



Shareholder Update

Alita Resources Limited (In Liquidation) ACN 147 393 735 (Alita or the Company)

1 Introduction and background

As detailed in the previous shareholder updates including the update dated 1 November 2023, Alita entered into a share sale agreement (**SSA**) with Mineral Resources Limited (**MinRes**) for the disposal of its assets.

Unless otherwise stated, all capitalised terms used herein shall have the same meanings ascribed in that update.

2 Update on Liquidation

Since completing the SSA on 1 November 2023, the Liquidators have progressed several key workstreams simultaneously to advance the liquidation of Alita in addition to our statutory obligations. This included:

- a. Engaging with the Australian Taxation Office (**ATO**) which issued a section 353-10 notice (**Notice**) to the Alita tax consolidated group (being Alita, Lithco No.2 Pty Ltd and Tawana Resources Pty Ltd) (the **ATO Review**). The Notice was issued in May 2023 and the Liquidators took over the role of managing communications with the ATO following our appointment as liquidators of Alita on 27 September 2023.
- b. Engaging with and providing information to:
 - 1 Deloitte who were engaged to prepare the Independent Expert Report (**IER**) for the purpose of determining the purchase price payable by MinRes under the SSA; and
 - 2 Behre Dolbear Australia Pty Ltd (**BDA**) who were engaged to provide advice to Deloitte on (i) the technical operating assumptions included in the life of mine cash flow prepared for Bald Hill (being the mine owned and operated by Lithco), (ii) an assessment of the exploration tenements of Lithco, and (iii) the valuation of any residual resources not reflected in the discounted cash flow analysis.
- c. Finalising negotiations with MinRes to conclude the purchase price following receipt of the IER.

Further details in respect of each of these items are detailed below.

3 Outcome of IER and negotiations with MinRes

Deloitte was engaged to prepare the IER providing its opinion as to the preferred value of the residual equity in Alita as at 29 August 2023, being the day before the Implementation Agreement was entered into with MinRes (**Preferred Value**). Although Deloitte was instructed to provide a single Preferred Value, Deloitte determined it was unable to provide this due to the uncertainty driven by the ongoing ATO Review including whether the Offtake Agreement between Lithco and Yihe Cleantech Material Ltd (**Yihe**) is not at arm's length. The IER notes that the outcome of the ATO Review is likely to have a material impact on both the actual and future taxes payable, noting future taxes in relation to the operation of the Bald Hill mine would be payable by any purchaser of that mine.

As a consequence of the above assessment, and noting the binary nature of the position with the ATO (i.e. additional future tax is either payable or it is not), Deloitte's IER provided a Preferred Value in two scenarios as follows:

- Scenario 1 - where the ATO Review determines the Offtake Agreement is at arm's length; and
- Scenario 2 - where the ATO Review determines the Offtake Agreement is **not** at arm's length.



A summary of the valuation ranges identified in the IER in each scenario is set out in the table below:

Alita - IER summary (AUD million)				
Item	Scenario 1		Scenario 2	
	High	Low	High	Low
Residual equity in Alita	125.0	63.4	25.0	(85.3)
Preferred Valuation	94.2		nil	

Noting the Deloitte IER provided Preferred Valuations of either \$nil or \$94.2m, the Liquidators engaged with MinRes to agree a Preferred Valuation for the purposes of concluding the transaction and providing certainty to Alita and its stakeholders.

On 21 November 2023, a settlement agreement was executed with MinRes which resulted in the final consideration payable being \$173.9m as set out below:

Alita - consideration payable	
Item	AUD m
Minimum equity payment	50.0
Top up equity payment	50.0
Agreed preferred value	100.0
<u>Secured debt:</u>	
Alita secured debt to Austroid	73.9
Consideration payable by MinRes	173.9
<i>Subsidiary secured debt to Yihe and Austroid</i>	<i>86.1</i>

In addition to the consideration payable of \$173.9m, MinRes also assumed the liabilities of Tawana and Lithco including the secured debt outstanding to Austroid and Yihe which totalled approximately \$86.1m.

The terms of the settlement agreed with MinRes provides for:

- (i) no negative adjustment to the consideration payable by MinRes at the conclusion of the ATO Review and following lodgement of the FY23 and FY24 income tax returns; and
- (ii) to the extent Lithco and Tawana have a tax liability payable after lodging the FY23 and FY24 tax returns, that tax liability remains a liability of Lithco and Tawana following completion of the SSA.

The Liquidators are satisfied that agreeing a Preferred Valuation of \$100m with MinRes which is higher than the Deloitte Preferred Valuation in both scenarios is a positive outcome for Alita and its stakeholders.

Although the Liquidators understand that the offtake agreement between Lithco and Yihe Cleantech Material Ltd remains in place, the Liquidators confirm no further amounts are payable by MinRes should that offtake agreement be terminated in the future.

A copy of the IER will be made available for inspection¹ during normal business hours at the office of Rajah & Tann Singapore LLP, the legal advisers to the Liquidators, at 9 Straits View #06-07, Marina One West Tower, Singapore 018937, for three (3) months from the date hereof.

¹ Prior appointment for inspection may be made via email to alita@rajahtann.com.



4 **Responding to ATO Review**

On 30 May 2023, the ATO issued the Notice to the Alita tax consolidated group. The Notice is a tool available to the ATO to compel companies (in this case the Alita tax consolidated group) to produce information that might assist the ATO's inquiries into its affairs. The Notice requested the provision of a range of information and the ATO Review is ongoing.

At the time of the Liquidators' appointment, income tax returns for the Alita Group had been lodged up to and including FY22. In addition to engaging with the ATO in respect of the Notice, the Liquidators have engaged tax consultants to prepare and finalise the Alita Group's income tax returns for FY23 and FY24 (up to the completion of the SSA on 1 November 2023) which remain outstanding. The FY24 tax returns will also include an assessment of any tax payable following the sale of Alita's shares in Tawana to MinRes.

The Liquidators will be required to quantify and pay all tax liabilities of Alita before any funds will become available for distribution to creditors (if any) and shareholders.

5 **Timing of distributions by the Liquidators**

Before the Liquidators may distribute any funds to shareholders, the Liquidators will be required to (i) quantify and pay Alita's tax liabilities and any other creditors, and (ii) obtain tax clearance from the ATO. This will require finalisation of the ATO Review and a calculation of any portion of the tax liability which is attributable to Lithco and Tawana.

Consequently, the Liquidators expect it will take at least three to four months before the Liquidators will be in a position to (i) determine the final quantum of funds available to shareholders, and (ii) begin the process of distributing any funds to shareholders.

The Liquidators will otherwise update shareholders appropriately when there are further material updates.

Dated: 21 November 2023

Yours faithfully

Alita Resources Ltd (In Liquidation)

A handwritten signature in black ink, appearing to read 'Rob Kirman'.

Rob Kirman
Liquidator