal mineral asset of the Alita Group being the Bald Hill Lithium and Tantalum Mine and included a 15% equity interest in the adjacent Cowan Project, a lithium and tantalum exploration asset. Both projects are approximately 105 kilometres south-southeast of Kalgoorlie in the Eastern Goldfields region of Western Australia (WA). The valuation was carried out by a team of consultants from the SRK Perth offices comprising geologists, mining engineers and environmental consultants and included a one-day site visit to the Bald Hill Project.<sup>3</sup>
- 2.5. The SRK 2020 Valuation considered work completed by the Alita Group, asset realisations and market movements/other factors that had changed in the interim period. On this basis the Cowan Project was not included in the SRK 2020 Valuation as the project had been divested. SRK noted that the SRK 2020 Valuation should be read together with and not independently of the SRK 2019 Valuation.<sup>4</sup>
- 2.6. I understand that the Deed Administrators placed reliance on the SRK 2019 Valuation and the SRK 2020 Valuation to report to the Alita Group creditors.<sup>5</sup>
- 2.7. On 23 December 2020, Alita and Austroid executed the DOCA. Austroid, Tawana and Lithco also executed a separate deed of company arrangement, known as the Subsidiary DOCA. The Subsidiary DOCA effected the control of these entities returning to the directors. Also on 23

<sup>&</sup>lt;sup>2</sup> SRK 2019 Valuation at page ii.

<sup>&</sup>lt;sup>3</sup> SRK 2019 Valuation at page ii.

<sup>&</sup>lt;sup>4</sup> SRK 2020 Valuation at page 1.

<sup>&</sup>lt;sup>5</sup> SRK 2020 Valuation at page 1.



December 2020, Alita, Tawana and Lithco executed a transfer agreement, whereby Alita transferred all assets used or applied exclusively in the operation of the Bald Hill lithium and tantalum project, including the associated tenements, to Lithco. Consequently, Alita's remaining asset is its shareholding in Tawana, which in turn owns 100% of the shares in Lithco (which now owns the Bald Hill Mine).<sup>6</sup>

- 2.8. I am instructed to provide my opinion on the fair market value of the following assets of the Alita Group as at 25 June 2021: the Bald Hill Mine, the exploration assets and the plant and equipment (on a salvage basis and on a going concern basis). I have been told to assume that none of the tenements had been forfeited or had expired as at 24 June 2021 (see paragraph 5.2 in Appendix A).
- 2.9. I have read the Federal Court's Expert Evidence Practice Note (**Practice Note**), including the Harmonised Expert Witness Code of Conduct (**Code**), and my Report is prepared in accordance with these. I agree to be bound by the Code.
- 2.10.1 am independent of the parties to the Proceeding.
- 2.11. My opinion is based on specialist knowledge obtained from my studies, training and experience as a geologist based on thirty years of working in the resources industry as is summarised in my curriculum vitae (see Appendix B of this Report). I have a Bachelor of Science degree with Honours from the University of Melbourne, Victoria, Australia, specialising in geology. I declare that I have made all the enquiries that I believe are desirable and appropriate (save for any matter identified explicitly in the Report) and that no matters of significance which I regard as relevant, have to my knowledge, been withheld from the Court.
- 2.12. The Report provides an opinion based on facts, material and assumptions put before me (as detailed within Appendix A of this Report), supported by geological and technical information available in the public domain referenced herein. I am comfortable that I have been provided with sufficient facts, material and assumptions as are necessary to enable me to provide the opinions expressed herein.
- 2.13. The Report summarises each of my opinions, sets out the reasons for each of these opinions and sets out separately each of the factual findings or assumptions on which my opinion is based.
- 2.14. The valuation of plant and equipment falls outside my field of relevant expertise. I have used the expertise of Associate Consultant, Mr Peter Rooke of Dalesford Pty Ltd, as a Specialist to assist me in relation to the valuation of the plant and equipment (on a salvage basis and going concern basis). He has approximately 50 years of experience in estimating the capital and operating costs for mineral processing plants, including plant refurbishments. His report is included as Appendix C to this Report.

<sup>&</sup>lt;sup>6</sup> Appendix A instruction letter at paragraph 4.7.



# Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

- 2.15. This Report is prepared applying the guidelines and principles of the VALMIN Code and the JORC Code. Both the VALMIN Code and the JORC Code are mandatory for all members of the Australasian Institute of Mining and Metallurgy (**AusIMM**) and the Australian Institute of Geoscientists (**AIG**).<sup>7</sup> These Codes are also requirements under Australian Securities and Investments Commission (**ASIC**) rules and guidelines and the listing rules of the Australian Securities Exchange (**ASX**).<sup>8</sup>
- 2.16. This Report is prepared applying these guidelines but may not meet all the detailed criteria within VALMIN Code to constitute a Public Report (as defined by the VALMIN Code). For example, while tenure has been verified via government department records I was instructed to assume that none of the tenements forming the mineral assets of the Alita Group had been forfeited or had expired as at 24 June 2021. The risk of loss of tenure has not been factored into the valuation.

### Statement of Independence

- 2.17. This Report was prepared applying the principles of the JORC Code and VALMIN Code, which in turn reference ASIC's *Regulatory Guide 111 Content of expert reports*<sup>9</sup> (**RG111**) and *Regulatory Guide 112 Independence of experts* (**RG112**)<sup>10</sup>.
- 2.18.1 have not had any association with Alita, Tawana or Lithco, their individual employees, or any interest in the securities of the Alita Group companies, which could be regarded as affecting my ability to give an independent, objective and unbiased opinion.
- 2.19.1 was previously employed by SRK from 2000 to 2014. My previous period of employment there is not considered by me as affecting my ability to give an independent, objective and unbiased opinion.
- 2.20.My Report has been peer reviewed by Mr Paul Dunbar, Director and Principal of VRM. We have also discussed aspects that we consider critical in valuing lithium Mineral Assets based on his previous experience in Technical Assessment and Valuation of these types of deposits. He has not had any association with Alita, Tawana or Lithco, their individual employees, or any interest in the securities of the Alita Group companies, which could be regarded as affecting his ability to give an independent, objective and unbiased opinion.
- 2.21.Research on lithium deposit sizes, pricing, markets and comparable transactions was completed with the assistance of Ms Katherine Bassano, Associate to VRM. She has not had any association with Alita, Tawana or Lithco, their individual employees, or any interest in the securities of the Alita

<sup>&</sup>lt;sup>7</sup> VALMIN Code at page 1; JORC Code at page 1.

<sup>&</sup>lt;sup>8</sup> JORC Code at page 3.

<sup>&</sup>lt;sup>9</sup> Regulatory Guide RG 111 Content of expert reports [online]. Available at:

https://download.asic.gov.au/media/5827832/rg111-published-22-october-2020.pdf

<sup>&</sup>lt;sup>10</sup> Regulatory Guide RG 112 Independence of experts (dated March 2011) [online]. Available at:

https://download.asic.gov.au/media/3336169/rg112-published-25-august-2015.pdf



Group companies, which could be regarded as affecting her ability to give an independent, objective and unbiased opinion.

- 2.22.Mr Peter Rooke has not had any association with Alita, Tawana or Lithco, their individual employees, or any interest in the securities of the Alita Group companies, which could be regarded as affecting his ability to give an independent, objective and unbiased opinion.
- 2.23.1 provide independent assistance by way of objective unbiased opinion in relation to matters within my area of expertise. I have confirmed in writing that I have no relevant conflicts of interest in connection with this matter. VRM will be paid a fee for this work based on standard commercial rates for professional services.

## Competent Person Declaration and Qualifications

2.24.1 am a fellow of the AusIMM, member of the AIG and graduate of the Australian Institute of Company Directors (AICD). I have a Bachelor of Science degree with Honours from the University of Melbourne, Victoria, Australia, specialising in geology. I am a Director and Principal of VRM, Consultants in Valuation and Economic Geology, and I have sufficient experience, which is relevant to the style of mineralisation, geology and type of deposit under consideration for the activity being undertaken to qualify as a Competent Person under the JORC Code and a Practitioner or Expert under the VALMIN Code. A copy of my curriculum vitae is appended to this Report (see Appendix B of this Report).

### Sources of Information

- 2.25.All information and conclusions within this report are based on information made available to me to assist with this report by Clayton Utz and other relevant publicly available data to 25 June 2021. Reference has been made to other sources of information, including government reports and records as well as publications, reports and ASX releases prepared by other parties (see Section 7 of this Report).
- 2.26.1 have, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of this Report and to ensure that I had access to all relevant technical information.

### Site Visit

2.27.1 undertook a site visit to the Bald Hill Mine with Peter Rooke on 13 July 2021 as part of this assignment.



# 3. <u>Bald Hill Mine</u>

# Location, Tenure and Project History

- 3.1. The Bald Hill Mine is located 105 kilometres south-southeast of Kalgoorlie with project access by sealed road to Widgiemooltha and then via 65 kilometres of unsealed road to site. The SRK 2019 Valuation noted that there were no significant infrastructure, climatic or topographic impediments to project development or future production.<sup>11</sup> After conducting the site visit, I concur with this assessment, although approvals may be required that are not yet in place for potential future development.
- 3.2. The tenure comprises exploration (E), mining (M), prospecting (P), general (G), miscellaneous (L) and retention (R) leases and licences. As noted above tenure, has been independently verified via the WA Department of Mines, industry Regulation and Safety TENGRAPH system (Tengraph). Tengraph is a spatial enquiry and mapping system that shows the location of tenements.<sup>12</sup> The details in Tengraph confirmed the tenement details below and reflected those in the tenement files supplied as part of my brief. I was instructed to assume that none of the tenements forming the mineral assets of the Alita Group had been forfeited or had expired as at 24 June 2021. Live and pending tenements for the Bald Hill Mine are listed in Table 1 and the locations of the E, M and P leases are shown in Figure 1. For the purposes of my valuation, one graticular block is assumed to be 3.2 square kilometres in size.<sup>13</sup>

Number	Grant Date	Expiry Date	Area	Area Unit	Tenement Holder
E 15/1058	12/03/2009	11/03/2021	9	Blocks	Alita Resources Limited
E 15/1066	20/08/2009	19/08/2021	23	Blocks	Alita Resources Limited
E 15/1067	20/08/2009	19/08/2021	23	Blocks	Alita Resources Limited
E 15/1161	25/01/2011	24/01/2021	1	Block	Alita Resources Limited
E 15/1162	10/01/2011	09/01/2021	3	Blocks	Alita Resources Limited
E 15/1166	31/08/2010	30/08/2022	5	Blocks	Alita Resources Limited
E 15/1212	02/05/2011	01/05/2021	10	Blocks	Alita Resources Limited
E 15/1353	05/08/2013	04/08/2023	42	Blocks	Alita Resources Limited

Table 1 – List of tenure in relation to the Bald Hill Mine (supplied by Clayton Utz)

<sup>11</sup> SRK 2019 Valuation at page 7.

<sup>&</sup>lt;sup>12</sup> Tengraph Online Systems [online]. Available at: https://www.dmp.wa.gov.au/Tengraph\_online.aspx.

<sup>&</sup>lt;sup>13</sup> Mining Amendment Bill 2012 [online]. Available at:

https://www.parliament.wa.gov.au/Hansard%5Chansard.nsf/0/10202d1a9e72d44648257afc001dfe51/\$FILE/C38%20S1 %2020120920%20p6248b-6253a.pdf.



Number	Grant Date	Expiry Date	Area	Area Unit	Tenement Holder
E 15/1492	23/02/2017	22/02/2022	51	Blocks	Alita Resources Limited
E 15/1493	24/02/2017	23/02/2022	26	Blocks	Alita Resources Limited
E 15/1555	16/03/2017	15/03/2022	20	Blocks	Alita Resources Limited
E 15/1556	16/03/2017	15/03/2022	16	Blocks	Alita Resources Limited
M 15/400	08/09/1988	07/09/2030	501.00	Hectares	Alita Resources Limited
M 15/1305	29/12/2000	28/12/2021	97.89	Hectares	Alita Resources Limited
M 15/1308	29/12/2000	28/12/2021	92.53	Hectares	Alita Resources Limited
M 15/1470	13/05/2010	12/05/2031	399.75	Hectares	Alita Resources Limited
M 15/1840	Pending		972.695	Hectares	Alita Resources Limited
M 15/1851	Pending		570.33	Hectares	Alita Resources Limited
P 15/5862	15/10/2014	14/10/2022	10.84	Hectares	Alita Resources Limited
P 15/5863	15/10/2014	14/10/2022	180.24	Hectares	Alita Resources Limited
P 15/5864	15/10/2014	14/10/2022	93.30	Hectares	Alita Resources Limited
P 15/5865	15/10/2014	14/10/2022	15.74	Hectares	Alita Resources Limited
P 15/6353	19/07/2019	18/07/2023	149.55	Hectares	Alita Resources Limited
P 15/6354	19/07/2019	18/07/2023	150.12	Hectares	Alita Resources Limited
P 15/6355	19/07/2019	18/07/2023	150.09	Hectares	Alita Resources Limited
L 15/348	05/09/2014	04/09/2035	3.16	Hectares	Alita Resources Limited
L 15/365	19/07/2017	18/07/2038	15.49	Hectares	Alita Resources Limited
L 15/366	19/07/2017	18/07/2038	61.52	Hectares	Alita Resources Limited
L 15/380	Pending		104.00	Hectares	Alita Resources Limited
L 15/384	01/11/2018	31/10/2039	234.36	Hectares	Lithco No.2 Pty Ltd
G 15/28	25/05/2017	24/05/2038	1.43	Hectares	Alita Resources Limited
R15/01	09/06/2010	08/06/2020	973.00	Hectares	Alita Resources Limited





Figure 1 – Tenement map of the Bald Hill Mine leases (Source: S&P Global Market Intelligence subscription database generated by VRM)

- 3.3. The SRK 2019 Valuation noted that the tenure at the time of its valuation was sufficient to support project development and return to production, but that the Project's 2019 Annual Environmental Report had not been accepted to the Department of Mines, Industry Regulation and Safety (DMIRS).<sup>14</sup> Permitting and approvals to mine were submitted by Alita and then withdrawn, and clearing permits had expired.<sup>15</sup> I have not conducted an updated review of environmental and permitting in relation to the Bald Hill Mine as it is not within my expertise.
- 3.4. The Bald Hill Mine has a protracted history of exploration and intermittent minerals production as documented. In the 1970s there was small-scale tin and tantalum production sourced from several shallow pits. In the 1980s the Gwalia Group undertook exploration in the area for tantalum, but it was not until 2001 that a tantalum deposit was announced and International Resources Limited (Haddington) undertook larger-scale mining operations between 2001 and 2006. The tantalum mine was placed on care and maintenance in 2006 following the Gwalia Group suspending offtake

<sup>&</sup>lt;sup>14</sup> SRK 2019 Valuation at page 8.

<sup>&</sup>lt;sup>15</sup> SRK 2019 Valuation at page 10.



agreements with Haddington, but exploration continued until 2009.<sup>16</sup>

- 3.5. Another company then acquired the tenure and in 2011 ownership transferred to HRM Resources Australia Limited (**HRM**), which was renamed Alliance Mineral Assets Limited (**Alliance**) in 2014. In 2015, trial mining had commenced and the previous Haddington processing plant was refurbished. While Haddington had recorded 30% to 50% spodumene, lithium was not recovered until Alliance noted high levels of spodumene in tantalum concentrates at this time.<sup>17</sup>
- 3.6. In mid-2016, Alliance executed a binding term sheet with Lithco No 2 Pty Ltd (Lithco) to jointly explore and exploit lithium and other minerals at Bald Hill. By late 2016, Tawana Resources NL (Tawana) had acquired all the shares in Lithco and exploration was underway to define potential mineralised pegmatite bodies within the leases.<sup>18</sup>
- 3.7. Feasibility studies followed and construction of a lithium plant started in 2017. Production of lithium concentrate commenced effective 14 March 2018, with tantalum recovered as a by-product. Studies continued assessing the viability of a second processing circuit and various funding and offtake contracts were negotiated.<sup>19</sup>
- 3.8. Alliance acquired Tawana in late 2018 and subsequently changed the company name to Alita Resources Limited in mid-2019. Difficult market conditions for lithium concentrates prevailed in 2019 and a strategic review of the business and loan facility was commenced. On 28 August 2019, Richard Tucker and John Bumbak of KordaMetha were appointed as voluntary administrators and the mining and milling operations were transitioned to care and maintenance. Martin Jones, Matthew Woods and Andrew Smith from KPMG were appointed as the receivers and managers.<sup>20</sup>

### Mineralisation Style and Size

- 3.9. Bald Hill is a pegmatite-hosted deposit.<sup>21</sup> A pegmatite is type of igneous rock, typically of granitic composition, that, if large enough, can host economic concentrations of various minerals depending on its composition. Simple pegmatites can be a source of feldspar and mica minerals for the ceramics industry. More complex and evolved pegmatites can host a wide range of industrial minerals and rare elements, such as lithium, beryllium, caesium, tantalum, silica and others. Gemstones and mineral specimens can also be hosted by pegmatites. Texturally, they may be very coarse grained, exhibit variable grain size, be zoned in mineralogy or show highly anisotropic fabrics.<sup>22</sup>
- 3.10. Various pegmatite classification systems have been developed, based on genetic or descriptive

<sup>&</sup>lt;sup>16</sup> SRK 2019 Valuation at page 12.

<sup>&</sup>lt;sup>17</sup> SRK 2019 Valuation at page 12.

<sup>&</sup>lt;sup>18</sup> SRK 2019 Valuation at page 12.

<sup>&</sup>lt;sup>19</sup> SRK 2019 Valuation at page 14.

<sup>&</sup>lt;sup>20</sup> SRK 2019 Valuation at page 16.

<sup>&</sup>lt;sup>21</sup> SRK 2019 Valuation at page 17.

<sup>&</sup>lt;sup>22</sup> Sweetapple, M T, 2000. Characteristics of Sn-Ta-Be-Li-Industrial Mineral Deposits of the Archean Pilbara Craton, Western Australia, AGSO Record 2000/44, Geoscience Australia, Canberra (**Sweetapple (2000)**)at page 21.



approaches. **Sweetapple (2000)**<sup>23</sup> describes three types of tin-bearing/rare metal pegmatites that were originally defined in the Pilbara based on early work by Blockley in 1980 that described simple, layered albite and complex zoned (rare metal) pegmatites.<sup>24</sup> Subsequently, more comprehensive classification schemes were developed by Cerny in 1991 and 1993.<sup>25</sup> Sweetapple used these previous studies to further classify rare metal pegmatites into LCT (lithium-cesium-tantalum) and NYF (niobium-yttrium-fluorine).<sup>26</sup> Bald Hill is classified as a spodumene pegmatite (LCT) type.<sup>27</sup>

- 3.11. Geological documentation of WA pegmatites previously focused on their tantalum potential. **Fetherston (2004)**<sup>28</sup> documents that at the time of that publication there were four operating tantalum mines in the State.<sup>29</sup> The Greenbushes and Wodgina mines were noted to be the largest and second-largest tantalum operations globally, and the other mines were Bald Hill and Dalgaranga.<sup>30</sup> It was estimated that the State had 75% of the world's defined tantalum reserves at that time.<sup>31</sup>
- 3.12. More recently in September 2020, WA was noted to have been the largest global lithium producer since 2016 (**Sargent and Murray (2020)**).<sup>32</sup> In 2019, the State generated more than 50% of the world's global production from seven mines (Greenbushes, Mt Cattlin, Mt Marion, Bald Hill, Wodgina and two mines at Pilgangoora), with Bald Hill and Wodgina being placed on care and maintenance in 2020.<sup>33</sup> Mine status as at September 2020 and lithium Mineral Resources ranked by contained Li<sub>2</sub>O are shown in Table 2.

<sup>33</sup> Sargent and Murray (2020) at page 1.

<sup>&</sup>lt;sup>23</sup> Sweetapple(2000) at page 15.

<sup>&</sup>lt;sup>24</sup> Sweetapple (2000) at page 15.

<sup>&</sup>lt;sup>25</sup> Sweetapple (2000) at page 15.

<sup>&</sup>lt;sup>26</sup> Sweetapple (2000) at page 16.

<sup>&</sup>lt;sup>27</sup> Sweetapple (2000) at page 26.

<sup>&</sup>lt;sup>28</sup> Fetherston, J M, 2004. Tantalum in Western Australia: Western Australia Geological Survey. Mineral Resources Bulletin 22, 162p (**Fetherston (2004)**).

<sup>&</sup>lt;sup>29</sup> Fetherston (2004) at page 1.

<sup>&</sup>lt;sup>30</sup> Fetherston (2004) at page 1.

<sup>&</sup>lt;sup>31</sup> Fetherston (2004) at page 1.

<sup>&</sup>lt;sup>32</sup> Sargent, S N and Murray, S I, 2020. Lithium Investment Opportunities: Western Australia Geological Survey. Commodity summary, 2p. [online]. Available at: https://dmpbookshop.eruditetechnologies.com.au/product/lithiuminvestment-opportunities-western-australia-geographical-product-n20bz.do (Sargent and Murray (2020)).



Table 2 – Lithium resources in WA estimated according to JORC Code (Source: Sargent and Murray (2020) at page 2)

Project	Status	Owner	Resources (Mt)	Av. grade Li <sub>2</sub> 0 (%)	Contained Li <sub>2</sub> O (kt)	Resource date
Greenbushes*	Operating	Talison Lithium Australia	157.1	2.25	3532	30/09/2015
Wodgina	Care and maintenance	Albemarle Corporation / Mineral Resources	259.2	1.17	3032	23/10/2018
Mt Holland	Pre-feasibility	Wesfarmers / SQM	189.0	1.50	2843	19/03/2018
Pilgangoora	Operating	Pilbara Minerals	223.2	1.27	2823	30/06/2019
Kathleen Valley	Scoping	Liontown Resources	157.0	1.37	2146	11/05/2020
Mt Marion	Operating	Jiangxi Gangfeng Lithium Company / Mineral Resources	72.9	1.37	995	01/07/2019
Altura	Operating	Altura Mining	45.7	1.06	482	30/06/2019
Bald Hill^	Care and maintenence		26.5	0.97	256	30/04/2018
Mt Cattlin	Operating	Galaxy Resources	14.6	1.29	188	31/12/2019
Buldania	Exploration	Liontown Resources	15.0	0.97	145	08/11/2019
Pioneer Dome	Exploration	Essential Metals	8.2	1.23	101	25/11/2019
* September 2015 resourc	ce. but mined continuous)	vance then TOTAL	1168.4		16 543	

\* September 2015 resource, but mined continuously since th \* Resource pre-dates production

\* Resource pre-dates production Resource estimates have been rounded

All resources are associated with pegmatites

3.13. A search of the S&P Global Market Intelligence (**S&P Global**) subscription database in March 2021 and June 2021 similarly showed that Greenbushes and Wodgina form the two largest lithium deposits in Australia with '*primary reserves and resources*' of 3,830,000 and 3,032,800 contained tonnes of lithium, respectively.<sup>34</sup> Mt Holland, Pilgangoora and Kathleen Valley also reported more than 2,000,000 contained tonnes of '*primary reserves and resources*', while Bald Hill reported an order of magnitude less than these being 262,100 contained tonnes of '*primary reserves and resources*'.<sup>35</sup> This is shown along with other Australian lithium properties from S&P Global database in Figure 2.

<sup>&</sup>lt;sup>34</sup> S&P Global Metals & Mining Lithium Properties at page 1.

<sup>&</sup>lt;sup>35</sup> S&P Global Metals & Mining Lithium Properties at pages 1 and 2.





Figure 2 – Chart showing relative size of 'primary reserves and resources' contained tonnes of lithium as at 25 June 2021 (Source: S&P Global Metals and Mining Lithium Properties at pages 1 and 2)

- 3.14. Fetherston (2004) described the Bald Hill tantalum operations as comprising three small open pits extracting material from a tabular rare metal pegmatite hosted by Archean metasedimentary rocks.<sup>36</sup> The tantalum orebody ranges from flat lying to shallowly dipping.<sup>37</sup> Tantalum minerals included columbite-tantalite, ixiolite, microlite and wodginite.<sup>38</sup> Other minerals within the pegmatite were cleavelandite, quartz, muscovite, spodumene, cassiterite and beryl.<sup>39</sup> Bald Hill pegmatites are in the order of 400–600m in length and form linear swarms that are oriented parallel to the 350° regional foliation (Figure 3).<sup>40</sup> The metasedimentary host rocks are predominantly quartz-biotite schists and amphibolites.<sup>41</sup>
- 3.15. The SRK 2019 Valuation described the local geology as comprising two belts of LCT pegmatites being the Mount Belches–Bald Hill belt and the less-explored Claypan–Madoonia belt (Figure 4).<sup>42</sup> The pegmatites within the Bald Hill Mine were categorised as tantalum-bearing, zoned or unzoned

<sup>&</sup>lt;sup>36</sup> Fetherston (2004) at page 36.

<sup>&</sup>lt;sup>37</sup> Fetherston (2004) at page 36.

<sup>&</sup>lt;sup>38</sup> Fetherston (2004) at page 101.

<sup>&</sup>lt;sup>39</sup> Fetherston (2004) at page 36.

<sup>&</sup>lt;sup>40</sup> Fetherston (2004) at page 119.

<sup>&</sup>lt;sup>41</sup> Fetherston (2004) at page 118.

<sup>&</sup>lt;sup>42</sup> SRK 2019 Valuation at page 19.



lithium-tantalum, lithium-bearing, or barren.<sup>43</sup> Outcrop is limited to areas not covered by alluvium or colluvium.<sup>44</sup>

3.16. The Bald Hill pegmatite Mineral Resource is documented as comprising a large, main, subhorizontal pegmatite body extending along strike for more than 1,000 metres north–south and up to 775 metres in width (Alliance (2018)).<sup>45</sup> Several smaller pegmatite bodies occur sub-parallel to the main one which extend the strike and dip dimensions.<sup>46</sup> The pegmatite commences at about 20 metres below the surface and extends to 195 metres depth. Plunge is to the south.<sup>47</sup>



Figure 3 – Geology of the area around the Bald Hill – Binneringie tantalum mining and exploration area as at 2001, showing relationship of known pegmatites to regional geology (Source: Fetherston (2004) at page 119)

<sup>46</sup> Alliance (2018) at page 2.

<sup>&</sup>lt;sup>43</sup> SRK 2019 Valuation at page 19.

<sup>&</sup>lt;sup>44</sup> SRK 2019 Valuation at page 20.

<sup>&</sup>lt;sup>45</sup> Lithium Ore Reserve Increase of 105% at Bald Hill. ASX Announcement dated 6 June 2018 (Alliance (2018)) at page 2.

 $<sup>^{\</sup>rm 47}$  Alliance (2018) at page 2.





Figure 4 – Interpreted pegmatite distribution in the Bald Hill Mine and now divested Cowan Project (Source: SRK (2019) at page 20)

Exploration Results, Mineral Resources and Ore Reserves

3.17. As noted above, prior to 2015, the focus of exploration and development was related to the tantalum potential at Bald Hill. In 2017, Tawana commissioned CSA Global Pty Ltd (**CSA**) to update a previously reported tantalum (**Ta**<sub>2</sub>**O**<sub>5</sub>) Mineral Resource estimate and to undertake a Mineral



Resource estimate for lithium (Li<sub>2</sub>O).<sup>48</sup> The 2017 Mineral Resource was classified as Indicated and Inferred applying the guidelines of the JORC Code and announced by Tawana on 14 June 2017 (Tawana (2017)).<sup>49</sup> The Mineral Resource estimate was reported at a 0.5% Li<sub>2</sub>O cut-off and considered the offtake conditions precedent that related to fixed price contracts of US\$880/t (Free on Board (FOB) Esperance).<sup>50</sup> The lithium Mineral Resource estimate was 12.8 million tonnes at 1.18% Li<sub>2</sub>O for a total of 151,400 contained Li<sub>2</sub>O tonnes as summarised in Table 3. Additional tantalum Mineral Resource estimates are summarised in Table 4.

Table 3 – Bald Hill Mine Lithium Mineral Resource estimates above 0.5% Li2O cut-off announced on 14 June 2017 (Source: Tawana (2017) at page 2)

Resource Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta₂O₅ ppm	Contained Ta₂0₅ (,000) Lbs
Indicated	4.6	1.25	57,100	207	2,200
Inferred	8.2	1.14	94,300	130	2,500
Total	12.8	1.18	151,400	158	4,700

Table 4 – Bald Hill Mine Tantalum Mineral Resource estimates below 0.5%  $Li_2O$  and above 200ppm  $Ta_2O_5$  cut-offs announced on 14 June 2017 (Source: Tawana (2017) at page 2)

Resource Category	Tonnes (Mt)	Grade Ta₂O₅ ppm	Contained Ta₂0₅ (,000) Lbs
Indicated	2.8	325	2,000
Inferred	2.9	297	1,900
Total	5.7	311	3,900

3.18. The information in Table 3 and Table 4 above is extracted from the report entitled *Maiden Lithium Mineral Resource for Bald Hill Lithium and Tantalum Project* created on 14 June 2017 and is available online at https://www.allianceminerals.com.au/wp-content/uploads/2017/11/9.-13-0617-Updates-on-Maiden-Lithium-and-Tantalum-Resources-Estimation-Jun-17-by-CSA-Global-Pty-Ltd-SGX-Uploaded.pdf (i.e. Tawana (2017)). The information in that announcement that related to Mineral Resources was based on and fairly represented information and supporting documentation compiled by Dr Matthew Cobb and Mr Ralph Porter, both employees of CSA. Dr Cobb was a member of the AusIMM and the AIG and Mr Porter was a member of the AIG. Both Dr Cobb and Mr Porter had sufficient experience that is relevant to the type of deposit under consideration and to the activity which they were undertaking to qualify as Competent Persons as defined in the JORC Code. Dr Cobb and Mr Porter consented to the inclusion in that report of the matters based on their information in the form and context in which it appeared.<sup>51</sup>

<sup>48</sup> Maiden Lithium Mineral Resource for Bald Hill Lithium and Tantalum Project, 14 June 2017 [online]. https://www.allianceminerals.com.au/wp-content/uploads/2017/11/9.-13-0617-Updates-on-Maiden-Lithium-and-Tantalum-Resources-Estimation-Jun-17-by-CSA-Global-Pty-Ltd-SGX-Uploaded.pdf (**Tawana (2017)**) at page 2.

<sup>&</sup>lt;sup>49</sup> Tawana (2017) at page 2.

<sup>&</sup>lt;sup>50</sup> Tawana (2017) at page 3.

<sup>&</sup>lt;sup>51</sup> Tawana (2017) at page 9.



3.19. On 6 June 2018, Alliance reported revised Mineral Resource estimates undertaken by CSA as at 30 April 2018 (Alliance (2018)).<sup>52</sup> The Mineral Resource was classified as Indicated and Inferred considering various factors and coherence and continuity of the modelled mineralisation wireframes. Some 728 drill holes informed the Mineral Resource estimate.<sup>53</sup> Compared to the Tawana (2017) estimate it was noted that *'the revised Mineral Resource estimate above 0.5% Li<sub>2</sub>O is essentially the same total size but Indicated resources have increased by 67% as a result of infill drilling and lowering the cut-off due to plant performance'.<sup>54</sup> The 2018 Mineral Resource estimate included a low-grade component grading between 0.3% and 0.5% Li<sub>2</sub>O.<sup>55</sup> The reported Mineral Resource estimates, excluding ore and concentrate stockpiles are summarised in Table 5. Additional tantalum Mineral Resource estimates are summarised in Table 6.* 

Table 5 – Bald Hill Mine Lithium Mineral Resource estimates above 0.3% Li<sub>2</sub>O cut-off as at 30 April 2018 (Source: Alliance (2018) at page 2)

Resource Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> 0 <sub>5</sub> (,000) Lbs
Indicated	14.4	1.02	147,200	168	5,300
Inferred	12.1	0.90	108,000	123	3,300
Total	26.5	0.96	255,200	149	8,600

Table 6 – Bald Hill Mine Tantalum Mineral Resource estimates below 0.3%  $Li_2O$  and above 200ppm  $Ta_2O_5$  cut-offs as at 30 April 2018 (Source: Alliance (2018) at page 3)

Resource Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> 0 <sub>5</sub> (,000) Lbs
Indicated	3.0	0.16	4,700	333	2,200
Inferred	1.4	0.15	2,200	339	1,100
Total	4.4	0.16	6,900	336	3,300

3.20.The information in Table 5 and Table 6 is extracted from the report entitled *Lithium Ore Reserve Increase of 105% at Bald Hill* created on 6 June 2018 and is available online at http://www.allianceminerals.com.au/investor/sgx-asx-announcements/ (i.e. Alliance (2018)). The information in that announcement that related to Mineral Resources was based on and fairly represented information and supporting documentation compiled by Dr Matthew Cobb, a Competent Person who was a member of the AusIMM and the AIG. Dr Cobb was a full-time employee of CSA and had sufficient experience that is relevant to the type of deposit under consideration and to the activity which he was undertaking to qualify as a Competent Person as defined in the JORC Code. Dr Cobb consented to the inclusion in that report of the matters based on his information in the form and context in which it appeared.<sup>56</sup>

<sup>&</sup>lt;sup>52</sup> Alliance (2018) at page 1.

<sup>&</sup>lt;sup>53</sup> Alliance (2018) at page 14.

<sup>&</sup>lt;sup>54</sup> Alliance (2018) at page 3.

<sup>&</sup>lt;sup>55</sup> Alliance (2018) at page 3.

<sup>&</sup>lt;sup>56</sup> Alliance, 2018 at page 10.



- 3.21. While this Mineral Resource estimate dates to 2018 and I note that some lithium production has taken place since this time I am not aware of any reported Mineral Resource estimate update. In its release dated 10 May 2019 (Alliance (2019a)),<sup>57</sup> Alliance at page 1 refers to a 'current 13.5Mt Inferred Mineral Resource' and this matches the tonnages in the above tables. The Competent Person Statement in that release reported that the Mineral Resources were current and that the company was not aware of any new information or data that materially affects the information concerning Mineral Resource included in the 6 June 2018 announcement and that all material assumptions and technical parameters underpinning the Mineral Resources estimates continue to apply and have not materially changed.<sup>58</sup>
- 3.22.The SRK 2019 Valuation noted that it had not independently verified the Mineral Resource estimate by means of recalculation.<sup>59</sup> The SRK 2019 Valuation refers to an 'internal resource model' developed by Alita and includes a mining reconciliation summary that shows that for lithium 1,457,135 tonnes was mined at a grade of 0.89% Li<sub>2</sub>O (for 12,969 contained tonnes of Li<sub>2</sub>O).<sup>60</sup> As this represents approximately 5% of the Mineral Resource estimate this is not likely to be a material change to the reported estimate. However, the SRK 2019 Valuation also noted that while lithium tonnage estimates within the mine plan reconciled well with actual production, grade variances were outside the industry accepted limits.<sup>61</sup> I concur with SRK that should production recommence, formal reporting and re-optimisation of the internal resource model is required, along with an associated updated Mineral Resource estimate. I note that other Mineral Resource estimates for lithium deposits are usually reported above a 0.5% Li<sub>2</sub>O cut-off as was applied to the Tawana (2017) estimate (refer to paragraph 6.19 for example).<sup>62</sup>
- 3.23.1 have not independently verified the Mineral Resource estimate by means of recalculation. I believe the Alliance (2018) Mineral Resource estimate may now be based on assumptions that might no longer be current. However, in considering comparable market transactions, such assumptions might equally apply to the stated Mineral Resource estimates relating to the transactions; therefore, the Alliance (2018) Mineral Resource estimate was applied for my comparable transactions valuation approach (as discussed further below). However, for the yardstick method I considered the Alliance (2018) estimate to inform the higher valuation and the Tawana (2017) estimate (being essentially the same size at a higher cut-off as noted above Table 5) to inform the lower valuation.
- 3.24.On 6 June 2018, Alliance also reported revised Ore Reserve estimates undertaken by CSA as at 30 April 2018. The Ore Reserve was classified as Probable.<sup>63</sup> An ultimate pit was designed using an optimal pit shell derived from Indicated Mineral Resource material only and all Inferred Mineral

<sup>&</sup>lt;sup>57</sup> New Exploration Target identified at Bald Hill. Alliance Mineral Assets Limited ASX / SGX release dated 10 May 2019 (Alliance (2019a)) at page 1.

<sup>&</sup>lt;sup>58</sup> Alliance (2019a) at page 8.

<sup>&</sup>lt;sup>59</sup> SRK 2019 Valuation at page 30.

<sup>&</sup>lt;sup>60</sup> SRK 2019 Valuation at page 36.

<sup>&</sup>lt;sup>61</sup> SRK 2019 Valuation at page 36.

<sup>&</sup>lt;sup>62</sup> Mt Marion Mineral Resources Update Mineral Resources Limited ASX announcement dated 31 October 2018 (**MRL** (2018)) at page 1.

<sup>&</sup>lt;sup>63</sup> Alliance (2018) at page 4.



Resources within the pit design were reported as waste during Ore Reserve estimation.<sup>64</sup> The Ore Reserve was reported above a 0.3% Li<sub>2</sub>O cut-off and considered reference prices that related to binding offtake agreements of US\$880/t (FOB Esperance) for 6% Li<sub>2</sub>O for 2018-2019; US\$800/t for 2020-2021 and US\$750 for 2022 and beyond.<sup>65</sup> The 2018 Ore Reserve estimates are summarised in Table 7. Additional tantalum Ore Reserve estimates are summarised in Table 8.

Table 7 – Bald Hill Mine Ore Reserve estimates above 0.3% Li<sub>2</sub>O cut-off as at 30 April 2018 (Source: Alliance (2018) at page 4)

Reserve Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> 0 <sub>5</sub> (,000) Lbs
Proven	1			-	-
Probable	11.3	1.01	114,100	160	4,000
Total	11.3	1.01	114,100	160	4,000

Notes: 1) Allows for mining ore loss of 7.5% and dilution of 7.5% at 0% Li<sub>2</sub>O and 0ppm Ta<sub>2</sub>O<sub>5</sub> 2) Reserves have been cut to the April 2018 end of month mine survey

Table 8 – Bald Hill Mine Tantalum Ore Reserve estimates below 0.3%  $Li_2O$  and above 200ppm Ta<sub>2</sub>O<sub>5</sub> cut-offs as at 30 April 2018 (Source: Alliance (2018) at page 4)

Reserve Category	Tonnes (Mt)	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> 0 <sub>5</sub> (,000) Lbs
Proven	-	-	
Probable	2.0	313	1,400
Total	2.0	313	1,400

Notes: 1) Allows for mining ore loss of 7.5% and dilution of 7.5%

2) Reserves contained in Table 4 are additional to those reported in Table 3.

3) Reserves have been cut to the April 2018 end of month mine survey; ore stockpiles and concentrates are excluded.

3.25.The information in Table 7 and Table 8 is extracted from the report entitled *Lithium Ore Reserve Increase of 105% at Bald Hill* created on 6 June 2018 and is available online at http://www.allianceminerals.com.au/investor/sgx-asx-announcements/ (i.e. Alliance (2018). The information in that announcement that related to Ore Reserves was based on and fairly represented information and supporting documentation compiled by Mr Karl van Olden, a Competent Person who was a fellow of the AusIMM. Mr van Olden was a full-time employee of CSA and had sufficient experience that is relevant to the type of deposit under consideration and to the activity which he was undertaking to qualify as a Competent Person as defined in the JORC Code. Mr van Olden consented to the inclusion in that report of the matters based on his information in the form and context in which it appeared.<sup>66</sup>

<sup>&</sup>lt;sup>64</sup> Alliance (2018) at page 3.

<sup>&</sup>lt;sup>65</sup> Alliance (2018) at page 7.

<sup>&</sup>lt;sup>66</sup> Alliance (2018) at page 10.



- 3.26.The SRK 2019 Valuation noted that it had not independently verified the Ore Reserve estimate by means of recalculation.<sup>67</sup> SRK was supplied a cashflow model (Alita Model) that was developed by Alita.<sup>68</sup> SRK assessed production and cost projections and noted that the proposed mine plan, design and extraction schedule used outdated Modifying Factors as further described in Table 4-3 in its report.<sup>69</sup> SRK concluded that the mine plan was not considered by SRK to be reasonable for valuation purposes.<sup>70</sup> Revised parameters were recommended to Deloitte for use in its financial modelling.<sup>71</sup>
- 3.27.I have not independently verified the Ore Reserve estimate by means of recalculation, nor have we reviewed the Model developed by Alita. I am not expert in engineering or mine planning, but based on the SRK assessment of technical inputs into the Model I am confident that the proposed mine plan, design and extraction schedule use outdated Modifying Factors and therefore that the Ore Reserves do not form a reasonable basis for valuation purposes.
- 3.28.1 note that within the JORC Code Table 1, Section 4 documentation, CSA refers to input parameters for pit optimisations including *'commodity prices of AUD\$1,170 for a 6% Li<sub>2</sub>O concentrate price'*. While these may have been appropriate at the time, I am of the view this may not be the case as at 25 June 2021.
- 3.29.1 consider that statement made by SRK (2019) indicates that the stated Ore Reserves are no longer viable and therefore as per Clause 28 of the JORC Code, the Ore Reserves must be reclassified as Mineral Resources or removed from the Mineral Resource/Ore Reserve statement.
- 3.30.An Exploration Target ranging from 17Mt to 24Mt at 1.25% Li<sub>2</sub>O and 1.40% Li<sub>2</sub>O and 150ppm to 180ppm Ta<sub>2</sub>O<sub>5</sub> had also been reported by Alliance<sup>72</sup> (ASX announcement dated 10 May 2019). The Exploration Target related to exploration drilling completed by Alliance to define mineralisation relating to another mineralised pegmatite body ('Pegmatite 3 West'). Earlier drilling on 'Pegmatite 3 East' was at sufficient density to be partly included in the Mineral Resource. The 2019 Exploration Target estimates excluded an area of 7,000m<sup>2</sup> included in the current Mineral Resource for the Bald Hill Mine and the associated parameters and assumptions are summarised in Table 9.
- 3.31. As noted by the JORC Code 'An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and range of grade, relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource'. The potential quantity and grade is conceptual in nature and it is uncertain whether further exploration will result in the estimation of a Mineral Resource.

<sup>&</sup>lt;sup>67</sup> SRK 2019 Valuation at page 13.

<sup>&</sup>lt;sup>68</sup> SRK 2019 Valuation at page 2.

<sup>&</sup>lt;sup>69</sup> SRK 2019 Valuation at page 43.

<sup>&</sup>lt;sup>70</sup> SRK 2019 Valuation at page 43.

<sup>&</sup>lt;sup>71</sup> SRK 2019 Valuation at page 43.

<sup>&</sup>lt;sup>72</sup> Alliance (2019a) at page 1.



Table 9 – Bald Hill Pegmatite 3 West Exploration Target parameters and assumptions as at 10 May 2019 (Source: Alliance (2019a) at page 5)

Parameter	0.5% Cut-Off <sup>4</sup>	0.8% Cut-Off <sup>4</sup>
Horizontal Area (m <sup>2</sup> ) <sup>1</sup>	1,005,000	1,005,000
Intercept cut-off grade	0.5% Li2O or 300ppm Ta2O5	1.0% Li <sub>2</sub> O or 500ppm Ta <sub>2</sub> O <sub>5</sub>
Number of drill holes above cut off	17	13
Estimated portion of Horizontal Area above cut-off <sup>2</sup>	85%	65%
Estimate average width <sup>3</sup>	10.5m	10m
Bilk Density	2.65	2.65
Target Tonnage <sup>5</sup> (rounded to 0.5Mt)	24Mt	17Mt
Target Grade <sup>6</sup> Li <sub>2</sub> O	1.25%	1.40%
Ta <sub>2</sub> O <sub>5</sub> ppm	165 to 180	150 to 180

Notes

<sup>1</sup> Excludes 7,000m<sup>2</sup> included in the current Mineral Resource for the Bald Hill Mine.

<sup>2</sup> Estimated portion of Horizontal Area based on the number of intercepts exceeding the applicable cut-off.

<sup>3</sup> Average vertical width of all holes with single or multiple intercepts above the cut-off.

<sup>4</sup> Cut-off was applied based on entire intercepts above 0.3% Li<sub>2</sub>O or 150ppm Ta<sub>2</sub>O.

<sup>5</sup> Rationale for Target Tonnage = Horizontal Area x average width x estimate portion of Horizontal Area x bulk density, rounded to nearest full number.

<sup>6</sup> Rationale for Target Grade = Average grade (equal weighting) off all drill intercepts above the cut off, rounded to 0.05% Li<sub>2</sub>O or 10ppm Ta<sub>2</sub>O<sub>5</sub>.

- 3.32.The information in Table 9 is extracted from the report entitled *New Exploration Target identified at Bald Hill* created on 10 May 2019 and is available online at http://www.allianceminerals.com.au/investor/sgx-asx-announcements/ (i.e. Alliance (2019a)).
- 3.33. The information in that announcement that related to exploration results and Exploration Targets was based on and fairly represented information and supporting documentation compiled by Mr Mark Calderwood, a Competent Person who was a member of the AusIMM. Mr Calderwood had sufficient experience that is relevant to the type of deposit under consideration and to the activity which he was undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Calderwood was a shareholder and Managing Director of Alliance and Mr Calderwood and Alliance did not consider these relationships to constitute a potential conflict of interest to his role as Competent Person. Mr Calderwood consented to the inclusion in that report of the matters based on his information in the form and context in which it appeared.<sup>73</sup>
- 3.34.A plan showing the relationship between the Mineral Resource and the Pegmatite 3 West Exploration Target is shown in Figure 5.
- 3.35.1 have not independently verified the Exploration Target estimate by means of recalculation. I am satisfied that area containing the Exploration Target estimate in Table 9 forms the most likely area for future exploration success. This should therefore be considered with the valuation of exploration assets. However, it should also be stressed that there is a high degree of uncertainty related to Exploration Targets and the associated risk should be considered as is discussed further below.

<sup>&</sup>lt;sup>73</sup> Alliance (2019a) at page 8.





Figure 5 – Map showing pegmatite distribution in the Bald Hill Mine area in relation to tenements and Mineral Resources and Pegmatite 3 West Exploration Target (yellow outline) (Source: Alliance (2019a) at page 4)

# Plant and Equipment

- 3.36.The review of plant and equipment was prepared by Peter Rooke of Dalesford Pty Ltd (and can be found at Appendix C). Peter visited the site with me on 13 July 2021. During the site visit a walk-through of the process plant, plant infrastructure and camp infrastructure as well as the mining area was undertaken.
- 3.37.The scope of work is to provide valuations for the process plant, plant infrastructure and camp on a salvage basis and on an ongoing basis. The existing tantalum plant is not included in this work.
- 3.38. The estimates are based on a market-based method bearing in mind the condition of the facilities. The costs for refurbishment or upgrade of the facilities have not been estimated, nor the costs of replacement of missing facilities or items of equipment or stores stock.
- 3.39.The upgrade and replacement equipment will require a more detailed study over a longer period of time by Management, Process and Maintenance personnel with appropriate engineering support. Note also that the Process Design has not reviewed in any way.



# 4. JORC Code Overview

- 4.1. The JORC Code sets out minimum required standards for public reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. These guidelines were written to develop a standardised framework for reporting mineralisation to reflect differing levels of confidence and understanding in the tonnage and grade estimates, applying the principles of transparency, materiality and competence.<sup>74</sup>
- 4.2. The JORC Code was incorporated into the ASX Listing Rules in 1989 and requires that ASX-listed companies prepare their public reports in accordance with the Code if it includes a statement on Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves. The JORC Code is endorsed by the Financial Services Institute of Australasia and the Minerals Council of Australia as contributing to best practice. It is binding on AusIMM and AIG members and compliance with the Code is regulated by the respective Code of Ethics of those professional organisations.<sup>75</sup>
- 4.3. A Public Report concerning a company's Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is the responsibility of the company, acting through its Board of Directors. Any such report must be based on, and fairly reflect the information and supporting documentation of the named individual(s) who complete that work, the Competent Person. A Competent Person is a minerals industry professional who is a Member or Fellow of the AusIMM or AIG or of a recognised professional organisation (as published by JORC and the ASX). The Competent Person must have a minimum of five years' relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking.<sup>76</sup>
- 4.4. The standards provided by the JORC Code are developed to assist in ensuring that investors are appropriately informed and misleading information is not released to market.<sup>77</sup>
- 4.5. The JORC Code provides a framework for classifying tonnages and grade estimates to reflect different levels of geological confidence and different degrees of economic and technical evaluation that develop in advancing from mineral exploration to mineral extraction. The categories in the JORC Code reflect the degrees of uncertainty that follow from the level of information known about the asset.<sup>78</sup>
- 4.6. On commencement of exploration, the JORC Code instructs how Exploration Results should be reported. Exploration Results include data and information generated by mineral exploration programs that may be useful to investors, such as outcrop sampling, drill hole intersections, and results of geochemical or geophysical surveys. This information is typically reported in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources to be made.<sup>79</sup>

<sup>76</sup> JORC Code at page 7.

<sup>&</sup>lt;sup>74</sup> JORC Code at page 4.

<sup>&</sup>lt;sup>75</sup> JORC Code at page 4.

<sup>&</sup>lt;sup>77</sup> JORC Code at page 19.

<sup>&</sup>lt;sup>78</sup> JORC Code at page 8.

<sup>&</sup>lt;sup>79</sup> JORC Code at page 10.


- 4.7. Once a certain amount of exploration has been conducted, an estimate of an Exploration Target may be made. An Exploration Target is a statement regarding the exploration potential of a mineral deposit in a defined geological setting where the estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource.<sup>80</sup>
- 4.8. When a project is at this stage, it is uncertain whether further exploration will result in the estimation of a Mineral Resource, and the range of tonnes and a range of grades is used to communicate this relatively high level of uncertainty. In my opinion, the typical uncertainty associated with an Exploration Target might range +/- 50%, but this figure depends on, among other things how much drilling has been completed and the continuity of mineralisation. Other authors consider the uncertainty to be even higher for example SRK provides a general guide regarding confidence for an Exploration Target as more than 100% (90% confidence limit).<sup>81</sup> An Exploration Target statement must be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Ore Reserve.<sup>82</sup>
- 4.9. With continued exploration and drilling, Mineral Resources might be estimated, based on developing an understanding of the geoscientific information regarding the mineralisation and with some input from other discipline areas. A Mineral Resource is a concentration of occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction (i.e. more likely than not). The basis for the 'reasonable prospects' assumption is always a material matter, and must be explicitly disclosed and discussed by the Competent Person, applying the guidance of JORC Code Table 1, sections 1, 2 and 3. Mineral Resources are further divided into Inferred, Indicated and Measured Mineral Resources with increasing levels of geological understanding and confidence in the continuity of mineralisation.<sup>83</sup>
- 4.10. An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade (or quality) are estimated based on limited geological evidence and sampling. Geological evidence is enough to imply but not verify mineralisation continuity and is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. SRK (2020a) suggests +/-50 to 100% might be a general guide as to the uncertainty related to Inferred Mineral Resources.<sup>84</sup> This has a lower level of confidence than other Mineral Resource categories and must not be converted to an Ore Reserve (see below).<sup>85</sup>
- 4.11. An Indicated Mineral Resource is that part of a Mineral Resource for which quantity and grade (or quality) are based on densities, shape and physical characteristics are estimated with enough confidence to allow the application of Modifying Factors with sufficient detail to support mine

<sup>&</sup>lt;sup>80</sup> JORC Code at page 9.

<sup>&</sup>lt;sup>81</sup> Independent Specialist Report on the Mineral Assets of Saracen Mineral Holdings Limited by SRK Consulting (Australasia) Pty Ltd dated December 2020 (**SRK, 2020a**) at page 152.

<sup>&</sup>lt;sup>82</sup> JORC Code at page 9.

<sup>&</sup>lt;sup>83</sup> JORC Code at page 9.

<sup>&</sup>lt;sup>84</sup> SRK (2020a) at page 152.

<sup>&</sup>lt;sup>85</sup> JORC Code at page 12.



planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is enough to assume geological or grade (or quality) continuity between points of observation. SRK (2020a) suggests +/-30 to 50% might be a general guide as to the uncertainty related to Indicated Mineral Resources.<sup>86</sup> This has a higher level of confidence than Inferred Mineral Resources, but lower than Measured Mineral Resource categories and may only be converted to a Probable Ore Reserve (see below).<sup>87</sup>

- 4.12. The third category is a Measured Mineral Resource which is that part of a Mineral Resource for which quantity and grade (or quality) are based on densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is enough to confirm geological or grade (or quality) continuity between points of observation. SRK (2020a) suggests +/-10 to 20% might be a general guide as to the uncertainty related to Measured Mineral Resources.<sup>88</sup> This has a higher level of confidence than either Inferred or Indicated Mineral Resources and may be converted to a Proved Ore Reserve or in certain circumstances a Probable Ore Reserve.<sup>89</sup>
- 4.13. With continued evaluation and completion of technical studies, Ore Reserves can also be estimated, which reflect the economically mineable parts of Measured and/or Indicated Mineral Resources. These estimates bring in consideration of other factors (termed Modifying Factors) including mining, processing, metallurgy, infrastructure, economic, marketing, legal, environmental, social and governmental aspects that affect project economics.<sup>90</sup>
- 4.14. Project studies at pre-feasibility or feasibility levels have been undertaken to define Ore Reserves and these are also divided into Probable and Proved, reflecting levels of geological understanding and confidence. A Competent Person undertaking the Ore Reserve estimate must develop a mine design or mine plan taking into account material Modifying Factors and report the estimate applying the guidance of JORC Code Table 1, sections 1, 2, 3 and 4.<sup>91</sup>
- 4.15. Probable Ore Reserves are the economically mineable part of an Indicated, and in some cases, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.<sup>92</sup>
- 4.16.Proved Ore Reserves are the economically mineable part of a Measured Mineral Resource and imply a high level of confidence in the Modifying Factors.<sup>93</sup> SRK (2020a) suggests +/-5 to 10%

- <sup>89</sup> JORC Code at page 13.
- <sup>90</sup> JORC Code at page 13.
- <sup>91</sup> JORC Code at page 18.
- <sup>92</sup> JORC Code at page 14.

<sup>&</sup>lt;sup>86</sup> SRK (2020a) at page 152.

<sup>&</sup>lt;sup>87</sup> JORC Code at page 13.

<sup>&</sup>lt;sup>88</sup> SRK (2020a) at page 152.

<sup>&</sup>lt;sup>93</sup> JORC Code at page 16.



might be a general guide as to the uncertainty related to Proved / Probable Ore Reserves.<sup>94</sup>



4.17. The relationship between these classes of mineralisation is shown in Figure 6.

Figure 6 – General relationship between Exploration Results, Mineral Resources and Ore Reserves (JORC Code at page 9)

4.18. Clause 49 of the JORC Code states that the reporting of industrial minerals exploration results, Mineral Resources and Ore Reserves must be reported in in terms of the minerals present and the specification of those minerals. Most hard-rock lithium production is traded as a spodumene concentrate; for example, a 6% Li<sub>2</sub>O concentrate with the lithium mineral being spodumene. The iron content of a spodumene concentrate also has a significant impact on the value and final uses of the spodumene concentrate. The grain size, internal zonation, spatial mineralogical distribution, intergrowths of various minerals and crystal fabrics within the pegmatite are critical in determining if a viable concentrate can be produced from a known pegmatite body. Therefore, an understanding of the mineralogy of any pegmatite occurrence is critical in any technical assessment or valuation.<sup>95</sup>

<sup>&</sup>lt;sup>94</sup> SRK (2020a) at page 151.

<sup>&</sup>lt;sup>95</sup> JORC Code at page 23.



# 5. <u>Lithium Market as at 25 June 2021</u>

- 5.1. It is important to note that prices of lithium have been volatile and rapid, dramatic changes have occurred over the past five years. As recently as 2015, many considered lithium to be of limited economic interest, but its application in the electric vehicle (**EV**) battery market triggered a surge in demand. The change in demand for lithium was primarily due to the expansion (and expected expansion) of the EV industry, along with the development and an increase in the use of lithium in battery storage systems.<sup>96</sup>
- 5.2. The monthly market prices for <u>lithium carbonate</u> increased almost fourfold from 2012 to March 2018. This was driven by the EV battery market demand and related changing markets for specialist lithium compounds. Previously lithium was mostly sourced from brine deposits, but this traditional source of lithium needed to be processed to deliver these compounds, while pegmatite-hosted deposits could deliver the compound as part of the processing stream. This revised hard-rock lithium mining economics, and in 2016 junior explorers and miners quickly took advantage of this change to acquire and develop projects. Mining supply then surged ahead of the less-than-predicted demand and the market responded with depressed prices as shown by the yellow line in Figure 7 from S&P Global Market Intelligence.<sup>97</sup>
- 5.3. The report (S&P Global 2019) provides an analysis of lithium mergers and acquisitions involving Mineral Assets with Mineral Resources between 2012 and 2019 that offers context regarding the market for the commodity to that time (1 October 2019).

<sup>&</sup>lt;sup>96</sup> Specialty Minerals and Metals Rating and Target Price Changes. Australian Equity Research, 16 September 2020, prepared by Canaccord Genuity Capital Markets (**Canaccord (2020**)) at pages 1 and 6.

<sup>&</sup>lt;sup>97</sup> S&P Global Market Intelligence Report entitiled Lithium M&A Involving Assets with Resources, 2012-2019(H1) (**S&P** Global (2019)) at page 2.





Figure 7 – Summary of lithium price, deals and lithium in resources and reserves from 2012 to 2019 (S&P Global (2019) at page 2)

- 5.4. At the time (October 2019), S&P Global predicted that lithium prices might not recover until the mid-2020s and corresponding deal activity might also be modest. However, the research report noted that some larger players with a long-term view of the commodity could drive strategic purchases, taking advantage of the lower valuations of junior companies and their assets.<sup>98</sup>
- 5.5. In negotiating their concentrate prices, several companies link to either lithium carbonate or lithium hydroxide prices. The five-year monthly Lithium Carbonate Global Average price from July 2016 to June 2021 is shown in Figure 8. As at June 2021 the price was AUD\$14,428.96/tonne which had risen from the five-year lows seen in September and October 2020.<sup>99</sup>
- 5.6. In June 2021, S&P Global forecast lithium pricing to enter a 'new normal' with prices ranging between USD\$9,638/t and USD\$11,559/t over the next five years. This forecast range sits between the highs of 2017/2018 and the lows of late 2020.<sup>100</sup>

<sup>&</sup>lt;sup>98</sup> S&P Global (2019) at page 4.

<sup>&</sup>lt;sup>99</sup> S&P Global Market Intelligence Price Chart – Lithium (S&P Global (2021a)) at page 1.

<sup>&</sup>lt;sup>100</sup> S&P Global Market Intelligence Commodity Monthly – Lithium and Cobalt June 2021 (**S&P Global (2021b)**) at page 3.





**Commodity Price** 

- Lithium Carbonate - Global Avg

Figure 8 – Summary of monthly Lithium Carbonate – Global Average price from July 2016 to June 2021 (S&P Global (2021a) Chart generated by VRM)

- 5.7. Lithium is generally sold via commercial contracts, so the lithium price market is not readily transparent as compared to other metals that are traded on an open market.<sup>101</sup> Contracts relate to a concentrate of specific lithium minerals, with the most abundant product from hard-rock lithium operations being a spodumene concentrate.<sup>102</sup>
- 5.8. For Bald Hill, the Tawana (2017) Mineral Resource estimate reported at a 0.5% Li<sub>2</sub>O cut-off considered that all 2018 and 2019 lithium ore concentrate related to a fix price of USD\$880/t (FOB Esperance) for 6% Li<sub>2</sub>O with a price adjustment increment/decrement of USD\$15/t based on grade variation of 0.1% with a minimum accepted grade of 5.5%.<sup>103</sup>
- 5.9. The Alliance (2018) Mineral Resource update and Ore Reserve estimate reported at a 0.3% Li<sub>2</sub>O cut-off also factored in the same contract conditions followed by assumptions of USD\$800/t (6% Li<sub>2</sub>O FOB Esperance) for calendar years 2020-2021 and US\$750 (6% Li<sub>2</sub>O FOB Esperance) for 2022-2025 (Alliance, 2018)<sup>104</sup>.
- 5.10. On 15 January 2019, Alliance announced the restructure of lithium offtake agreements, including

- <sup>103</sup> Tawana (2017) at page 3.
- <sup>104</sup> Alliance (2018) at page 7.

<sup>&</sup>lt;sup>101</sup> SRK (2019) at page 22.

<sup>&</sup>lt;sup>102</sup> Global Lithium Wrap: Rising spodumene price, firm hydroxide demand support complex, 14 July 2021 (**Fastmarkets** (2021)) at page 3.



provision for a market-linked pricing mechanism reflecting the changed market conditions.<sup>105</sup>

- 5.11. In September 2020, Canaccord published *Rating and Target Price Changes* for Speciality Minerals and Metals. In this publication Canaccord saw the lithium market entering a 'bottoming' phase but retained a long-term price forecast of US\$570/t for spodumene 6% concentrate.<sup>106</sup>
- 5.12. In December 2020, Morgan Stanley predicted a short-term spodumene 6% concentrate price of US\$480/t for 2021 and for long-term spodumene 6% concentrate prices to be somewhat like that of Canaccord, at US\$584/t (**Morgan Stanley (2020)**).<sup>107</sup> Similarly, UBS predicted a long-term spodumene price of USD\$550/t (Cost Insurance and Freight (**CIF**) China 6% Li<sub>2</sub>O) (**UBS (2020**))<sup>108</sup> and JP Morgan predicted a band of pricing between USD\$500/t to USD\$550/t over the next five years (**JP Morgan (2020)**).<sup>109</sup>
- 5.13. For the month ending 30 June 2021, Fastmarkets's monthly assessment for spodumene CIF China 6% Li<sub>2</sub>O was USD\$690-750/t on 30 June and noted that the price had risen by over 80% so far this year from USD\$390-400/t on 30 December 2020 (**Fastmarkets (2021a**)).<sup>110</sup> These numbers are in line with S&P Global (2021d) report of spodumene 6% concentrate price that was assessed at USD\$800/t FOB Australia, 9 July, unchanged from 2 July.<sup>111</sup>
- 5.14. As pricing is generally quoted for spodumene CIF China 6% Li<sub>2</sub>O, I relied on the assessment made by Fastmarkets for the month ending 30 June 2021 to inform my yardstick valuation at Table 15. This is discussed further below at paragraphs 6.30 to 6.38.

<sup>&</sup>lt;sup>105</sup> Restructure of Lithium Offtake Agreements Alliance Mineral Assets Limited ASX / SGX release dated 15 January 2019 (**Alliance (2019b)**) at page 2.

<sup>&</sup>lt;sup>106</sup> Canaccord (2020) at page 1.

<sup>&</sup>lt;sup>107</sup> Morgan Stanley, 2020. Commodity Catch: Base Bulls in 2021. Morgan Stanley Research, 9 December 2020 (**Morgan Stanley (2020)**) at page 5.

<sup>&</sup>lt;sup>108</sup> UBS, 2020. Battery Raw Materials. From mine to motor – can supply keep pace with demand? Global Research 26, November 2020 (**UBS (2020)**) at page 18.

 <sup>&</sup>lt;sup>109</sup> Lithium Sector Review – December 2020 Quarter. JP Morgan Metals & Mining Australia (JP Morgan (2020)) at page
 5.

<sup>&</sup>lt;sup>110</sup> Fastmarkets (2021) at page 2.

<sup>&</sup>lt;sup>111</sup> Platts Australia Lithium Spodumene Price Assessment (S&P Global, 2021c) at page 1.



### 6. <u>Review Outcomes</u>

6.1. Question

*Please provide your opinion on the fair market value of the following assets of the Alita Group as at 25 June 2021:* 

- the Bald Hill Mine;
- the exploration assets; and
- the plant and equipment (on a salvage and going concern basis).

In answering the question, please assume that none of the tenements had been forfeited or had expired as at 24 June 2021.

6.2. The VALMIN Code outlines various valuation approaches that are applicable for properties at various stages of the development pipeline. Three that are widely accepted are market-based (including comparable sales transactions), income-based and cost-based methods. The VALMIN Code (at page 29) provides a general guide to the applicability of each Valuation Approach as summarised in Table 10.

Table 10 – General guide to Valuation Approach with respect to development stage of the Mineral Asset

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

- 6.3. According to the VALMIN Code definitions (on page 38), the Bald Hill Mine can be classified as a Pre-Development Project which includes properties on care and maintenance. The surrounding exploration assets are considered Early Stage to Advanced Exploration Projects.<sup>112</sup>
- 6.4. I have valued the Bald Hill Mine and exploration assets using appropriate methodologies from Table 10 as described below and applying the following general assumptions: the mineral rights, tenement security and statutory obligations were fairly stated, other regulatory approvals for exploration or potential future mining are either active or will be obtained in the required and expected timeframes, and the owners of the asset can obtain the required funding to maintain tenure and advance exploration. My valuation relates only to the Mineral Assets of the Alita Group and not the company nor its shares or its market value. To value the Bald Hill Mine and the exploration assets I considered more than one method, as the VALMIN Code requires.<sup>113</sup>
- 6.5. The valuation of the plant and equipment was undertaken on a salvage basis and going concern

<sup>&</sup>lt;sup>112</sup> The VALMIN Code at page 38.

<sup>&</sup>lt;sup>113</sup> The VALMIN Code at page 29.



basis. The salvage value was a percentage of new costs, taking into consideration the condition of the plant and equipment as seen during the site visit. No comparable plant and equipment transactions were identified.<sup>114</sup>

- 6.6. The valuation of any mineral property is subject to several critical inputs which change over time and this valuation is using information available as at 25 June 2021. This valuation may change due to various aspects including, but not limited to updates in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the property, the current and future commodity prices, exchange rates, and political, social and environmental aspects of a possible development.<sup>115</sup>
- 6.7. There are several valuation methods that are suitable for advanced properties: financial modelling including discounted cash flow (**DCF**) valuations (generally limited to properties with current Ore Reserves); comparable market transactions including Mineral Resource and Ore Reserve multiples; and thirdly, yardstick valuations.<sup>116</sup>
- 6.8. There are also several common ways to determine the potential of earlier stage (pre-Mineral Resource) exploration properties: comparable transactions (purchase or Joint Venture (**JV**)) based on the area of the properties; a geoscientific (Kilburn) method; and thirdly, application of a prospectivity enhancement multiplier (**PEM**).<sup>117</sup>

### Valuation of the Bald Hill Mine

- 6.9. As there are no current Ore Reserves estimated for the Mine,<sup>118</sup> I do not consider an income-based valuation approach is suitable as a valuation method. There are significant Modifying Factors that impact the viability and economic returns of a potential mining operation. Until updated Modifying Factors are identified and quantified by additional studies, typically completed as a part of an Ore Reserve estimation, it is my opinion that any assumptions in critical Modifying Factors could, and often would, have a material impact on a valuation using an income-based approach.
- 6.10.1 have undertaken my valuation based on comparable market transactions, including those related to properties with reported Mineral Resource estimates, and have checked this approach considering a yardstick valuation (see paragraphs 6.30 to 6.38).
- 6.11. In Approach 1A, I have undertaken comparable transactions analysis based on information supplied by a subscription database commonly used by the industry to assist in transaction research, the S&P Global database. Approach 1B includes a review of commercial and technical information supporting the S&P Global database inputs to modify the comparable transactions, including reviewing the announcements and assessing the likelihood of any staged payments,

<sup>&</sup>lt;sup>114</sup> SandP Asset M and A Li Australia Dec 15 to Dec 20 AUD (S&P Global (2021d)) .

<sup>&</sup>lt;sup>115</sup> The VALMIN Code at page 17.

<sup>&</sup>lt;sup>116</sup> The VALMIN Code at page 28.

<sup>&</sup>lt;sup>117</sup> The VALMIN Code at page 29.

<sup>&</sup>lt;sup>118</sup> SRK 2020 Valuation at page 1.



normalising transactions for lithium prices and considering the underlying Mineral Resources. This forms the basis of my preferred valuation. In Approach 2, I have conducted a yardstick valuation by means of a cross check or secondary valuation technique.

- 6.12. In Approach 1A, I undertook comparable transactions research to identify recent market transactions (five years prior to June 2021) relating to Mineral Assets that may be considered similar to Bald Hill in terms of mineralisation style and stage of advancement. Using S&P Global, I reviewed lithium Mineral Asset transactions that had taken place over the past five years in Australia, which included 91 property transactions from exploration stage through to operations.<sup>119</sup> Most of the transactions occurred in the period 2016 to 2018, particularly for pre-development properties, reflecting the buoyant lithium market at that time. Fewer pre-development properties transacted when the lithium market was depressed. I did not include S&P Global lithium company transactions as I am not expert in valuing shares or securities and do not hold an Australian Financial Services Licence that the VALMIN Code requires in this regard. I am not expert in valuing restart costs, but I believe these costs would be inherent in transaction values for properties with Mineral Resource estimates recognising there is additional cost to develop projects further or for potential restart of properties on care and maintenance.
- 6.13. Of these 91 Mineral Asset transactions, four properties included metrics related to purchase of Mineral Resources, and in one case with Ore Reserves, where details of the transaction were sufficient for S&P Global to include a calculation of 'Price paid per tonne lithium resource'. These related to Wodgina, Mt Marion, Lynas Find and Mt Holland.<sup>120</sup> I considered the primary commodity (lithium) rather than including any equivalent values (for tantalum, etc.). Key transaction metrics for these four transactions sourced from S&P Global are presented in Table 11.

<sup>&</sup>lt;sup>119</sup> S&P Global 2021d.

<sup>&</sup>lt;sup>120</sup> VRM Asset M and A Li Australia Dec 15 to Dec 20 AUD\_with valuation June21 and Li Comparables (Outlook item) (VRM, 2021).



Table 11 – Comparable transactions summary metrics for Pre-Development Projects between 2016 and 2021 to inform valuation as at 25 June 2021 (Source: VRM 2021)

Item	Units		Wodgina	Mt Marion	Lynas Find	Mt Holland
Agreement Date	DD/MM,	/ΥΥΥΥ	14/12/2018	21/12/2018	06/10/2016	12/07/2017
S&P Global Deal Value Announcement	AUD\$M		1,892.54	103.80	8.00	37.22
Equity Acquired	Percenta	ge	60%	13.8%	100%	50%
Lithium Ore Reserves Acquired	Tonnes		1,068,000	NA	NA	NA
Lithium Ore Reserves and Mineral Resources Acquired	Tonnes		1,819,680	134,688	91,000	919,500
Development Stage	S&P Terms	Global	Operating	Operating	Reserves Development	Pre-feasibility/ Scoping
Price paid per tonne lithium Ore Reserve	AUD\$/t		1,772.04	NA	NA	NA
Price paid per tonne lithium Ore Reserve and Mineral Resource	AUD\$/t		1,040.04	770.67	87.91	40.47

- 6.14. Based on the price paid per tonne of lithium this results in a wide range of transaction values from AUD\$40 to AUD\$1772/t contained lithium in Mineral Resource and Ore Reserve for these four properties. However, the S&P Global analysis does not account for variations in the lithium price/market and differing interpretations of the transaction value and underlying Mineral Resource estimate can be made. I have undertaken this analysis forming Approach 1B.
- 6.15. In my view it is preferable to normalise the transactions against a lithium price to account for market variation. I have applied a Lithium Carbonate – Global Average monthly price to make this adjustment as this provides a consistently reported monthly price that is captured by S&P Global as shown in Figure 8. The Lithium Carbonate – Global Average monthly price for June 2021 was AUD\$14,428.96/t.<sup>121</sup>
- 6.16.1 have normalised the transactions considering the month it was first announced to the market, as I believe this reflects the market at that time rather than the transaction completion date, which could be some months later when the market may have changed.
- 6.17. A summary of the transactions is provided below with comments as to comparability and how I interpret the announcements and reported Mineral Resource estimates at the transaction announcement date. Key transaction metrics for these four transactions based on my analysis and

<sup>&</sup>lt;sup>121</sup> S&P Global 2021b at page 1.



interpretation are presented in Table 12.<sup>122</sup>

- 6.18. The agreement to purchase <u>Wodgina</u> was announced on 14 December 2018 by Albermarle Corporation (NYSE: ALB) (Albermarle). Albermarle signed an agreement with Mineral Resources Limited (ASX: MIN) (MRL) to acquire a 50% interest in all mineral rights (other than iron ore and tantalum), and certain property, plant and infrastructure in the project for a purchase price of US\$1.15 billion. As this transaction included significant Ore Reserves and Mineral Resources and as well as JV rights to future lithium production, it is considered more advanced and complex in terms of other non-mineral assets and is therefore not considered comparable. By the time the deal concluded on 31 October 2019, market conditions led to the Wodgina mine being placed on care and maintenance.<sup>123</sup>
- 6.19. The <u>Mt Marion</u> transaction was announced by MRL on 21 December 2018, whereby MRL and Gangfeng Lithium Co., Ltd (**Ganfeng**) executed a sale agreement to jointly acquire the 13.8% equity interest owned by Neometal Ltd (ASX: NMT) (**Neometal**) in Mt Marion for an aggregate AUD\$103.8million. The Mt Marion Total Mineral Resource estimate at the time was 71.3Mt at 1.37% Li<sub>2</sub>O reported above a cut-off grade of 0.5% Li<sub>2</sub>O as at 1 October 2018 (MRL's ASX announcement dated 31 October 2018). Mt Marion is an operating mine with no reported Ore Reserves and the Mineral Resource estimate is considerably larger than that at Bald Hill. In my opinion it is not directly comparable.<sup>124</sup>
- 6.20.The Lynas Find acquisition by Pilbara Minerals Ltd (ASX: PLS) (Pilbara) was announced to the ASX on 6 October 2016. Pilbara's binding agreement to acquire 100% of the Lynas Find Lithium Project comprised a granted tenement package that included the Lynas Find Total Mineral Resource estimate for AUD\$4 million. An additional AUD\$1 million payment was contingent on granting of an extension term of a key lease. Pilbara agreed to purchase four other exploration tenement applications for \$750,000 each on granting of these licences. The Lynas Find Project directly adjoins Pilbara's Pilgangoora Lithium-Tantalum Project and the Mineral Resource estimate was first reported by Dakota Minerals (ASX: DKO) (Dakota) on 5 October 2016 as at September 2016. The total Mineral Resource estimate of 7.3Mt at 1.25% Li<sub>2</sub>O had no lower cut-off grade applied, instead using geological boundaries and all material within the pegmatite bodies. Various cut-off grades were also reported with total Mineral Resource estimates of 7.0Mt at 1.28% Li<sub>2</sub>O reporting above a 0.3% Li<sub>2</sub>O cut-off and 6.3Mt grading at 1.38% Li<sub>2</sub>O reporting above a 0.5% Li<sub>2</sub>O cut-off. I have assumed a total transaction value of AUD\$8 million and applied the Mineral Resource estimate above a 0.3% Li<sub>2</sub>O cut-off for consistency with Bald Hill.<sup>125</sup>
- 6.21. The <u>Mt Holland</u> acquisition of 12 July 2017 related to the announcement of a 50:50 JV between Kidman Resources Limited (ASX: KDR) (Kidman) and Sociedad Química y Minera de Chile S.A

<sup>&</sup>lt;sup>122</sup> VRM, 2021.

<sup>&</sup>lt;sup>123</sup> Execution of agreement to facilitate sale of 50% of Wodgina and joint venture with Albermarle. ASX

Announcement by Mineral Resources Limited dated 14 December 2018; and Albermarle Announces Completion of Lithium Joint Venture with Mineral Resources Limited dated 31 October 2019.

<sup>&</sup>lt;sup>124</sup> Acquisition of additional equity in Mt Marion Lithium Project. ASX announcement by Mineral Resources Limited dated 21 December 2018.

<sup>&</sup>lt;sup>125</sup> Pilbara Minerals to acquire adjoining Lynas Find Lithium Project from Dakota Minerals. ASX announcement by Pilbara Minerals Limited dated 6 October 2016.



(**SQM**) to 'develop and operate the world-class Mt Holland Lithium Project as well as to develop a proposed downstream lithium refinery operation in WA'. SQM agreed to make a cash payment of AUD\$40 million, and a staged payment of AUD\$106.67 million to fund initial costs of project development (including completion of feasibility studies, mine development and construction and design and study phases of the proposed refinery). The JV was to be quickly established but contingent on certain conditions and approvals.<sup>126</sup>

6.22.1 have assumed that the value of this acquisition includes the cash payment of AUD\$40 million and the staged payment of AUD\$106.67 million. This is different to the S&P Global database that included only the cash payment.

Table 12 – Comparable transactions summary metrics for Pre-Development projects between 2016 and 2021 to inform valuation as at 25 June 2021 (normalised/analysed by Deborah Lord)

Item	Units	Wodgina	Mt Marion	Lynas Find	Mt Holland
Agreement Date	DD/MM/YYYY	14/12/2018	21/12/2018	06/10/2016	12/07/2017
VRM Calculated Deal Value Announcement	AUD\$M	1,892.54	103.80	8.00	146.67
Equity Acquired	Percentage	60%	13.8%	100%	50%
Lithium Ore Reserves Acquired	Tonnes	1,068,000	NA	NA	NA
Lithium Ore Reserves and Mineral Resources Acquired	Tonnes	1,819,680	134,688	89,600	919,500
Development Stage	S&P Global Terms	Operating	Operating	Reserves Development	Pre-feasibility/ Scoping
VRM Price paid per tonne lithium Ore Reserve	AUD\$/t	1,772.04	NA	NA	NA
VRM Price paid per tonne lithium Mineral Resource	AUD\$/t	1,040.04	770.67	89.29	159.51
Commodity price at transaction date	Lithium Carbonate – Global Ave (AUD\$/t)	17,319.96	17,319.96	14,861.44	18,579.15
Commodity price at Valuation Date	Lithium Carbonate – Global Ave (AUD\$/t)	14,428.96	14,428.96	14,428.96	14,428.96
Normalised price paid per lithium Ore Reserve	AUD\$/t	1,476.26	NA	NA	NA
Normalised price paid per lithium Mineral Resource	AUD\$/t	866.44	642.03	86.69	123.88

<sup>&</sup>lt;sup>126</sup> Kidman and SQM to Form Joint Venture to Develop Mt Holland Lithium Project. ASX announcement by Kiman Resources dated 12 July 2017.



- 6.23.Considering the normalised price paid per tonne of lithium Mineral Resources (not Ore Reserves, i.e. excluding Wodgina) this results in a wide range of comparable transaction values from AUD\$86.69/t to AUD\$642.03/t based on these properties, with the average of the three being AUD\$284.20/t.
- 6.24.As Mt Marion was an operating mine at the time of the transaction, I consider it to be a more advanced stage project.<sup>127</sup> I have therefore selected the average of the lower two transactions of AUD\$105.28/t contained lithium in resource to calculate the Preferred Valuation.
- 6.25.As stated in Table 5, the 2018 reported lithium Mineral Resource estimates at Bald Hill totalled 26.5Mt at a grade of 0.96% Li<sub>2</sub>O for total of 255,200 contained lithium tonnes above a 0.3% Li<sub>2</sub>O cut-off. This size falls within the range of tonnes of lithium resources acquired in property transactions listed in Table 12.
- 6.26.The lower and upper values were determined as being +/- 30% of this as this is the level of uncertainty I believe based on my experience is typically associated with Mineral Resources.<sup>128</sup> As noted in paragraphs 4.10 and 4.11 this aligns with other consultants guidance on Mineral Resource uncertainty.<sup>129</sup> This results in a valuation range for the Bald Hill Lithium Mine (on care and maintenance) <u>Mineral Resource estimate from a Low Value of AUD\$18.8 million to a High Value of AUD\$34.9 million, with a Preferred Value of AUD\$26.9 million.</u>
- 6.27.As stated in Table 9, the reported lithium Exploration Target estimates at Pegmatite 3 West at Bald Hill ranges from 17Mt to 24Mt at 1.25% Li<sub>2</sub>O and 1.40% Li<sub>2</sub>O for a total ranging between 212,500 and 336,000 contained lithium tonnes.<sup>130</sup> The mid-point of the Exploration Target is 274,250 contained lithium tonnes. As this Exploration Target has had limited drill testing (13 to 17 drill holes) there is significant risk associated with this mineralisation.<sup>131</sup> In addition, considerable drilling will be required to determine whether a Mineral Resource can be estimated. In my view, the stated Li<sub>2</sub>O grade also appears to be optimistic given that the Mineral Resource and Ore Reserve estimates both report at a lower grade.<sup>132</sup>
- 6.28.Considering the normalised price paid per tonne of lithium resource used to value the Mineral Resource estimate, I believe that this should be significantly discounted before it could be considered appropriate to apply to an Exploration Target estimate. I have elected to apply a 75% discount to the comparable transaction metrics to generate a valuation for the Exploration Target to account for the risk associated with mineralisation that is conceptual in nature and for which there has been insufficient exploration to estimate a Mineral Resource.<sup>133</sup> This discount also recognises that only 13 to 17 drill holes inform the Exploration Target estimate (refer to Table 9) whereas more than 700 drill holes inform the Mineral Resource estimate<sup>134</sup>, reflecting the

<sup>&</sup>lt;sup>127</sup> See Table 2 this Report.

<sup>&</sup>lt;sup>128</sup> The JORC Code at page 13.

<sup>&</sup>lt;sup>129</sup> SRK (2020a) at page 152.

<sup>&</sup>lt;sup>130</sup> Alliance (2019) at page 1.

<sup>&</sup>lt;sup>131</sup> Alliance (2019) at page 9.

<sup>&</sup>lt;sup>132</sup> Alliance (2018) at pages 2 and 4.

<sup>&</sup>lt;sup>133</sup> The JORC Code at page 9.

<sup>&</sup>lt;sup>134</sup> Tawana (2018) at page 14.



significant exploration effort that may be required to confirm whether a Mineral Resource can be estimated or not.<sup>135</sup> This results in a valuation range for the Bald Hill Lithium Mine <u>Exploration</u> <u>Target estimate from a Low Value of AUD\$5.1 million to a High Value of AUD\$9.4 million, with a Preferred Value of AUD\$7.2 million</u>.

- 6.29. This results in a total valuation for the Bald Hill Lithium Mine from a Low Value of AUD\$23.9 million to a High Value of AUD\$44.3 million, with a Preferred Value of AUD\$34.1 million.
- 6.30.As a secondary technique, I have elected to apply a yardstick method (**Approach 2**). In my view, a yardstick method is generally used a cross check and can be a useful secondary valuation technique to support a valuation generated by a comparable transactions method. It is based on a percentage of the current commodity price and is more typically used for traded commodities such as gold. For products such as iron ore or lithium, where sales contracts can be product specific and individual project value drivers may not be so readily considered, the yardstick method may be too simplistic. Nonetheless I consider it useful to confirm that the market transactions provide a reasonable valuation.
- 6.31. Typical yardstick values range from 0.5% to 10% of the commodity price and differ according to the related uncertainty of the defined mineralisation. The yardstick multiples that I have applied are summarised in Table 13, noting that the Ore Reserve estimates are not considered current and Measured Mineral Resources are not reported.

Mineral Resource or Ore Reserve classification	Lower multiple (proportion of concentrate price)	Higher multiple (proportion of concentrate price)
Ore Reserves estimates	5.0%	10.0%
Measured Mineral Resources	2.0%	5.0%
Indicated Mineral Resources	1.0%	2.0%
Inferred Mineral Resources	0.50%	1.0%
Exploration Targets	0.10%	0.25%

Table 13 – Yardstick multiples applied in Approach 2

- 6.32.In order to generate a yardstick value, I have considered the Alliance (2018) estimate (Table 3) to inform the higher valuation and the Tawana (2017) estimate (Table 5)(being essentially the same size at a higher cut-off as noted above Table 5) to inform the lower valuation. I have taken this approach as I am concerned that the Alliance (2018) Mineral Resource estimate may now be based on assumptions that might no longer be current, such as the assumed spodumene price.
- 6.33.In this case the yardstick approach is applied against a 6% Li<sub>2</sub>O spodumene concentrate price. I used the average assessed price for the month ending 30 June 2021 for spodumene CIF China 6% Li<sub>2</sub>O between USD\$690-750/t being USD\$720/t.<sup>136</sup> I converted this to Australian dollars at an exchange rate of 0.7594 at 25 June 2021 to AUD\$948/t.<sup>137</sup>

<sup>&</sup>lt;sup>135</sup> The JORC Code at page 10.

<sup>&</sup>lt;sup>136</sup> Fastmarkets, 2021a at page 2.

<sup>&</sup>lt;sup>137</sup> https://www.xe.com/



- 6.34.The Bald Hill Mineral Resource estimate is reported at approximately 1% Li<sub>2</sub>O and therefore consideration needs to be paid to upgrade or concentrate the material to achieve a 6% Li<sub>2</sub>O product. I have used the respective Mineral Resource reported tonnes multiplied by a factor to account for this upgrade. The factor is the stated lithium grade (% Li<sub>2</sub>O) divided by the required product grade (6% Li<sub>2</sub>O) to determine the amount of concentrate product that could be obtained.<sup>138</sup>
- 6.35.1 have also considered the metallurgical recovery of lithium into the concentrate product by reference to the 2018 Mineral Resource estimates announcement.<sup>139</sup> That announcement included JORC Code Table 1 documentation of metallurgical factors or assumptions relating to bulk samples at the time. A 3,887 kg bulk sample returned a net recovery of 84.9% after considering lithium contained in fines and rejects.<sup>140</sup>
- 6.36.These two factors (upgrade factor and recovery) were applied to calculate '6% Li<sub>2</sub>O concentrate tonnes', which are then multiplied by the percentage of the commodity price relating to the classification of the Mineral Resource or Exploration Target to estimate a value. I have therefore calculated a lower valuation based on the Indicated and Inferred contained tonnes of lithium from the Tawana (2017) estimate and the high value based on the Indicated and Inferred contained tonnes of lithium from the Alliance (2018) estimate. For the Exploration Target, I have calculated a lower valuation based on the Exploration Target Lower contained tonnes of lithium and a higher valuation based on from the Exploration Target Upper contained tonnes of lithium. Each of these were converted to total 6% Li<sub>2</sub>O concentrate tonnes (Total 6% Li<sub>2</sub>O conc.) as shown in Table 14.

Table 14 – Calculation of total  $Li_2O$  6% concentrate tonnes for use in yardstick multiples for Approach 2

			Indicated Mineral Resources			Inferred Mineral Resources			
	Cut-off (% Li <sub>2</sub> O)	Tonnes (Mt)	Grade (% Li <sub>2</sub> O)	Total Li₂O (t)	Total 6% Li₂O conc. (Mt)	Tonnes (Mt)	Grade (% Li <sub>2</sub> O)	Total Li₂O (t)	Total 6% Li₂O conc. (Mt)
2018 MRE	0.3	14.4	1.02%	147,200	2.45	12.1	0.90%	108,000	1.54
2017 MRE	0.5	4.6	1.25%	57,100	0.96	8.2	1.14%	94,300	1.32
						Exploration	Target		
Lower	0.8					17	1.40%	238,000	3.37
Upper	0.5					24	1.25%	300,000	4.25
Midpoint						20.5	1.31%	269,000	3.81

6.37.Based on this approach I have calculated a valuation range for the Bald Hill Lithium Mine Mineral Resource (Indicated and Inferred) estimate from a Low Value of AUD\$23.0 million to a High Value of AUD\$45.8 million, with a Preferred Value of AUD\$34.4 million. For the Exploration Target, this results in a valuation range from a Low Value of AUD\$5.6 million to a High Value of AUD\$7.0 million, with a Preferred Value of AUD\$6.3 million as shown in Table 15.

<sup>&</sup>lt;sup>138</sup> Alliance (2018) at page 2.

<sup>&</sup>lt;sup>139</sup> Alliance (2018) at page 1.

<sup>&</sup>lt;sup>140</sup> Alliance (2018) at page 29.



Table 15 – Calculation of total yardstick values for Indicated and Inferred Mineral Resources and Exploration Target using Approach 2

Mineral Resource Estimate	Yardstick Low	Yardstick High	Total 6% Li <sub>2</sub> O conc. (Mt)	Spodumene price (AUD\$/t)	Low (AUD\$M)	Mid (AUD\$M)	High (AUD\$M)
2018 MRE						High Valuation	
Indicated	1.0%	2.0%	2.45	948.12	23.2	34.8	46.4
Inferred	0.5%	1.0%	1.54	948.12	7.3	11.0	14.6
Exploration Target (Upper)	0.1%	0.25%	4.25	948.12	4.0	7.0	10.1
Total						52.8	
2017 MRE						Low Valuation	
Indicated	1.0%	2.0%	0.96	948.12	9.1	13.6	18.2
Inferred	0.5%	1.0%	1.33	948.12	6.3	9.4	12.5
Exploration Target (Lower)	0.1%	0.25%	3.37	948.12	3.2	5.6	8.0
Total						28.6	
					Р	referred Valuatio	on
Indicated Mineral Resource						24.2	
Inferred Mineral Resource						10.2	
Exploration Target						6.3	
Total						40.7	

6.38.Overall, this method results in a total valuation for the Bald Hill Lithium Mine from a Low Value of AUD\$28.6 million to a High Value of AUD\$52.8 million, with a Preferred Value of AUD\$40.7 million.

### Valuation of exploration assets

- 6.39.As noted above there are several common ways to value exploration properties, including comparable transactions based on the area of the properties, a geoscientific (Kilburn) method and application of a prospectivity enhancement multiplier (**PEM**) based on previous expenditure. As I was not provided previous exploration expenditure, I used the other two approaches.
- 6.40.My comparable transactions analysis is based on information supplied by the S&P Global database. Ten transactions were identified that related to properties I considered Early Stage to Advanced Exploration Projects (those being classified as 'Exploration', 'Grassroots' and 'Target outline' stages according to the S&P Global categories) with sufficient information to undertake an analysis.
- 6.41. The eight transactions were for the Kathleen Valley, Nardoo, Poona, Mallina (two transactions), Cowan, Lake Cowan and Greenbushes South properties. The properties are all pegmatite-hosted



lithium occurrences located in WA.<sup>141</sup> The summary transaction metrics for the other properties are presented in Table 16.

Table 16 – Comparable transactions summary metrics for Early Stage to Advanced Exploration Projects between 2016 and 2021 to inform valuation as at 25 June 2021 (Source: VRM, 2021)

Item	Units	Kathleen Valley	Nardoo	Poona	Greenbushes South	Mallina 1 Mallina 2	Cowan	Lake Cowan
Completion Date	Date	27/11/17	25/03/20	17/06/20	13/01/21	04/02/17 24/01/19	03/03/17	03/03/17
Deal Value (100% basis)	AUD\$M	0.30	0.19	0.27	0.56	0.79 0.10	2.17	0.27
Equity Acquired	%	100%	100%	90-100%	80%	80% 100%	100%	100%
Tenement Area Acquired	km <sup>2</sup>	75	112	247	353	871871	774	410
Development Stage	S&P Terms	Target Outline	Exploration	Target Outline	Exploration	Target Outline	Target Outline	Target Outline
Price paid per Tenement Area	AUD\$/km <sup>2</sup>	4,000	1,696	1,111	1,593	904 115	2,804	662
Commodity price at Transaction Date	Lithium Carbonate – Global Average (AUD\$/t)	20,890	11,655	10,047	10,032	16,115 17,938	16,081	16,081
Commodity price at Valuation Date	Lithium Carbonate – Global Average (AUD\$/t)	14,429	14,429	14,429	14,429	14,429	14,429	14,429
Normalised Price paid per Tenement Area	AUD\$/km <sup>2</sup>	2,763	2,100	1,595	2,292	810 92	2,516	594

- 6.42.Considering the normalised price paid per square kilometre tonne of tenure, this results in a wide range of comparable transactions values from AUD\$92 to AUD\$2,516 per square kilometre based on these eight property transactions, with an average of AUD\$1,595 or a median of AUD\$1,848 per square kilometre.
- 6.43.As stated in Table 5, the Bald Hill Mine includes a number of tenements with the key leases relating to the mineral asset comprising 12 granted Exploration Licences, four granted Mining Leases and seven Prospecting Licences.<sup>142</sup> One Exploration Licence (E15/1161) now covered by Mining Lease applications (M15/1840 and M15/1841) along with the main Mining Lease (M15/400) contain the Bald Hill Mine and have been valued by reference to the Mineral Resource and Exploration Target addressed as Question 1 part a).<sup>143</sup>

<sup>&</sup>lt;sup>141</sup> VRM, 2021.

<sup>&</sup>lt;sup>142</sup> Table 5 in this Report.

<sup>&</sup>lt;sup>143</sup> Mineral Resource in Alliance (2018) and Exploration Target in Alliance (2019).



- 6.44. The remaining leases form the exploration assets that are valued as Question 1 part b. I have calculated that these leases have a combined total tenement area of approximately 743 square kilometres (74,300 hectares), which is based on conversion of one block of exploration tenure being approximately 3.2 square kilometres.<sup>144</sup> General, miscellaneous and retention leases and licences were not valued as exploration tenure as these relate to infrastructure. I was instructed to assume that none of the tenements forming the mineral assets of the Alita Group had been forfeited or had expired as at 24 June 2021.<sup>145</sup>
- 6.45.1 have applied the median value of AUD\$1,595 per square kilometre to the total tenement area of 743 square kilometres to calculate a value of AUD\$1.4 million. The lower and upper values were determined as being +/- 50% of this as this is the level of uncertainty that I believe is typically associated with exploration assets.<sup>146</sup> As noted in paragraph 4.8 this may be even more certain that the guidance provided by other consultants Exploration Target uncertainty.<sup>147</sup> This results in a valuation range for the Alita exploration assets from a Low Value of AUD\$0.7 million to a High Value of AUD\$2.1 million, with a Preferred Value of AUD\$1.4 million.
- 6.46.As a secondary technique I have elected to apply a geoscientific (Kilburn) method (**Approach 2**). This geology-based valuation technique ranks the potential of an economic mineralised system being outlined within specific tenements. The tenements are ranked according to the occurrence of a mineral system along strike from tenements being evaluated, the occurrence of a significant mineral system being already delineated within the tenements, the presence of anomalous results within the tenements and the geological potential within the tenements. All these factors are ranked and an overall multiple of the base acquisition cost (being the cost of the rent plus the annual exploration commitment for the tenements being valued).<sup>148</sup>
- 6.47.The technical valuation as derived by the Kilburn valuation is then discounted to allow for the lithium market and in some cases, other risks such as geopolitical or environmental risks can also be considered. A discount of 20% has been applied for the investment attitude to lithium projects as at 25 June 2021, based on the fluctuating lithium price discussed above that may influence cautious exploration investment in this commodity. No discount was applied for geopolitical or other risks, although it is noted that I was instructed to assume that tenure was current.
- 6.48.Table 17 outlines the Kilburn valuation criteria used in this valuation, while Table 18 details the Kilburn valuation criteria of the project. The factors applied to each tenement are detailed in Appendix D. The geoscientific or Kilburn valuation of the exploration assets results in a valuation range for the Alita exploration assets from a Low Value of AUD\$1.9 million to a High Value of AUD\$4.5 million, with a Preferred Value of AUD\$3.2 million.

<sup>&</sup>lt;sup>144</sup> Mining Amendment Bill 2012 [online]. Available at:

https://www.parliament.wa.gov.au/Hansard%5Chansard.nsf/0/10202d1a9e72d44648257afc001dfe51/\$FILE/C38%20S1 %2020120920%20p6248b-6253a.pdf.

<sup>&</sup>lt;sup>145</sup> Refer to Appendix A this Report.

<sup>&</sup>lt;sup>146</sup> The JORC Code at page 10.

<sup>&</sup>lt;sup>147</sup> SRK (2020) at page 152.

<sup>&</sup>lt;sup>148</sup> Refer to Table 5 of this Report.



Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor
0.1				Generally unfavourable geological setting
0.5			Extensive previous exploration with poor results	Poor geological setting
0.9			Poor results to date	Generally unfavourable geological setting, under cover
1.0	No known mineralisation in district	No known mineralisation within	No targets defined	Generally favourable geological setting
1.5	Mineralisation identified	Mineralisation identified	Target identified; initial indications positive	
2.0	Resource targets	Exploration targets		Favourable geological
2.5	identified	identified	Significant intersections	setting
3.0	Along strike or	Mine or abundant	<ul> <li>not correlated on section</li> </ul>	Mineralised zones
3.5	mineralisation	previous production	Several significant ore	prospective host rocks
4.0	Along strike from a major mine(s)	Major mine with significant historical	grade intersections that can be correlated	
5.0	Along strike from world-class mine	production		

### Table 17 – Ranking criteria used to determine the geoscientific technical valuation

Table 18 – Geoscientific technical valuation summary by tenement for Bald Hall Mine

Tenement	BAC (AUD\$)	Lower (AUD\$M)	Preferred (AUD\$M)	Upper (AUD\$M)
E 15/1058	75,535	0.08	0.18	0.27
E 15/1066	84,145	0.08	0.14	0.20
E 15/1067	84,145	0.08	0.14	0.20
E 15/1162	51,845	0.17	0.30	0.44
E 15/1166	53,075	0.10	0.16	0.22
E 15/1212	76,150	0.37	0.55	0.72
E 15/1353	151,830	0.37	0.67	0.97



Tenement	BAC (AUD\$)	Lower (AUD\$M)	Preferred (AUD\$M)	Upper (AUD\$M)
E 15/1492	93,075	0.15	0.27	0.38
E 15/1493	47,450	0.05	0.08	0.11
E 15/1555	30,000	0.03	0.05	0.07
E 15/1556	30,000	0.03	0.05	0.07
M 15/1305	11,960	0.13	0.23	0.33
M 15/1308	11,860	0.13	0.23	0.33
M 15/1470	48,000	0.05	0.08	0.12
P 15/5862	2,033	0.00	0.00	0.00
P 15/5863	7,783	0.01	0.01	0.02
P 15/5864	4,042	0.00	0.01	0.01
P 15/5865	2,048	0.00	0.00	0.00
P 15/6353	6,450	0.01	0.01	0.02
P 15/6354	6,493	0.01	0.01	0.02
P 15/6355	6,493	0.01	0.01	0.02
Final Value (AUD\$ million)		1.9	3.2	4.5

Note: Appropriate rounding has been undertaken. BAC = base acquistion cost.

# Valuation of plant and infrastructure

6.49.Refer to Appendix C of this Report.



# 7. <u>Conclusions</u>

- 7.1. I am instructed to provide my opinion on the fair market value of the assets of the Alita Group as at 25 June 2021, including the Bald Hill Mine, the exploration assets and the plant and equipment (on a salvage basis and a going concern basis). I have been told to assume that none of the tenements had been forfeited or had expired as at 24 June 2021.
- 7.2. For the Bald Hill Mine, I identified three properties to form my opinion of the fair market value considering comparable transactions relating to similar lithium deposits with Mineral Resource estimates at the time of the transaction. These were used to inform a market-based valuation of the Bald Hill Mine Mineral Resource estimate as previously reported by Alliance in 2018. A secondary valuation was developed based on a yardstick approach, but this was not the preferred method as I consider that a comparable transactions approach better reflects market value.
- 7.3. Also, within the Bald Hill Mine area, Alliance reported an Exploration Target estimate (Table 9) that has had limited drill testing. While there is significant risk that this may not convert to a Mineral Resource and considerable drilling will be required to determine whether a Mineral Resource can be estimated, this represents an immediate target for future exploration and contributes to the market value, in my view. Discounted comparable transaction metrics were applied to generate a valuation for the Exploration Target reflecting the conversion risk.
- 7.4. To value the surrounding exploration ground, I have undertaken comparable transactions analysis on an area basis for similar exploration properties. An alternate valuation method was also used, based on a geoscientific/Kilburn approach. In my opinion, the geoscientific based valuation is more valid as this reflects the prospectivity of the exploration ground rather than simply the area of the licences.
- 7.5. The value of the process plant, plant infrastructure and camp was prepared by Peter Rooke of Dalesford Pty Ltd, Associate to VRM, as I am not expert in this area. The estimates are based on a market-based method bearing in mind the condition of the facilities that were inspected on 13 July 2021. The costs for refurbishment or upgrade of the facilities were not estimated, nor were the costs of replacing missing facilities or items of equipment or store stocks. The upgrade and replacement equipment will require a more detailed study over a longer period of time. The Process Design has not been reviewed.
- 7.6. The fair market value of the Bald Hill Mine, the exploration assets and the plant and equipment is summarised in Table 19.



Table 19 – Summary of fair market value of Bald Hill Mine, exploration assets, plant and equipment

Asset	Low (AUD\$M)	Preferred (AUD\$M)	High (AUD\$M)
Mineral Resource estimate	18.8	26.9	34.9
Exploration Target estimate	5.1	7.2	9.4
Exploration tenure	1.9	3.2	4.5
Plant & equipment (going concern)	8.1	12.5	16.9
Plant & equipment (salvage)	1.4	2.1	3.0

7.7. This results in a total valuation estimate for the Bald Hill Mine, exploration assets, plant and equipment (going concern basis) from a Low Value of AUD\$33.9 million to a High Value of AUD\$65.7 million, with a Preferred Value of AUD\$49.8 million or a total valuation estimate for the Bald Hill Mine, exploration assets, plant and equipment (salvage basis) from a Low Value of AUD\$27.2 million to a High Value of AUD\$51.8 million, with a Preferred Value of AUD\$39.5 million.



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## 9. <u>Glossary</u>

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral (www.webmineral.com) and Wikipedia (www.wikipedia.org).

The following terms are taken from the 2015 VALMIN Code:

**Annual Report** means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Australasian means Australia, New Zealand, Papua New Guinea and their off-shore territories.

**Code of Ethics** means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

Corporations Act means the Australian Corporations Act 2001 (Cth).

**Experts** are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

**Exploration Results** is defined in the current version of the JORC Code<sup>149</sup>. Refer to http://www.jorc.org for further information.

**Feasibility Study** means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.

**Financial Reporting Standards** means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

**Independent Expert's Report** means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 119 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

**Information Memoranda** means documents used in financing of projects detailing the project and financing arrangements.

<sup>&</sup>lt;sup>149</sup> JORC Code at page 10



**Investment Value** means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

**Life-of-Mine Plan** means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

**Market Value** means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

**Materiality** or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

**Member** means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

**Mineable** means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

**Mineral Asset** means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

- (a) Early Stage Exploration Projects Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;
- (b) Advanced Exploration Projects Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;
- (c) **Pre-Development Projects** Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made



not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;

- (d) Development Projects Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study;
- (e) **Production Projects** Tenure holdings particularly mines, wellfields and processing plants that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power and other technical requirements spanning commissioning, operation and closure so that mine planning can be undertaken.

**Mine Planning** includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation and closure.

**Mineral** means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

**Mineralisation** means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.

**Mineral Project** means any exploration, development or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

**Mineral Securities** means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

**Mineral Resources** is defined in the current version of the JORC Code<sup>150</sup>. Refer to http://www.jorc.org for further information.

**Mining** means all activities related to extraction of Minerals by any method (e.g. quarries, open cast, open cut, solution mining, dredging etc).

Mining Industry means the business of exploring for, extracting, processing and marketing Minerals.

**Modifying Factors** is defined in the current version of the JORC Code<sup>151</sup>. Refer to http://www.jorc.org for further information.

<sup>&</sup>lt;sup>150</sup> JORC Code at page 11

<sup>&</sup>lt;sup>151</sup> JORC Code at page 8



**Ore Reserves** is defined in the current version of the JORC Code<sup>152</sup>. Refer to http://www.jorc.org for further information.

**Petroleum** means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

**Petroleum Resource** and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. Refer to <u>http://www.spe.org</u> for further information.

**Practitioner** is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.

**Preliminary Feasibility Study (Pre-Feasibility Study)** means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

**Professional Organisation** means a self-regulating body, such as one of engineers or geoscientists or of both, that:

- (a) admits members primarily on the basis of their academic qualifications and professional experience;
- (b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and
- (c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

**Public Presentation** means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade or build good will.

**Public Report** means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

<sup>&</sup>lt;sup>152</sup> JORC Code at page 16



**Quarterly Report** means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

**Reasonableness** implies that an assessment which is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

**Royalty or Royalty Interest** means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

**Securities Expert** are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

**Scoping Study** means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

**Specialist** are persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

**Technical Assessment** is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

**Technical Assessment Report** involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

**Technical Value** is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

**Tenure** is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

**Transparency** or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.



Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report must not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.



# Appendix A - Instruction Letter and Supplementary Brief

25 June 2021

#### Confidential

Email

Ms Deborah Lord Valuation and Resource Management PO Box 1506 WEST PERTH WA 6005

dlord@varm.com.au pdunbar@varm.com.au

Dear Ms Lord

Alita Resources Limited (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement)

- 1. Introduction
- 1.1 We act for Robert Kirman and Robert Brauer (**Deed Administrators**) in their capacities as joint and several deed administrators of Alita Resources Limited (ACN 147 393 735) (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) (**Alita**).
- 1.2 Alita has entered into a deed of company arrangement with Austroid Corporation, a company incorporated in the State of Nevada in the United States of America (**Austroid**). Completion of the DOCA is conditional upon, among other things:
  - the Australian Securities and Investments Commission (ASIC) granting relief for the purposes of section 606 of the *Corporations Act 2001* (Cth) (Corporations Act);
  - (b) the Deed Administrators obtaining leave of the Court pursuant to section 444GA of the Corporations Act to transfer the shares in Alita to Austroid (or its nominee) in consideration for the release of up to the full amount of Austroid's secured debt.
- 1.3 The Deed Administrators intend to file an application in the Supreme Court of Western Australia pursuant to section 444GA(1) of the Corporations Act by Friday, 25 June 2021.
- 1.4 Pursuant to section 444GA(3) of the Corporations Act, the Court will only approve the transfer of the shares in Alita if it is satisfied that the proposed transfer will not unfairly prejudice the interests of members of Alita.

### 2. Instructions

- 2.1 We are instructed to retain you to provide an independent technical expert report (**Report**), which sets out your opinion in response to the questions set out in section 5 and is prepared in accordance with the instructions set out below.
- 2.2 The Report will be provided to the Court in determining whether the proposed transfer of Alita's shares to Austroid will unfairly prejudice the interests of Alita's members for the purposes of the Application.
- 2.3 A copy of the Report will also be provided to Deloitte (which is preparing an independent expert report in relation to the value of Alita in a liquidation). A copy will be made available to ASIC, shareholders of Alita and any other interested party in relation to the Application.

#### Ms Deborah Lord, Valuation and Resource Management

2.4 Please provide your report by **14 July 2021**. Please provide us with a draft of your Report prior to that date.

#### 3. The preparation of your Report

- 3.1 We enclose a copy of the Federal Court's Expert Evidence Practice Note (**Practice Note**), which includes the Harmonised Expert Witness Code of Conduct (**Code**), with this Brief. Your Report should be prepared in accordance with the Code. Whilst the Code is not intended to address all aspects of an expert witness' duties, it is intended to facilitate the admission of opinion evidence and to assist experts to understand in general terms what the Court expects of an expert witness giving opinion evidence.
- 3.2 As an expert witness, you have an overriding duty to assist the Court on matters within your area of expertise. You are not an advocate for a party. Your paramount duty is to the Court and not to the party retaining you (or anyone else).
- 3.3 As noted in the Practice Note, your Report should:
  - (a) include an acknowledgement that you have read and understood the Practice Note, that your Report is prepared in accordance with it, and that you agree to be bound by the Code, provided this is, in fact, the case;
  - (b) include a statement that you are independent from the parties to the Proceeding, or, if you are not independent from the parties to the Proceeding, set out details of your association or connection to the party or parties;
  - (c) identify and state the training, study or experience relevant to the field of expertise upon which the opinion in your Report is predicated;
  - (d) identify the questions that you have been asked to address;
  - (e) identify and attach the documents and other materials that you have been instructed to consider;
  - (f) summarise each of your opinions;
  - (g) set out the reasons for each of your opinions;
  - (h) set out separately each of the factual findings or assumptions on which your opinion is based;
  - (i) distinguish between your opinion and any fact or assumption upon which your opinion is based;
  - (j) make it clear when a particular question or issue falls outside your relevant field of expertise;
  - include any calculations, analyses or other extrinsic matter referred to in your Report;
  - (I) at the end of your Report:

#### Ms Deborah Lord, Valuation and Resource Management

- confirm that all facts, matters, working papers and calculations upon which you have relied have been disclosed and no relevant material has been omitted; and
- (ii) declare (if it is, in fact, the case) that: "I have made all the inquiries that I believe are desirable and appropriate and that no matters of significance that I regard as relevant have, to my knowledge, been withheld from the Court".
- 3.4 To the extent there are any other guides or industry codes that you consider relevant to the preparation of your Report, please identify those and ensure that your Report complies with them.
- 3.5 Please let us know if you have any questions about the Practice Note or the preparation of your Report.

#### 4. Background

- 4.1 Alita is the ultimate parent company of the Alita Group. Alita owns 100% of the shares in Tawana Resources Pty Ltd (ACN 085 166 721) (**Tawana**), which owns 100% of the shares in Lithco No.2 Pty Ltd (ACN 612 726 922) (**Lithco**) (together, the **Alita Group**).
- 4.2 The key asset of the Alita Group is the Bald Hill Lithium and Tantalum Mine (including associated tenements, permits and licences) located in the Eastern Goldfields, Western Australia (**Bald Hill Mine**). We refer to **tab 5**.
- 4.3 On 4 December 2020, Austroid (the secured creditor of the Alita Group) appointed Mr Kirman and Mr Brauer of McGrathNicol as voluntary administrators of the Alita Group. Austroid also appointed Richard Tucker and John Bumbak of KordaMentha as receivers and managers of the Alita Group.
- 4.4 On 13 December 2020, the Deed Administrators obtained from SRK Consulting an "updated addendum" to an earlier valuation report prepared by SRK Consulting for Deloitte. Copies of the SRK updated addendum, the SRK and Deloitte valuation reports, are at **tabs 2 to 4**.
- 4.5 On 23 December 2020, Alita and Austroid executed the DOCA. Austroid, Tawana and Lithco also executed a separate deed of company arrangement, known as the Subsidiary DOCA. The Subsidiary DOCA effectuated on 19 March 2020 with control of these entities returning to the directors.
- 4.6 Also on 23 December 2020, Alita, Tawana and Lithco executed a transfer agreement, pursuant to which Alita transferred all assets used or applied exclusively in the operation of the Bald Hill lithium and tantalum project, including the associated tenements, to Lithco.
- 4.7 Consequently, Alita's remaining asset is its shareholding in Tawana, which in turn owns 100% of the shares in Lithco (which now owns the Bald Hill Mine).

#### 5. Question

- 5.1 Please provide your opinion on the fair market value of the following assets of the Alita Group as at 25 June 2021:
  - (a) the Bald Hill Mine;

#### Ms Deborah Lord, Valuation and Resource Management

- (b) the exploration assets; and
- (c) the plant and equipment (on a salvage and going concern basis).
- 5.2 In answering the question, please assume that none of the tenements had been forfeited or had expired as at 24 June 2021.

#### 6. **Confidentiality**

- 6.1 All documents including notes, records, printouts and drafts created in relation to this matter must be kept strictly confidential and must not be provided to any other person without our written consent. All documents must be made available to us at the completion of your engagement with us or when requested by our client.
- 6.2 Any communications between us, including this letter, are confidential and presently protected by legal professional privilege. We therefore ask that you take all reasonable steps to protect the confidentiality of those communications and do not disclose or discuss the contents of those communications with anyone without our prior consent.
- 6.3 Each page of any written communication provided to us should be marked:

"Draft" and "Privileged and confidential. Prepared for the purposes of legal advice and for use in legal proceedings."

6.4 Any photographs or documents (including file notes) that you prepare for the purpose of providing us with your expert advice should be stored by you in a secure location and each page should be marked:

"Privileged and confidential: Prepared for the purposes of legal advice and for use in legal proceedings."

- 6.5 There may come a time in the Proceeding when legal professional privilege no longer applies, whether by law or because our client has voluntarily elected to waive that privilege.
- 6.6 Nevertheless, we ask that if you are served at any time with a subpoena or other court process that requires you to produce documents recording communications between you and us, you contact us first before producing those documents. This will give us an opportunity to consider whether our client can maintain a valid claim to privilege or whether any claim to privilege has been waived and, if it has not, to make an appropriate application to the Court to oppose production of the privileged material.

Please do not hesitate to contact us if you have any queries.

Yours faithfully

Alistair Fleming, Partner +61 8 9426 8288 afleming@claytonutz.com

Enc Our ref 14887/17761/81011396 Fiona Schmedje, Senior Associate +61 8 9426 8478 fschmedje@claytonutz.com
## CLAYTON UTZ

### INDEX

Tab	Document Description	Date
1	Federal Court of Australia Expert Evidence Practice Note	
2	SRK valuation report	26 November 2019
3	Deloitte valuation report	17 December 2019
4	SRK updated addendum	13 December 2020
5	List of tenements	-

#### Confidential

#### Email

12 July 2021

Ms Deborah Lord Valuation and Resource Management PO Box 1506 WEST PERTH WA 6005 dlord@varm.com.au pdunbar@varm.com.au

#### dlord@varm.com.au

Dear Deborah

## Alita Resources Limited (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement)

#### Background

- 1. We refer to our letter sent on 25 June 2021.
- 2. We also refer to your information request to us dated 1 July 2021 in which you requested the following information:
  - (a) Site layout drawings.
  - (b) Process equipment lists.
  - (c) Infrastructure equipment lists.
  - (d) Infrastructure lists (e.g. buildings, camp, power station, borefield, pipelines etc).

#### **Supplementary Briefing Materials**

- 3. We have been provided with the **enclosed** documents from Austroid. We are instructed that the accuracy and credibility of the documents relating to NPI and Inventory cannot be confirmed (noting that no stocktake has occurred since the Administrators' appointment in 2019 and therefore, it is possible that some items or equipment have been consumed or removed from site). In other words, actual items remaining on site may be less than what is set out in the enclosed documents.
- 4. Please contact us with any queries.

Yours sincerely

Alistair Fleming, Partner +61 8 9426 8288 afleming@claytonutz.com Fiona Schmedje, Senior Associate +61 8 9426 8478 fschmedje@claytonutz.com

Encl.



Index

No.	Item
1	Diagrams
2	Mechanical Equipment List
3	Alita Fixed Asset Register
4	Bald Hill Site Layout
5	Inventory List
6	Non-Process Infrastructure List



## <u>Appendix B - Résumé – Deborah Lord</u>



# DEBORAH LORD

PO Box 1506, West Perth WA 6872 · +61 (0) 402 825 528 dlord@varm.com.au

Deborah has over 30 years' experience in the mineral resources sector in a wide range of roles including governance, management, consulting, independent expert and industry positions. She is a Director of Valuation and Resource Management, consultants in valuation and economic geology focussed on the exploration sector and mineral asset valuation. Between 2015 and 2019 she was BHP Head of Resource Governance, managing the assurance and public reporting of Mineral Resources and Ore Reserves across copper, iron ore, coal and potash global businesses within the BHP Group. She previously worked at SRK Consulting, Placer Dome and WMC Resources. Deborah is a Fellow of the AusIMM and a Member of the Professional Conduct Committee as well as a Member of the AlG who she represents on the VALMIN Committee. She is graduate of the Australian Institute of Company Directors, and Board member of the Centre for Exploration Targeting at the University of Western Australia.

## AFFILIATIONS

## Fellow, AUSIMM

Fellow of the AusIMM and a Member of the Professional Conduct Committee

### Member, AIG

Member of the Australian Institute of Geoscientists and an Executive Member of the VALMIN Committee

## Graduate, AICD

Graduate of the Australian Institute of Company Directors, having completed the Company Directors Course and an alumnus of the AICD Director Pipeline Program

### Director, University of Western Australia - CET

Director of the Strategic Advisory Board for the UWA Centre for Exploration Targeting



## EDUCATION

Bachelor of science, geology (Hons), The University of Melbourne First class Honours in Geology

## SKILLS

- Valuation of exploration assets to VALMIN standards
- Excellent written and verbal communication skills

- Independent Technical Assessments
- Mineral Resources governance / assurance
- Risk and value in mineral exploration

## EXPERTISE

Mineral Resources governance and public reporting across a range of commodities; compliance to the JORC Code, valuation of exploration assets to VALMIN standard; independent technical assessment reporting (ITAR), expert witness in exploration valuation, project evaluation / property assessment; application of risk and value in mineral exploration; project generation and development of exploration models.

Deborah has 20 years consulting and ten years industry experience globally specialising in independent technical review of exploration and resources projects. In 2019 she established Valuation and Resource Management based in Perth to offer mineral asset valuation and independent review of exploration projects. Formerly Head of Resource Governance for BHP Geoscience and Resource Engineering Centres of Excellence, she coordinated public reporting and internal technical audit for the global BHP minerals portfolio. The role included reporting to the BHP Board Risk and Audit Committee, design and implementation of risk review and assurance processes for resources and reserves and training of Competent Persons across Minerals Americas and Minerals Australia.

Prior to BHP she worked in the mineral exploration industry as an independent consultant with SRK Consulting based in Australia and South America. She developed valuation techniques for assessment of exploration assets and resources, particularly gold properties. These principles were applied in valuation reports to VALMIN standard for release to the ASX / ASIC and independent technical assessments / due diligence. She has authored several valuation papers and developed a short course on Managing Risk and Value in Mineral Exploration.

Leadership roles include Head of Resource Governance at BHP, with subject matter expert team and broad stakeholder engagement across the Group. Deborah managed SRK Australasia's Perth office of 75 technical staff, was on the SRK Board and the Practice Leaders Group. Industry background includes exploration experience with Placer Dome and WMC



Resources. Deborah has exploration, target generation, resource development experience for multiple commodities including gold, nickel, iron ore, copper, coal, volcanogenic massive sulphide, lithium, potash, uranium and manganese mineralisation.

## **EXPERIENCE**

2019 – current Director and Principal, Valuation and Resource Management 2015 – 2019

Head of Resource Governance, BHP (Global Role)

1999 – 2011 Director, Practice Leader, Principal SRK Consulting

1997 – 1999 Senior Consultant, SRK South America

1991 – 1997 Senior Geologist, Placer Dome

1988 – 1991 Project Geologist, WMC Resources

## Key experience: Resource Governance

Deborah managed a team within the Geoscience Centre of Excellence to deliver public reporting of Mineral Resources and Ore Reserves for all mineral commodities globally across the BHP Group. The role involved regulatory compliance across four securities exchanges, including the ASX, LSE, NYSE and JSE and associated governance and audit aspects.

The annual reporting process included yearly reporting to the Board on the minerals' asset portfolio, risk assessment and assurance for the estimation and reporting of Mineral Resources and Ore Reserves, management of training for BHP's Competent Persons and participation in internal independent reviews. She prepared BHP's response to the US Securities Exchange Commission Proposed Rules to modernise property disclosure for mining registrants.



## Key experience: Valuation

Deborah has been involved in development of exploration valuation methods to VALMIN standard and application of this to independent technical assessment and valuation reporting (ITAR) to the ASX. She is a VALMIN Executive Committee member and a member of the AusIMM Professional Conduct Committee. She has prepared material as an expert witness for a matter in the Supreme Court of New South Wales and has acted as an expert witness in the Supreme Court of Western Australia in relation to valuation of exploration properties.

### Previous project experience includes:

- Fortress Minerals Ltd, 2020: Independent Valuation on Mengapur Project iron copper gold assets in Malaysia
- Alt Resources Ltd, 2020: ITAR for Target's Statement on gold mineral assets in WA
- RESA Group Ltd, 2020: ITAR for iron ore project in Brazil
- BDO, 2020: ITAR for mineral assets in Austria
- Confidential client, 2020: ITAR for nickel and copper assets for Office of State Revenue, WA
- Confidential client, 2020: ITAR for gold and iron ore projects in WA
- Confidential client, 2020: ITAR for gold projects in WA for internal company purposes
- Confidential client, 2020: ITAR for gold projects in WA for internal company purposes
- BDO, 2020: Independent Review of mineral asset for impairment testing
- Grant Thornton, 2020: Independent Review of Valuation Report for impairment testing
- Confidential client, 2020: ITAR for potash projects for Office of State Revenue, WA
- Gilbert & Tobin, 2020: Expert Report in legal matter relating to gold mineral assets in WA
- Grant Thornton, 2020: Independent Review of Valuation Report for impairment testing
- Allen & Overy, 2019: Expert Report in legal dispute relating to lithium mineral assets in WA for NSW Supreme Court matter
- Confidential client, 2019: ITAR of mineral assets for stamp duty assessment
- Stantons International Securities Ltd, 2019: ITAR of the mineral assets of Alicanto Minerals Ltd and Zaffer (Australia) Pty Ltd – gold assets in Guyana and base metal assets in Sweden
- Confidential client, 2019: Valuation memo to advise the clients Board on gold properties
- Confidential client, 2014: Valuation Memo to advise to client on gold resource, WA
- Grant Thornton, 2013: ITAR as part of an Independent Expert's Report prepared by Grant Thornton Ltd - gold assets located in QLD, NSW and SA
- Coventry Resources Ltd, 2012: ITAR as part of an Independent Expert's Report prepared by BDO - gold assets located in Ontario, Canada
- Ridge Resources Ltd, 2012: ITAR on mineral assets in Ghana as part of an Independent Expert's Report prepared by BDO - gold assets
- Middletons, 2012: Valuation report for Expert Witness Opinion in legal dispute relating to gold exploration assets located in Ghana, West Africa
- Magma Metals Ltd, 2012: Valuation of Mineral Assets of Magma in relation to Company Target Statement - platinum and gold assets located in Canada and Australia
- Sherwin Iron Ltd, 2012, 2011. Valuation update of Roper Bar Project, NT
- Adamus Resources Ltd, 2011: Valuation report on assets of Adamus and Endeavour Mining Corporation as part of an Independent Expert's Report prepared by Ernst & Young - gold assets located throughout West Africa



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- Brockman Resources Ltd, 2011: Valuation report on iron ore assets of Brockman as part of Independent Expert's Report prepared by Deloitte Corporate Finance Pty Ltd in relation to transaction with Wah Nam International Australia Pty Ltd
- Confidential client, 2011: Valuation report on coal exploration licences in Mozambique
- Olea Australis Ltd, 2011: Valuation report to support corporate transactions relating to gold exploration assets located in Ghana and Côte d'Ivoire, West Africa
- Confidential client, 2011: Valuation Memo on uranium exploration assets in Uruguay
- Confidential client, 2011: Valuation Memo on coal exploration assets in Tanzania
- Confidential client, 2010: ITAR on gold assets in Papua New Guinea
- Australian Mines Ltd, 2010: Valuation of gold exploration assets near Kambalda, WA
- Confidential client, 2010: ITAR on Coal Assets in Canning Basin, WA
- Batavia Mining Ltd, 2010: ITAR on Roper River Iron Ore Project, NT
- Lodestar Minerals Ltd, 2010: ITAR on Peak Hill-Marymia and Penfolds tenement areas, WA
- Confidential client, 2009: Valuation of gold and nickel exploration assets in Kambalda, WA
- BDO Corporate Finance, 2009: Valuation of the Yandeearra, Gnaweeda and Wilga Exploration Assets (Western Australia) of Chalice Gold Mines Ltd
- Confidential client, 2009: ITAR of iron project, Republic of Congo
- Malaysia, 2008: Valuation update of copper-gold advanced exploration asset
- Aquila Resources Ltd, 2008: ITAR of coal assets to support proposed demerger of the company's projects in Australia and Botswana
- Mongolia, 2008: ITAR of gold-copper assets for related party transaction of projects
- Confidential client, 2008: ITAR of gold and iron assets for related party transaction of projects located in Indonesia and Australia
- Confidential client, 2007: ITAR of gold exploration assets in Ghana for purchase decision
- Confidential client, 2007: ITAR of uranium exploration assets in WA for duty assessment
- Confidential client, 2006: Valuation of nickel exploration assets in Kambalda, WA for purchase decision
- Confidential client, 2000: Valuation of exploration portfolio of iron-oxide copper-gold assets in Fennoscandian Craton, Sweden
- Presentation of one-day short course / workshop on 'Managing Risk and Value in Mineral Exploration' as part of the University of Western Australia Masters' Program in Management in the Mining and Exploration Industry, 2001

Completion of detailed survey of exploration industry and analysis of expenditure trends for period 1990-2001 (2001)

 Review of a 13-year period of gold exploration in the Laverton district of WA to examine the measurement of exploration success (2001), the results of which were published in SEG Newsletter (see publications)

## Key experience: Independent Technical Assessment

Deborah has undertaken Independent Technical Assessment (ITA) Reports to support company listings on the ASX and purchase / divestment opportunities across several commodities.

### Previous project experience includes:

 Metal Hawk Ltd, 2020: ITAR to support on the ASX of gold and nickel projects located in WA



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- Miramar Resources Ltd, 2020: ITAR to support on the ASX of gold projects located in WA
- Confidential client, 2020: Independent report in relation to mineral asset sale purchase agreement dispute.
- Confidential client, 2020: High level due diligence on geology aspects to assist client with potential acquisition of nickel operation located in WA
- Confidential client, 2019: ITAR to support proposed listing on the ASX of nickel and gold exploration projects located in WA
- Confidential client, 2019: ITAR to support proposed listing on the ASX of gold exploration projects located in WA
- Breaker Resources NL, 2012: ITAR to support proposed listing on the ASX of gold exploration projects located in WA
- Rarus Ltd, 2012: ITAR to support proposed listing on the ASX of rare earths, iron and nickel projects located in WA and NT
- Olea Australis Ltd, 2011: ITAR to support capital raising on the ASX of gold exploration assets located in Ghana and Côte d'Ivoire, West Africa
- Mogul Resources Ltd, 2011: ITAR to support proposed listing on the ASX of variety of exploration assets located in India
- Kimberley Rare Earths Ltd, 2011: ITAR to support listing on the ASX of Cummins Range rare earth project located in WA
- Confidential client, 2011: ITAR to support proposed listing on the ASX of rare earth exploration projects located in WA and NT
- Trilogy Metals Ltd, 2010: ITAR to support proposed demerger of Thundelarra's base metals assets located in WA
- Wild Acre Metals Ltd, 2010: ITAR to support proposed listing on the ASX of gold exploration assets located in WA
- Salmon River Resources, 2009: Report on the Trikay Exploration Project Mt Isa, QLD
- Aquila Resources Ltd, 2008: ITAR to support proposed demerger of the company's iron, manganese and coal exploration assets located in Australia, Botswana and South Africa
- Noble Mineral Resources Ltd, 2008: ITAR to support the ASX listing of the company's gold exploration assets located in Ghana and Australia
- Clancy Exploration Ltd, 2007: ITAR to support the ASX listing of the company's gold and base metal exploration assets located in the Lachlan Fold Belt and Tasmania
- Confidential client, 2007: Information memorandum on gold assets in Kambalda, WA for proposed divestment
- India Resources Ltd, 2007: ITAR to support the ASX listing of the company's copper and base metal exploration assets located in India
- Rubicon Resources Ltd, 2007: ITAR to support the ASX listing of the company's gold and (non-nickel) base metal assets in WA and QLD
- Confidential client, 2006: ITAR of copper-gold advanced exploration asset in Malaysia
- Confidential client, 2006: Review of Yilgarn iron ore projects, WA, for management strategy decision
- International nickel mining company, 2003, 2004, 2005: Evaluation of third party / business development opportunities throughout WA (nickel, gold, base metals)
- Confidential client, 2002: Preparation of ITAR for listing on projects located in western Musgrave Province, WA
- Confidential client, 2000: Independent review of exploration programs in Murchison Province and Glengarry Basin of WA



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- Confidential client, 2000: Independent review of exploration portfolio (mostly WA assets) for major company during acquisition of mid-sized Australian gold exploration company
- Confidential client, 1998: Independent assessment of Paleozoic sediment-hosted gold project, Andean Cordillera in Southern Peru
- Confidential client, 1998: Independent assessment of Miocene gold project, Maricunga Belt, Andean Cordillera in Northern Chile
- Confidential client, 1997: Independent assessment of Proterozoic sediment-hosted gold project, Southern Brazil
   Confidential client, 1997: Independent assessment of exploration assets for intrusion-

## Key experience: Exploration and Targeting

associated copper-gold mineralisation in Northern Chile.

Deborah has 30 years of exploration experience specialising in the Archean Yilgarn Craton of Australia and Precambrian Cratons of South and North America. Recent project experience relates to evaluation of exploration assets for industry clients. Her earlier experience was directly involved with exploration program management including early stage exploration through to resource drilling.

### Previous project experience includes:

- BHP, 2019. Review of nickel exploration portfolio and strategy in Agnew Wiluna Belt
- Confidential client, 2013: Targeting workshop and strategic advice for company looking to diversify into gold projects in Mexico
- Confidential client, 2009: Review of manganese exploration potential surrounding existing operation, West Pilbara, WA
- Confidential client, 2007: Aeromagnetic interpretation and exploration targeting in the Democratic Republic of Congo for Copperbelt and Kansanshi-style copper deposits
- Confidential client, 2007: Review and technical assessment of Yilgarn iron ore projects, WA, for management strategy decision by client (international iron ore processing company)
- LionOre Australia 2003, 2004, 2005: Review of third party/JV opportunities on behalf of an international nickel mining company, WA
- Confidential client, 2001: Overview of western Brazilian Precambrian Craton, aeromagnetic interpretation and development of mineralisation models and targeting criteria, Brazil
- Confidential client, 2001: Aeromagnetic interpretation and development of exploration targets for iron-oxide copper-gold and shear zone-hosted mineralisation, western Musgrave Province, WA
- Homestake, 2001: Documentation of early gold mineralisation in Archean Yilgarn Craton, WA
- Homestake, 2001: Independent review of exploration programs for gold mineralisation in Murchison Province and Glengarry Basin of WA
- Confidential client, 2000: Review of structural model and grade trends for gold project in Paterson Province of northern WA
- CSIRO, 2000: Compilation and interpretation of key data from published reports and PhD theses related to Giant Ore Deposit Systems Project - Yilgarn Module
- Confidential client, 1998: Aeromagnetic interpretation and development of exploration targets for Precambrian copper-gold mineralisation in the Amazonian Craton, Northern Brazil



- Confidential client, 1997: Development of exploration models and program management for Mesozoic copper-gold deposits, Northern Chile
- Placer Dome, 1995: Development of exploration models for banded iron-formation hosted gold mineralisation in Archean Superior Province, Canada
- Placer Dome, 1995: Project leader for Placer Dome's generative exploration group involved in property assessments and making recommendation for acquisition opportunities
- Placer Dome, 1995: Project assessment of gold-copper properties in Tertiary Anhui Province, China
- Placer Dome, 1993 to 1995: Involved in discovery, resource delineation and successful development of Keringal gold mine, WA (satellite deposit to Granny Smith)
- Placer Dome, 1992: Exploration and resource delineation drilling at Granny Smith gold mine, WA
- WMC Resources, 1988 to 1991: Grass roots exploration experience for Archean Au and Nisulphide mineralisation, Yilgarn Craton, WA
- WMC Resources, 1988-1989: Involved in discovery and exploration of Mt Dimer gold deposit, Western Australia (subsequently developed into small mine)
- WMC Resources, 1987: Structural and high-grade metamorphic mapping in Proterozoic Arunta Block, Central Australia.

## PUBLICATIONS

- 1. Lord, D, Williams, P, Kreuzer, O and Etheridge, M, 2012. Meaningful Market Based Valuation of Exploration Assets, AusIMM VALMIN Seminar Series 2011-2012.
- 2. Lord, D, 2009. Using geology to produce a market-based value for an exploration asset, paper presented to the Australian Institute of Geologists (WA Branch) Mineral Asset Reporting and Valuation Seminar, Session 2, 19 October.
- Greentree, M R and Lord, D, 2007. Iron Mineralisation in the Yilgarn Craton and Future Potential, in Proceedings of Kalgoorlie '07: Old Ground, New Knowledge (extended abstracts) (eds: F P Bierlein and C M Knox-Robinson), Geoscience Australia Record 2007/14.
- 4. Lord D, Etheridge, M A and Uttley, P, 2001. Managing risk and value in mineral exploration, MSc short course module presented by Deborah Lord to the Centre for Global Metallogeny, Department of Geology and Geophysics, University of Western Australia, December.
- 5. Lord, D, Etheridge, M A, Willson, M, Hall, G and Uttley P, 2001. Measuring Exploration Success: An alternate to the discovery-cost-per-ounce method of quantifying exploration effectiveness, Society of Economic Geologists Newsletter, No 45, April.
- 6. Lord, D, 1993. The Keringal Gold Deposit, Laverton, WA in Kalgoorlie '93: An International Conference on Crustal Evolution, Metallogeny and Exploration of the Eastern Goldfields (extended abstracts) (compiled by P R Williams and J A Haldane) AGSO Record, 1993/54.
- 7. Lord, D, 1987. Structural and metamorphic history of the Reynolds Range, Northern Territory, in Melbourne Universities Geology Conference (abstracts) (Geological Society of Australia: Victorian Division).



## Appendix C - Bald Hill Lithium Project Instructure and Plant Valuation

## BALD HILL LITHIUM PROJECT INFRASTRUCTURE INFRASTRUCTURE AND PLANT VALUATION

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### 1. Introduction, Scope and Methodology

- 1.1. This review details a site visit and cost estimates prepared by myself, Peter Rooke of Dalesford Pty Ltd.
- 1.2. I have over 45 years of capital cost estimating and project management in Australia and worldwide, primarily specialising in the area of mineral processing plants. I have carried out and managed numerous bids, all level of studies and reviews of bids, studies and bankable documents and prepared by others. My clients have included a range of consultancies, engineers, mining companies and financiers. My résumé is attached as Appendix A.
- 1.3. I visited the site with Deborah Lord of VARM on 13 July 2021. During the site visit, we undertook a walk-through of the process plant, plant infrastructure and camp infrastructure as well as the mining area.
- 1.4. My scope of work is to provide valuations for the process plant, plant infrastructure and camp on a salvage basis and on an ongoing basis. I believe the existing redundant Tantalum Plant is of zero value as the cost of reclaiming any usable equipment and scrapping the remainder of the structure and equipment would probably be less than its resale value. The structure and platework of the Tantalum Plant show corrosion commensurate with a 20-year life plant which has been run down in preparation for replacement (by the new Lithium Plant) and all suitable equipment would have been used in the Lithium Plant, most notably the tables. We were not provided with drawings, equipment lists or details on the Tantalum Plant, and we did not carry out a walk-through inspection of the Tantalum Plant to ascertain its condition or the amount of equipment which may have been removed as it is tagged off and obviously in poor condition. The new plant enables both lithium and tantalum to be recovered in one process plant. Some of the equipment, including the concentrating tables from the Tantalum Plant, has been used in the new plant. I note that the Lithium Plant is of a 'fit for purpose' design for contract operation and does not include standby pumps on the high-wearing slurry pumps, which would be considered desirable by owner operators to minimise downtime.
- 1.5. My estimates are based on a 'market-based' method bearing in mind the condition of the facilities. 'Market-based' means the value of the equipment on the current WA marketplace and takes into account known spiral and DMS (dense media separation) plants proposed in Western Australia.
- 1.6. I believe my estimates with methodology of factored pricing of based on equipment or parametric models are within an accuracy range of +/-35% being based on a half-day site assessment followed by preparation of desktop estimates of equipment and other costs which I believe meet the requirements of a Class 4 Estimate as described in the 'AACE International Recommended Practice No. 18R-97 Cost estimate Classification System as applied in the Engineering, Procurement, and Construction for the Process Industries'. The full AACE document is attached as Appendix B. Table 1.0 from this document below includes the cost estimate classification metrics from this document will which shows the various levels of estimating accuracy for the various methodologies. The +/-35% range I have nominated is towards the middle of the ranges in the AACE document and reflects my knowledge of the minerals and process engineering industries.

### Table 1: AACE cost estimate classification matrix for the process industries

	Primary Characteristic		Secondary Characteristic			
ESTIMATE CLASS	LEVEL OF PROJECT DEFINITION Expressed as % of complete definition	END USAGE Typical purpose of estimate	METHODOLOGY Typical estimating method	EXPECTED ACCURACY RANGE Typical variation in low and high ranges [a]	PREPARATION EFFORT Typical degree of effort relative to least cost index of 1 [b]	
Class 5	0% to 2%	Concept Screening	Capacity Factored, Parametric Models, Judgment, or Analogy	L: -20% to -50% H: +30% to +100%	1	
Class 4	1% to 15%	Study or Feasibility	Equipment Factored or Parametric Models	L: -15% to -30% H: +20% to +50%	2 to 4	
Class 3	10% to 40%	Budget, Authorization, or Control	Semi-Detailed Unit Costs with Assembly Level Line Items	L: -10% to -20% H: +10% to +30%	3 to 10	
Class 2	30% to 70%	Control or Bid/ Tender	Detailed Unit Cost with Forced Detailed Take-Off	L: -5% to -15% H: +5% to +20%	4 to 20	
Class 1	50% to 100%	Check Estimate or Bid/Tender	Detailed Unit Cost with Detailed Take- Off	L: -3% to -10% H: +3% to +15%	5 to 100	

Notes: [a] The state of process technology and availability of applicable reference cost data affect the range markedly. The +/- value represents typical percentage variation of actual costs from the cost estimate after application of contingency (typically at a 50% level of confidence) for given scope.

[b] If the range index value of "1" represents 0.005% of project costs, then an index value of 100 represents 0.5%. Estimate preparation effort is highly dependent upon the size of the project and the quality of estimating data and tools.

- 1.7. The reason for assigning +/-35% accuracy is that this is in the standard range for preliminary estimates carried out without full details, accurate vendor quotations, or contractor's construction quotations.
- 1.8. The most significant governing factor in ongoing values is the need that a potential buyer may have for the plant and infrastructure.
- 1.9. Based on my experience, should the facilities be demolished, the values of the components will again depend on the demand for each type of component. For example, there is a strong demand for slurry pumps which are easily refurbished and can be used in almost any process plant, and a weaker demand for screens which tend to deteriorate due to metal fatigue and do not have an indefinite life. There is not usually much demand for spirals as they deteriorate quite rapidly due to the fibreglass construction and are not widely used in other metalliferous processes.
- 1.10. Based on my experience electrical cable is readily sold, but the cost of dismantling structural steel and pipework could exceed its scrap value.
- 1.11. In my experience, there is a strong demand at present for camp buildings and less for infrastructure buildings. I have not estimated costs for refurbishment or upgrade of the facilities, nor have I estimated costs of replacement of missing facilities or items of equipment or stores stock. I believe upgrade and replacement equipment will require a more detailed study over a longer period of time by Management, Process and Maintenance personnel with appropriate engineering support.
- 1.12. Note also that I have not reviewed the Process Design in any way. In some cases, process plants require modifications or additions to cope with the actual ore being processed as can change throughout an orebody. This would be the responsibility of

a Metallurgical or Process Engineer and I believe an operating company would want to assure themselves on this. This could be aided by operating data from when the plant was operated and a review of test work carried out.

### 2. Valuations

### 2.1. Process plant

2.2. I estimated the supply cost of mechanical equipment items then factored the costs based on my experience whereby for fit for purpose, contractor-operated plants and the process equipment normally constitutes approximately 45% of the installed direct capital cost, which would include foundations, structures, platework, piping and electrical reticulation. A table showing typical percentages of direct costs in my experience for economical, short-life projects in Western Australia is provided below. This gives a direct capital costs, excluding engineering, procurement, construction management, profit and contingencies. The basis for excluding these costs is that I would consider them to be 'sunk costs', as whilst they are very real costs of constructing a plant, in my experience they are extremely unlikely to be recoverable from a potential new owner.

		Range	
Discipline	Average %	High	Low
Earthworks	3%	4%	1%
Concrete			
Foundations &			
Slabs	10%	11%	8%
Structural			
Steelwork	10%	13%	6%
Platework	8%	10%	5%
Equipment			
Supply	42%	47%	37%
Equipment			
Installation	3%	4%	2%
Pipework	8%	10%	6%
Pipelines	3%	5%	1%
Electrical &			
Instrumentation	15%	17%	13%
Total	100%	1.2123	0.7885

#### Table 2: Typical direct cost percentages

Note: Excludes mobile equipment, infrastructure, contingencies, EPCM, etc.

- 2.3. For the value of the facilities on an ongoing basis I took a percentage-based approach, based on my experience, and also based on the facility's age and condition. I chose 45% of the new value as the value of the facility on an ongoing basis to reflect the plant's age, condition and typical prices received for second-hand plants, in my experience.
- 2.4. For the salvage value, based on my experience, I selected 18% of the equipment value based on the age and condition of the plant and the likelihood of demand for the various items. As stated in 1.8 and 1.9, I believe some of the items will be readily received in the second-hand market but others such as spirals and screens are less

likely to be in high demand. Note that this does not include any costs to demolish the existing plant and transport salvaged material to sales or scrapyards.

2.5. These costs are in included in Excel file 2: Mechanical Equipment Estimated Cost.

#### 2.6. Infrastructure

- 2.7. Estimates for infrastructure items were applied to all items on the *Alita Fixed Asset Register* based on the condition of the various items.
- 2.8. Salvage value is a percentage of the estimated cost. This does not include any costs to demolish the existing or to transport the recovered items.
- 2.9. These costs are included in Excel file: Copy of 3. Alita Fixed Asset Register Est Cost.
- 2.10. In relation to spare stock in the warehouse there are a large number of items listed on the *Alita Fixed Asset Register* and the Inventory list, but these do not have quantities for most of the items. For these, I have assumed there is approximately \$150,000 of spares and other stock, based on my experience of similar plants and also the size of the inventory viewed. There are also three John Deere Gator work utilities – two of these appear to be unused the third appears to have had some use around the project. The new price for these would be in the order of \$20,000 each (based on US dollar price on the US John Deere website) and I have allowed \$12,000 for the used Gator.

#### **Table of Valuations**

	Low -35%	Preferred	High +35%	
Lithium Plant				
Factored plant direct cost (ref 2.1.1)	10,270,000	15,800,000	21,330,000	
Ongoing value (45%) (ref 1.7, 2.1.2)	4,573,954	7,036,852	9,499,750	
Scrap (second-hand) value 18% of the equipment value (ref 1.8, 1.9, 2.1.3)*	726,507	1,117,704	1,508,900	
* Note this excludes cost of dismantling equipment, dem foundations.	olition and remov	/al of structures,	demolition of	
Tantalum Plant				
Scrap (second-hand) value*	65,000	100,000	135,000	
* Note this excludes cost of dismantling equipment, demolition and removal of structures, demolition of foundations. Also, this valuation is a very preliminary estimate only; no information was provided to us nor was any				
Infrastructure				
Communications (TL)				
Ongoing value – most equipment is at least five years old and as is typical with electronics equipment probably near the end of its life albeit many plants run with old equipment for many years.	48,750	75,000	101,250	
Scrap (second-hand) value (10%) – 10% value allowed due to the likely saleability of 5-year-old equipment and reflecting that newer, cheaper communications equipment is now available.	4,875	7,500	10,125	
Computers and printers (CP) and (P)				
Ongoing value	61,425	94,500	127,575	
Scrap (second-hand) value (10%) – as with communications equipment probably of little value on the second-hand market.	6,143	9,450	12,758	

	Low -35%	Preferred	High +35%	
Servers, Routers and UPS (R) (S) (UPS)				
Ongoing value	22,750	35,000	47,250	
Scrap (second-hand) value (10%) – as for computer values above	2,275	3,500	4,725	
Site Infrastructure Buildings				
Ongoing value	119,925	184,500	249,075	
Scrap (second-hand) value (15%) – 15% selected as most buildings will have some value for other projects, machinery sheds etc.	17,989	27,675	37,361	
Accommodation Village				
Ongoing value	3,120,000	4,800,000	6,480,000	
Scrap (second-hand) value (20%) – 20% as camp buildings are in fairly high demand in Western Australia	624,000	960,000	1,296,000	
Vehicles				
Ongoing value	42,900	66,000	89,100	
Scrap (second-hand) value (40%) – 40% selected reflecting second-hand value and market demand.	17,160	26,400	35,640	
Sea Containers				
Ongoing value	36,400	56,000	75,600	
Scrap (second-hand) value (20%) – 20% selected as sea containers are readily available but they can be easily transported and re-used.	7,280	11,200	15,120	
Maintenance Parts				
Ongoing value (50%) – 50% of estimated new value based on the fact that some items such as conveyors will rarely be used in the short term.	33,475	51,500	69,525	
Scrap (second-hand) value (20%) – 20% of the ongoing value selected based on likely low demand for many of the items.	6,695	10,300	13,905	
Inventory list				
Ongoing value (50%) – as for maintenance parts	48,750	75,000	101,250	
Scrap (second-hand) value (20%) – as for maintenance parts.	9,750	15,000	20,250	
John Deere Gators 2 × 20k, 1 × 12k	33,800	52,000	70,200	
John Deere Gators ongoing value (70%) – 70% chosen as two of the units are practically new and the third is in reasonable to good condition.	23,660	36,400	49,140	
Scrap (second-hand) value (50%) – 50% on basis of likely demand for these units.	16,900	26,000	35,100	
Combined Plant and Infrastructure				
Ongoing value	8,131,989	12,510,752	16,889,515	
Scrap (second-hand) value	1,504,574	2,314,729	3,124,884	

Note: All valuations are given in Australian dollars at June 2021.

### 3. Documents supplied to Peter Rooke of Dalesford Pty Ltd

- SRK Valuation KDM002 November 2019
- Deloitte valuation 17/12/2019
- SRK updated addendum 13/12/2020
- Brief to expert (D Lord) 24/06/2021

- Deborah Lord Supplementary Brief 12/07/2021
- Primero process flow diagrams PDF format:
  - 15802-100-DRG-PR-001\_2 C1
  - 15802-100-DRG-PR-003\_2 C1
  - 15802-100-DRG-PR-004\_0
  - 15802-100-DRG-PR-005\_2 C1
  - 15802-100-DRG-PR-006\_2 C1
  - 15802-100-DRG-PR-007\_2 C1
  - 15802-100-DRG-PR-008 0
  - 15802-100-DRG-PR-009 0
  - 15802-100-DRG-PR-010\_2
  - 15802-100-DRG-PR-011\_2 C1
  - 15802-100-DRG-PR-012 2 C1
  - 15802-100-DRG-PR-013 2 C1
  - 15802-100-DRG-PR-014 2 C1
  - 15802-100-DRG-PR-015\_2 C1.
- Primero Mechanical Equipment List 15802-100-LST-ME-001 dated 29/11/2017 Revision 0 supplied in PDF.
- Alita Fixed Asset Register, undated (Excel): properties created on 26/07/2019 at 2:02 pm, author is Lynda King and last modified is listed as Alex Wang.
- Bald Hill Site Layout PNG file dated July 2020.
- NPI (Non-Process Infrastructure): author is Michael Parke, last modified by Alex Wang. Date created and last modified is 30/06/2021.
- Inventory list text document: this document does not have any visible properties and appears to be a printout from an accounts or inventory register.

### 4. Notations

- 4.1. I acknowledge and certify that:
- 4.2. I have read and understood the Practice Note and my Report is prepared in accordance with it and I agree to be bound by the code.
- 4.3. I am independent of the parties to the Proceeding.
- 4.4. I have been employed in the field of capital cost estimating and project management for minerals and other projects worldwide over a period of 50 years, a copy of my résumé is attached.
- 4.5. I have addressed the scope as covered in Introduction, Scope and Methodology above.
- 4.6. I confirm that working documents I have relied on have been included. I have also relied on historical files in my office for costings. For up-to-date information on accommodation camps, I spoke to Ausco Buildings and Grounded Buildings in Kalgoorlie and Perth. I did not divulge the name or location of this project and ask them to base their verbal quotations on a site 200 km east of Kalgoorlie.

4.7. I have made all the enquiries I believe are desirable and appropriate and that no matters of significance that I regard as relevant have to my knowledge, been withheld from the Court.

Signed

Peter Rooks

Peter Anthony Rooke 9 August 2021

### Appendix A: Summary Résumé - Peter Rooke June 2019

Peter has over 45 years' experience in minerals industry project development, primarily in management, estimating and review of capital costs for lump sum or reimbursable projects as well as feasibility studies and project execution worldwide. Experience has included major processing plants and infrastructure for the precious metals, base metals, iron ore and diamond industries.

Recent assignments include:

### Project review/management

- Vimy Resources; Mulga Rock Uranium Project WA DFS review of capital and operating costs
- BCI Minerals; Mardie Salt and Sulphate of Potash Project WA PFS capital and operating costs review
- Kalium Lakes Ltd; Beyondie Sulphate of Potash Project WA Scoping study and PFS capital and operating cost review
- API; West Pilbara Iron Ore Project, WA Review and revalidation of capital costs
- Crosslands Resources Limited; Jack Hills Expansion Project, WA Review of PFS
- Iron Ore Holdings; Buckland Iron Ore Project, WA Review of Definitive Estimate capital and operating costs
- Iron Ore Holdings Ltd; Buckland Iron Ore Project, WA Review of PFS capital and operating costs and schedule
- Blackthorn Resources Ltd; Kitumba Copper Project, Zambia Review of PFS capital costs
- First Quantum Minerals; Cobre Panama Copper Project, Panama Review and rework of capital costs
- First Quantum Minerals; Sentinel Copper Project, Zambia Review of DFS capital costs
- Ferraus Ltd; Pilbara Projects, WA Review of PFS capital and operating costs and schedule
- Macquarrie Bank, Metals and Energy Capital Division; Perseus Central African Gold Project, Ghana Completion test including review of BFS
- Bannerman Resources Ltd; Etango Uranium Project, Namibia PFS capital costs review
- Anvil Mining Limited; Kinsevere 2 Copper Project, DRC DFS capital cost review
- Straits Mining Limited; Sebuku Coal Project, Indonesia FS capital cost review
- Western Areas NL; Cosmic Boy Nickel Project, WA DFS and EPC bid review
- Jubilee Mines NL; Sinclair Nickel Project, WA DFS and EPC bid review
- Avoca Resources Ltd; Trident Gold Project, WA EPC bid review
- Philippines Gold; Masbate Gold Project, Philippines DFS review
- Newcrest Ltd; Cadia East Gold Project, NSW --- FS capital cost review
- GHD; Toka Tindung Gold Project, Indonesia Capital cost review, management of LCD team during inception report review
- Macquarie Bank, Metals and Energy Capital Division; Dairi Copper Project Capital cost review, Indonesia with RSG Global
- RSG Global; Rapu Polymetallic Copper/Gold Project, Philippines -- Project Management of ITE team for banking consortium during review and construction phase
- INCO Australia Management; Goro Nickel Project, New Caledonia 25% study and 10% study reviews, emphasis on capital and implementation
- Snowden Mining Industry Consultants; Mirah Gold Project, Indonesia Review of project status and completion study
- Kimberley Diamond Company; Ellendale E4 Diamond Project, WA review of DFS, preparation of contracts and project management through to construction.

### Capital and operating costs

- First Quantum Minerals; Sentinel Copper Project, Zambia Ongoing capital cost estimates
- Marenica Energy; Namibian Uranium Projects scoping capital costs
- Forsys Metals Corporation; Namibian Uranium Projects, Namibia Project and processing options capital costs
- Caravel Minerals Ltd; Calingiri Copper Project, WA Capital costs and reviews for scoping study
- First Quantum Minerals; Ravensthorpe Nickel Project, WA Preliminary design and capital costs for crushing and overland conveying at a satellite deposit
- First Quantum Minerals; Kansanshi Copper Smelting Project, Zambia Review and rework smelter capital cost estimates
- First Quantum Minerals; Cobre Las Cruces Copper Project, Spain Feed modification and tailings filtration capital cost estimates
- First Quantum Minerals; Ravensthorpe Nickel Project, WA Capital cost estimates for plant refurbishment and recommissioning.
- First Quantum Minerals; Kevitsa Nickel Project, Finland PFS and DFS capital cost estimates
- Newcrest Ltd; Gosowong Gold Project, Indonesia DFS capital cost estimates
- Extract Resources Ltd; Husab Uranium Project, Namibia Review engineers' proposals to carry out PFS and DFS
- SRK/European Nickel PLC; Heap Leaching Project, Philippines Design and capital costs for crushing, ore handling facility, overland conveyor and haul roads
- Oropa Ltd; Pungkut Gold Project, Indonesia PFS capital cost estimates
- First Quantum Minerals; Kolwesi Copper/Cobalt project, DRC Preparation of scoping study capital cost estimates and DFS capital cost estimate review
- First Quantum Minerals; Frontier Copper Project, DRC PFS, DFS and project execution capital cost estimates for process-plant and infrastructure
- First Quantum Minerals; Kansanshi Copper Project, Zambia Review of capital costs for initial oxide plant in 2002 as well as upgrade capital cost estimates and budgets from 2003 to present to handle sulphide material including pressure oxidation process and increase throughput.

Attachment 1: AACE International Recommended Practice No. 18R-97



AACE International Recommended Practice No. 18R-97

## COST ESTIMATE CLASSIFICATION SYSTEM – AS APPLIED IN ENGINEERING, PROCUREMENT, AND CONSTRUCTION FOR THE PROCESS INDUSTRIES TCM Framework: 7.3 – Cost Estimating and Budgeting

Acknowledgments:

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AACE International Recommended Practice No. 18R-97 COST ESTIMATE CLASSIFICATION SYSTEM – AS APPLIED IN ENGINEERING, PROCUREMENT, AND CONSTRUCTION FOR THE PROCESS INDUSTRIES TCM Framework: 7.3 - Cost Estimating and Budgeting



#### February 2, 2005

#### PURPOSE

As a recommended practice of AACE International, the Cost Estimate Classification System provides guidelines for applying the general principles of estimate classification to project cost estimates (i.e., cost estimates that are used to evaluate, approve, and/or fund projects). The Cost Estimate Classification System maps the phases and stages of project cost estimating together with a generic maturity and quality matrix, which can be applied across a wide variety of industries.

This addendum to the generic recommended practice provides guidelines for applying the principles of estimate classification specifically to project estimates for engineering, procurement, and construction (EPC) work for the process industries. This addendum supplements the generic recommended practice (17R-97) by providing:

- a section that further defines classification concepts as they apply to the process industries;
- charts that compare existing estimate classification practices in the process industry; and
- a chart that maps the extent and maturity of estimate input information (project definition deliverables) against the class of estimate.

As with the generic standard, an intent of this addendum is to improve communications among all of the stakeholders involved with preparing, evaluating, and using project cost estimates specifically for the process industries.

It is understood that each enterprise may have its own project and estimating processes and terminology, and may classify estimates in particular ways. This guideline provides a generic and generally acceptable classification system for process industries that can be used as a basis to compare against. It is hoped that this addendum will allow each user to better assess, define, and communicate their own processes and standards in the light of generally-accepted cost engineering practice.

#### INTRODUCTION

For the purposes of this addendum, the term process industries is assumed to include firms involved with the manufacturing and production of chemicals, petrochemicals, and hydrocarbon processing. The common thread among these industries (for the purpose of estimate classification) is their reliance on process flow diagrams (PFDs) and piping and instrument diagrams (P&IDs) as primary scope defining documents. These documents are key deliverables in determining the level of project definition, and thus the extent and maturity of estimate input information.

Estimates for process facilities center on mechanical and chemical process equipment, and they have significant amounts of piping, instrumentation, and process controls involved. As such, this addendum may apply to portions of other industries, such as pharmaceutical, utility, metallurgical, converting, and similar industries. Specific addendums addressing these industries may be developed over time.

This addendum specifically does not address cost estimate classification in nonprocess industries such as commercial building construction, environmental remediation, transportation infrastructure, 'dry' processes such as assembly and manufacturing, 'soft asset' production such as software development, and similar industries. It also does not specifically address estimates for the exploration, production, or transportation of mining or hydrocarbon materials, although it may apply to some of the intermediate processing steps in these systems.

The cost estimates covered by this addendum are for engineering, procurement, and construction (EPC) work only. It does not cover estimates for the products manufactured by the process facilities, or for research and development work in support of the process industries. This guideline does not cover the significant building construction that may be a part of process plants. Building construction will be covered in a separate addendum.

This guideline reflects generally-accepted cost engineering practices. This addendum was based upon the practices of a wide range of companies in the process industries from around the world, as well as published references and standards. Company and public standards were solicited and reviewed by the AACE International Cost Estimating Committee. The practices were found to have significant commonalities that are conveyed in this addendum.

#### COST ESTIMATE CLASSIFICATION MATRIX FOR THE PROCESS INDUSTRIES

The five estimate classes are presented in figure 1 in relationship to the identified characteristics. Only the level of project definition determines the estimate class. The other four characteristics are secondary characteristics that are generally correlated with the level of project definition, as discussed in the generic standard. The characteristics are typical for the process industries but may vary from application to application.

This matrix and guideline provide an estimate classification system that is specific to the process industries. Refer to the generic standard for a general matrix that is non-industry specific, or to other addendums for guidelines that will provide more detailed information for application in other specific industries. These will typically provide additional information, such as input deliverable checklists to allow meaningful categorization in those particular industries.

	Primary Characteristic	Secondary Characteristic			
ESTIMATE CLASS	LEVEL OF PROJECT DEFINITION Expressed as % of complete definition	END USAGE Typical purpose of estimate	METHODOLOGY Typical estimating method	EXPECTED ACCURACY RANGE Typical variation in low and high ranges [a]	PREPARATION EFFORT Typical degree of effort relative to least cost index of 1 [b]
Class 5	0% to 2%	Concept Screening	Capacity Factored, Parametric Models, Judgment, or Analogy	L: -20% to -50% H: +30% to +100%	1
Class 4	1% to 15%	Study or Feasibility	Equipment Factored or Parametric Models	L: -15% to -30% H: +20% to +50%	2 to 4
Class 3	10% to 40%	Budget, Authorization, or Control	Semi-Detailed Unit Costs with Assembly Level Line Items	L: -10% to -20% H: +10% to +30%	3 to 10
Class 2	30% to 70%	Control or Bid/ Tender	Detailed Unit Cost with Forced Detailed Take-Off	L: -5% to -15% H: +5% to +20%	4 to 20
Class 1	50% to 100%	Check Estimate or Bid/Tender	Detailed Unit Cost with Detailed Take-Off	L: -3% to -10% H: +3% to +15%	5 to 100

Notes: [a] The state of process technology and availability of applicable reference cost data affect the range markedly. The +/- value represents typical percentage variation of actual costs from the cost estimate after application of contingency (typically at a 50% level of confidence) for given scope.

[b] If the range index value of '1' represents 0.005% of project costs, then an index value of 100 represents 0.5%. Estimate preparation effort is highly dependent upon the size of the project and the quality of estimating data and tools.

#### Figure 1. – Cost Estimate Classification Matrix for Process Industries CHARACTERISTICS OF THE ESTIMATE CLASSES

The following charts (figures 2a through 2e) provide detailed descriptions of the five estimate classifications as applied in the process industries. They are presented in the order of least-defined estimates to the most-defined estimates. These descriptions include brief discussions of each of the estimate characteristics that define an estimate class.

For each chart, the following information is provided:

End Usage:

sometimes requiring less than an hour to prepare. Often,

are known at the time of estimate preparation.

Level of Project Definition Required:

0% to 2% of full project definition.

longrange capital planning, etc.

little more than proposed plant type, location, and capacity

Class 5 estimates are prepared for any number of strategic

business planning purposes, such as but not limited to market studies, assessment of initial viability, evaluation of

alternate schemes, project screening, project location studies, evaluation of resource needs and budgeting,

- Description: a short description of the class of estimate, including a brief listing of the expected estimate inputs based on the level of project definition.
- Level of Project Definition Required: expressed as a percent of full definition. For the process industries, this correlates with the percent of engineering and design complete.
- End Usage: a short discussion of the possible end usage of this class of estimate.
- Estimating Methods Used: a listing of the possible estimating methods that may be employed to develop an estimate of this class.
- Expected Accuracy Range: typical variation in low and high ranges after the application of contingency (determined at a 50% level of confidence). Typically, this results in a 90% confidence that the actual cost will fall within the bounds of the low and high ranges.

Effort to Prepare: this section provides a typical level of effort (in hours) to produce a complete estimate for a US\$20,000,000 plant. Estimate preparation effort is highly dependent on project size, project complexity, estimator skills and knowledge, and on the availability of appropriate estimating cost data and tools.

ANSI Standard Reference (1989) Name: this is a reference to the equivalent estimate class in the existing ANSI standards.

Alternate Estimate Names, Terms, Expressions, Synonyms: this section provides other commonly used names that an estimate of this class might be known by. These alternate names are not endorsed by this Recommended Practice. The user is cautioned that an alternative name may not always be correlated with the class of estimate as identified in the chart.

CLASS 5 ESTIMATE			
Description:	Estimating Methods Used:		
Class 5 estimates are generally prepared based on very limited information, and subsequently have wide accuracy ranges. As such, some companies and organizations have elected to determine that due to the inherent inaccuracies, such estimates cannot be classified in a conventional and systemic manner. Class 5 estimates, due to the	Class 5 estimates virtually always use stochastic estimating methods such as cost/capacity curves and factors, scale of operations factors, Lang factors, Hand factors, Chilton factors, Peters-Timmerhaus factors, Guthrie factors, and other parametric and modeling techniques.		
requirements of end use, may be prepared within a very limited amount of time and with little effort expended—	Expected Accuracy Range:		

Typical accuracy ranges for Class 5 estimates are - 20% to -50% on the low side, and +30% to +100% on the high side, depending on the technological complexity of the project, appropriate reference information, and the inclusion of an appropriate contingency determination. Ranges could exceed those shown in unusual circumstances

#### Effort to Prepare (for US\$20MM project):

As little as 1 hour or less to perhaps more than 200 hours, depending on the project and the estimating methodology used.

ANSI Standard Reference Z94.2-1989 Name:

Order of magnitude estimate (typically -30% to +50%).

Alternate Estimate Names, Terms, Expressions, Synonyms:

Ratio, ballpark, blue sky, seat-of-pants, ROM, idea study, prospect estimate, concession license estimate. guesstimate, rule-of-thumb.

## Peter Rooke of Dalesford Pty Ltd Draft, Privileged and Confidential Report prepared 9 August 2021

#### Figure 2a. – Class 5 Estimate

CLASS 4 I	ESTIMATE
Description:	Estimating Methods Used:
Class 4 estimates are generally prepared based on limited information and subsequently have fairly wide accuracy ranges. They are typically used for project screening, determination of feasibility, concept evaluation, and preliminary budget approval. Typically, engineering is from 1% to 15% complete, and would comprise at a minimum the following: plant capacity, block schematics, indicated	Class 4 estimates virtually always use stochastic estimating methods such as equipment factors, Lang factors, Hand factors, Chilton factors, Peters-Timmerhaus factors, Guthrie factors, the Miller method, gross unit costs/ratios, and other parametric and modeling techniques.
layout, process flow diagrams (PFDs) for main process systems, and preliminary engineered process and utility equipment lists.	<b>Expected Accuracy Range:</b> Typical accuracy ranges for Class 4 estimates are -15% to -30% on the low side, and +20% to +50% on the high side, depending on the technological complexity of the project
Level of Project Definition Required: 1% to 15% of full project definition.	appropriate reference information, and the inclusion of an appropriate contingency determination. Ranges could exceed those shown in unusual circumstances.
End Usage: Class 4 estimates are prepared for a number of purposes, such as but not limited to, detailed strategic planning, business development, project screening at more developed stages, alternative scheme analysis, confirmation of economic and/or technical feasibility, and	<b>Effort to Prepare (for US\$20MM project):</b> Typically, as little as 20 hours or less to perhaps more than 300 hours, depending on the project and the estimating methodology used.
preliminary budget approval or approval to proceed to next stage.	<b>ANSI Standard Reference Z94.2-1989 Name:</b> Budget estimate (typically -15% to + 30%).
	Alternate Estimate Names, Terms, Expressions,
	Synonyms: Screening, top-down, feasibility, authorization, factored, pre-design_pre-study
Figure 2h Class 4 Estimate	pro-acoign, pro-otaay.

#### Figure 2b. – Class 4 Estimate

#### **CLASS 3 ESTIMATE**

#### **Description:**

Class 3 estimates are generally prepared to form the basis for budget authorization, appropriation, and/or funding. As such, they typically form the initial control estimate against which all actual costs and resources will be monitored. Typically, engineering is from 10% to 40% complete, and would comprise at a minimum the following: process flow diagrams, utility flow diagrams, preliminary piping and instrument diagrams, plot plan, developed layout drawings, and essentially complete engineered process and utility equipment lists.

#### Level of Project Definition Required:

10% to 40% of full project definition.

#### End Usage:

Class 3 estimates are typically prepared to support full project funding requests, and become the first of the project phase 'control estimates' against which all actual costs and resources will be monitored for variations to the budget. They are used as the project budget until replaced by more detailed estimates. In many owner organizations, a Class 3 estimate may be the last estimate required and could well form the only basis for cost/schedule control. Estimating Methods Used: Class 3 estimates usually involve more deterministic estimating methods than stochastic methods. They usually involve a high degree of unit cost line items, although these may be at an assembly level of detail rather than individual components. Factoring and other stochastic methods may be used to estimate less-significant areas of the project.

#### **Expected Accuracy Range:**

Typical accuracy ranges for Class 3 estimates are -10% to -20% on the low side, and +10% to +30% on the high side, depending on the technological complexity of the project, appropriate reference information, and the inclusion of an appropriate contingency determination. Ranges could exceed those shown in unusual circumstances.

#### Effort to Prepare (for US\$20MM project):

Typically, as little as 150 hours or less to perhaps more than 1,500 hours, depending on the project and the estimating methodology used.

ANSI Standard Reference Z94.2-1989 Name: Budget estimate (typically -15% to + 30%).

## Alternate Estimate Names, Terms, Expressions, Synonyms:

Budget, scope, sanction, semi-detailed, authorization, preliminary control, concept study, development, basic engineering phase estimate, target estimate.

#### Figure 2c. – Class 3 Estimate

CLASS 2 ESTIMATE				
<b>Description:</b> Class 2 estimates are generally prepared to form a detailed control baseline against which all project work is monitored in terms of cost and progress control. For contractors, this class of estimate is often used as the 'bid' estimate to establish contract value. Typically, engineering is from 30% to 70% complete, and would comprise at a minimum the following: process flow diagrams, utility flow diagrams, piping and instrument diagrams, heat and material balances, final plot plan, final layout drawings, complete engineered process and utility equipment lists, single line diagrams for electrical, electrical equipment and motor	Estimating Methods Used: Class 2 estimates always involve a high degree of deterministic estimating methods. Class 2 estimates are prepared in great detail, and often involve tens of thousands of unit cost line items. For those areas of the project still undefined, an assumed level of detail takeoff (forced detail) may be developed to use as line items in the estimate instead of relying on factoring methods. Expected Accuracy Range: Typical accuracy ranges for Class 2 estimates are -5% to 15% on the low side, and +5% to +20% on the birb side.			
schedules, vendor quotations, detailed project execution plans, resourcing and work force plans, etc. Level of Project Definition Required: 30% to 70% of full project definition.	depending on the technological complexity of the project, appropriate reference information, and the inclusion of an appropriate contingency determination. Ranges could exceed those shown in unusual circumstances.			
End Usage: Class 2 estimates are typically prepared as the detailed control baseline against which all actual costs and resources will now be monitored for variations to the budget, and form a part of the change/variation control	Effort to Prepare (for US\$20MM project): Typically, as little as 300 hours or less to perhaps more than 3,000 hours, depending on the project and the estimating methodology used. Bid estimates typically require more effort than estimates used for funding or control purposes.			
program.	<ul> <li>ANSI Standard Reference Z94.2-1989 Name: Definitive estimate (typically -5% to + 15%).</li> <li>Alternate Estimate Names, Terms, Expressions, Synonyms: Detailed control, forced detail, execution phase, master control, engineering, bid, tender, change order estimate.</li> </ul>			

#### **CLASS 1 ESTIMATE**

#### Description:

Class 1 estimates are generally prepared for discrete parts or sections of the total project rather than generating this level of detail for the entire project. The parts of the project estimated at this level of detail will typically be used by subcontractors for bids, or by owners for check estimates. The updated estimate is often referred to as the current control estimate and becomes the new baseline for cost/schedule control of the project. Class 1 estimates may be prepared for parts of the project to comprise a fair price estimate or bid check estimate to compare against a contractor's bid estimate, or to evaluate/dispute claims. Typically, engineering is from 50% to 100% complete, and would comprise virtually all engineering and design documentation of the project, and complete project execution and commissioning plans.

### Level of Project Definition Required:

50% to 100% of full project definition.

#### End Usage:

Class 1 estimates are typically prepared to form a current control estimate to be used as the final control baseline against which all actual costs and resources will now be monitored for variations to the budget, and form a part of the change/variation control program. They may be used to evaluate bid checking, to support vendor/contractor negotiations, or for claim evaluations and dispute resolution.

#### Estimating Methods Used:

Class 1 estimates involve the highest degree of deterministic estimating methods, and require a great amount of effort. Class 1 estimates are prepared in great detail, and thus are usually performed on only the most important or critical areas of the project. All items in the estimate are usually unit cost line items based on actual design quantities.

#### **Expected Accuracy Range:**

Typical accuracy ranges for Class 1 estimates are -3% to -10% on the low side, and +3% to +15% on the high side, depending on the technological complexity of the project, appropriate reference information, and the inclusion of an appropriate contingency determination. Ranges could exceed those shown in unusual circumstances.

#### Effort to Prepare (for US\$20MM project):

Class 1 estimates require the most effort to create, and as such are generally developed for only selected areas of the project, or for bidding purposes. A complete Class 1 estimate may involve as little as 600 hours or less, to perhaps more than 6,000 hours, depending on the project and the estimating methodology used. Bid estimates typically require more effort than estimates used for funding or control purposes.

#### ANSI Standard Reference Z94.2 Name:

Definitive estimate (typically -5% to + 15%).

#### Alternate Estimate Names, Terms, Expressions, Synonyms: Full detail, release, fall-out, tender, firm price, bottoms-up,

final, detailed control, forced detail, execution phase, master control, fair price, definitive, change order estimate.

#### Figure 2e. – Class 1 Estimate COMPARISON OF CLASSIFICATION PRACTICES

Figures 3a through 3c provide a comparison of the estimate classification practices of various firms, organizations, and published sources against one another and against the guideline classifications. These tables permits users to benchmark their own classification practices.

	AACE Classificatio Standard	n ANSI Standard Z94.0	AACE Pre-1972	Association of Cos Engineers (UK) ACostE	stNorwegian Projec Management Association (NFP	t American Society of Professional ) Estimators (ASPE
					Concession Estimat	
	Class 5	Order of Magnitude Estimate	Order of Magnitude Estimate	Order of Magnitude Estimate Class IV -30/+30	Exploration Estimat	Level 1
CT DEFINITION		-30/+50			Feasibility Estimate	
	Class 4		Study Estimate	Study Estimate Class III -20/+20	Authorization Estimate	
SOLE		Budget Estimate				Leverz
ASING PR	Class 3	-10/100	Preliminary Estimat	e Budget Estimate Class II -10/+10	Master Control Estimate	Level 3
INCRE	Class 2	Definitive Fetimete	Definitive Estimate	Definitive Estimate Class I -5/+5	Current Control Estimate	Level 4
	Class 1	Class 1	Detailed Estimate			Level 5
$\searrow$						Level 6

#### Figure 3a. – Comparison of Classification Practices

	AACE Classification Standard	Major Consumer Products Company (Confidential)	Major Oil Company (Confidential)	Major Oil Company (Confidential)	Major Oil Company (Confidential)	
	Class 5	Class S	Class V Order of Magnitude	Class A Prospect Estimate	- Class V	
VITION	Class 5	Strategic Estimate	Estimate	Class B Evaluation Estimate		
JECT DEFIN	Class 4	Class 1	Class IV	Class C Feasibility Estimate	Class IV	
		Conceptual Estimate	Screening Estimate	Class D Development		
PRO		Class 2	Class III	Estimate	Class III Class III	
INCREASING	Class 3	Semi-Detailed Estimate	Primary Control Estimate	Class E Preliminary Estimate		
	Class 2	Class 3	Class II Master Control Estimate	Class F Master Control Estimate		
	Class 1	Detailed Estimate	Class I Current Control Estimate	Current Control Estimate	Class I	

Figure 3b. – Comparison of Classification Practices

	AACE Classification Standard	J.R. Heizelman, 1988 AACE Transactions [1]	K.T. Yeo, The Cost Engineer, 1989 [2]	Stevens & Davis, 1988 AACE Transactions [3]	P. Behrenbruck, Journal of Petroleum Technology, 1993 [4]		
ASING PROJECT DEFINITION	Class 5	Class V	Class V Order of Magnitude	Class III*	Order of Magnitude		
	Class 4	Class IV	Class IV Factor Estimate		Study Estimate		
	Class 3 Class III		Class III Office Estimate	Class II			
INCRE	Class 2	Class II	Class II Definitive Estimate		Budget Estimate		
	Class 1	Class I	Class I Final Estimate	Class I	Control Estimate		

[1] John R. Heizelman, ARCO Oil & Gas Co., 1988 AACE Transactions, Paper V3.7

[2] K.T. Yeo, The Cost Engineer, Vol. 27, No. 6, 1989

[3] Stevens & Davis, BP International Ltd., 1988 AACE Transactions, Paper B4.1 (\* Class III is inferred) [4] Peter Behrenbruck, BHP Petroleum Pty., Ltd., article in Petroleum Technology, August 1993

#### Figure 3c. – Comparison of Classification Practices

#### ESTIMATE INPUT CHECKLIST AND MATURITY MATRIX

Figure 4 maps the extent and maturity of estimate input information (deliverables) against the five estimate classification levels. This is a checklist of basic deliverables found in common practice in the process industries. The maturity level is an approximation of the degree of completion of the deliverable. The degree of completion is indicated by the following letters.

• None (blank): development of the deliverable has not begun.

• Started (S): work on the deliverable has begun. Development is typically limited to sketches, rough outlines, or similar levels of early completion.

• Preliminary (P): work on the deliverable is advanced. Interim, cross-functional reviews have usually been conducted. Development may be near completion except for final reviews and approvals.

• Complete (C): the deliverable has been reviewed and approved as appropriate.

	ESTIMATE CLASSIFICATION								
General Project Data:	CLASS 5	CLASS 4	CLASS 3	CLASS 2	CLASS 1				
Project Scope Description	General	Preliminary	Defined	Defined	Defined				
Plant Production/Facility Capacity	Assumed	Preliminary	Defined	Defined	Defined				
Plant Location	General	Approximate	Specific	Specific	Specific				
Soils & Hydrology	None	Preliminary	Defined	Defined	Defined				
Integrated Project Plan	None	Preliminary	Defined	Defined	Defined				
Project Master Schedule	None	Preliminary	Defined	Defined	Defined				
Escalation Strategy	None	Preliminary	Defined	Defined	Defined				
Work Breakdown Structure	None	Preliminary	Defined	Defined	Defined				

Project Code of Accounts	None	Preliminary	Defined	Defined	Defined
Contracting Strategy	Assumed	Assumed	Preliminary	Defined	Defined
Engineering Deliverables:					
Block Flow Diagrams	S/P	P/C	С	С	С
Plot Plans		S	P/C	С	С
Process Flow Diagrams (PFDs)		S/P	P/C	С	С
Utility Flow Diagrams (UFDs)		S/P	P/C	С	С
Piping & Instrument Diagrams (P&IDs)		S	P/C	С	С
Heat & Material Balances		S	P/C	С	С
Process Equipment List		S/P	P/C	С	С
Utility Equipment List		S/P	P/C	С	С
Electrical One-Line Drawings		S/P	P/C	С	С
Specifications & Datasheets		S	P/C	С	С
General Equipment Arrangement Drawings		S	P/C	С	С
Spare Parts Listings			S/P	Р	С
Mechanical Discipline Drawings			S	Р	P/C
Electrical Discipline Drawings			S	Р	P/C
Instrumentation/Control System Discipline Drawings			S	Р	P/C
Civil/Structural/Site Discipline Drawings			S	Р	P/C

#### Figure 4. – Estimate Input Checklist and Maturity Matrix

#### REFERENCES

ANSI Standard Z94.2-1989. Industrial Engineering Terminology: Cost Engineering. AACE International Recommended Practice No.17R-97, Cost Estimate Classification System.

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Appendix D - Geoscientific (Kilburn) Valuation



Tananat	Rent	Exploration expenditure commitment	BAC	Off Property		On Property		Anomaly Factor		Geology Factor		Technical Valuation (AUD\$)			Fair Market Valuation (AUD\$M)		
Tenement			(AUD\$)	Low	High	Low	High	Low	High	Low	High	Lower	Preferred	Upper	Lower	Preferred	Upper
E 15/1058	5,535.00	70,000	75,535	1.5	2	1	1.5	1	1.5	0.9	1	102,000	220,950	339,900	0.08	0.18	0.27
E 15/1066	14,145.00	70,000	84,145	1.5	2	0.9	1	1	1.5	0.9	1	102,200	177,300	252,400	0.08	0.14	0.2
E 15/1067	14,145.00	70,000	84,145	1.5	2	0.9	1	1	1.5	0.9	1	102,200	177,300	252,400	0.08	0.14	0.2
E 15/1162	1,845.00	50,000	51,845	3	3.5	1.5	2	1	1.5	0.9	1	210,,000	377,200	544,400	0.17	0.3	0.44
E 15/1166	3,075.00	50,000	53,075	3	3.5	0.9	1	1	1.5	0.9	1	129,000	203,800	278,600	0.10	0.16	0.22
E 15/1212	6,150.00	70,000	76,150	3	3.5	1.5	2	1.5	1.7	0.9	1	462,600	684,400	906,200	0.37	0.55	0.72
E 15/1353	25,830.00	126,000	151,830	1.5	2	1.5	2	1.5	2	0.9	1	461,200	837,900	1,214,600	0.37	0.67	0.97
E 15/1492	16,575.00	76,500	93,075	1.5	2	1	1.5	1.5	1.7	0.9	1	188,500	331,600	474,700	0.15	0.27	0.38
E 15/1493	8,450.00	39,000	47,450	1.5	2	0.9	1	1	1.5	0.9	1	57,700	100,050	142,400	0.05	0.08	0.11
E 15/1555	0.00	30,000	30,000	1.5	2	0.9	1	1	1.5	0.9	1	36,500	63,250	90,000	0.03	0.05	0.07
E 15/1556	0.00	30,000	30,000	1.5	2	0.9	1	1	1.5	0.9	1	36,500	63,250	90,000	0.03	0.05	0.07
M 15/1305	1,960.00	10,000	11,960	3	3.5	2	2.5	1.5	2	1.5	2	161,500	290,050	418,600	0.13	0.23	0.33
M 15/1308	1,860.00	10,000	11,860	3	3.5	2	2.5	1.5	2	1.5	2	160,100	287,600	415,100	0.13	0.23	0.33
M 15/1470	8,000.00	40,000	48,000	1.5	2	1	1.5	0.9	1	0.9	1	58,300	101,150	144,000	0.05	0.08	0.12
P 15/5862	33.00	2,000	2,033	1.5	2	1	1.5	0.9	1	0.9	1	2,500	4,300	6,100	0.00	0.00	0.00
P 15/5863	543.00	7,240	7,783	1.5	2	1	1.5	0.9	1	0.9	1	9,500	16,400	23,300	0.01	0.01	0.02
P 15/5864	282.00	3,760	4,042	1.5	2	1	1.5	0.9	1	0.9	1	4,900	8,500	12,100	0.00	0.01	0.01
P 15/5865	48.00	2,000	2,048	1.5	2	1	1.5	0.9	1	0.9	1	2,500	4,300	6,100	0.00	0.00	0.00
P 15/6353	450.00	6,000	6,450	1.5	2	1	1.5	0.9	1	0.9	1	7,800	13,600	19,400	0.01	0.01	0.02
P 15/6354	453.00	6,040	6,493	1.5	2	1	1.5	0.9	1	0.9	1	7,900	13,700	19,500	0.01	0.01	0.02
P 15/6355	453.00	6,040	6,493	1.5	2	1	1.5	0.9	1	0.9	1	7,900	13,700	19,500	0.01	0.01	0.02
Total										2.3	4.0	5.7	1.9	3.2	4.5		

## Appendix G – Valuation Methodology

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses are discussed below.

#### Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings.
- Analysis of a company's recent share trading history.
- Industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

Earnings-based methods are not appropriate where there is:

- A history of losses and/or current losses with an expectation of recovery.
- Rapidly declining profits in an industry with poor prospects.
- Lack of historical data or inadequate prospective financial information such as with start-up businesses.
- Lumpy capital expenditure requirements
- An asset with a finite life.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

#### Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a NPV. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

#### Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method.
- Liquidation of assets method.
- Net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

#### Valuation method adopted

I have considered the above guidance, valuation methodologies commonly utilised, as well as the advice of our experts, VRM and Mr Peter Rooke and have determined that the most appropriate method of valuation is based on the amount that would be available for distribution to security holders in an orderly realisation of assets, having regard to the Company's current circumstances. I have chosen this method as the Company is currently insolvent and subject to external administration. I make the following comments in respect to the alternative valuation methodologies below and in support of our reasoning in choosing the most appropriate methodology:

- The discounted cash flow method is inappropriate as there are no current Ore Reserve estimates for the Bald Hill Project upon which to calculate the value of cash flows, as identified in paragraph 6.9 of the VRM Report.
- The earnings multiples method is inappropriate as there is no acceptable future maintainable earnings information to enable value to be calculated.
- The quoted price for listed securities method is inappropriate because Alita is no longer listed upon the ASX and is currently suspended from the SGX-Catalist, and accordingly, there is no liquid and active market for Alita's securities
- In relation to the consideration of the recent genuine offers method, the Former Administrators undertook a sale process from October to November 2019 for the Group, whereby 20 expressions of interest were received, 14 confidentiality agreements were signed and three parties undertook site tours. This resulted in two bids received from Galaxy and CHEL, both of which were not sufficient to repay the total indebtedness at the time<sup>15</sup>. I have not been made aware of any other recapitalisation proposals or offers to purchase the Company on a trade sale basis have been received since the appointment of the Former Administrators. There is no certainty that any better offers would be received in a liquidation.

<sup>&</sup>lt;sup>15</sup> Experts Report in support of the Former 444GA Application
Appendix H – Expert Evidence Practice Note (GPN-EXPT)



## **EXPERT EVIDENCE PRACTICE NOTE (GPN-EXPT)**

## General Practice Note

#### 1. INTRODUCTION

- 1.1 This practice note, including the Harmonised Expert Witness Code of Conduct ("Code") (see Annexure A) and the Concurrent Expert Evidence Guidelines ("Concurrent Evidence Guidelines") (see Annexure B), applies to any proceeding involving the use of expert evidence and must be read together with:
  - (a) the Central Practice Note (CPN-1), which sets out the fundamental principles concerning the National Court Framework ("NCF") of the Federal Court and key principles of case management procedure;
  - (b) the Federal Court of Australia Act 1976 (Cth) ("Federal Court Act");
  - (c) the *Evidence Act 1995* (Cth) ("**Evidence Act**"), including Part 3.3 of the Evidence Act;
  - (d) Part 23 of the Federal Court Rules 2011 (Cth) ("Federal Court Rules"); and
  - (e) where applicable, the Survey Evidence Practice Note (GPN-SURV).
- 1.2 This practice note takes effect from the date it is issued and, to the extent practicable, applies to proceedings whether filed before, or after, the date of issuing.

#### 2. APPROACH TO EXPERT EVIDENCE

- 2.1 An expert witness may be retained to give opinion evidence in the proceeding, or, in certain circumstances, to express an opinion that may be relied upon in alternative dispute resolution procedures such as mediation or a conference of experts. In some circumstances an expert may be appointed as an independent adviser to the Court.
- 2.2 The purpose of the use of expert evidence in proceedings, often in relation to complex subject matter, is for the Court to receive the benefit of the objective and impartial assessment of an issue from a witness with specialised knowledge (based on training, study or experience see generally s 79 of the Evidence Act).
- 2.3 However, the use or admissibility of expert evidence remains subject to the overriding requirements that:
  - (a) to be admissible in a proceeding, any such evidence must be relevant (s 56 of the Evidence Act); and
  - (b) even if relevant, any such evidence, may be refused to be admitted by the Court if its probative value is outweighed by other considerations such as the evidence

being unfairly prejudicial, misleading or will result in an undue waste of time (s 135 of the Evidence Act).

- 2.4 An expert witness' opinion evidence may have little or no value unless the assumptions adopted by the expert (ie. the facts or grounds relied upon) and his or her reasoning are expressly stated in any written report or oral evidence given.
- 2.5 The Court will ensure that, in the interests of justice, parties are given a reasonable opportunity to adduce and test relevant expert opinion evidence. However, the Court expects parties and any legal representatives acting on their behalf, when dealing with expert witnesses and expert evidence, to at all times comply with their duties associated with the overarching purpose in the Federal Court Act (see ss 37M and 37N).

#### 3. INTERACTION WITH EXPERT WITNESSES

- 3.1 Parties and their legal representatives should never view an expert witness retained (or partly retained) by them as that party's advocate or "hired gun". Equally, they should never attempt to pressure or influence an expert into conforming his or her views with the party's interests.
- 3.2 A party or legal representative should be cautious not to have inappropriate communications when retaining or instructing an independent expert, or assisting an independent expert in the preparation of his or her evidence. However, it is important to note that there is no principle of law or practice and there is nothing in this practice note that obliges a party to embark on the costly task of engaging a "consulting expert" in order to avoid "contamination" of the expert who will give evidence. Indeed the Court would generally discourage such costly duplication.
- 3.3 Any witness retained by a party for the purpose of preparing a report or giving evidence in a proceeding as to an opinion held by the witness that is wholly or substantially based in the specialised knowledge of the witness<sup>1</sup> should, at the earliest opportunity, be provided with:
  - (a) a copy of this practice note, including the Code (see Annexure A); and
  - (b) all relevant information (whether helpful or harmful to that party's case) so as to enable the expert to prepare a report of a truly independent nature.
- 3.4 Any questions or assumptions provided to an expert should be provided in an unbiased manner and in such a way that the expert is not confined to addressing selective, irrelevant or immaterial issues.

<sup>&</sup>lt;sup>1</sup> Such a witness includes a "Court expert" as defined in r 23.01 of the Federal Court Rules. For the definition of "expert", "expert evidence" and "expert report" see the Dictionary, in Schedule 1 of the Federal Court Rules.

#### 4. ROLE AND DUTIES OF THE EXPERT WITNESS

- 4.1 The role of the expert witness is to provide relevant and impartial evidence in his or her area of expertise. An expert should never mislead the Court or become an advocate for the cause of the party that has retained the expert.
- 4.2 It should be emphasised that there is nothing inherently wrong with experts disagreeing or failing to reach the same conclusion. The Court will, with the assistance of the evidence of the experts, reach its own conclusion.
- 4.3 However, experts should willingly be prepared to change their opinion or make concessions when it is necessary or appropriate to do so, even if doing so would be contrary to any previously held or expressed view of that expert.

#### Harmonised Expert Witness Code of Conduct

- 4.4 Every expert witness giving evidence in this Court must read the *Harmonised Expert Witness Code of Conduct* (attached in Annexure A) and agree to be bound by it.
- 4.5 The Code is not intended to address all aspects of an expert witness' duties, but is intended to facilitate the admission of opinion evidence, and to assist experts to understand in general terms what the Court expects of them. Additionally, it is expected that compliance with the Code will assist individual expert witnesses to avoid criticism (rightly or wrongly) that they lack objectivity or are partisan.

#### 5. CONTENTS OF AN EXPERT'S REPORT AND RELATED MATERIAL

- 5.1 The contents of an expert's report must conform with the requirements set out in the Code (including clauses 3 to 5 of the Code).
- 5.2 In addition, the contents of such a report must also comply with r 23.13 of the Federal Court Rules. Given that the requirements of that rule significantly overlap with the requirements in the Code, an expert, unless otherwise directed by the Court, will be taken to have complied with the requirements of r 23.13 if that expert has complied with the requirements. The expert shall:
  - (a) acknowledge in the report that:
    - (i) the expert has read and complied with this practice note and agrees to be bound by it; and
    - the expert's opinions are based wholly or substantially on specialised knowledge arising from the expert's training, study or experience;
  - (b) identify in the report the questions that the expert was asked to address;
  - (c) sign the report and attach or exhibit to it copies of:
    - (i) documents that record any instructions given to the expert; and

- (ii) documents and other materials that the expert has been instructed to consider.
- 5.3 Where an expert's report refers to photographs, plans, calculations, analyses, measurements, survey reports or other extrinsic matter, these must be provided to the other parties at the same time as the expert's report.

#### 6. CASE MANAGEMENT CONSIDERATIONS

- 6.1 Parties intending to rely on expert evidence at trial are expected to consider between them and inform the Court at the earliest opportunity of their views on the following:
  - (a) whether a party should adduce evidence from more than one expert in any single discipline;
  - (b) whether a common expert is appropriate for all or any part of the evidence;
  - (c) the nature and extent of expert reports, including any in reply;
  - (d) the identity of each expert witness that a party intends to call, their area(s) of expertise and availability during the proposed hearing;
  - (e) the issues that it is proposed each expert will address;
  - (f) the arrangements for a conference of experts to prepare a joint-report (see Part 7 of this practice note);
  - (g) whether the evidence is to be given concurrently and, if so, how (see Part 8 of this practice note); and
  - (h) whether any of the evidence in chief can be given orally.
- 6.2 It will often be desirable, before any expert is retained, for the parties to attempt to agree on the question or questions proposed to be the subject of expert evidence as well as the relevant facts and assumptions. The Court may make orders to that effect where it considers it appropriate to do so.

#### 7. CONFERENCE OF EXPERTS AND JOINT-REPORT

- 7.1 Parties, their legal representatives and experts should be familiar with aspects of the Code relating to conferences of experts and joint-reports (see clauses 6 and 7 of the Code attached in Annexure A).
- 7.2 In order to facilitate the proper understanding of issues arising in expert evidence and to manage expert evidence in accordance with the overarching purpose, the Court may require experts who are to give evidence or who have produced reports to meet for the purpose of identifying and addressing the issues not agreed between them with a view to reaching agreement where this is possible ("conference of experts"). In an appropriate case, the Court may appoint a registrar of the Court or some other suitably qualified person ("Conference Facilitator") to act as a facilitator at the conference of experts.

- 7.3 It is expected that where expert evidence may be relied on in any proceeding, at the earliest opportunity, parties will discuss and then inform the Court whether a conference of experts and/or a joint-report by the experts may be desirable to assist with or simplify the giving of expert evidence in the proceeding. The parties should discuss the necessary arrangements for any conference and/or joint-report. The arrangements discussed between the parties should address:
  - (a) who should prepare any joint-report;
  - (b) whether a list of issues is needed to assist the experts in the conference and, if so, whether the Court, the parties or the experts should assist in preparing such a list;
  - (c) the agenda for the conference of experts; and
  - (d) arrangements for the provision, to the parties and the Court, of any joint-report or any other report as to the outcomes of the conference ("**conference report**").

#### **Conference of Experts**

- 7.4 The purpose of the conference of experts is for the experts to have a comprehensive discussion of issues relating to their field of expertise, with a view to identifying matters and issues in a proceeding about which the experts agree, partly agree or disagree and why. For this reason the conference is attended only by the experts and any Conference Facilitator. Unless the Court orders otherwise, the parties' lawyers will not attend the conference but will be provided with a copy of any conference report.
- 7.5 The Court may order that a conference of experts occur in a variety of circumstances, depending on the views of the judge and the parties and the needs of the case, including:
  - (a) while a case is in mediation. When this occurs the Court may also order that the outcome of the conference or any document disclosing or summarising the experts' opinions be confidential to the parties while the mediation is occurring;
  - (b) before the experts have reached a final opinion on a relevant question or the facts involved in a case. When this occurs the Court may order that the parties exchange draft expert reports and that a conference report be prepared for the use of the experts in finalising their reports;
  - (c) after the experts' reports have been provided to the Court but before the hearing of the experts' evidence. When this occurs the Court may also order that a conference report be prepared (jointly or otherwise) to ensure the efficient hearing of the experts' evidence.
- 7.6 Subject to any other order or direction of the Court, the parties and their lawyers must not involve themselves in the conference of experts process. In particular, they must not seek to encourage an expert not to agree with another expert or otherwise seek to influence the outcome of the conference of experts. The experts should raise any queries they may have in relation to the process with the Conference Facilitator (if one has been appointed) or in

accordance with a protocol agreed between the lawyers prior to the conference of experts taking place (if no Conference Facilitator has been appointed).

- 7.7 Any list of issues prepared for the consideration of the experts as part of the conference of experts process should be prepared using non-tendentious language.
- 7.8 The timing and location of the conference of experts will be decided by the judge or a registrar who will take into account the location and availability of the experts and the Court's case management timetable. The conference may take place at the Court and will usually be conducted in-person. However, if not considered a hindrance to the process, the conference may also be conducted with the assistance of visual or audio technology (such as via the internet, video link and/or by telephone).
- 7.9 Experts should prepare for a conference of experts by ensuring that they are familiar with all of the material upon which they base their opinions. Where expert reports in draft or final form have been exchanged prior to the conference, experts should attend the conference familiar with the reports of the other experts. Prior to the conference, experts should also consider where they believe the differences of opinion lie between them and what processes and discussions may assist to identify and refine those areas of difference.

#### Joint-report

- 7.10 At the conclusion of the conference of experts, unless the Court considers it unnecessary to do so, it is expected that the experts will have narrowed the issues in respect of which they agree, partly agree or disagree in a joint-report. The joint-report should be clear, plain and concise and should summarise the views of the experts on the identified issues, including a succinct explanation for any differences of opinion, and otherwise be structured in the manner requested by the judge or registrar.
- 7.11 In some cases (and most particularly in some native title cases), depending on the nature, volume and complexity of the expert evidence a judge may direct a registrar to draft part, or all, of a conference report. If so, the registrar will usually provide the draft conference report to the relevant experts and seek their confirmation that the conference report accurately reflects the opinions of the experts expressed at the conference. Once that confirmation has been received the registrar will finalise the conference report and provide it to the intended recipient(s).

#### 8. CONCURRENT EXPERT EVIDENCE

- 8.1 The Court may determine that it is appropriate, depending on the nature of the expert evidence and the proceeding generally, for experts to give some or all of their evidence concurrently at the final (or other) hearing.
- 8.2 Parties should familiarise themselves with the *Concurrent Expert Evidence Guidelines* (attached in Annexure B). The Concurrent Evidence Guidelines are not intended to be exhaustive but indicate the circumstances when the Court might consider it appropriate for

concurrent expert evidence to take place, outline how that process may be undertaken, and assist experts to understand in general terms what the Court expects of them.

8.3 If an order is made for concurrent expert evidence to be given at a hearing, any expert to give such evidence should be provided with the Concurrent Evidence Guidelines well in advance of the hearing and should be familiar with those guidelines before giving evidence.

#### 9. FURTHER PRACTICE INFORMATION AND RESOURCES

- 9.1 Further information regarding Expert Evidence and Expert Witnesses is available on the Court's website.
- 9.2 Further information to assist litigants, including a range of helpful guides, is also available on the Court's website. This information may be particularly helpful for litigants who are representing themselves.

J L B ALLSOP Chief Justice 25 October 2016

## Annexure A HARMONISED EXPERT WITNESS CODE OF CONDUCT<sup>2</sup>

#### **APPLICATION OF CODE**

- 1. This Code of Conduct applies to any expert witness engaged or appointed:
  - (a) to provide an expert's report for use as evidence in proceedings or proposed proceedings; or
  - (b) to give opinion evidence in proceedings or proposed proceedings.

#### **GENERAL DUTIES TO THE COURT**

 An expert witness is not an advocate for a party and has a paramount duty, overriding any duty to the party to the proceedings or other person retaining the expert witness, to assist the Court impartially on matters relevant to the area of expertise of the witness.

#### **CONTENT OF REPORT**

- 3. Every report prepared by an expert witness for use in Court shall clearly state the opinion or opinions of the expert and shall state, specify or provide:
  - (a) the name and address of the expert;
  - (b) an acknowledgment that the expert has read this code and agrees to be bound by it;
  - (c) the qualifications of the expert to prepare the report;
  - (d) the assumptions and material facts on which each opinion expressed in the report is based [a letter of instructions may be annexed];
  - (e) the reasons for and any literature or other materials utilised in support of such opinion;
  - (f) (if applicable) that a particular question, issue or matter falls outside the expert's field of expertise;
  - (g) any examinations, tests or other investigations on which the expert has relied, identifying the person who carried them out and that person's qualifications;
  - (h) the extent to which any opinion which the expert has expressed involves the acceptance of another person's opinion, the identification of that other person and the opinion expressed by that other person;
  - a declaration that the expert has made all the inquiries which the expert believes are desirable and appropriate (save for any matters identified explicitly in the report), and that no matters of significance which the expert regards as relevant have, to the

<sup>&</sup>lt;sup>2</sup> Approved by the Council of Chief Justices' Rules Harmonisation Committee

knowledge of the expert, been withheld from the Court;

- (j) any qualifications on an opinion expressed in the report without which the report is or may be incomplete or inaccurate;
- (k) whether any opinion expressed in the report is not a concluded opinion because of insufficient research or insufficient data or for any other reason; and
- (I) where the report is lengthy or complex, a brief summary of the report at the beginning of the report.

#### SUPPLEMENTARY REPORT FOLLOWING CHANGE OF OPINION

- 4. Where an expert witness has provided to a party (or that party's legal representative) a report for use in Court, and the expert thereafter changes his or her opinion on a material matter, the expert shall forthwith provide to the party (or that party's legal representative) a supplementary report which shall state, specify or provide the information referred to in paragraphs (a), (d), (e), (g), (h), (i), (j), (k) and (I) of clause 3 of this code and, if applicable, paragraph (f) of that clause.
- 5. In any subsequent report (whether prepared in accordance with clause 4 or not) the expert may refer to material contained in the earlier report without repeating it.

#### DUTY TO COMPLY WITH THE COURT'S DIRECTIONS

- 6. If directed to do so by the Court, an expert witness shall:
  - (a) confer with any other expert witness;
  - (b) provide the Court with a joint-report specifying (as the case requires) matters agreed and matters not agreed and the reasons for the experts not agreeing; and
  - (c) abide in a timely way by any direction of the Court.

#### **CONFERENCE OF EXPERTS**

- 7. Each expert witness shall:
  - (a) exercise his or her independent judgment in relation to every conference in which the expert participates pursuant to a direction of the Court and in relation to each report thereafter provided, and shall not act on any instruction or request to withhold or avoid agreement; and
  - (b) endeavour to reach agreement with the other expert witness (or witnesses) on any issue in dispute between them, or failing agreement, endeavour to identify and clarify the basis of disagreement on the issues which are in dispute.

### ANNEXURE B

# **CONCURRENT EXPERT EVIDENCE GUIDELINES**

#### **APPLICATION OF THE COURT'S GUIDELINES**

1. The Court's Concurrent Expert Evidence Guidelines ("**Concurrent Evidence Guidelines**") are intended to inform parties, practitioners and experts of the Court's general approach to concurrent expert evidence, the circumstances in which the Court might consider expert witnesses giving evidence concurrently and, if so, the procedures by which their evidence may be taken.

#### **OBJECTIVES OF CONCURRENT EXPERT EVIDENCE TECHNIQUE**

- 2. The use of concurrent evidence for the giving of expert evidence at hearings as a case management technique<sup>3</sup> will be utilised by the Court in appropriate circumstances (see r 23.15 of the *Federal Court Rules 2011* (Cth)). Not all cases will suit the process. For instance, in some patent cases, where the entire case revolves around conflicts within fields of expertise, concurrent evidence may not assist a judge. However, patent cases should not be excluded from concurrent expert evidence processes.
- 3. In many cases the use of concurrent expert evidence is a technique that can reduce the partisan or confrontational nature of conventional hearing processes and minimises the risk that experts become "opposing experts" rather than independent experts assisting the Court. It can elicit more precise and accurate expert evidence with greater input and assistance from the experts themselves.
- 4. When properly and flexibly applied, with efficiency and discipline during the hearing process, the technique may also allow the experts to more effectively focus on the critical points of disagreement between them, identify or resolve those issues more quickly, and narrow the issues in dispute. This can also allow for the key evidence to be given at the same time (rather than being spread across many days of hearing); permit the judge to assess an expert more readily, whilst allowing each party a genuine opportunity to put and test expert evidence. This can reduce the chance of the experts, lawyers and the judge misunderstanding the opinions being expressed by the experts.
- 5. It is essential that such a process has the full cooperation and support of all of the individuals involved, including the experts and counsel involved in the questioning process. Without that cooperation and support the process may fail in its objectives and even hinder the case management process.

<sup>&</sup>lt;sup>3</sup> Also known as the "hot tub" or as "expert panels".

#### **CASE MANAGEMENT**

- 6. Parties should expect that, the Court will give careful consideration to whether concurrent evidence is appropriate in circumstances where there is more than one expert witness having the same expertise who is to give evidence on the same or related topics. Whether experts should give evidence concurrently is a matter for the Court, and will depend on the circumstances of each individual case, including the character of the proceeding, the nature of the expert evidence, and the views of the parties.
- 7. Although this consideration may take place at any time, including the commencement of the hearing, if not raised earlier, parties should raise the issue of concurrent evidence at the first appropriate case management hearing, and no later than any pre-trial case management hearing, so that orders can be made in advance, if necessary. To that end, prior to the hearing at which expert evidence may be given concurrently, parties and their lawyers should confer and give general consideration as to:
  - (a) the agenda;
  - (b) the order and manner in which questions will be asked; and
  - (c) whether cross-examination will take place within the context of the concurrent evidence or after its conclusion.
- 8. At the same time, and before any hearing date is fixed, the identity of all experts proposed to be called and their areas of expertise is to be notified to the Court by all parties.
- 9. The lack of any concurrent evidence orders does not mean that the Court will not consider using concurrent evidence without prior notice to the parties, if appropriate.

#### **CONFERENCE OF EXPERTS & JOINT-REPORT OR LIST OF ISSUES**

- 10. The process of giving concurrent evidence at hearings may be assisted by the preparation of a joint-report or list of issues prepared as part of a conference of experts.
- 11. Parties should expect that, where concurrent evidence is appropriate, the Court may make orders requiring a conference of experts to take place or for documents such as a joint-report to be prepared to facilitate the concurrent expert evidence process at a hearing (see Part 7 of the Expert Evidence Practice Note).

#### **PROCEDURE AT HEARING**

- 12. Concurrent expert evidence may be taken at any convenient time during the hearing, although it will often occur at the conclusion of both parties' lay evidence.
- 13. At the hearing itself, the way in which concurrent expert evidence is taken must be applied flexibly and having regard to the characteristics of the case and the nature of the evidence to be given.
- 14. Without intending to be prescriptive of the procedure, parties should expect that, when evidence is given by experts in concurrent session:

- (a) the judge will explain to the experts the procedure that will be followed and that the nature of the process may be different to their previous experiences of giving expert evidence;
- (b) the experts will be grouped and called to give evidence together in their respective fields of expertise;
- (c) the experts will take the oath or affirmation together, as appropriate;
- (d) the experts will sit together with convenient access to their materials for their ease of reference, either in the witness box or in some other location in the courtroom, including (if necessary) at the bar table;
- (e) each expert may be given the opportunity to provide a summary overview of their current opinions and explain what they consider to be the principal issues of disagreement between the experts, as they see them, in their own words;
- (f) the judge will guide the process by which evidence is given, including, where appropriate:
  - (i) using any joint-report or list of issues as a guide for all the experts to be asked questions by the judge and counsel, about each issue on an issue-by-issue basis;
  - (ii) ensuring that each expert is given an adequate opportunity to deal with each issue and the exposition given by other experts including, where considered appropriate, each expert asking questions of other experts or supplementing the evidence given by other experts;
  - (iii) inviting legal representatives to identify the topics upon which they will crossexamine;
  - (iv) ensuring that legal representatives have an adequate opportunity to ask all experts questions about each issue. Legal representatives may also seek responses or contributions from one or more experts in response to the evidence given by a different expert; and
  - (v) allowing the experts an opportunity to summarise their views at the end of the process where opinions may have been changed or clarifications are needed.
- 15. The fact that the experts may have been provided with a list of issues for consideration does not confine the scope of any cross-examination of any expert. The process of cross-examination remains subject to the overall control of the judge.
- 16. The concurrent session should allow for a sensible and orderly series of exchanges between expert and expert, and between expert and lawyer. Where appropriate, the judge may allow for more traditional cross-examination to be pursued by a legal representative on a particular issue exclusively with one expert. Where that occurs, other experts may be asked to comment on the evidence given.
- 17. Where any issue involves only one expert, the party wishing to ask questions about that issue should let the judge know in advance so that consideration can be given to whether

arrangements should be made for that issue to be dealt with after the completion of the concurrent session. Otherwise, as far as practicable, questions (including in the form of cross-examination) will usually be dealt with in the concurrent session.

18. Throughout the concurrent evidence process the judge will ensure that the process is fair and effective (for the parties and the experts), balanced (including not permitting one expert to overwhelm or overshadow any other expert), and does not become a protracted or inefficient process.

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