14 JANUARY 2020

SHAREHOLDER UPDATE – (1) RELEASE OF EXPLANATORY STATEMENT AND EXPERT'S REPORT AND (2) RESPONSE TO THE SGX REGCO'S NOTICE OF COMPLIANCE

Explanatory Statement and Expert's Report

In our previous announcement of 20 December 2019, we advised that the Deed Administrators had filed an application for relief under section 444GA of the Corporations Act 2001 (Cth) (**Section 444GA Application**) in the Supreme Court of Western Australia (**Court**). The relief sought in the Section 444GA Application is a condition precedent under the deed of company arrangement executed on 17 December 2019 (**DoCA**) and is necessary to permit the proposed transfer of 100% of the shares in Alita Resources Limited (**Alita**) to the DoCA proponent.

To assist Alita shareholders in:

- understanding the DoCA and how it affects Alita shareholders; and
- deciding whether they wish to take any action in relation to the DoCA, including by appearing in Court to oppose the Section 444GA Application or by making any concerns or objections known to the Deed Administrators,

the Deed Administrators have prepared an explanatory statement, which is attached to this announcement (**Explanatory Statement**). The Explanatory Statement includes an expert's report prepared by KordaMentha which contains a valuation of the Company's shares, a technical specialist report prepared by Deloitte Financial Advisory Pty Ltd in relation to the current market value of certain of Alita's assets and a technical specialist report prepared by SRK Consulting (Australasia) Pty Ltd in relation to the mineral assets of Alita.

Shareholders should refer to section 7 of the Explanatory Statement for further information on the Section 444GA Application and how they can participate in the Court hearing if they wish to oppose the Section 444GA Application. The current deadline for filing an appearance is 4:00pm (Perth time) on 29 January 2020. As noted below, Singapore Exchange Regulation (**SGX Regco**) has requested that the Deed Administrators apply to the Court for this deadline for entering appearances to be extended shareholders who hold shares through the Singapore share register (**Singapore Shareholders**) and for the date of the Final Hearing (currently scheduled for 25 February 2020) to be rescheduled to later dates. The Deed Administrators have made the requested application to the Court (**Extension Application**). If the Court grants the Extension Application, the Deed Administrators will announce the revised deadline for entering appearances and/or rescheduled Final Hearing date on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet.

The Court will hold a Directions Hearing on the Section 444GA Application at 9:30am (Perth time) on 30 January 2020. At this Directions Hearing (or at a subsequent Directions Hearing), the Court may make further procedural orders setting down a timetable for shareholders who have filed an appearance to lodge submissions and affidavits upon which they wish to rely at the Final Hearing.

The Final Hearing, at which the Court will determine whether to make the section 444GA orders, is currently scheduled to take place on 25 February 2020 (unless this Final Hearing date is rescheduled as part of the Extension Application). The Court is located at the David Malcolm Justice Centre, Level 11, 28 Barrack Street, Perth, Western Australia.

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

Response to the SGX RegCo's Notice of Compliance

Alita has received a notice of compliance from Singapore Exchange Regulation Pte Ltd (**Notice of Compliance**) requiring the Deed Administrators to, amongst other things, apply for an extension of the court deadline for Singapore Shareholders to file an appearance and also to seek an extension for the date of the Final Hearing. The Deed Administrators have filed the Extension Application, although it is ultimately in the discretion of the Court as to whether to grant the requested extensions. The Deed Administrators will release an announcement on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet if there is a change to the scheduled dates for the deadline for filing an appearance or the date of the Final Hearing.

The Notice of Compliance also requires the Deed Administrators to hold an information session/meeting for Singapore Shareholders to assist Singapore Shareholders to (a) fully understand the implications of the DoCA, the Section 444GA Application, its process and their rights and interests; as well as (b) provide a platform for them to state their views, concerns and objection collectively (if any) to the Court through the Deed Administrators. The Deed Administrators are making arrangements for such an information session to be held and will provide further details in due course through an announcement on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet.

Richard Tucker
Deed Administrator

Alita Resources Ltd (Subject to Deed of Company Arrangement)

Explanatory Statement

Alita Resources Limited ACN 147 393 735 (Subject to Deed of Company Arrangement) ('Company')

Application for Court approval for a transfer of your shares for nil consideration

14 January 2020

This Explanatory Statement provides information to the Company's shareholders on the deed of company arrangement ('DoCA') entered into by the Company and its subsidiaries Lithco No 2 Pty Ltd ACN 612 726 922 and Tawana Resources Pty Ltd ACN 085 166 721 (together 'the Group'), their Administrators, Liatam Mining Limited ACN: 637 907 503 ('DoCA Proponent') and China Hydrogen Energy Ltd ('CHEL') on 17 December 2019.

The primary objectives of the DoCA are:

- continuation of the Group's operations on a care and maintenance basis
- distribution to certain classes of unsecured creditors from a Cash Creditors' Trust in full and final settlement of their debts
- distribution to a certain class of unsecured creditors from a Stockpile Creditors' Trust in full and final settlement of their debts
- preservation of employee contracts.

The DoCA requires the transfer of all of the issued shares in the Company to the DoCA Proponent with no consideration being paid to the existing shareholders. Leave will be sought from the Court by the Deed Administrators under Section 444GA of the Corporations Act to enable that transfer to occur.

A Directions Hearing relating to the Section 444GA Application has been listed for hearing at the Supreme Court of Western Australia commencing at 9:30am on 30 January 2020.

If you wish to appear at the Directions Hearing to make submissions and/or if you intend to oppose the Section 444GA Application at the Final Hearing, you may do so by filing with the Court, and serving on the Deed Administrators and ASIC, an appearance in the prescribed Court form by 4:00pm on 29 January 2020.

If you do not enter an appearance by the deadline of **29 January 2020**, the Court may determine that you are not entitled to be heard at any subsequent hearings.

We expect the Final Hearing for the Section 444GA Application will be listed for hearing at the Supreme Court of Western Australia on 25 February 2020.

The Company has received a Notice of Compliance from Singapore Exchange Regulation on 8 January 2020 requiring the Deed Administrators to, amongst other things, apply for an extension to the deadline for Singapore Shareholders to file an appearance an extension of time for the Final Hearing and to hold an information session/meeting for the Singapore Shareholders to (a) fully understand the implications of the DoCA, the Section 444GA Application, its process and the rights and interests of Shareholders; as well as (b) provide a platform for them to state their views, concerns and objection collectively (if any) to the Court through the Deed Administrators. . The Deed Administrators have filed an application to the Court seeking the requested extensions, although it is ultimately in the discretion of the Court as to whether to grant the extension. The Deed Administrators will release an announcement on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet if there is a change to the scheduled dates for the deadline for filing an appearance or the date of the Final Hearing.

This is an important document. Shareholders (and their advisors and any other interested parties) should read this Explanatory Statement and accompanying Expert's Report in their entirety before making a decision regarding whether or not to take any action in respect of the Section 444GA Application. If you have any questions on the information in this

document, you should consult your legal or other professional advisor.

1 Important information

1.1 Purpose of this Explanatory Statement

This document is an Explanatory Statement issued by the Company in connection with the DoCA.

If the Section 444GA Order is made and the DoCA is effectuated, all of your shares in the Company will be transferred to the DoCA Proponent pursuant to the terms of the DoCA for no consideration to current shareholders. You will not receive any money and you will cease to own your shares.

This Explanatory Statement has been provided to you by the Company, to assist you to understand:

- the proposed restructure and its effect on you as a shareholder
- the application which has been made, pursuant to the terms of the DoCA, by the Deed Administrators of the Company to the Supreme Court of Western Australia for approval to transfer all of the shares in the Company to the DoCA Proponent pursuant to Section 444GA of the Corporations Act
- the steps which you need to take if you wish to appear at the Directions Hearing on that application, which is scheduled for 30 January 2020.
- the information which is, and will be, available to assist you in deciding whether to appear at the Directions Hearing.

The Expert's Report prepared by KordaMentha, which contains a valuation of the Company's shares, is attached to this document. The opinion set out in the Expert's Report is that the Company's shares have nil value.

1.2 Effect of the DoCA on shareholders

If the DoCA is effectuated, your shareholding will be transferred to the DoCA Proponent for nil consideration to you. In connection with the effectuation of the DoCA, the Company will be delisted from the ASX and SGX-Catalist.

However, through implementation of the DoCA, the Group will avoid liquidation and continue as a going concern.

Further information regarding the consequences of the successful effectuation of the DoCA on the Group and shareholders is set out in section 5.

1.3 Status of this document

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

A copy of this Explanatory Statement (including the Expert's Report) has been given to ASIC for the purposes of obtaining the ASIC relief referred to in section 7.1 below. Neither ASIC nor any of its officers takes any responsibility for its contents.

1.4 Defined terms

Capitalised terms used in this Explanatory Statement have the meanings defined in the Glossary in section 9, unless the context otherwise requires, or a term has been defined in the text of the Explanatory Statement. All time references in this Explanatory Statement are to Australian Western Standard Time (AWST).

2 Background

2.1 Events to date

On 28 August 2019, Richard Tucker and John Bumbak were appointed as the joint and several voluntary administrators of the Company and those of its subsidiaries that form part of the Group, pursuant to section 436A of the Corporations Act.

Martin Jones, Matthew Woods and Andrew Smith of KPMG were subsequently appointed as Receivers and Managers of each company in the Group on 29 August 2019 by Galaxy Resources Ltd, a creditor holding security over the assets of the Group. The Receivers and Managers retired on 29 November 2019.

During the limited period of their appointment, the Receivers and Managers:

- controlled the Group's operations and assets
- reviewed the Group's operations
- ceased trading the Group's operations
- shut down the mine and implemented a care and maintenance program

The Administrators undertook a sale/recapitalisation campaign for the Group. This resulted in two deed of company arrangement proposals and no offers to purchase the Group's assets.

At the conclusion of the sale campaign, and after assessing the two deed of company arrangement proposals, it was recommended to creditors via the 439A Report that the DoCA Proponent's DoCA should be accepted. On 29 November 2019 and as a prelude to the DoCA Proponent's DoCA, CHEL (a related company of the DoCA Proponent) advanced funds to the Administrators of the Company to fund the repayment of Galaxy's secured debt in full. CHEL became the Group's new secured creditor and the Receivers and Managers retired.

At a meeting of creditors held on 17 December 2019, the creditors of each Group company resolved that the DoCA Proponent's DoCA be accepted and the Group companies enter into the DoCA. On 17 December 2019, the DoCA was executed by the Administrators, the DoCA Proponent and CHEL, and the Administrators became the Deed Administrators.

An overview of the DoCA is provided in section 4.

3 Expert's Report

3.1 Summary

As determined in the Expert's Report, and subject to the assumptions listed at section 5.2.1 of the Expert's Report, the value range of the Group's assets is $43.24 million to $69.61 million (preferred valuation $56.33 million). The Group's total indebtedness is estimated to be in the range of $86.86 million to $110.66 million (adopted Total Indebtedness of $96.16 million) on a pooled basis. Consequently, the Company's shares in a liquidation scenario have nil value. This deficiency is shown as follows

Table 1 – Asset deficiency on a pooled basis

$ million	Low	High	Preferred
Total assets	43.24	69.61	56.33
Total indebtedness	(110.66)	(86.86)	(96.16)
(Deficiency)	**(67.42)**	**(17.25)**	**(39.83)**

3.2 Valuation summary

Table 2 provides a summary of the valuation range of the Group's assets on a pooled basis.

Table 2 –Summary of the valuation of the Group's assets

($ million)	Value		
Asset	**Low**	**High**	**Preferred**
Circulating assets			
Cash	2.69	3.06	2.88
Receivables	0.05	0.25	0.15
Inventory	16.90	22.70	19.80
Total circulating assets	**19.64**	**26.01**	**22.83**
Non-circulating assets			
Bald Hill Project – includes Residual Resource	22.30	37.60	29.90
Bald Hill – Exploration Asset	1.10	4.80	2.90
Interest in Cowan Lithium	0.20	0.20	0.20
Total non-circulating assets	**23.60**	**42.60**	**33.00**
Other assets			
Antecedent transactions	Nil	1.00	0.50
Total other assets	**Nil**	**1.00**	**0.50**
Total assets	**43.24**	**69.61**	**56.33**

3.3 Total indebtedness

To assist us determine whether the Company's shares have any value ascribed to them, the Group's Total Indebtedness in a liquidation scenario is required to be calculated. This calculation has been undertaken on a pooled basis, as a consequence of the deed of cross guarantee entered into between the companies forming the Group. The calculation also includes contingent liabilities which have yet to crystallise including employee entitlements for employees who would be terminated in a liquidation scenario, liquidators' trading costs and liquidators' remuneration and disbursements.

For the avoidance of doubt, the total indebtedness excludes the Receivers and Managers' remuneration, disbursements, trading costs, legal costs and Galaxy's financing costs (including interest costs, break costs and advisory costs relating to the finance) as they have been off-set against the cash at bank.

The total indebtedness on a pooled basis is set out in Table 3.

Table 3 – Total indebtedness on a pooled basis

Source: Group's books and records and Administrators' estimate

Liability ($ million)	Low	High	Adopted
Administrators' loan	60.02	60.02	60.02
Liquidators' remunerations and disbursements[1]	2.12	2.12	2.12
Liquidators' trading costs	1.59	1.59	1.59
Employee entitlement	0.43	0.43	0.43
Unsecured creditors	46.50	22.70	32.00
Total Indebtedness	**110.66**	**86.86**	**96.16**

4 What is the DoCA?

4.1 Overview

The Administrators received two deed of company arrangement proposals from the sale/recapitalisation process:

- the Galaxy proposal
- the DoCA Proponent's proposal

The Administrators recommended to creditors that the DoCA Proponent's DoCA proposal be accepted because it provided the best outcome for creditors. The DoCA Proponent's DoCA proposal was accepted by creditors on 17 December 2019. The Galaxy proposal lapsed on 20 November 2019 and hence was not capable of being recommended to creditors of the Group companies.

4.2 DoCA/creditors' trust class structure

The DoCA/creditors' trust class structure was proposed by CHEL/Liatam. The creditor class structure is set out below:

Class A Creditors	Those creditors with claims in respect of outstanding employee entitlements (excluding the Continuing Employees) and who would be priority creditors pursuant to sections 556 and 560 of the Act if the Companies were placed into liquidation. Employees are afforded priority under the Act for their entitlements.
Class B Creditors	Shire of Coolgardie – the Shire has lodged caveats over the Group's mining tenements, and requires payment in full to remove the caveats.
Class C Creditors	SMS Innovative Mining Pty Ltd, Primero Group Pty Ltd, Cape Crushing and Earthmoving Contractors Pty Ltd, and Qube Bulk Pty Ltd – these are the largest creditors of the Group, and are anticipated to be required in any restart of the operations.
Class D Creditors	Creditors with admitted claims not exceeding $10,000 in aggregate each – these are the smallest creditors and expected to be least capable of absorbing a loss.
Class E Creditors	Creditors of the Group other than Class A, B, C, and D creditors – these are the balance of creditors, forming the middle strata of claims.

4.3 Key features of the CHEL/Liatam DoCA proposal

The DoCA Proponent's DoCA proposal is a result of negotiations between the DoCA Proponent, CHEL and the Administrators of the Group. Key terms of the proposed DoCA are as follows:

- The structure is a single DoCA across the Group entities.
- Two creditors' trusts will be established.
  - **Cash Creditors' Trust:** For Class A, B, D and E creditors. A cash contribution of $3.01 million will be made to the Cash Creditors' Trust, which will be used to fund the payment to creditors. The Cash Creditors' Trust will commence shortly after execution the DoCA, and creditor claims will be extinguished as against the Group at this time. This contribution is not dependent on the outcome of the section 444GA application, and is to be funded from the Group's cash at bank (which is an asset subject to the security of CHEL)
  - **Stockpile Creditors' Trust:** For Class C creditors. The contribution to the Stockpile Creditors' Trust will either be cash or the physical spodumene stockpile plus cash to take the total stockpile value up to $3.22 million (10% of the total Class C Creditor claim). The Stockpile Creditors' Trust will commence on completion under the DoCA, and is dependent on the conditions precedent to completion under the DoCA being achieved. The cash component of any contribution is to be funded from the Group's cash at bank (which, along with the stockpile, is an asset subject to the security of CHEL)
- An application pursuant to Section 444GA of the Act will be made to transfer all of the shares in the Company to the DoCA Proponent or its nominee.
- The Administrators of the Group will be the Deed Administrators of the DoCA, and thereafter trustees of the Creditors Trusts ('Trustees'). The Trustees' fees and expenses will be paid from the Creditors' Trusts and they will be primarily responsible for assessing and admitting the claims of the beneficiaries.

- Unsecured creditors accept the terms of the DoCA in full and final satisfaction of their debts.
- The DoCA also incorporates the standard terms and provisions which are described in the Act.
- The amount available to creditors under the DoCA, through a combination of cash contributions and provision of Group assets on the basis of Secured Creditor consent, on a high and low basis given the provisions of the Stockpile Creditors' Trust is as follows:

			Low		High	
	Book Value $ million	No. of creditors	$ million	c/$	$ million	c/$
DoCA						
DoCA Contribution			**4.50**		**4.50**	
Less:						
Administrators' remuneration			(1.40)		(1.40)	
Deed Administrators' remuneration			(0.60)		(0.60)	
Administrators' and Deed Administrators' legal fees			(0.65)		(0.65)	
Administrators' trading costs			(0.27)		(0.27)	
Deed Administrators' trading costs			(1.58)		(1.58)	
Total distribution			**(4.50)**		**(4.50)**	
Surplus			**-**		**-**	
Cash Creditors' Trust						
Contribution to Trust			**3.01**		**3.01**	
Less:						
Trustee's fees and costs			(0.18)		(0.18)	
Class A Creditors – Employee Entitlements	-	-	-		-	
Class B Creditors - Shire of Coolgardie	(0.32)	1	(0.32)	100.0	(0.32)	100.0
Class D Creditors – creditor's claim doesn't exceed $10,000	(0.34)	120	(0.34)	100.0	(0.34)	100.0
Class E Creditors – creditor's claim exceeds $10,000	(21.74)	93	(2.17)	10.0	(2.17)	10.0
Total distribution	**(22.40)**	**214**	**(3.01)**		**(3.01)**	
Surplus in Cash Creditors' Trust			**-**			
Stock Creditors' Trust						
Spodumene inventory or contribution to Trust			**3.22**		**11.10**	
Less:						
Trustee's fees and costs			(0.11)		(0.11)	
Class C Creditors – participating creditors	(31.29)	4	(3.12)	10.0	(11,000)	35.3
Total Distributions		**4**	**(3.22)**		**(11,100)**	

4.4 Effect of the DoCA

If effectuated, the Company will:

- transfer all of the shares in the Company to the DoCA Proponent, or their nominee
- compromise and extinguish the claims of the Secured Creditor against the Group
- compromise and extinguish all of the claims that unsecured creditors (including option holders) may have against the Group in exchange for a potential right of distribution under the creditors' trusts
- extinguish any claims of shareholders who may have a claim against the Group in their capacity as shareholders

4.5 No consideration is payable for the transfer of shares

You will not receive any consideration for the transfer of your shares in the Company. If the Section 444GA Order is made, and ASIC and the relevant Singaporean regulators grant the necessary technical relief, the Deed Administrators will transfer your shares to the DoCA Proponent on effectuation of the DoCA for no consideration and you will cease to hold any shares in the Company.

4.6 What must the Court be satisfied of in making the Section 444GA Order?

The Court may only give leave for the transfer of all of the shares in the Company to the DoCA Proponent if it is satisfied that the transfer would not unfairly prejudice shareholders.

In this regard, KordaMentha has prepared the Expert's Report for the purpose of the Section 444GA Application, to provide a valuation of the Company's shares to assist the Court in determining whether the proposed transfer of all of the issued shares in the Company as contemplated by the DoCA will unfairly prejudice shareholders. To assist in preparing this report the Deed Administrators (on behalf of the Company) engaged Deloitte Financial Advisory Pty Ltd and SRK Consulting (Australasia) Pty Ltd to provide technical valuations of the Group's mineral assets, including tenements, plant and equipment, and inventory.

The Expert's Report was also prepared for the purpose of applying to ASIC for technical relief from the requirements of Chapter 6 of the Corporations Act.

A full copy of the Expert's Report is attached to this document. Shareholders (and their advisors and any other interested parties) should read the Expert's Report carefully and in its entirety.

4.7 What is the conclusion in the Expert's Report?

KordaMentha has concluded in its report that the Company's shares have nil value as the Group's total indebtedness exceeds the value of the Group's remaining assets.

5 Effect of the DoCA on the Group

5.1 Current Structure

The Company's shares are currently listed on the ASX and the Catalist exchange in Singapore. The Company has two fully owned subsidiaries, being Tawana Resources Pty Ltd and Lithco No 2 Pty Ltd, and a 11.3% shareholding in Cowan Lithium Limited (a public unlisted company holding lithium exploration ground close to the Group Bald Hill Mine).

The Company owns the Bald Hill Mine and produced hard rock lithium spodumene and tantalum as a by-product from its mine. It also holds a number of exploration assets.

As part of the DoCA, the DoCA Proponent will become the sole shareholder of the Company and the Company will be delisted from the ASX and, subject to regulatory approvals, from the Catalist exchange.

5.2 Why is the DoCA required?

The DoCA was recommended to creditors by the Deed Administrators because:

1. it delivers a superior outcome for unsecured creditors compared to a liquidation scenario
2. it presents the only opportunity for the Group to deal with its existing debt position. None of the alternatives investigated by the Company's directors (prior to the appointment of Administrators) or arising as a result of the sale/recapitalisation process conducted by the Administrators (post their appointment to the Group) provided a solution which would return the Group to its usual operations
3. if the DoCA is effectuated, the Company will emerge as a going concern, as an unlisted Australian company wholly-owned by the DoCA Proponent
4. effectuation of the DoCA will minimise the risk that the Group will be unable to continue its mining operations

If the DoCA is not effectuated, it is expected that the Group will be unable to continue operations and its assets will be liquidated. In this scenario, the Expert's Report determined that the shares in the Company have no value and hence there will be no return to shareholders.

5.3 Effect of the DoCA on assets and liabilities of the Group

On execution of the DoCA:

1. $4.50 million of the Group's cash has been distributed to the Administrators / Deed Administrators for its remuneration, and legal costs. This has reduced the Group's assets
2. $3.01 million of the Group's cash has been deposited into the Cash Creditors' Trust for distribution to the different classes of creditors pursuant to the DoCA. This has reduced the Group's assets
3. The creation of the Cash Creditors Trust has also caused the claims of creditors in classes B, D, and E to be extinguished reducing the Group's liabilities.

On effectuation of the DoCA:

a. The DoCA will be terminated. New directors will be appointed before termination of the DoCA and the directors will resume control of the Group on effectuation

b. Spodumene inventory with an NRV of c. $11 million will be transferred into the Stockpile Creditors' Trust for realisation with the net sale proceeds being distributed to Class C creditors in accordance with the DoCA. Class C creditors claims will then be extinguished

c. Continuing Employees' claims, which are estimated at $0.43 million, will continue to be a liability of the Group

d. The Group will continue to own:
   - cash net of payments 1. and 2. above,
   - inventory net of the distribution of the stockpile
   - all the remaining existing assets

e. CHEL's secured debt will be restructured into a 100% equity holding in the Company

f. Other than continuing employee claims, detailed at c, there will be no other claims from before the Administrators' appointment

6 Advantages and disadvantages for shareholders

This section sets out the key advantages and disadvantages of the DoCA for shareholders. Notwithstanding the provision of this summary, shareholders should read this Explanatory Statement and the Expert's Report in full.

6.1 Advantages of the DoCA for shareholders

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)* for the purposes of calculating any gains or losses arising from financial arrangements. It does not take account of the circumstances of any individual shareholders. You should seek you own tax advice on the consequences for you of the DoCA being effectuated.

The transfer of shares on effectuation of the DoCA will give rise to a capital gains tax event for shareholders because it will trigger a CGT event and will crystallise a capital loss. Depending on each individual tax payer's financial position, this capital loss may be available to offset against the tax payer's capital gains thereby potentially reducing the amount of tax otherwise payable by the taxpayer.

The Australian shareholders who hold their shares on capital account will incur a capital loss to the extent of the reduced cost base of the shares being transferred exceeds the market value of the shares.

The reduced cost base in the shares includes:

1. the acquisition cost of the shares
2. incidental acquisition costs incurred to acquire and hold the shares
3. expenditure incurred to increase or preserve the value of the shares
4. capital expenditure incurred to establish, preserve or defend their title to the shares

Given the transfer will occur by way of Court order, and not a contract, the time of the CGT Event for shareholders will be when the Section 444GA Transfer takes effect in accordance with the DoCA.

Non-Australian resident shareholders should not get the benefit of the capital loss on the basis that their shares should not constitute taxable Australian property.

6.2 Disadvantages of the DoCA for shareholders

You will no longer hold your shares in the Company

As discussed throughout this document, if approved, the Section 444GA Application will transfer all of the shares you hold in the Company to the DoCA Proponent and you will receive no money or other form of consideration.

Extinguishing claims against the Group

Any claims you have against the Group in your capacity as a shareholder will be extinguished. This will not affect any claims you may have against third parties.

7 Section 444GA Application – what you need to know

7.1 What is the status of the Section 444GA Application?

To effect the transfer of all the issued shares in the Company from each current shareholder as contemplated by the DoCA, an application has been made to the Supreme Court of Western Australia seeking leave under Section 444GA of the Corporations Act to transfer those shares pursuant to the DoCA.

An initial hearing relating to the Section 444GA Application was heard by the Supreme Court of Western Australia on 19 December 2020. At the hearing the Court provided orders setting out the Deed Administrators notification requirements to shareholders of the process and confirming the dates for subsequent hearings.

The Supreme Court of Western Australia will conduct a Directions Hearing on that application at 9:30am on 30 January 2020 and a Final Hearing on 25 February 2020 where orders on the Section 444GA Application are expected to be made. The Court is located at the David Malcolm Justice Centre, Level 11, 28 Barrack Street, Perth, Western Australia.

7.2 How can you participate in the Court hearing?

You should seek independent legal, financial and taxation advice before making a decision on whether to take any action in relation to the Section 444GA Application.

If you wish to appear in Court to oppose the Section 444GA Application, you must file with the Court and serve on us an appearance, in the prescribed form. The appearance is a simple document that contains the person's address and service details (including whether they are legally represented). It puts the Court and the Deed Administrators on notice that a person wishes to participate in the Final Hearing. The person does not need to provide substantive submissions and affidavit evidence at the time of entering an appearance. The current deadline for filing an appearance is 4:00pm on 29 January 2020. Our address for service is c/- King & Wood Mallesons, 250 St Georges Terrace, Perth, WA 6000 (attention: Sam Dundas) or Sam.Dundas@au.kwm.com. As noted above, the Singapore Exchange Regulation has requested that the Deed Administrators apply to the Court for this deadline to be extended for Singapore Shareholders and the Deed Administrators have made such an application. If the Court grants an extension to this deadline, the Deed Administrators will announce the revised deadline on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet.

At the Directions Hearing currently scheduled to take place on 30 January 2020 (or at a subsequent directions hearing), the Court may make further procedural orders setting down a timetable for shareholders who have filed an appearance to lodge detailed submissions and affidavits upon which they wish to rely at the Final Hearing. The Deed Administrators will release an announcement on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and the SGXNet if and when any such procedural orders are made by the Court in relation to the deadline for such submissions and affidavits.

If you do not wish to appear in Court, but have concerns or objections in relation to the Section 444GA Application, you have the right to provide the Deed Administrators with your views. The Deed Administrators will notify the Court of any submissions they receive from shareholders. If you wish the Deed Administrators to provide your views to the Court in this manner, please do so in writing by emailing alita@kordamentha.com no later than 5 Business Days before the Final Hearing so that the Deed Administrators have time to notify the Court. Your submissions should include details of the substantive basis for your concerns or objections.

7.3 What is the conclusion of the Expert's Report?

KordaMentha has prepared the Expert Report to provide a valuation of the Company's shares to assist the Court in determining whether the proposed transfer of all of the issued shares in the Company as contemplated by the DoCA will unfairly prejudice shareholders for the purpose of the Section 444GA Application. To assist in preparing this report the Deed Administrators (on behalf of the Group) engaged Deloitte and SRK to provide technical valuations of the Group's mineral assets and inventory.

The Expert's Report was also prepared for the purpose of applying to ASIC for technical relief from Chapter 6 requirements of the Corporations Act.

A copy of the Expert's Report is attached. KordaMentha has concluded in its report that the Company's shares have nil value as the Group's total indebtedness exceeds the value of the Group's remaining assets.

7.4 What additional information is available to you?

In addition to this Explanatory Statement and the attached Expert's Report, to assist you in deciding whether to appear at the Court hearing, the 439A Report to Creditors dated 9 December 2019 is available on the KordaMentha website at https://kordamentha.com/creditors/alita-group-of-companies in the Creditor Information section.

Alternatively, you can request copies of these documents from KordaMentha and they can be emailed or posted to you. Please contact the KordaMentha team on +61 8 9220 9300 or Alita@kordamentha.com if you would like copies of these documents.

The Company has received a Notice of Compliance from Singapore Exchange Regulation requiring the Deed Administrators to, amongst other things, hold an information session/meeting for Singapore Shareholders to assist Singapore Shareholders to (a) fully understand the implications of the DoCA, the Section 444GA Application, its process and their rights and interests; as well as (b) provide a platform for them to state their views, concerns and objection collectively (if any) to the Court through the Deed Administrators. The Deed Administrators are making arrangements for such an information session to be held and will provide further details in due course through an announcement on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet (as applicable).

7.5 What is the timetable for the Section 444GA Application?

The following is a summary of the key dates and activities relating to the Section 444GA Application.

Key step	Estimated completion date
DoCA approved at second creditors meeting	17 December 2019
Application to Court for section 444GA leave	19 December 2019
Draft Expert's Report and Explanatory Statement provided to ASIC	23 December 2019
ASIC consents to Report and Explanatory Statement being provided to Alita shareholders	9 January 2020
Explanatory statement (including Expert's Report) published	13 January 2020
Public announcement for section 444GA Court application placed into national papers	3 January 2020
Deadline for any party to participate in the section 444GA Court proceedings to enter an appearance	4.00pm on 29 January 2020*
Directions Hearing	9.30am on 30 January 2020
Final Hearing	25 February 2020*
Court decision	25 February 2020*
Transfer of shares (if Court makes orders under section 444GA), and other conditions precedent satisfied, effectuation of the Approved DOCA	28 February 2020*

* As noted above, the Company has received a Notice of Compliance from Singapore Exchange Regulation on 8 January 2020 requiring the Deed Administrators to, amongst other things, apply for an extension of time for the deadline for filing an appearance for Singapore Shareholders and the date of the Final Hearing. The Deed Administrators are preparing an application to the Court seeking the extension, which if granted will affect the timing of the dates marked with an asterisk. There is no guarantee that the Court will grant the requested extensions. The Deed Administrators will release an announcement on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet if there is a change to the scheduled dates for the deadline for parties wishing to participate in the Court proceedings to file an appearance or the date of the Final Hearing.

The Deed Administrators will release an announcement on their website (https://kordamentha.com/creditors/alita-group-of-companies), the ASX Company Announcements Platform and SGXNet setting out the orders made by the Court at the Directions Hearing and Final Hearing currently scheduled to be held on 30 January 2020 and 25 February 2020, respectively.

7.6 What if I do nothing?

If you take no action in respect of the Section 444GA Application, and the conditions to the DoCA are satisfied, all of your shares held in the Company will be automatically transferred pursuant to the Section 444GA Transfer to the DoCA Proponent (or their nominee) and you will cease to own those shares. You will not receive any money, or other form of consideration, for your shares being transferred.

7.7 What will happen if the Section 444GA Order is not made?

If the Section 444GA Order is not made, the DoCA Proponent may, within 21 days, appeal the Court's decision or may give written notice to the Deed Administrators that it wishes instead to enter into an alternate transaction involving the Group ('Alternate Transaction').

Should the DoCA Proponent elect not to appeal or put forward an Alternate Transaction or should an appeal fail, then the DoCA will terminate and the Group will be placed into liquidation with the Deed Administrators becoming the Liquidators of the Group to complete the winding up process.

As outlined in the Expert's Report there would be no return to shareholders in a winding up of the Group.

8 Additional information

8.1 Regulatory matters

As the Company is a listed public company, ASIC relief from Section 606 of the Corporations Act will be required to enable completion of the transfer of shares to the DoCA Proponent.

The Deed Administrators have engaged with ASIC by providing a copy of this Explanatory Statement along with additional information relevant to the relief being sought.

In addition, the Company is subject to the Singapore Code on Take-overs and Mergers, until such time as it is de-listed from Catalist. As a result, the Deed Administrators have applied to the relevant Singaporean regulatory authorities seeking to de-list from Catalist.

The Deed Administrators will update shareholders appropriately in relation to the ASIC and Singaporean regulatory applications as developments occur, via the ASX Company Announcements Platform, SGXNet and the KordaMentha website.

8.2 Further information

If you have further questions, it is recommended that you:

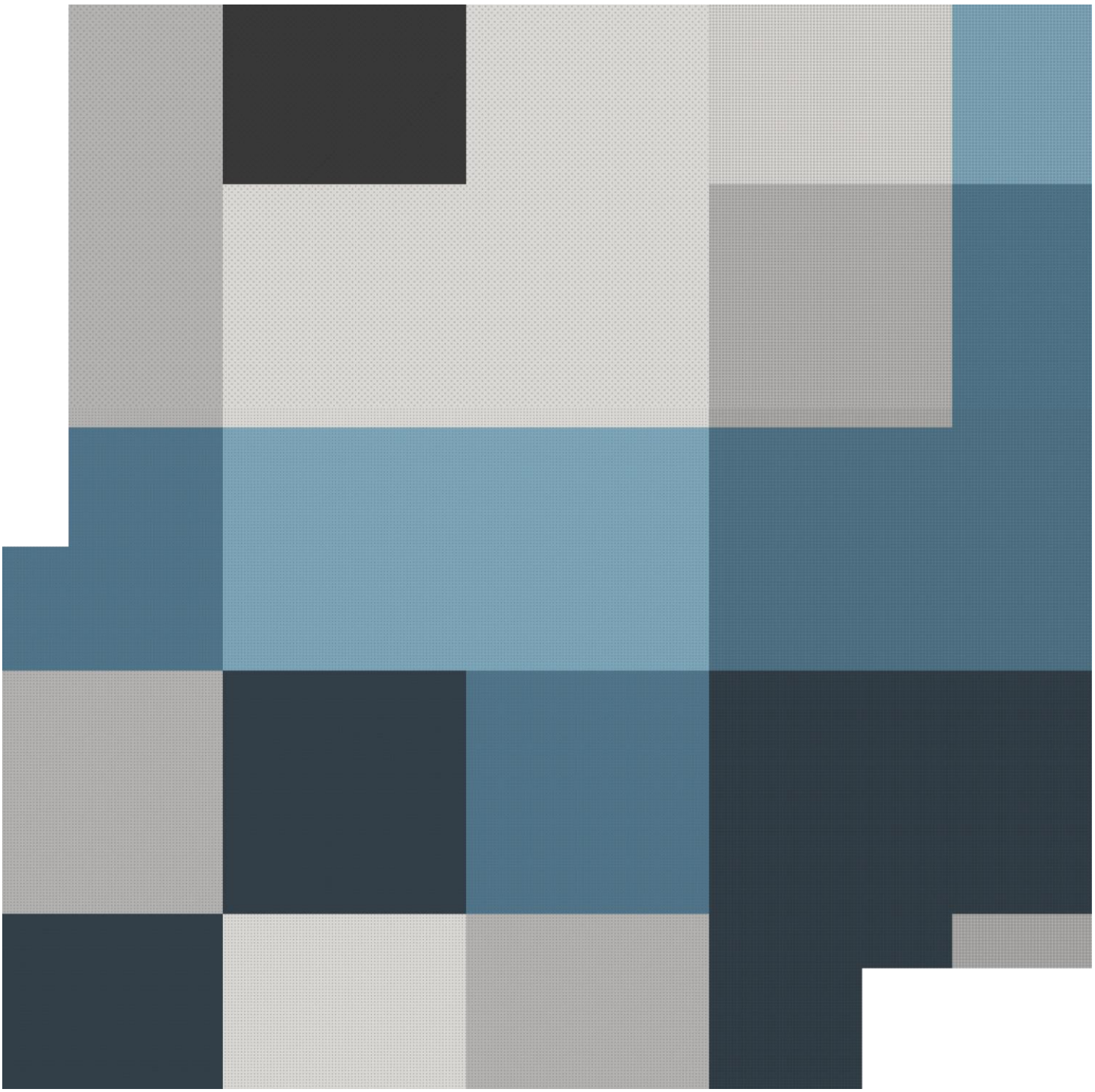
1. contact your stockbroker, bank manager, solicitor, accountant and/or other professional adviser
2. read all reports/notifications issued (past and future) by the Deed Administrators relating to the Group which are available for download from https://kordamentha.com/creditors/alita-group-of-companies

9 Glossary

The following is a glossary of certain terms used in this Explanatory Statement.

439A Report	The Administrators' report to the Group's creditors dated 9 December 2019 prepared pursuant to section 439A of the Act
Administrators	Richard Tucker and John Bumbak in their capacity as voluntary administrators of the Group from 28 August 2019 to 17 December 2019
ASIC	Australian Securities and Investment Commission
Cash Creditors' Trust	The creditors trust that must be created upon the execution of the DoCA
CHEL	China Hydrogen Energy Limited
Company	Alita Resources Limited ACN: 147 393 735 (Formerly known as Alliance Mineral Assets Limited) (Subject to Deed of Company Arrangement)
Continuing Employees	Any employees of the Group who continues in his or her employment after the execution of the DoCA
Corporations Act	*Corporations Act 2001* (Cth)
Court	Supreme Court of Western Australia
Creditors' Trusts	The trusts to be established by the Creditors' Trust Deeds
Creditors' Trust Deeds	The trust deeds to be entered into between the Group and the Deed Administrators substantially in the form of Annexure A of the DoCA
Deed Administrators	Richard Tucker and John Bumbak in their capacity as deed administrators of the Group from 17 December 2019 to present
Deloitte	Deloitte Financial Advisory Pty Ltd
Directions Hearing	The Court hearing scheduled to be held on 30 January 2020 in relation to the 444GA Application
DoCA	Deed of Company Arrangement entered into with the DoCA Proponent on 17 December 2019.
DoCA Proponent	Liatam Mining Limited ACN: 637 907 503
Expert's Report	Expert's Report prepared by KordaMentha, which contains a valuation of the Company's shares
Final Hearing	The final Court hearing currently scheduled to be held as soon as possible after 25 February 2020 in relation to the 444GA Application
Group	The Company, Lithco No2 Pty Ltd and Tawana Resources Pty Ltd collectively
Participating Creditors	Those creditors and investors of the Group who will receive a cash distribution from either the Cash Creditors' Trust or Stockpile Creditors' Trust in accordance with the terms of the DoCA
SRK	SRK Consulting (Australasia) Pty Ltd
Section 444GA Application	An application to the Court under Section 444GA of the Corporations Act for leave to be granted to the Deed Administrators to transfer all of the shares in the capital of the Company to the DoCA Proponent
Section 444GA Order	An order of the Court granting the leave sought in the Section 444GA Application
Section 444GA Transfer	The transfer of shares granted by the Section 444GA Order which will occur upon effectuation of the DoCA
Secured Creditor	CHEL
SGX - Catalist	The sponsor-supervised board of the securities market operated by Singapore Exchange Securities Trading Limited
Singapore Shareholders	Shareholders who hold their shares in the Company through the Singapore share register.

Stockpile Creditors' Trust	The creditors' trust which must be created upon the satisfaction or waiver of all of the conditions precedent to the DoCA



Alita Resources Limited
(Subject to Deed of Company Arrangement)

ACN 147 393 735

Experts Report

14 January 2020

KordaMentha

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List of Appendices

Glossary

Terms	Definition
$	Australian Dollars
439A Report	The Administrators' report to the Group's creditors dated 9 December 2019 pursuant to section 439A of the Corporations Act
Act	Corporations Act 2001 (Cth)
Administration	Voluntary Administration pursuant to the Act
Administrators	Richard Tucker and John Bumbak of KordaMentha
Alita	Alita Resources Limited
Alita CoI	Committee of Inspection for Alita as appointed at the First Meetings of Creditors of the Group
Appointment Date	28 August 2019
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Bald Hill Mine	Bald Hill Lithium and Tantalum Mine
Burwill	Burwill Lithium Company Limited (formerly known as Burwill Commodity Ltd) (a wholly owned subsidiary of Burwill Holdings)
Burwill Holdings	Burwilll Holdings Limited
C&D	C&D Logistics Group Co Ltd
Cash Creditors 'Trust	The Creditors' Trust to be established for Class A, B, D, and E creditors
CHEL	China Hydrogen Energy Ltd, party to the DoCA
CHEL/Liatam DoCA	The DoCA proposed by Liatam with the support of CHEL
Class A Creditors	Those creditors with claims in respect of outstanding employee entitlements (excluding the Continuing Employees) and who would be priority creditors pursuant to sections 556 and 560 of the Act if the Companies were placed into liquidation
Class B Creditors	Shire of Coolgardie
Class C Creditors	SMS Innovative Mining Pty Ltd, Primero Group Pty Ltd, Cape Crushing and Earthmoving Contractors Pty Ltd, and Qube Bulk Pty Ltd
Class C Creditors' Side Deed	Any agreements between CHEL/Liatam and the Class C Creditors around sale of the stockpile
Class D Creditors	Creditors with admitted claims not exceeding $10,000 in aggregate each
Class E Creditors	Creditors of the Group other than Class A, B, C, and D creditors
CoI	Committee of Inspection
Continuing Employees	Any employees of the Group who continues in his or her employment after the execution of the DoCA
Company	Alita Resources Limited ACN:147 393 735 (Formerly known as Alliance Mineral Assets Limited) (Subject to Deed of Company Arrangement)
Cowan Lithium	Cowan Lithium Limited
Deed Administrators	Administrators of the DoCA
Deloitte	Deloitte Financial Advisory Pty Ltd
Deloitte Report	Valuation of the asset of the Group dated 26 November 2019 prepared by Deloitte
DCF	Discounted Cash Flow Forecast
Directors	Directors of each of the companies in the Group
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DoCA Proponent	Liatam

Terms	Definition
DoCA	Deed of Company Arrangement for each company in the Group
DXG	Deed of Cross Guarantee
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
Excluded creditors	CHEL and Continuing Employees
Galaxy	Galaxy Resources Limited, the former secured creditor of the Group
Group	Alita, Lithco No. 2 and Tawana Resources collectively
JBJ	Jiangxi Bao Jiang Lithium Industrial Limited
Jiangxi	Jiangxi Special Electric Motor Co., Ltd
KordaMentha	KordaMentha Pty Ltd ACN 100 169 391
Liatam	Liatam Mining Ltd ACN 637 907 503
Liquidation	The potential liquidation of any of the companies within the Group whereby all assets of the companies in liquidation will be realised prior to the companies being deregistered by ASIC
Lithco No. 2	Lithco No. 2 Pty Ltd
Mineral Assets	Includes: • Bald Hill Project • Bald Hill – Exploration Assets • Residual Resources • The Group's 11.3% interest in Cowan Lithium
Non-receivership Entities	Alliance Mineral Assets Exploration Pty Ltd, Tawana Gold Pty Ltd and Waba Holdings Pty Ltd collectively
OSR	Government of Western Australia Department of Finance Office of State Revenue
Offtake Agreements	Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contracts originally signed with Lithco No. 2, Tawana Resources, Alita, Burwill and Burwill Holdings and most recently amended and restated on 14 January 2019
Proxy Form	Form 532 – Appointment of Proxy Form
RoCAP	Report on Company Activities and Property
Receivers	Martin Jones, Matthew Woods and Andrew Smith of KPMG in their capacity as Receivers and Managers of each of the entities in the Group from 29 August 2019 to 29 November 2019
Receivership	Receivership process which commenced on 29 August 2019 and ended on 29 November 2019
Report	This report
Residual Resources	The resources located at the Bald Hill Project but not included in the Group's resource model
Second Meetings of Creditors	Meetings of Creditors held on 17 December 2019 pursuant to Section 439A of the Act
Secured Creditor	CHEL
SGX-Catalist	the sponsor-supervised board of the securities market operated by Singapore Exchange Securities Trading Limited known as 'Catalist'
SRK	SRK Consulting (Australasia) Pty Ltd
SRK Report	Independent specialist report on the Group's mineral assets dated November 2019 and prepared by SRK
Stockpile Creditors Trust	The Creditors' Trust to be established for Class C creditors
Subsidiaries	All the companies controlled by Alita Resources Limited
Supreme Court	The Supreme Court of Western Australia
Total Indebtedness	The total amount owed by the Group in a liquidation scenario, calculated on a pooled basis, as set out in section 5.1 of this Report

Terms	Definition
Tribeca	Consortium of secured lenders led by Equity Trustees Limited ABN 46 994 931 298 in its capacity as the trustee of the Tribeca Global Natural Resources Credit Fund ABN 92 233 562 005 from whom Galaxy acquired the senior secured loan facility pursuant to a Sale and Purchase Agreement and a Transfer Certificate dated 27 August 2019
Tawana Resources	Tawana Resources Pty Ltd
USD	United States Dollars

1 Overview

1.1 Introduction

1.1.1 Appointment of Voluntary Administrators

On 28 August 2019, Richard Tucker and John Bumbak were appointed as the joint and several voluntary administrators of the Company and its subsidiaries that form part of the Group pursuant to section 436A of the Corporations Act.

1.1.2 Appointment and retirement of Receivers

Martin Jones, Matthew Woods and Andrew Smith of KPMG were subsequently appointed by Galaxy Resources Ltd, a creditor holding security over the assets of the Group, as Receivers and Managers of each company in the Group on 29 August 2019. For the limited period of their appointment, the Receivers and Managers controlled the Group's operations and assets.

Upon their appointment, the Receivers reviewed the Group's operations and ceased trading the Group's operations, shut down the mine and implemented a care and maintenance program.

The Receivers retired on 29 November 2019.

1.1.3 Sale/recapitalisation campaign

The Administrators undertook a sale/recapitalisation campaign for the Group, which resulted in two DoCA proposals and no offers for the Group's assets.

After assessing the two DoCAs, the Administrators recommended to creditors that the CHEL/ Liatam DoCA should be accepted. On 29 November 2019 and as a prelude to the CHEL/Liatam DoCA, CHEL and the Administrators entered into a loan to allow the secured debt owed to Galaxy to be repaid in full, CHEL became the Group's new secured creditor, and the Receivers and Managers subsequently retired.

1.1.4 Second Creditors' Meetings

At meetings of creditors held on 17 December 2019, the creditors of each company in the Group resolved that the CHEL/Liatam DoCA be accepted and the companies in the Group enter into the DoCA.

1.1.5 DoCA

On 17 December 2019, the CHEL/Liatam DoCA was executed by the Deed Administrators and the DoCA Proponent. The key terms of the DoCA are:

- A single DoCA across the Group.
- An application pursuant to Section 444GA of the Act will be made to transfer the shares in Alita to Liatam
- Two creditors' trusts will be established
- The Administrators will be the Deed Administrators of the DoCA, and thereafter trustees of the creditors' trusts
- The amount available to creditors under the DoCA, through a combination of cash contributions and provision of Group assets (in particular spodumene inventory) on the basis of secured creditor consent, is estimated to between $5.94[1] million and $13.82[2] million (Excludes DoCA contribution)
- Creditors are to be divided into classes with differing estimated return based on class
- Unsecured creditors accept the terms of the DoCA in full and final satisfaction of their debts.

The DoCA also incorporates the standard terms and provisions which are described in the Act.

[1]Cash Creditors' Trust $3.01m less Trustee Fees $0.18m plus Stockpile Creditors Trust $3.22 million less Trustee Fees $0.11 million

[2]Cash Creditors' Trust $3.01m less Trustee Fees $0.18m plus Stockpile Creditors Trust $11.00 million less Trustee Fees $0.11 million

1.2 Scope of work

This Report has been prepared for:

- Assisting the Court in determining whether the proposed transfer of the Company's shares to the DoCA Proponent or their nominee will unfairly prejudice the interests of the Company's shareholders for the purposes of the application being made under Section 444GA of the Act.
- Inclusion in the Explanatory Statement to be made available to shareholders of the Company in relation to the DoCA ahead of the application being made under Section 444GA of the Act,

The sole purpose of this Report is to provide an assessment of the value of the Group and its assets and therefore the value of existing issued shares in the Company. The proposed transfer of the Company's shares to the DoCA Proponent is unlikely to unfairly prejudice the interests of the Company's shareholders, in a scenario where the Company's shares have no value. Pursuant to Section 444GA (3) of the Act, the Court will only approve the proposed transfer of the Company's shares, if it is satisfied that the proposed transfer will not 'unfairly prejudice the interest of members of the company'.

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

1.3 Information

In the preparation of this Report, the Administrators utilised information in respect of the Group from a variety of sources, including the Group's books and records as well as public sources. A list of the information which was utilised in preparing this Report is set out in Appendix 1. The documents the Administrators utilised to support our opinions in this Report are identified throughout the Report by way of a footnote or by reference to the information included in Appendix 1.

Except as specifically detailed in this Report, the Administrators have not conducted an audit of any information supplied to us. The Administrators have reviewed and made sufficient enquiries of the information made available to us and based on that review, believe that the information is reasonable for the scope of our work set out in Section 1.2 and that there are reasonable grounds for the values set out in Section 9.

A glossary of terms is set out at the beginning of this Report.

1.4 Use of a technical expert

ASIC Regulatory Guides envisage the use of a technical expert (i.e. a specialist) if the expert does not possess the necessary expertise in assessing the value of certain assets. The Administrators have utilised two independent specialists to provide valuations of the Group's assets.

1.4.1 Deloitte Financial Advisory Pty Ltd – valuation of assets

Deloitte Asia Pacific Limited is one of the 'big four' accounting firms which offers professional services across audit and assurance, economics, and financial advisory. Deloitte Financial Advisory Pty Ltd ('Deloitte'), which forms part of Deloitte Asia Pacific Limited, provides a broad range of financial advisory services including mergers and acquisition, restructuring, economics and capital optimisation. Deloitte was engaged to prepare an independent Report expressing its opinion as to the current market value of a number of the Group's assets including:

- Bald Hill Mine
- Inventory – ore & consumables
- Bald Hill – Residual Resources
- Bald Hill – Exploration Assets
- Its interest in Cowan Lithium

to assist in the section 444GA application to the Court in respect of the Company. A copy of the Deloitte Report is attached to this Report at Appendix 7. The Deloitte Report does not consider the overall valuation of an equity interest in the Company. The Administrators have relied upon the Deloitte Report as the basis in forming our view on the value of a number of the Group's assets.

The Administrators have not applied a forced sale discount to the value of the Company's assets as determined by Deloitte.

1.4.2 SRK Consulting (Australasia) Pty Ltd – independent specialist report on the mineral assets

SRK is an independent, international consulting company providing advice and solutions to the resources industry. SRK offers specialist services to mining and exploration companies for the entire life cycle of a mining project, from exploration through to mine closure.

SRK was engaged, based on a recommendation from Deloitte, as a technical specialist to provide an independent specialist Report on the mineral assets of the Company pursuant to the VALMIN Code (2015) in support of the Deloitte Report. A copy of SRK Report is attached to this Report at Appendix 8.

Deloitte relied upon the SRK Report as the basis in forming its view on the value of the Group's Mineral Assets.

The Administrators have not applied a forced sale discount to the value of the Group's mineral assets as determined by SRK.

1.5 Limitations, restrictions and reliance

This Report has been prepared, and may be relied on, solely for the purpose contemplated in Section 1.2 of this Report. This Report, or any part of it, may only be published or distributed:

- as an annexure to the Explanatory Statement to be provided to Company's shareholders and others (including ASIC as part of the evidence in support of the application under Section 444GA of the Act and the SGX for the purposes of seeking a waiver from compliance with listing rules in connection with the delisting requirements.
- for use in the proceedings before the Court relating to the application under Section 444GA of the Act
- in accordance with any law or by order of a court of competent jurisdiction.

The express written consent of the Deed Administrators and KordaMentha must be obtained prior to relying upon, publishing or distributing this Report, or part of it, for any purpose other than that detailed above. Neither KordaMentha nor the Administrators accept responsibility to anyone if this Report is used for some other purpose.

Our opinion is based on economic, market and other external conditions prevailing at the date of this Report. Such conditions can change over relatively short periods of time and these changes can be material.

The information used in this Report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to the value of the Group and its assets. Whilst the Administrators do not warrant that our enquiries have identified all of the matters that an audit, or due diligence and/or tax investigation might disclose, the Administrators believe that the information is reasonable for the scope of our work set out in Section 1.2 and that there are reasonable grounds for the value of the Group as described in Section 9 of this Report.

Preparation of this Report does not imply that the Administrators have, in any way, audited the accounts or records of the Group.

In forming our opinion, the Administrators have also assumed that:

- matters such as title, compliance with laws and regulations, and contracts in place are in good standing and will remain so, and that there are no material legal proceedings, other than those already disclosed
- the publicly available information relied upon by us in our analysis was accurate and not misleading
- the DoCA will be implemented in accordance with its terms.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, the Administrators assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading.

This Report should be read in the context of the full qualifications, limitations and consents set out in this Report

1.6 Pre-existing relationships

The Administrators have read ASIC Regulatory Guide 112 on independence for experts and are of the opinion that:

- there is no actual, or perceived, conflict of interest

- there is no actual, or perceived, threat to independence
- Deed Administrators and Administrators have fiduciary duties and must be independent at law
- there is no other reason for which the engagement could not be accepted.

The Administrators confirm that the Administrators have had no prior involvement with the Group, its directors or any related party prior to our appointment as Administrators which would preclude us from accepting this appointment.

The Administrators do not consider that our previous role as voluntary administrators or our current role as Deed Administrators impacts upon our independence.

In accordance with Regulatory Guide 112.23 and RG112.28 to RG112.36, Table 1 provides a summary of previous engagements relating to the Group.

Table 1 – Previous and existing engagements (including subsidiaries)

Company	Date	Engaging and invoiced party	Notes
Alita Resources Limited	28 August 2019 to 17 December 2019	Appointment pursuant to Section 436A of the Act	Voluntary Administrators
Lithco No 2 Pty Ltd	28 August 2019 to 17 December 2019	Appointment pursuant to Section 436A of the Act	Voluntary Administrators
Tawana Resources Pty Ltd	28 August 2019 to 17 December 2019	Appointment pursuant to Section 436A of the Act	Voluntary Administrators
Waba Holdings Pty Ltd	28 August 2019 to 10 October 2019	Appointment pursuant to Section 436A of the Act	Voluntary Administrator Control handed back to Directors at second creditors' meeting
Tawana Gold Pty Ltd	28 August 2019 to 10 October 2019	Appointment pursuant to Section 436A of the Act	Voluntary Administrator Control handed back to Directors at second creditors' meeting
Alliance Mineral Assets Exploration Pty Ltd	28 August 2019 to 10 October 2019	Appointment pursuant to Section 436A of the Act	Voluntary Administrator Control handed back to Directors at second creditors' meeting
Alita Resources Limited	17 December 2019 to present	Appointed pursuant to the terms of the DOCA	Deed Administrators (ongoing)
Lithco No 2 Pty Ltd	17 December 2019 to present	Appointed pursuant to the terms of the DOCA	Deed Administrators (ongoing)
Tawana Resources Pty Ltd	17 December 2019 to present	Appointed pursuant to the terms of the DOCA	Deed Administrators (ongoing)

Our pre-appointment involvement with the Group is summarised below.

On 25 July 2019, KordaMentha was engaged to provide assistance to the Group in assessing the short term cash flow forecast and to undertake contingency planning for a potential appointment of Voluntary Administrators to the Group. In the course of this engagement we:

- Held meetings with management and directors of the Group.
- Delivered a document on 9 August 2019 summarising:
  - Our preliminary views on the Group's short-term cash flow forecast including at risk assumptions.
  - A contingency plan that could assist in implementing a Voluntary Administration plan should the solvent initiatives the Group were undertaking failed.
- Delivered a draft document on 10 August 2019 summarising the working capital position of the Group and summarising a letter received from Tribeca regarding a purported event of default. This document was not finalised.
- Delivered a draft document to Tribeca on 12 August 2019 summarising a contingency plan that could assist in implementing a Voluntary Administration plan should the solvent initiatives the Group were undertaking fail. This document was not finalised.

- Participated in a meeting with the Group's management and representatives of Tribeca on 13 August 2019 to discuss the Group's care and maintenance plan, the Group's request for support from secured lenders and consequences of support not being provided.
- Delivered a draft document to the Group on 23 August 2019 summarising Alita's cash flow forecast.

The Voluntary Administrators received remuneration totalling $38,500 prior to their engagement. This amount was paid to KordaMentha prior to invoicing, as part of the engagements outlined above, no strategic advice was provided to the Group or any of their creditors or shareholders, prior to our appointment.

Our involvement as Deed Administrators means the Administrators have been able to prepare this Report (and supporting analysis) with the benefit of an understanding of the operations, the financing arrangements of the Group and the consequences of the Group not entering into a restructuring transaction.

The Administrators confirm that to date the Administrators have not received payment towards professional fees or disbursement incurred. Creditors have passed resolutions for remuneration listed at Table 2 at the Second Meeting of Creditors.

Table 2 – Professional fees and internal disbursement approvals

Company	Role	Fees/Internal disbursements	Period	Approved (ex. GST) $	Report $
Remuneration					
Alita Resources Limited	Voluntary Administrators	Accrued	28 August to 24 November 2019	256,165	
	Voluntary Administrators	Accrued	25 November to execution of DoCA	148,180	50,000
	Deed Administrator	Future	Execution of DoCA to termination of DoCA	138,396	50,000
Lithco No 2 Pty Ltd	Voluntary Administrators	Accrued	28 August to 24 November 2019	315,870	
	Voluntary Administrators	Accrued	25 November to execution of DoCA	244,371	
	Deed Administrator	Future	Execution of DoCA to termination of DoCA	232,306	
Tawana Resources Pty Ltd	Voluntary Administrators	Accrued	28 August to 24 November 2019	210,820	
	Voluntary Administrators	Accrued	25 November to execution of DoCA	165,074	
	Deed Administrator	Future	Execution of DoCA to termination of DoCA	155,047	
Total Remuneration				**1,866,229**	**100,000**
Disbursements					
Alita Resources Limited	Voluntary Administrators	Accrued	28 August to 24 November 2019	512	
	Voluntary Administrators	Accrued	25 November to execution of DoCA	2,000	
	Deed Administrator	Future	Execution of DoCA to termination of DoCA	3,000	
Lithco No 2 Pty Ltd	Voluntary Administrators	Accrued	28 August to 24 November 2019	383	
	Voluntary Administrators	Accrued	25 November to execution of DoCA	2.000	
	Deed Administrator	Future	Execution of DoCA to termination of DoCA	3,000	

Company	Role	Fees/Internal disbursements	Period	Approved (ex. GST) $	Report $
Tawana Resources Pty Ltd	Voluntary Administrators	Accrued	28 August to 24 November 2019	384	
	Voluntary Administrators	Accrued	25 November to execution of DoCA	2,000	
	Deed Administrator	Future	Execution of DoCA to termination of DoCA	3,000	
Total Disbursements				**16,279**	
Total				**1,882,508**	**100,000**

1.7 Assistance by colleagues

In order to arrive at our opinions in this matter, the Administrators have selected colleagues to assist us. Our colleagues carried out the work that the Administrators decided they should perform. The Administrators have reviewed their work and original documents to the extent the Administrators considered necessary to form our opinions. The opinions expressed in this Report are ours.

1.8 Statement regarding expert witness code

The Administrators are aware that this Report will be tendered to the Court as part of the evidence in support of the application under Section 444GA of the Act, which is a condition of the DoCA. As a consequence, the Administrators have read the *Expert Witness Code of Conduct* contained in Schedule 7 of the *Uniform Civil Procedure Rules 2005* (enclosed at Appendix 9) and have prepared this Report on the basis that the Administrators are bound by it.

The Administrators have complied with the requirements of *APES 225 – Valuation Services* (enclosed at Appendix 11), the professional code of practice of CPA Australia and the Institute of Chartered Accountants in Australia.

1.9 Ore Reserves and Mineral Resources

The information in this Report that relates to Mineral Resources and Ore Reserves is based on the estimates first reported by the Company in accordance with the 2012 edition of the JORC Code on 6 June 2018 which is available at allianceminerals.com.au and www.sgx.com. The Company commissioned an Independent Qualified Persons Report in relation to the Mineral Resources and Ore Reserve estimates for the Bald Hill Project which was released on 16 August 2018 and is available at allianceminerals.com.au and www.sgx.com.

The Administrators have not independently verified the Mineral Resource estimate or the Ore Reserve estimate and have not performed, nor do they accept, the responsibilities of a Competent Person as defined by the JORC Code in respect of the Mineral Resources and Ore Reserve estimates presented in this Report.

2 Conclusion

2.1 Valuation summary

Set out in Table 4 is a summary of the valuation range of the Group's assets on a pooled basis. This is discussed further at section 9.2 of the Report.

Table 3 –Summary of Group's assets

($ million)		Value		
Asset		**Low**	**High**	**Preferred**
Circulating assets				
Cash	9.3.2	2.69	3.06	2.88
Receivables	9.3.3	0.05	0.25	0.15
Inventory	9.3.4	16.90	22.70	19.80
Total circulating assets		**19.64**	**26.01**	**22.83**
Non-circulating assets				
Bald Hill Project – includes Residual Resource	9.3.5	22.30	37.60	29.90
Bald Hill – Exploration Asset	9.3.6	1.10	4.80	2.90
Interest in Cowan Lithium	9.3.7	0.20	0.20	0.20
Total non-circulating assets		**23.60**	**42.60**	**33.00**
Other assets				
Antecedent transactions	9.3.8	Nil	1.00	0.50
Total other assets		**Nil**	**1.00**	**0.50**
Total assets		**43.24**	**69.61**	**56.33**

2.2 Total Indebtedness

To assist us determine whether the Company's shares have any value prescribed to them, the Group's Total Indebtedness in a liquidation scenario is required to be calculated. This calculation has been undertaken under a pooled scenario, given the deed of cross guarantee entered into by the Group companies. The calculation also includes contingent liabilities which have yet to crystallise including employee entitlements for employees who would be terminated in a liquidation scenario, plus Liquidators' trading costs and Liquidators' remuneration and disbursements.

For the avoidance of doubt, the Total Indebtedness excludes the Receivers' remuneration, disbursements. trading costs, legal costs and Galaxy's financing costs (including interest, early termination fee and advisory costs) as they have been off-set against the cash at bank.

The Total Indebtedness on a pooled basis is provided at Table 3, and the assumptions adopted to calculate the Total Indebtedness are listed at section 5.1.

Table 4 – Total Indebtedness

Liability ($ million)	**Reference**	**Low**	**High**	**Adopted**
Administrators' loan	5.1.1	60.02	60.02	60.02
Liquidators' remunerations and disbursements[1]	5.1.2	2.12	2.12	2.12
Liquidators' trading costs	5.1.3	1.59	1.59	1.59
Employee entitlement	5.1.4	0.43	0.43	0.43
Unsecured creditors	5.1.5	46.50	22.70	32.00
Total Indebtedness		**110.66**	**86.86**	**96.16**

Source: Company's books and records and Voluntary Administrators' estimate

Notes

1. Disbursements include legal fees, expert Reports and valuation costs

2.3 Opinion

In our opinion, the Group's Total Indebtedness range of $86.86 million to $110.66 million (adopted Total Indebtedness of $96.16 million) on a pooled basis materially exceeds the value range of its assets, being $43.24 million to $69.61 million (preferred valuation $56.33 million).

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

This deficiency is provided in Table 5.

Table 5 – Asset Deficiency on a pooled basis

($ million)	Low	High	Preferred
Total Assets	43.24	69.61	56.33
Total Indebtedness	(110.66)	(86.86)	(96.16)
(Deficiency)	**(67.42)**	**(17.25)**	**(39.83)**

Dated: 23 December 2019

Richard Tucker
Deed Administrator

Level 10
40 St Georges Terrace
Perth WA 6000

John Bumbak
Deed Administrator

Level 10
40 St Georges Terrace
Perth WA 6000

3 Industry overview

The Group owns the Bald Hill Mine, which is located 50 km south east of Kambalda in the Eastern Goldfields region of Western Australia, and produces concentrate lithium spodumene and tantalum as a by-product. The following lithium and tantalum industry overview uses information from Benchmark Mineral Intelligence ('BMI'), a mineral industry consulting firm that compiles market data on a range of minerals and metals.

3.1 Lithium

3.1.1 Lithium overview

Lithium is a soft, silver white metal which does not occur freely in nature but is present in compounds such as minerals and salts. As a result, lithium must be processed into a concentrated and stable chemical compound for industrial or commercial use.

Lithium's physical and chemical properties make it suitable for a variety of applications. Historically, lithium has been used in heavy greases, additives for metal production and glasses/ceramics. Today, the main use of lithium is in lithium-ion batteries, which are used in consumer electronics, electric vehicles ('EVs') and energy storage.

Global demand for lithium has increased in recent years as it is a key component in lithium-ion batteries. Lithium is used in lithium-ion battery electrodes due to its favourable electrical properties, including its low weight, ability to hold a charge and its fast recharge time. The anticipated growth of the EV market is expected to drive increased demand for lithium-ion batteries and, therefore, lithium in coming years.

Lithium has historically been rarely traded in its raw state. Therefore, for clarity and comparability, lithium reserves, resources and production numbers are generally expressed in Lithium Carbonate Equivalent Units ('LCE').

3.1.2 Global lithium raw material reserves

There are two current commercially viable natural sources of lithium:

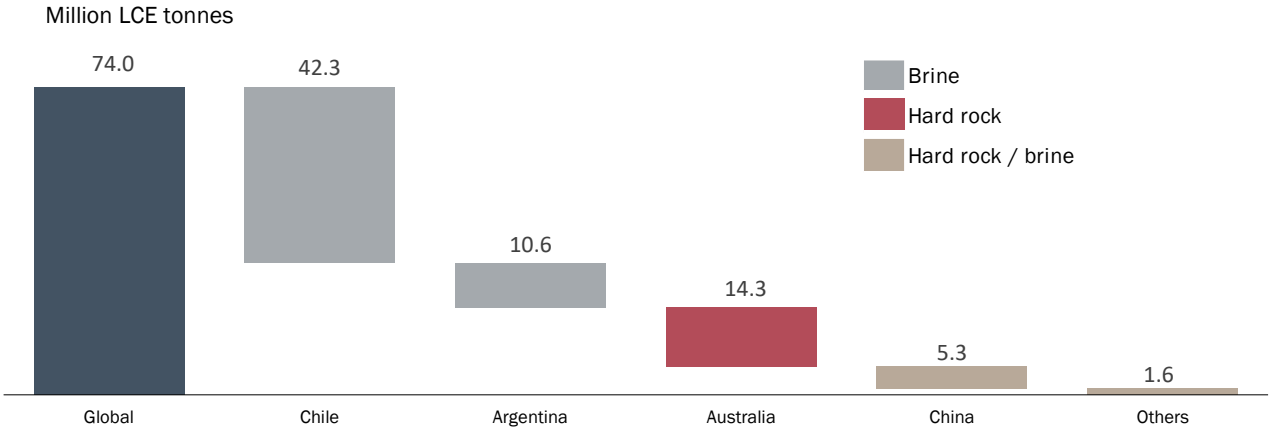
- Lithium brines
- Lithium hard rock

Lithium brine bodies contain high concentrations of lithium and are formed in basins where water has leached lithium from surrounding rocks. The majority of known global brine reserves are located in Chile and Argentina in an area referred to as the 'Lithium Triangle'. Chile and Argentina have estimated lithium reserves of 42.3 million tonnes LCE and 10.6 million tonnes LCE respectively.

Hard rock lithium material can be mined as spodumene, pegmatite, clay or lepidolite. Spodumene is the most commonly mined mineral of hard rock lithium and is typically sold in concentrate form. Australia has the largest spodumene reserves of any country with approximately 14.3 million tonnes LCE.

According to a US Geological Survey ('USGS') Report published in February 2019, global lithium reserves total 74 million tonnes LCE and potential globally lithium resources total approximately 329 million tonnes LCE.

Figure 1 - Global estimated lithium reserves – 2018



Source: US Geological Survey, February 2019

3.1.3 Lithium chemicals

Lithium extracted from brine and hard rock sources undergoes different types of processing to be converted into a product which can be used for commercial use. The principal products which are used in lithium-ion batteries are lithium carbonate and lithium hydroxide.

Extracting lithium from lithium brines involves pumping the brines into a series of evaporation ponds, crystallising the other salts out of the brine, and leaving behind a lithium-rich liquor. This is then further processed to remove impurities before conversion to lithium carbonate or lithium hydroxide.

Processing spodumene deposits follows conventional hard-rock mining and processing practices. Ore is mined via drill and blast method, then excavated and trucked to a central processing facility. The ore then undergoes several stages of crushing to reduce the particles to below 6 mm. Following floatation and magnetic separation, the wet concentrate is filtered and prepared for transportation as a 6% lithium oxide (Li_2O) concentrate.

Lithium products derived from brine operations can be used directly in end-markets, whereas hard-rock lithium concentrates must be further processed before they can be used in value-added applications such as lithium-ion batteries. Most of Australia's lithium is exported overseas as bulk concentrate for further processing. Currently, most chemical processing of spodumene lithium concentrate has been undertaken by third party converters in China.

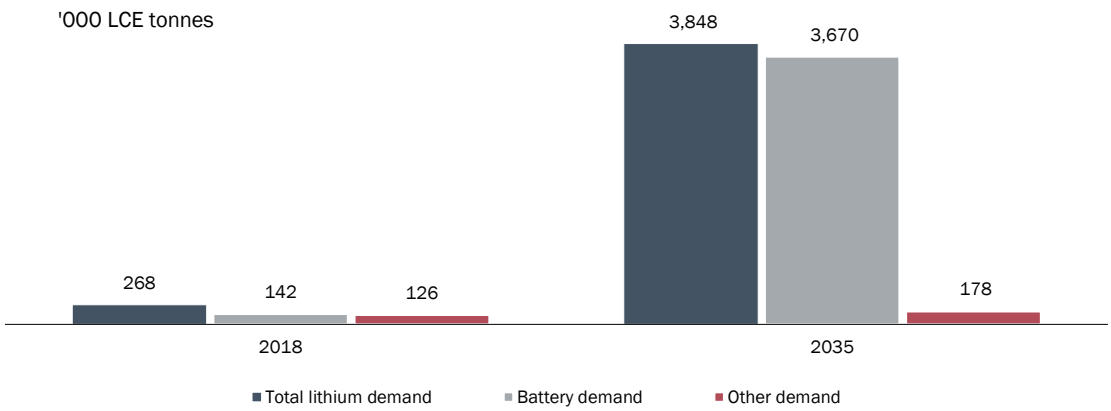
3.1.4 Overview of lithium demand

Lithium has historically been used in several end-use sectors, with major applications in the manufacture of glass, ceramics, lubricants and grease. In additions, as noted above, lithium is a key raw material in lithium-ion batteries. BMI expects lithium-ion battery manufacture to grow materially in coming years due to the expected expansion of the EV market and to a lesser extent anticipated greater use of battery storage for renewable energy sources and portable devices such as laptops and mobile phones.

BMI estimates 2019 lithium demand as approximately 268,037 LCE tonnes, split approximately 53:47 between demand from the battery sectors and other uses. For the battery segment, approximately 54% of this material was consumed as lithium carbonate and 46% as lithium hydroxide.

BMI projects overall lithium demand to increase 1,336% from 2018 to 2035. The increase in lithium demand is expected to be mainly driven by demand for lithium-ion batteries in EVs, which BMI projects to account for approximately 86% of global demand for lithium-ion batteries by 2035. Demand from other uses is also projected to increase from 2018 to 2035, but is expected to comprise a much lower proportion of the lithium demand mix going forward.

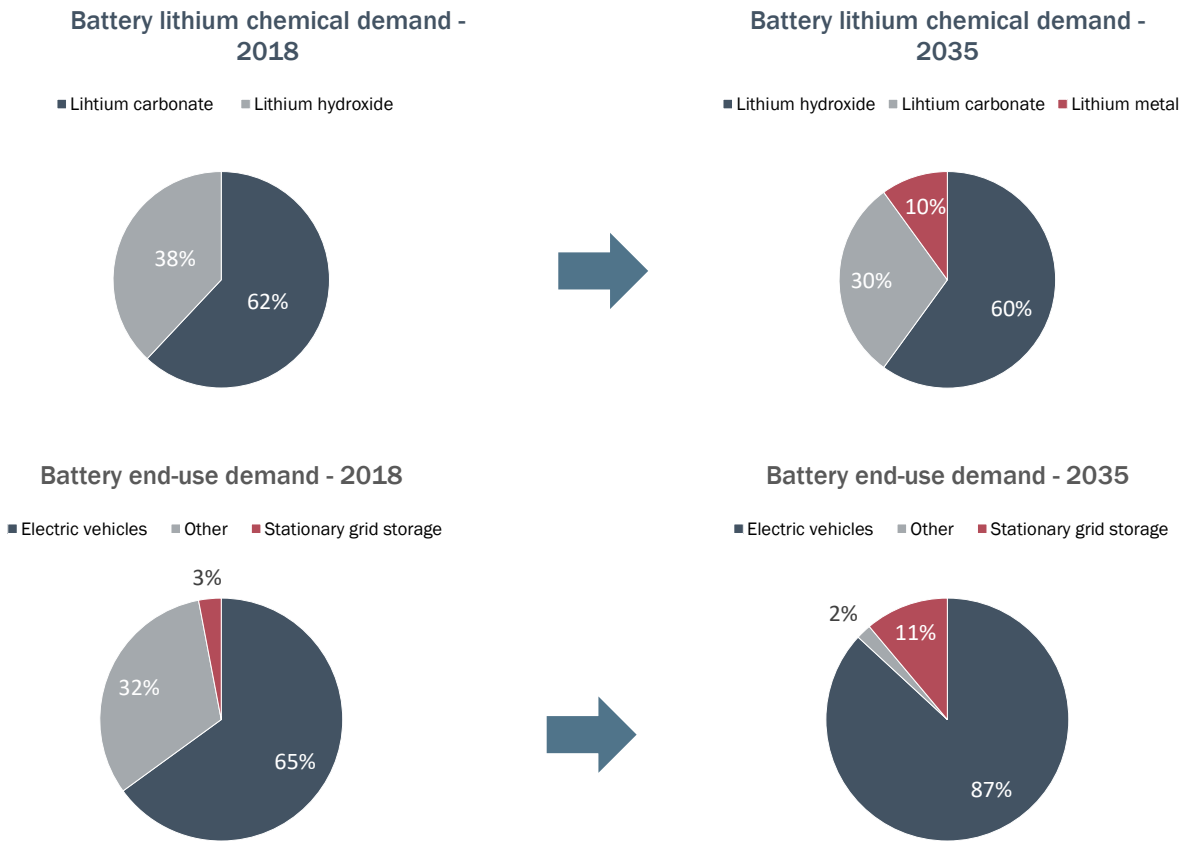
Figure 2 - Global lithium demand comparison – 2018 versus 2035



Source: Benchmark Mineral Intelligence

Lithium hydroxide is projected to become increasingly favoured for use in battery manufacturing, as it is less energy intensive and cheaper to process in the cathode battery production process. BMI expects this trend to continue, especially given the anticipated expansion of hard rock lithium capacity in the coming years. As such, demand for lithium hydroxide is expected to increase significantly to become the dominant chemistry for battery production, although BMI expects that lithium carbonate will retain a significant role in the market.

Figure 3 - Global lithium-ion battery demand comparison – 2019 versus 2035



Source: Benchmark Mineral Intelligence

3.1.5 Lithium-ion batteries

Growth in the use of lithium-ion batteries in EVs, storage for renewable energy sources and portable devices such as laptops and mobile phones will be the driving factor behind rising demand for lithium.

Electric vehicles

Global EV sales grew from approximately 0.6 million units to approximately 2.1 million units from 2015 to 2018, equating to a penetration rate of approximately 2% of the total motorised vehicle fleet. BMI projects that by 2025, globally sales will increase to approximately 11%, before growing to approximately 54.3 million units by 2035 (an approximate 44% penetration rate).

There are a number of factors underpinning this market growth, including both legislative and technical factors. A number of governments publicly support the adoption of EVs over the coming two decades. Governments have proposed banning internal combustion engine vehicles and/or targets for zero-emission vehicle market share matched with subsidies and incentives. BMI expects the critical market globally to be China due to the size and expected growth of its vehicles market. The Chinese government has been highly supportive in promoting EVs with incentives including considerable subsidies and targets for emissions free vehicle sales.

Automakers have increased investment in EVs as a result of government initiatives around the world and expected consumer demand. BMI predicts that the EV market penetration will pick up sharply from 2025 when EVs are expected to reach cost parity with internal combustion engine vehicles.

Stationary grid storage

Stationary grid storage is increasingly being adopted to enhance grid efficiency and energy management. It is useful in managing peak and off-peak electricity demand, which is expected to become more prevalent as renewable energy contributes to a larger proportion of the overall power generation mix globally in the future. The need to manage electricity grids results from the intermittent nature of energy from renewable sources, including wind and solar, which is subject to fluctuation in

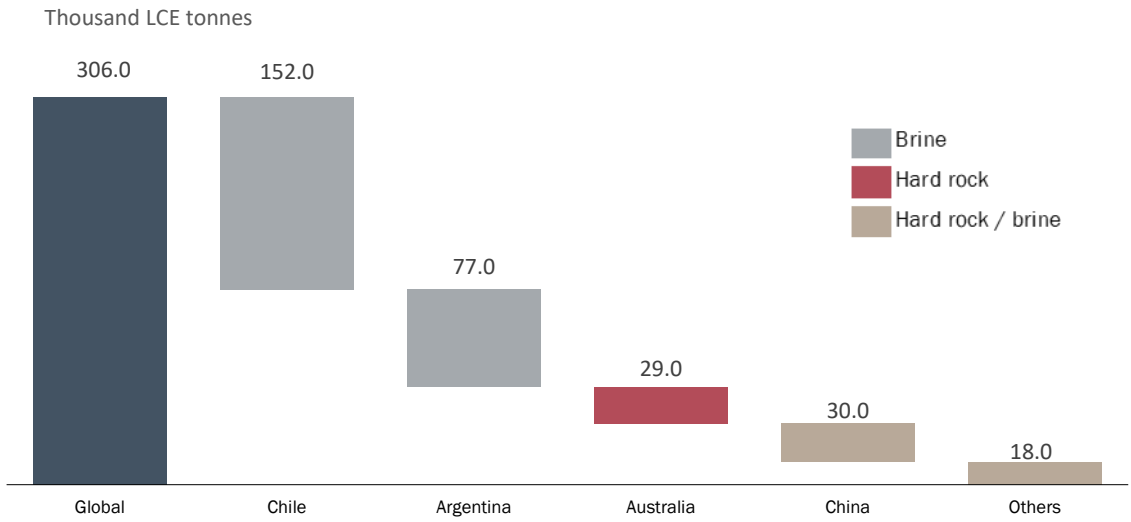
weather conditions. Through the use of battery storage systems, periods of excess supply can be stored or fed back into the central grid to manage future power load requirements and supplement supply during high demand periods.

3.1.6 Lithium supply overview

Lithium raw material supply

BMI estimates that lithium production in 2018 amounted to 306 kt LCE, of which hard rock sources accounted for almost 180 kt LCE, and brine 126 kt LCE. Hard rock production is dominated by Australia and brine supply is concentrated in the 'Lithium Triangle' in Northern Chile and Argentina.

Figure 4 - Global lithium production - 2018

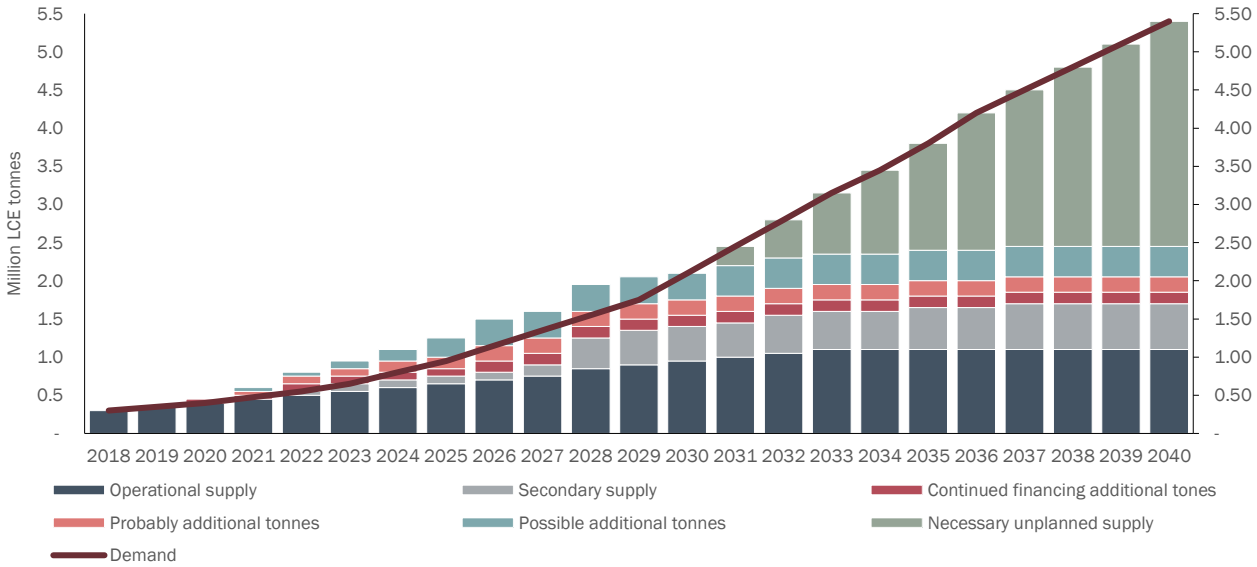


Source: Benchmark Mineral Intelligence

Lithium chemicals supply

The following chart outlines BMI's expectation for the medium and long-term supply and demand balances.

Figure 5 – Long-term lithium chemicals supply forecast - 2018 to 2040



Source: Benchmark Mineral Intelligence

In the medium term, BMI forecasts a slight market surplus in lithium as the rate of ramp up of new supply exceeds the growth in demand. However, the expansion of supply may be constricted by the availability of chemical processing capacity, which will need to be added in order to meet demand for lithium carbonate and lithium hydroxide for lithium-ion batteries.

In the long term, BMI expects the market to enter structural supply deficit with continued new and currently unplanned capacity investment required. Given that there is no geological restraint on lithium supply, BMI expects that this capacity will be added, but prices will need to remain high enough to incentivise this investment. Supply ramp up from mining developments may also be constrained by the availability of chemical processing capacity. Furthermore, a significant amount of raw material supply is currently 'locked-up' in long term supply arrangements, which may result in a supply shortage for non-integrated converters. For 2019, BMI believes that substantially all spodumene concentrate capacity globally is either tied to offtake agreements or fully integrated operations.

Pricing trends

BMI divides its lithium price forecasts into three main pricing phases as follows:

2015-2018

Lithium prices rose sharply from 2015 to 2018 on the back of rising demand for battery raw materials and several years of tight supply.

2019-2027

Higher prices in 2015 to 2018 stimulated investment in new green fields and brown field expansions, and in 2018 the market was in moderate oversupply. This saw prices correct in late-2018 and through 2019.

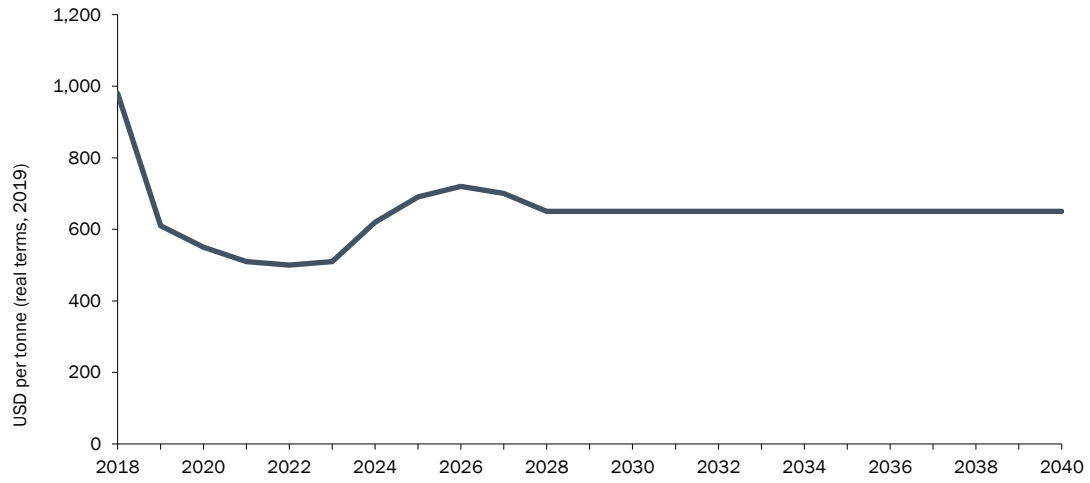
BMI forecasts that prices will remain under pressure as the market will be oversupplied with new supply entering the market through to 2020. BMI anticipate that is likely that many projects in their possible and probably categories will be delayed until the market comes back into balance in the 2026-2027 timeframe.

The forecast price in this period is between USD$550 per tonne in 2020 to USD$725 per tonne in 2026. At this price, based on the Company's current cost structure of producing Spodumene at USD$880 per tonne, the Company is producing spodumene at a loss.

2028-2035

The visibility of new projects is reduced as the forecast period extends. Nevertheless, based on the pipeline of currently announced projects BMI expects the market will begin to tighten again in the period to 2028 as demand continues to grow. BMI expects that a pipeline of new, currently unannounced, projects will begin to come through over the coming decade to meet this demand and that ultimately prices will settle into a long-term average of around USD 650 per tonne for lithium spodumene concentrate (6%). BMI asserts that at this price investment returns would provide enough incentive for investment over the forecast period.

Figure 6 - 6% spodumene concentrate price forecast (USD per tonne, CFR China)



Source: Benchmark Mineral Intelligence

3.2 Tantalum

3.2.1 Tantalum overview

Tantalum is a hard silver-grey metal with more than 70 different compositions. The main use of tantalum is in the manufacture of capacity required for the electronics and telecommunications industries. Tantalum also has anti-corrosive properties with tantalum metal being used in chemical industry applications as well as in metal alloys for aerospace and electricity-generation industries. Approximately 60% of annual consumption of tantalum is used in electronics.

3.2.2 Demand

Demand for tantalum is expected to grow in the future, driven by the future growth of the electronic industry and extensive usage of tantalum alloys in aviation and gas turbines. The market for tantalum is expected to grow at CAGR of 5.8% from 2109 to 2024[3]. The Asia-Pacific region dominates globally consumption with China and South Korea being the largest markets.

3.2.3 Supply

Tantalum mining occurs in few countries with most tantalum being mined in Rwanda and the Democratic Republic of Congo ('DRC'). Table 6 shows the worldwide levels of production and reserves[4]. The identified worldwide resources of tantalum are mostly found in Australia, Brazil and Canada and are considered adequate to supply required demand. Tantalum is rarely bought in pure form. Instead, tantalite ore is sold, from which tantalum can be extracted.

Table 6 – Worldwide tantalum levels of production and reserves

Country	Mine production (tonnes) 2017	Mine production (tonnes) 2018	Reserves (tonnes)
Australia	83	90	76,000
Brazil	110	100	34,000
China	110	120	n/a
Congo	760	710	n/a
Ethiopia	65	70	n/a
Nigeria	153	150	n/a
Rwanda	441	500	n/a
Other	83	100	n/a
Total	**1,805**	**1,840**	**110,000**

Source: USGS

3.2.4 Price outlook

There is no exchange traded market for tantalum compounds. Prices for tantalum compounds are typically set through negotiation between producers and consumers through private agreements. The terms of these agreements remain confidential and may contain terms that make it difficult to compare with each other. These agreements may contain terms on annual volume flexibility, price floor and ceilings etc.

Broker forecasts provide a guide on the pricing of tantalum compounds given the lack of an exchange traded market. Median tantalite prices are expected to remain relatively stable, between USD 60 per tonne and USD 65 per tonne from FY20 to FY23.

[3] https://www.mordorintelligence.com/industry-reports/tantalum-market

[4] https://www.usgs.gov/centers/nmic/niobium-columbium-and-tantalum-statistics-and-information

4 Company background and events leading to Administration

4.1 Company overview (at date of Administration)

The Company is a dual-listed (ASX and SGX-Catalist) company which owns the Bald Hill Mine, and produced lithium concentrate (spodumene) with tantalum as a by-product.

The Bald Hill Mine was developed through a joint venture between the Company (then Alliance Mineral Assets Ltd) and the then-ASX-listed Tawana Resources, producing its first concentrate in March 2018, and entering commercial production in July 2018. Through a Scheme of Arrangement completed in December 2018, the Company acquired 100% of the shares in Tawana Resources.

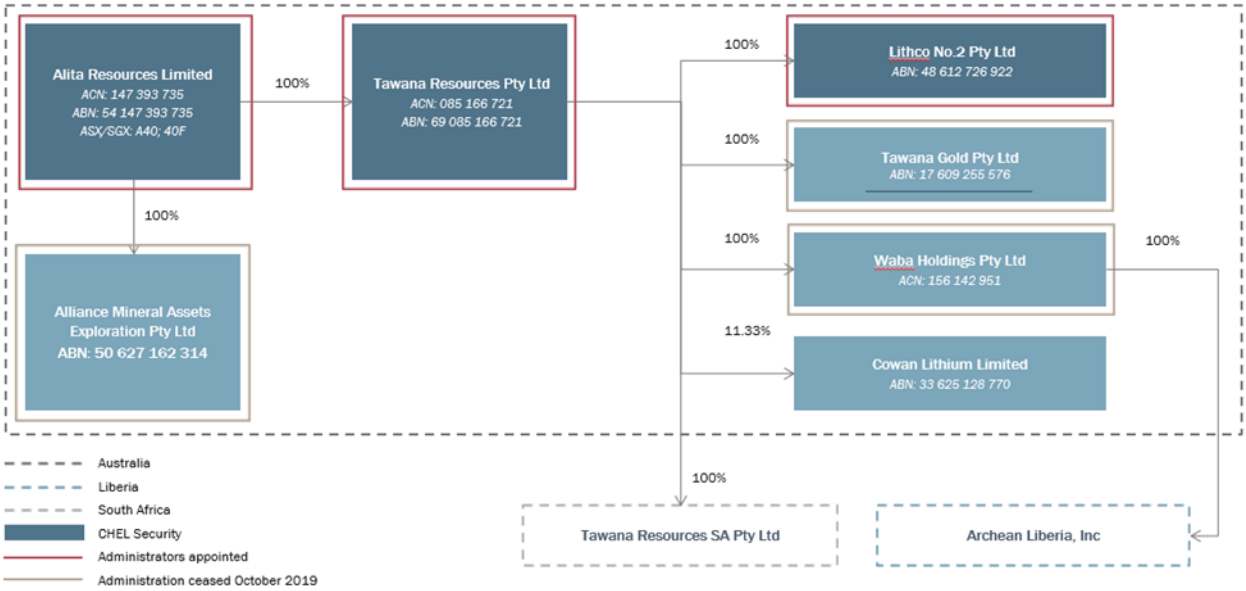
Tribeca was the secured creditor of the Group until 25 August 2019, when Galaxy purchased its debt.

4.2 Appointment of Voluntary Administrators

Richard Tucker and John Bumbak were appointed as voluntary administrators of the Group pursuant to section 436A of the Act on 28 August 2019.

At the time of the Administration, the Group consisted of the structure set out in Figure 7.

Figure 7 – Group structure (at date of appointment of Administrators)



4.3 Background to our appointment

The Group had entered into two lithium offtake agreements with JBJ ('the Offtake Agreements'). JBJ is an incorporated joint venture between Jiangxi and Burwilll Holdings indirectly by their respective subsidiaries. Jiangxi has a conversion facility in Jiangxi Province, China which produces lithium carbonate.

The Offtake Agreements comprised:

- The Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contract initially between the Company, Burwill Holdings and Burwill (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 No. 2, Tawana Resources, Burwill and Burwill Holdings dated 20 April 2017 as amended and restated in October 2017 and again on 14 January 2019.

The Offtake Agreements were assigned from Burwill to JBJ and made non-exclusive on 14 January 2019, among other amendments as announced on 15 January 2019. Under the Offtake Agreements, JBJ prepaid shipments for c. USD 9.6 million.

Throughout calendar year 2019 the Company negotiated with alternative parties to whom it could supply product, including a trial shipment to a Japanese trading company, a long-term offtake agreement with another trading company and offtake arrangements with a large Asian corporation. These negotiations did not secure any firm forward contracts for sale of product.

The Group's Offtake Agreements with JBJ were the source of substantially all its revenue, save for some sales of tantalum by-product. As varied on 14 January 2019, the Offtake Agreements provided for:

- Non-exclusive supply
- Concentrate supply of between 80,000 and 100,000 tonnes in 2019
- Further supply in 2020, 2021, and 2022
- 2019 production amounts to be purchased at a market-linked price with lower and upper limits of USD680/tonne and USD1080/tonne respectively (FOB 6% Li_2O).

4.3.1 Alleged force majeure claim

In May 2019, JBJ claimed a force majeure event, following which JBJ did not take shipments in accordance with the conditions outlined in the Offtake Agreements.

Without JBJ taking shipments, the Group's failure was inevitable for the following reasons:

- Against the background of the Offtake Agreements, the Group entered into long-term contracts for mining, crushing, processing and materials handling. These contracts were all for an extended term and included termination provisions.
- At a high level, the cash costs for the contracts, together with related costs including head office overhead, fuel costs, accommodation services and related costs, were c. $20 million per month. While there were opportunities for the Group to reduce its cost structure over the longer term, a significant portion of the Group's cost base was largely fixed for ongoing operations.
- The spot market between (relevantly) May 2019 and August 2019 was challenging and did not provide a ready immediate alternative market for the Group's product.
- The above contracts included significant termination and demobilisation costs of c. $11.7 million (as estimated by management in August 2019).

Due to the above, without JBJ taking shipments, the Group was placed into a position where it could not:

- afford to keep producing under the existing cost structure for any material period
- adjust its cost structure readily or quickly
- sell product into an alternative market at a price and volume sufficient to maintain operations
- terminate contracts and pay termination/demobilisation costs as well as the secured debt.

4.3.2 Negotiations prior to appointment of administrators

Concurrently with efforts to secure alternative sales channels, the Administrators understand that the Directors of the Group took steps to source alternative finance and negotiated with the Group's existing lender. Various proposals were explored with credible parties, and some significant progress was made towards a recapitalisation/convertible note proposal.

Ultimately however, the Group could not obtain the requisite comfort and standstill agreements required to progress the recapitalisation.

4.4 Appointment and retirement of Receivers and Managers

To protect its position as secured creditor of the Group, and to take control, pursuant to its securities, Galaxy decided to appoint receivers and managers to the Group.

On 29 August 2019, Galaxy appointed Martin Jones, Matthew Woods and Andrew Smith of KPMG as Receivers and Managers. This provided the Receivers control of the Group's operations.

On 29 November 2019, Galaxy's debt was repaid in full and the receivers and managers retired, handing control of the Group's operations to the Administrators.

4.5 Decision to place mine on care and maintenance

Following the Receivers' appointment, they undertook an assessment of the Group's operations. After communications with JBJ and other parties they decided to place the Bald Hill Mine into care and maintenance.

The Bald Hill Mine was placed into care and maintenance because:

- JBJ would not continue with the Offtake Agreements
- the operations were not generating sufficient revenue to fund the cost of operations or fixed costs
- it was forecast that there would be no increase in the price of lithium in the foreseeable future to allow the Group to operate at a profit during the receivership
- the cash burn needed to be reduced significantly to preserve the return to the secured creditor.

4.6 Historical financial performance

The Group's consolidated financial statements were last prepared as at 31 March 2019 and released to the market on 10 May 2019. Monthly management accounts were prepared by the Group. The latest finalised management accounts, including a statement of financial position and profit and loss statement were prepared as at 30 June 2019. In preparing management accounts at 30 June 2019, management was yet to finalise impairment of inventories and non-current assets or conclude on the going concern basis of preparation for the FY19 financial report.

The comparative balance sheets and profit and loss statements, and equity movements of the Group, extracted from the Group's books and records, for the previous eight months are summarised in Tables 7, 8 and 9 with further detail provided in Appendix 4.

Table 7 – Consolidated monthly statement of financial position

Statement of financial position for the month ended	31 Dec 2018	31 Jan 2019	28 Feb 2019	31 Mar 2019	30 Apr 2019	31 May 2019	30 June 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total Current Assets	53,973	58,241	49,032	50,778	48,430	68,459	62,910
Total Non-Current Assets	244,459	246,481	248,172	249,329	251,851	256,179	255,136
Total Assets	298,432	304,722	297,204	300,107	300,280	324,638	318,046
Total Current Liabilities	(64,021)	(72,078)	(66,499)	(37,392)	(36,872)	(40,870)	(86,958)
Total Non-Current Liabilities	(25,353)	(24,191)	(24,296)	(64,575)	(64,460)	(65,299)	(23,868)
Total Liabilities	(89,374)	(96,269)	(90,794)	(101,967)	(101,332)	(106,169)	(110,826)
Net Assets	**209,058**	**208,453**	**206,410**	**198,140**	**198,949**	**218,468**	**207,220**

Table 8 - Consolidated monthly statement of profit or Loss

Statement of financial performance as at	31 Dec 2018	31 Jan 2019	28 Feb 2019	31 Mar 2019	30 Apr 2019	31 May 2019	30 June 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total Revenue – operations	-	(323)	25,955	22,203	8,316	11,961	(170)
Total Cost of Goods Sold	1,821	1,028	(27,184)	(25,426)	(6,084)	(12,123)	(7,287)
Gross Profit/(Loss)	1,821	705	(1,228)	(3,222)	2,231	(162)	(7,457)
Total Other Income	(10)	8	21	31	18	6	19
Total Expenditure	(35,934)	(1,158)	(993)	(5,030)	(1,433)	(2,227)	(4,966)
Profit/(Loss) before tax	(34,123)	(445)	(2,200)	(8,221)	817	(2,384)	(12,404)

Income tax benefit/(expense)	4,939	-	-	(50)	-	-	-
Net Profit/(Loss)	**(29,184)**	**(445)**	**(2,200)**	**(8,271)**	**817**	**(2,384)**	**(12,404)**

Table 9 – Movement in equity

Movement in equity for the month ended	31 Jan 2019	28 Feb 2019	31 Mar 2019	30 Apr 2019	31 May 2019	30 Jun 2019
	$000	$000	$000	$000	$000	$000
Movement in net assets	(605)	(2,043)	(8,270)	809	19,519	(11,248)
Profit and loss	**(445)**	**(2,200)**	**(8,271)**	**817**	**(2,384)**	**(12,404)**
Equity Injection	-	-	-	-	22,500	
Unreconciled difference	**(160)**	**157**	**1**	**(8)**	**(597)**	**1,156**

Source: Group's Management Accounts

4.6.1 Equity movements

- The Group relied on capital injections of $22.50 million in the month ended 31 May 2019 to be able to continue to trade
- The movements in net assets on the balance sheet do not reconcile to the profit and loss due to the capital funding and unreconciled differences.

4.6.2 Profit and Loss

- The Group suffered a net loss of $29.2 million after tax in December 2018 due to acquisition costs and impairment costs (relating to the Alita-Tawana Resources merger) which together total $28.6 million.
- There was no revenue in December 2018 and January 2019. Contributing factors to this include:
  - Burwill, which was then the offtake counterparty, had requested to agree 2019-period pricing before accepting the 'December 2018' shipment. The pricing of 2019 offtakes was finalised in the restructured offtake agreements executed on 14 January 2019.
  - There was a shutdown of Esperance port in early January 2019.
- Expenses included in COGS were offset by revenue from Tantalum sales, which were also recognised in COGS and averaged $1.3 million per month.
- A $3.78 million expense was incurred in March 2019 due to the consolidation of financing arrangements.
- The Group had a weak gross margin in the early months of 2019, with gross losses experienced in each of February, March, May and June 2019.
- The lack of revenue in June 2019 due to no shipments being made to JBJ led to a net loss in June 2019 of $12.4 million. This is compared to the average loss of $2.5 million over the period from January 2019 to May 2019.

4.6.3 Balance Sheet

- The net asset position of the Group remained relatively constant in 2019, from a net asset position of $209 million at 31 December 2018 to a net asset position of $207 million at 30 June 2019. Although the Group was loss-making over this period, the net asset position was maintained due to capital raisings and continual production without shipments, increasing inventory stockpiles. Impairment testing had not been completed, although at balance date the JBJ Offtake Agreements were still nominally being performed.
- The Group experienced a rapid growth of current liabilities prior to appointment, moving from $36.9 million at 30 April 2019 to $87 million at 30 June 2019, primarily due to the Tribeca financing facility becoming classified as a current liability.

It is apparent from the Group's financial statements that only a substantial capital injection and turnaround in trading activities would have enabled the Group to continue in operation.

5 Total Indebtedness

5.1 Summary of Total Indebtedness

Set out at Table 10 is a summary of estimated creditor claims against the Group, being evidence of the Group's Total Indebtedness under a liquidation scenario. Total Indebtedness is estimated to be in the range of $86.86 million to $110.66 million.

Table 10 – Summary of Total Indebtedness – liquidation scenario

Liability ($ million)	Reference	Low	High	Adopted
Administrators' loan	5.1.1	60.02	60.02	60.02
Liquidators' remunerations and disbursements	5.1.2	2.12	2.12	2.12
Liquidators' trading costs	5.1.3	1.59	1.59	1.59
Employee entitlement	5.1.4	0.43	0.43	0.43
Unsecured creditors	5.1.5	46.50	22.70	32.00
Total Indebtedness		**110.66**	**86.86**	**96.16**

Source: As per the Group's books and records, and the Administrators' investigations to date.

The Total Indebtedness calculation assumes:

- The DoCA is required to be terminated on 31 March 2020 due to the inability of the DoCA Proponent or the Group to comply with the conditions precedent to the DoCA, which could include:
  - Section 444GA Court approval
  - Section 606 ASIC relief
  - Singapore on regulatory requirements in connection with the transfer of Shares
  - FIRB approval.
- At this time, a liquidator would be appointed to each company of the Group
- Pursuant to the DoCA, $4.50 million of cash held by the Group is used to pay the Administrators and Deed Administrators' fees, costs, disbursements and trading costs (see section 8.2.1)
- Pursuant to the DoCA and the Cash Creditors Trust, $3.0 million of cash held by the Group is used to fund the Creditors Cash Trust creditors as documented in the DoCA (see section 8.2) and the claims of creditors whose claims are to be met by the Creditors Cash Trust are satisfied in full
- The liquidator would commence a sale campaign for the assets of the Group, resulting in an expected sale by June 2020, and adjudication of remaining creditor claims and payment thereafter
- The deed of cross guarantee is effective and pooling of assets and creditors' claims occurs
- The secured creditor does not appoint a receiver.

5.1.1 Administrators' Loan

The Administrators entered into an administrator loan with CHEL on 28 November 2019. The Administrators drew down USD $32.56 million on 29 November 2019 to repay Galaxy in full. Galaxy's debt included:

- Amount borrowed - US$28.77 million
- Interest - US$1.99 million
- Break fee - US$1.44 million
- Legal and advisory costs - US$0.35 million.

The Administrators' loan is secured by a first ranking general security agreement over the assets of the Group companies.

The forecast balance of the Administrators' loan to 30 June 2020 of $60.02 million includes: interest charged at 10% per annum, and an early repayment fee of $10.5 million in the event the CHEL/Liatam DoCA was not approved by creditors or has to be terminated because the DoCA cannot be effectuated. This repayment obligation would arise if the Group was placed into liquidation.

The balance provided is presented in AUD. Therefore, the final balance is subject to change given the inherent movement in the AUD:USD exchange rate and the final date of repayment. For the purpose of this calculation the Administrators have adopted an AUD:USD exchange rate of 0.68.

5.1.2 Liquidators' remuneration and disbursements

The estimated remuneration and disbursements during the Liquidation period are as follows:

- Liquidators' fees and disbursements of up to $1.59 million in a liquidation scenario relating to:
  - Maintaining operations
  - Undertaking a sale campaign for the mining assets
  - Finalising investigations
  - Complete the sale of the mining assets
  - Pursuing antecedent transactions
  - Liaising with creditors
  - Adjudicating creditors' claims
  - Payment of dividend
- Legal fees of $0.50 million
- $30,000 for general disbursements

5.1.3 Liquidators' trading costs

If the DoCA does not effectuate, and the liquidators undertake a sale campaign, the liquidators will incur substantial trade on liabilities in protecting and preserving the assets, in particular the Bald Hill Project, even under a care and maintenance programme. The costs which are assumed to be incurred include:

- Maintaining a skeleton staff presence at Bald Hill and Perth head office
- Power costs of maintaining power to dewater the mine to preserve value
- Expenditure to maintain the realisable value of the assets.

These trading costs would preserve the value of the assets, which value would deteriorate if maintenance and repairs did not continue.

The Administrators anticipate trading costs from an assumed liquidation date of 1 April 2020 to completion of a sale of the assets would be $1.59 million assuming a 10 week sale campaign, followed by a four week completion period. Should the sale campaign take longer, this estimate would be higher.

5.1.4 Employee entitlements

Pursuant to Section 556 of the Act, employees receive a priority for payment of their entitlements in full, prior to any distribution to unsecured creditors.

The Receivers paid all outstanding employee entitlement to terminated employees in full on 31 October 2019.

In a liquidation scenario, the Administrators estimate that there is c. $0.43 million of employee entitlements owed to employees who have been retained during the administration. The Administrators have assumed these entitlements would not materially change by 30 June 2020. These employee entitlements are subject to formal adjudication, and the quantum would depend on whether any employees transferred to a new owner.

The above claims do not include the priority claims for employee entitlements made by the Directors.

5.1.5 Ordinary Unsecured Creditors

The Administrators' assessment of unsecured claims based on the Group's books and records which are estimated to be outstanding at the date of liquidation is set out in Table 12.

Table 11 – List of unsecured creditors

($ million)	Notes	Low	High	Adopted
JBJ	1	14.50	-	-
Large unsecured creditors	2	31.20	21.90	31.20
Excluded priority claims	3	0.80	0.80	0.80
Total		**46.50**	**22.70**	**32.00**

These amounts would be subject to formal adjudication in a liquidation. Therefore, the amount of creditor claims may be higher or lower.

Notes

Note 1 – JBT

Under the Offtake Agreements, JBJ prepaid for shipments. JBJ has submitted a proof of debt for c. USD 9.6 million for the outstanding balance of the prepayment at appointment.

The Receivers issued shipping notices to JBJ, however no shipments were accepted. It is possible that claims arising under the shipping notices may be set off against JBJ's claim in a liquidation. If this set off is available, JBJ will be a net debtor of the Group.

JBJ's claim is subject to the outcome of the contract during the administration process. The Administrators have not yet adjudicated on the JBJ claim and are in discussion with JBJ.

The Administrators have therefore estimated the low outcome creditor claim as c. $14.5 million if no offset is available and the high outcome creditor claim as nil if the full offset is available and in fact JBJ is required to pay the debtor amount.

Note 2 - Large unsecured creditors

A schedule of the Group's large unsecured creditors is set out in Table 13.

Table 12 - Schedule of large unsecured creditors

($ million)	Low	High	Adopted
SMS	17.90	13.90	17.90
Cape	4.40	3.60	4.40
Primero	5.70	3.30	5.70
Qube	3.20	1.10	3.20
Total large unsecured creditors	**31.20**	**21.90**	**31.20**

Note 3- Excluded Priority claims

Pursuant to s 556 of the Act, the Group's Directors are classed as excluded employees and are only entitled to receive, as a priority, $2,000 for outstanding wages and $1,500 for outstanding leave entitlements. For the balance of their claims for outstanding employee entitlements, the directors rank as unsecured creditors.

On 5 December 2019 the Administrators received correspondence from lawyers representing the directors, Mr Turner and Mr Calderwood. The correspondence asserts:

- The directors claim arose as a repudiation of their employment contract after the appointment of administrators.
- The claim is for damages, rather than under the contract, although the damages equate to the contractual notice and redundancy entitlements.
- As the repudiation occurred post-appointment of Administrators it is not a claim that is provable in the administration and should be afforded priority payment.

The Administrators dispute the characterisation advanced by the directors relating to the priority of their claims.

In addition to the above, two former directors have submitted claims relating to performance shares.

The issue of shares is subject to shareholder approval as per the Act and SGX-Catalist rules. The Administrators understand that shareholders voted against (c. 95%) the performance shares at a shareholder meeting in June 2018 and therefore the claim should be rejected.

The Administrators have not yet formally adjudicated these claims but expect to reject the claims in full. We have not adjusted for these claims in our analysis but have included this note for the awareness of creditors. We have included this claim to be conservative in all scenarios.

5.2 Related Party Loans

Table 14 details the intercompany loans between Group companies. Whilst the claims related to the intercompany loans have not been adjudicated, the Administrators noted that in a liquidation scenario pooling would be undertaken given the Deed of Cross Guarantee. Given the deed of cross guarantee the Administrators have not included any related party loans in the calculation of the Total Indebtedness in Table 10.

Table 13 - Schedule of related party loans

		Creditor ($'000)						
		Alita	Lithco No.2	Mount Belches Pty Ltd	Tawana Liberia Inc	Tawana Resources	Tawana Resources SA Pty Ltd	Total Receivable
Debtor ($' 000)	Alita	N/A	41,669	-	-	514	-	42,183
	Lithco No.2	39,883	N/A	-	-	-	-	39,883
	Mount Belches Pty Ltd			N/A				
	Tawana Liberia Inc	-	-	-	N/A	-	-	-
	Tawana Resources	-	44,419	1,386	8,229	N/A	-	54,034
	Tawana Resources SA Pty Ltd	-	-	-	-	-	N/A	-
	Total Payable	(39,883)	(86,088)	(1,386)	(8,229)	(514)	-	-

Source: Management accounts as at appointment.

5.3 Options

The Company issued options and performance rights to various parties. A schedule of holders, the expiry date and the strike price are provided at Appendix 12 and summarised at Table 15.

Table 14 – Summary of Options & Performance Rights

Details	No of option holders	No of options	Listed	Strike Price	Expiry
ASX Options					
Various	5	15,600,000	No	$0.4875	1 April 2020
CG Nominees (Australia) Pty Ltd	1	3,800,000	No	$0.24	24 May 2020
CG Nominees (Australia) Pty Ltd	1	3,800,000	No	$0.30	24 May 2020
CG Nominees (Australia) Pty Ltd	1	3,800,000	No	$0.36	24 May 2020
Various	5	1,858,115	No	$0.18	5 April 2022
Mr Mark Turner	1	9,000,000	No	$0.3148	17 December 2022
Total	**14**	**37,858,115**			
ASX – Performance Rights					
Various	2	3,323,596	No		6 August 2023

Source: Alita ASX announcement and provided by CFO

The Administrators terminated the above options on 17 December 2019 which will give rise to a nominal contingent liability.

The Administrators have not included any contingent liability from the cancellation of the options in the calculation of Total Indebtedness set out in Table 10.

6 The Group's assets

The Company is a mining company engaged in the business of producing concentrate lithium spodumene and tantalum as a by-product resource in Australia. It possesses the right to explore and mine lithium and tantalum at the Bald Hill Mine and surrounding areas. The Bald Hill Project covers an area of c. 59,000 hectares and is located within the Eastern Goldfields Province of the Archaean Yilgarn Block, within the Shire of Coolgardie, approximately 50 kilometres east of Widgiemooltha.

6.1 Bald Hill Project

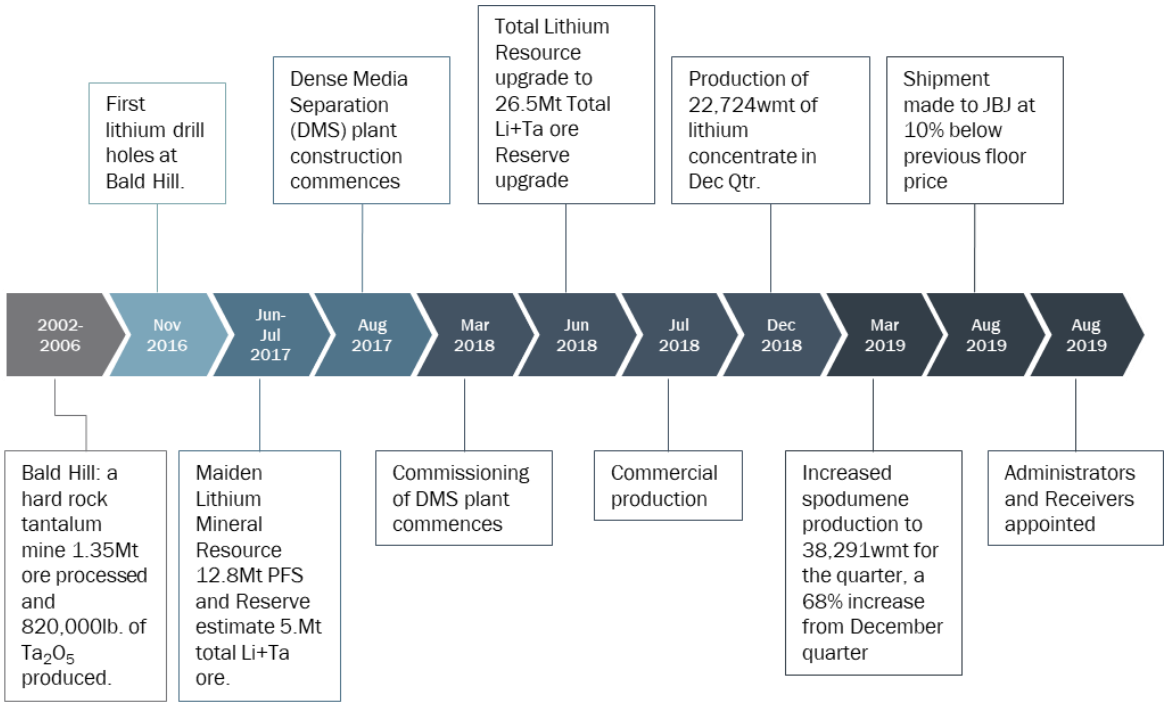
The Bald Hill Mine is located 50 km south east of Kambalda in the Eastern Goldfields region of Western Australia. It is located approximately 75 km south east of the Mt Marion Lithium project and approximately 350 km by road from the Port of Esperance. The mine comprises mineral tenure totalling 774 km^2. The Bald Hill Mine is wholly owned by the Group.

Figure 8 – Location of Companies' Assets

Following their appointment, the Receivers placed the Bald Hill Mine into care and maintenance, and contractors demobilised from site. The four remaining Group employees are deployed to site (on a one and one swing) to maintain the plant and site.

While operational, lithium concentrate was transported via road to Esperance WA, before being shipped overseas. The Group's head office is in Osborne Park, Perth WA. A brief timeline of the history of the mine is shown at Figure 9.

Figure 9 – Bald Hill Mine timeline



SRK classified the Bald Hill Project as a Pre–Development Project, i.e, tenure holdings where mineral resources have been identified and their extent estimated, but where a decision to proceed with development has not been made, because the project is on care and maintenance. The implication of the classification of this asset on value is detailed further in section 9.3.5.

The assets which form the Bald Hill Project are:

- Resources
- Reserves
- Residual Resources and Reserves
- Bald Hill Mine site
- Plant and equipment
- Underground water licence
- Clearing permit
- Tenements
- Annual Environmental Report – on hold pending edits
- Motor vehicles
- Regional Standard Heritage Agreement with the Ngadju People.

6.2 Bald Hill - Exploration Project

In the June 2019 quarter, the Company announced completion of c.14,758m of reverse circulation drilling and 2,197m of diamond core drilling. The drilling indicated further evidence of an extensive mineralised pegmatite body at Bald Hill.

A listing of the tenements held by the Company and listed exploration assets is provided at Table 19.

6.3 Resources and reserves

The following statement of Mineral Resources and Ore Reserves conforms to the Australasian Code for Reporting Exploration, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.

6.3.1 Mineral Resources

Table 16 sets out the Group's mineral resources as at 6 June 2018.

Table 15 - Mineral resource estimate

Mineral Resource Category	Tonnes (MT)	Grade Lithium (%)	Contained Lithium (t)	Grade Tantalum (ppm)	Contained Tantalum ('000 lb)
Bald Hill Project – Resources above 0.3% Li2O cut off grade					
Indicated[1]	14.4	1.02	147,200	168	5,300
Inferred[2]	12.1	0.90	108,000	123	3,300
Total Bald Hill Project	**26.5**	**0.96**	**255,200**	**149**	**8,600**
Bald Hill Project – Tantalum Resources below 0.3% Li2O					
Indicated[1]	3.0	0.16	4,700	333	2,200
Inferred[2]	1.4	0.15	2,200	339	1,100
Total Bald Hill Project	**4.4**	**0.16**	**6,900**	**336**	**3,300**

Source: Alita- SGX announcements of 6 June 2018 and 16 August 2019

1. *Indicated resources* are economic mineral occurrences that have been sampled (from locations such as outcrops, trenches, pits and drill holes) to a point where an estimate has been made, at a reasonable level of confidence, of their contained metal, grade, tonnage, shape, densities, physical characteristics.

2. *Inferred Mineral Resource* is the part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be of limited or uncertain quality and reliability.

6.3.2 Ore reserves

CSA Global Pty Ltd was commissioned by the Group to prepare an ore reserve estimate using the March 2018 pit surface and the 2018 mineral resource estimate. This ore reserve estimate was reported to the ASX and the SGX-Catalist by the Group on 6 June 2018. The estimate of the ore reserve is set out in Table 17.

Table 16 - Mineral reserve estimate

Mineral Resource Category	Tonnes (MT)	Grade Lithium (%)	Contained Lithium (t)	Grade Tantalum (ppm)	Contained Tantalum ('000 lb)
Bald Hill Project – Resources above 0.3% Li2O cut off grade					
Proven[1]	-	-	-	-	-
Probable[2]	11.3	1.01	114,100	160	4,000
Total Bald Hill Project	**11.3**	**1.01**	**114,100**	**160**	**4,000**
Bald Hill Project – Tantalum Resources below 0.3% Li2O					
Proven[1]	-	-	-	-	-
Probable[2]	2.0	-	-	313	1,400
Total Bald Hill Project	**2.0**	**-**	**-**	**313**	**1,400**

Source: Alita SGX-Catalist announcements of 6 June 2018 and 16 August 2018

Notes

3. A proven ore reserve is the part of measured resources that can be mined in an economically viable fashion. It includes diluting materials and allowances for losses which occur when the material is mined. A proven ore reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that proven ore reserves are not achievable in some deposits[5].
4. A probable ore reserve is the part of indicated, and in some circumstances, measured mineral resources that can be mined in an economically viable fashion. It includes diluting material and allowances for losses which may occur when the material is mined. A probable ore reserve has a lower level of confidence than a proven ore reserve but is of sufficient quality to serve as the basis for decision on the development of deposit.

6.4 Inventory

The Group holds inventory at locations across Australia and China detailed in Table 18. The spodumene has yet to be processed, however, the tantalum is in an unprocessed state at the Bald Hill mine but has been processed at different stages at Nagrom. This inventory was produced both prior to and post the appointment of the Administrators.

Table 17 – Inventory as at 29 November 2019

Inventory	Location	Amount (wmt)
Spodumene	Bald Hill mine – Australia	8,746
Spodumene	Esperance port – Australia	18,001
Spodumene	Port – China	5,500
Total		**32,247**
Tantalum	Bald Hill mine – Australia	80
Tantalum	Nagrom - Australia	307
Total		**387**

[5] Reference

6.5 Mining tenements, operating and exploration licences

6.5.1 Mining Licences

The Group currently hold the tenements set out in Table 19.

Table 18 – Group tenement summary

Name	Holder	Type	Note	Granted	Expiry Area	Area ha
M15/1305	Alita	Mining Lease	6.5.2	29-Dec-00	28-Dec-21	97.89
M15/1470	Alita	Mining Lease	6.5.2	13-May-00	12-May-31	400.00
M15/1308	Alita	Mining Lease	6.5.2	29-Dec-00	28-Dec-21	92.53
M15/400	Alita	Mining Lease	6.5.2	30-Aug-88	07-Sep-30	501.00
R15/1	Alita	Retention Licence	6.5.2	09-Jun-10	08-Jun-20	973.00
E15/1556	Alita	Exploration Licence	6.5.2	16-Mar-17	15-Mar-22	4,480.00
E15/1161	Alita	Exploration Licence	6.5.2	25-Jan-11	24-Jan-21	280.00
E15/1492	Alita	Exploration Licence	6.5.2	23-Feb-17	22-Feb-22	14,280.00
E15/1353	Alita	Exploration Licence	6.5.2	05-Aug-13	04-Aug-23	11,760.00
E15/1555	Alita	Exploration Licence	6.5.2	16-Mar-17	15-Mar-22	5,600.00
E15/1166	Alita	Exploration Licence	6.5.2	31-Aug-10	30-Aug-20	1,400.00
E15/1066	Alita	Exploration Licence	6.5.2 & 6.5.3	20-Aug-09	19-Aug-19	6,440.00
E15/1493	Alita	Exploration Licence		24-Feb-17	23-Feb-22	7,280.00
E15/1162	Alita	Exploration Licence	6.5.2	10-Jan-11	09-Jan-21	840.00
E15/1067	Alita	Exploration Licence	6.5.2 & 6.5.3	20-Aug-19	19-Aug-19	6,440.00
E15/1212	Alita	Exploration Licence	6.5.2	02-May-11	01-May-21	2,800.00
E15/1058	Alita	Exploration Licence	6.5.2	12-Mar-09	11-Mar-21	2,520.00
P15/5862	Alita	Prospecting Licence	6.5.2	15-Oct-14	14-Oct-22	501.00
P15/5863	Alita	Prospecting Licence	6.5.2	15-Oct-14	14-Oct-22	501.00
P15/5864	Alita	Prospecting Licence		15-Oct-14	14-Oct-22	501.00
P15/5865	Alita	Prospecting Licence		15-Oct-14	14-Oct-22	501.00
G15/28	Alita	General Purpose Lease		25-May-17	24-May-38	1.43
L15/348	Alita	Miscellaneous Licence		05-Sep-14	04-Sep-38	3.16
L15/365	Alita	Miscellaneous Licence		19-Jul-17	18-Jul-38	15.49
L15/366	Alita	Miscellaneous Licence		19-Jul-17	18-Jul-38	61.52

Source: As per the records of the Group and confirmed by the Group's geologist

6.5.2 Forfeiture applications against the Companies' tenements

An application for forfeiture was lodged by CCS Equipment Pty Ltd on 20 August 2019 in respect of a number of the Group's tenements. There is a hearing in January 2020 in relation to the forfeiture, which the Administrators will contest. The Administrators have assumed for the purpose of our valuation that these tenements are retained.

6.5.3 Expired tenements

We understand that where a tenement is expired, the Group has submitted a renewal of the tenements, and the decision of renewal is currently pending.

6.6 Interest in Cowan Lithium

Prior to the merger between Tawana Resources and the Company, Tawana Resources held several exploration assets, including:

- 100% of the Cowan Lithium project in Western Australia, comprising exploration licences
- 100% of the Yallari Lithium project in Western Australia, comprising exploration licences
- 100% of the Mofe Creek Iron project in Liberia, comprising exploration licences
- 26% shareholding in Rakana Consolidated Mines Pty Ltd which itself holds a 26% shareholding in the Avontuur Manganese project in South Africa.

Further details of these projects can be found on pages 8 – 10 of the Deloitte Report. The tenements held by Cowan Lithium are set out in Table 20.

Table 19 – Cowan Lithium tenement summary

Name	Holder	Type	Note	Granted	Expiry Area	Area ha
E15/01205	Cowan Lithium	Exploration Licence		10-Mar-11	09-Mar-21	585.00
E15/01377	Cowan Lithium	Exploration Licence	6.5.3	12-Nov-14	11-Nov-19	9,555.00
E15/01446	Cowan Lithium	Exploration Licence		18-Aug-15	17-Aug-20	5,749.00
E15/01502	Cowan Lithium	Exploration Licence		01-Nov-16	31-Oct-21	20,442.00
E15/01503	Cowan Lithium	Exploration Licence		01-Nov-16	31-Oct-21	20,446.00
E28/02702	Cowan Lithium	Exploration Licence		30-Jan-18	29-Jan-23	15,214.00

Following shareholder approval on 6 July 2018, Tawana Resources demerged these assets into a wholly owned public, unlisted company, Cowan Lithium. On 18 July 2018, there was a pro-rata in specie distribution of 85% of the shareholding in Cowan Lithium to Tawana Resources' shareholder, resulting in Tawana Resources retaining a 15% interest in Cowan Lithium on the basis it paid Cowan Lithium $0.75 million.

In September 2019, Cowan Lithium completed a capital raising. The Group did not partake in the capital raising and if the capital raising was completed, its interest in Cowan Lithium decreased from 15.0% to 11.3%.

SRK has classified the assets held by Cowan Lithium as Advanced Exploration - 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.

7 Sale/recapitalisation process

After conducting a review of the options available to us, the Administrators commenced a process seeking expressions of interest to either purchase the assets of the Group or to recapitalise the Group via a DoCA.

7.1.1 Timeline

Table 21 provides the timeline of key events.

Table 20 – Sale/recapitalisation timetable

Event	Date
Expressions of interest sought	8 October 2019
Confidentiality agreements issued	9 October 2019
Flyer available for distribution	9 October 2019
Data room opened	10 October 2019
First and final offers due	7 November 2019
Preferred bidder selected	15 November 2019
Finalise DoCA with preferred bidder	15 November 2019 to 29 November 2019
Second meeting of creditors	Week commencing 16 December 2019

7.1.2 Expressions of interest

On 8 October 2019 the Administrators issued a media release and announced to the ASX the commencement and details of the sale/recapitalisation process. The Administrators received 14 inbound enquiries and conducted 9 outbound enquiries targeting several industry participants and other parties that the Administrators considered may be interested based on our experience and discussions with the Directors.

7.1.3 Interested parties' database

Parties who expressed interest in the Group were provided with a sale process letter, a confidentiality deed, teaser documents and placed in an 'Interested Parties Database'. All registered parties were provided updates in relation to the sale process and on 10 October 2019, an online data room was made available.

The Administrators received over 20 Expressions of Interest, entered into 14 confidentiality agreements and provided access to an online data room to all parties who signed confidentiality agreements.

7.1.4 Online data room

An online data room facility was opened on 10 October 2019. This facility provided a secure central hub to store and display all pertinent information relating to the business and its operations. In addition to providing due diligence information to interested parties, the data room also allowed us to track the number of interested parties utilising the data room to obtain specific due diligence information.

7.1.5 Site tours

The Administrators facilitated full day site tours with three interested parties allowing them to inspect the mine, processing facilities, camp and other infrastructure.

7.1.6 Bids

The Administrators received two DoCA proposals from two interested parties:

- Galaxy proposal, which is detailed in section 7.1.7 of this Report
- CHEL/Liatam proposal, which is detailed in section 8.2 of this Report.

Parties who did not bid

The Administrators sought feedback from parties who elected not to continue in the process. Relevant comments included:

- Inability to secure financing to complete a transaction
- Belief that the secured creditor wanted to own the asset and would block a competing DoCA
- Concern for operations, uncertain outlook for the lithium industry and pricing.

7.1.7 Galaxy proposal

On 7 November 2019, the Administrators received an initial proposal from Galaxy for a DoCA. Galaxy was, at the time the proposal was lodged, the secured financier of the Group and a shareholder. The proposal included the following key provisions:

- The proposal was open for acceptance as the preferred DoCA proponent until 14 November 2019
- Employee entitlements to be paid in full
- A fund of $958,715 (estimated) from which creditors with admitted claims of less than $50,000 would receive a distribution of up to 100c/$
- No funds were available for creditors with admitted claims of more than $50,000
- The funds were to be administered through a Creditors' Trust
- An application was to be made pursuant to Section 444GA of the Act to transfer the shares in Alita to Galaxy.

Following negotiations with Galaxy, on 18 November 2019 the Administrators received a revised and final proposal for a DoCA with the following key provisions:

- The proposal was open for acceptance as preferred DoCA proponent until 20 November 2019
- Employee entitlements to be paid in full
- A fund of up to $1.0 million from which creditors with admitted claims of less than $50,000 would receive a distribution of up to 100c/$
- A fund of $1.14 million (estimated) from which creditors with admitted claims of more than $50,000 would receive a distribution. The Administrators calculated this distribution would have been in the order of 2 to 3 c/$
- The funds were to be administered through a Creditors' Trust
- An application was to be made pursuant to Section 444GA of the Act to transfer the shares in Alita to Galaxy.

The Galaxy proposal did not provide for a meaningful return for the majority (in value) of creditors, and based on our analysis on some scenarios would have resulted in an estimated return to certain classes of creditors lower than a liquidation of the Group.

The Administrators did not select Galaxy as the preferred DoCA proponent, and the proposal subsequently lapsed on 20 November 2019.

7.1.8 Effect on value

Given there were no offers for the purchase of the Group's assets, the sale process described above is unable to be used to assist in determining a value of the assets as described in section 9.

8 Proposed Deed of Company Arrangement

8.1 Overview

From the recapitalisation process that was undertaken, the Administrators received two DoCA proposals:

- The Galaxy proposal, as described in section 7.1.7
- The CHEL/Liatam proposal, which is outlined in section 8.2.

After analysing and comparing the two DoCAs, the Administrators recommended that creditors accept the CHEL/Liatam DoCA, as it provided the best outcome for creditors.

8.2 Key features of the CHEL/Liatam DoCA

The DoCA proposal from CHEL/Liatam was a result of negotiations between Liatam, CHEL and the Administrators of the Group. The DoCA was voted on and approved by creditors at the Second Meetings of Creditors held on 17 December 2019 and was signed on 17 December 2019. The key terms of the DoCA are as follows:

- The structure is a single DoCA across the Group entities.
- An application pursuant to Section 444GA of the Act will be made to transfer the shares in the Company to the DoCA Proponent.
- The amount to be contributed to the DoCA/Creditors' Trusts, through a combination of cash contributions and provision of Group assets on the basis of secured creditor consent, is between $10.73 million and $18.61 million. The Administrators' fees and Administration/DoCA period trading costs will be paid from the consideration.
- Creditors will be divided into classes, as set out below:

Class A Creditors	Those creditors with claims in respect of outstanding employee entitlements (excluding the Continuing Employees) and who would be priority creditors pursuant to sections 556 and 560 of the Act if the Companies were placed into liquidation. Employees are afforded priority under the Act for their entitlements.
Class B Creditors	Shire of Coolgardie – the Shire has lodged caveats over the Group's mining tenements, and requires payment in full to remove the caveats.
Class C Creditors	SMS Innovative Mining Pty Ltd, Primero Group Pty Ltd, Cape Crushing and Earthmoving Contractors Pty Ltd, and Qube Bulk Pty Ltd – these are the largest creditors of the Group, and are anticipated to be required in any restart of the operations.
Class D Creditors	Creditors with admitted claims not exceeding $10,000 in aggregate each – these are the smallest creditors and expected to be least capable of absorbing a loss.
Class E Creditors	Creditors of the Group other than Class A, B, C, and D creditors – these are the balance of creditors, forming the middle strata of claims.

- Two creditors' trusts will be established, a Cash Creditors' Trust and Stockpile Creditors' Trust:
  - **Cash Creditors' Trust:** For Class A, B, D and E creditors. A cash contribution of $3.01 million will be made to the Cash Creditors' Trust, which will be used to fund the payment to creditors. The Cash Creditors' Trust will commence shortly after execution the DoCA, and creditor claims will be extinguished as against the Group at this time. This contribution is not dependent on the outcome of the section 444GA application, and is to be funded from the Group's cash at bank (which is an asset subject to the security of CHEL)
  - **Stockpile Creditors' Trust:** For Class C creditors. The contribution to the Stockpile Creditors' Trust will either be cash or the physical spodumene stockpile plus cash to take the total stock value up to $3.22 million (10% of the total Class C Creditor claim). The Stockpile Creditors' Trust will commence on completion under the DoCA, and is dependent on the conditions precedent to completion under the DoCA being achieved. The cash component of any contribution is to be funded from the Group's cash at bank (which, along with the stockpile, is an asset subject to the security of CHEL)
- The estimated outcome for creditors is set out in Table 22.
- The Administrators of the Group will be the Deed Administrators of the DoCA, and thereafter trustees of the Creditors' Trusts ('Trustees'). The Trustees' fees and expenses will be paid from the Creditors' Trusts and they will be responsible for assessing and admitting the claims of the beneficiaries.
- Unsecured creditors accept the terms of the DoCA in full and final satisfaction of their debts.

- The DoCA incorporates the standard terms and provisions which are described in the Act.

Table 21 – Return to creditors under DoCA scenario

	Reference	Book Value $ million	No.	Low $ million	Low c/$	High $ million	High c/$
DoCA							
DoCA Contribution	**8.2.1**			**4.50**		**4.50**	
Less:							
Administrators' remuneration	8.2.2			(1.40)		(1.40)	
Deed Administrators' remuneration	8.2.2			(0.60)		(0.60)	
Administrators' and Deed Administrators' legal fees	8.2.3			(0.65)		(0.65)	
Administrators' trading costs	8.2.4			(0.27)		(0.27)	
Deed Administrators' trading costs	8.2.4			(1.58)		(1.58)	
Total distribution				**(4.50)**		**(4.50)**	
Surplus	**8.2.5**			**-**		**-**	
Cash Creditors' Trust							
Contribution to Trust	**8.2.1**			**3.01**		**3.01**	
Less:							
Trustee's fees and costs				(0.18)		(0.18)	
Class A Creditors – Employee Entitlements		-	-	-		-	
Class B Creditors - Shire of Coolgardie	8.2.6	(0.32)	1	(0.32)	100.0	(0.32)	100.0
Class D Creditors – creditors' claim don't exceed $10,000	8.2.6	(0.34)	120	(0.34)	100.0	(0.34)	100.0
Class E Creditors – creditors' claim exceeds $10,000	8.2.6	(21.74)	93	(2.17)	10.0	(2.17)	10.0
Total distribution		**(22.40)**	**214**	**(3.01)**		**(3.01)**	
Surplus in Cash Creditors' Trust	**8.2.5**			**-**			
Stockpile Creditors' Trust							
Spodumene inventory or contribution to Trust	**8.2.7**			**3.22**		**11.10**	
Less:							
Trustee's fees and costs				(0.11)		(0.11)	
Class C Creditors – participating creditors		(31.29)	4	(3.12)	10.0	(11,000)	35.3
Total Distributions			**4**	**(3.22)**		**(11,100)**	

8.2.1 DoCA Contribution & Cash Creditors' Trust Contribution

The DoCA requires that $4.5 million be made available from the Group's cash as soon as practicable after the execution of the DoCA is executed, for the payment of the remuneration of the Administrators and Deed Administrators, and legal disbursements and trading costs for the Administration and DoCA periods.

The DoCA further requires $3.01 million be made available from the Group's cash for payment into the Cash Creditors' Trust. If the DoCA was terminated, but these amounts were not yet paid, the funds would not be available for remaining creditors, and could only be used for the purposes stated in the DoCA.

8.2.2 Administrators' and Deed Administrators' remuneration

The DoCA provides for payment of the Administrators' and Deed Administrators' remuneration, to a cap of $2.0 million. This cap is consistent with the remuneration set out in the 439A Report and approved by creditors at the Second Meetings of Creditors.

A summary of the Administrators' remuneration approved by creditors is provided in Table 23. Details of the actual and estimated remuneration is set out in the remuneration report attached to the 439A Report.

Table 22 – Administrators' remuneration and disbursements

($ million)	Period	Amount
Remuneration - Administration		
Alita Resources Limited	28 August to 24 November 2019	0.26
	25 November to Second Meetings of Creditors	0.20
Lithco No 2 Pty Ltd	28 August to 24 November 2019	0.32
	25 November to Second Meetings of Creditors	0.24
Tawana Resources Pty Ltd	28 August to 24 November 2019	0.21
	25 November to Second Meetings of Creditors	0.17
Total Remuneration - Administration		**1.40**
Remuneration - DoCA		
Alita Resources Limited	17 December 2019 to effectuation or termination	0.19
Lithco No 2 Pty Ltd	17 December 2019 to effectuation or termination	0.23
Tawana Resources Pty Ltd	17 December 2019 to effectuation or termination	0.16
Total Remuneration - DoCA		**0.58**
Total		**1.98**

8.2.3 Legal Fees, legal costs and legal disbursements

The DoCA provides for payment of the Administrators' and Deed Administrators' legal costs, to a cap of $0.65 million. The Administrators have incurred c.$0.60 million of legal costs to date and expect to incur a further $0.05 million.

8.2.4 Trading costs

In order to protect and preserve the Group's assets, the Administrators are continuing to preserve the Group's assets under a care and maintenance programme. The Administrators have and will incur substantial trade on costs, which will include:

- Maintaining a skeleton staff presence at Bald Hill and Perth head office
- Power costs of maintaining power to dewater the mine to preserve value
- Repairs where required to maximise the sale price
- Required capital expenditure.

The Administrators estimated the trade on costs to the Second Meetings of Creditors at $0.27 million and estimate a further $1.58 million will be incurred by 31 March 2020.

8.2.5 Surplus Cash in Cash Creditors Trust and DoCA

The Cash Creditors' Trust and DoCA provides that any surplus cash after the payments to creditors will be paid to the Group.

8.2.6 Ordinary Unsecured Creditors

The Administrators' assessment of unsecured claims which would be paid in accordance with the DoCA and Cash Creditors' Trust based on the Group's books and records is set out in Table 23.

Table 23 – List of unsecured creditors

($ million)		Notes	Low	High
Class B	Shire of Coolgardie	1	0.32	0.32
Class D	Unsecured creditors (>$10,000)	2	0.34	0.34
Class E	Unsecured creditors (<$10,000)	2	21.74	21.74
Total			**22.40**	**22.40**

These amounts would be subject to formal adjudication in a liquidation. Therefore, the amount of creditor claims may be higher or lower.

Note 1 - Shire of Coolgardie

Access to the Bald Hill Mine is via the Binneringie Road, an unsealed road which intersects the Coolgardie-Esperance Highway. The Group and the Shire of Coolgardie entered into a Deed for the Company to pay for the upgrade to the Binneringie Road and Coolgardie-Esperance Highway intersection, and contribute to annual road maintenance and road repair costs.

The Group was required to repay the actual costs of the road works over eight quarterly instalments from commencement of the road works. The road works commenced in August 2019 but were suspended upon the appointment of the Administrators.

The Administrators estimate a low outcome of c. $1 million for the Shire of Coolgardie's potential claim as the full cost of the works. The Administrators estimate the high outcome as c. $0.32 million, which the Group's management estimate was the cost incurred prior to the appointment of Administrators. The Administrators have written to the Shire of Coolgardie but have not yet received a proof of debt for any potential claim relating to the deed at the date of this Report.

Note 2 - Other unsecured creditors

A breakdown of unsecured creditors based on the books and records of the Group is provided at Table 24.

Table 24 – Schedule of unsecured creditors

	No of creditors	Book debt $ million
Unsecured creditors (>$10,000)	80	21.74
Unsecured creditors (<$10,000)	108	0.34
Total	**188**	**22.08**

The amount owed to creditors >$10,000 includes an expected debt for stamp duty owed to the Office of State Revenue in relation to the merger in December 2018, and an earlier farm-in agreement. The Receivers have provided required information to the OSR for assessment of both dutiable transactions, which the Administrators expect may give rise to an assessment of up to $9.0 million in aggregate subject to the valuation method used. If the submission is accepted as drafted, the assessment may be as low as $5.6 million. However, to be conservative the Administrators have adopted $9.0 million across all scenarios

Based on current analysis there is no variance between the low and high scenarios. However, creditors will be required to be confirmed as part of the proof of debt process.

8.2.7 Spodumene inventory or contribution to Stockpile Creditors' Trust

Under the DoCA, the Stockpile Creditors' Trust at the effectuation of the DoCA, will have:

- the spodumene stock located at the Bald Hill mine totalling 8,746 tonnes, plus
- the spodumene stock located at the Esperance Port totalling 18,001 wmt, plus
- $110,000 of cash

deposited into it.

The spodumene stock is then to be sold, with up to $11 million of the net sale proceeds being distributed to class C creditors – (low scenario). If the Spodumene is unable to be realised, then the DoCA Proponent will contribute cash which is the equivalent of 10% of the Class C Creditors – (low scenario)

8.3 Distribution of funds

A distribution to beneficiaries of the Cash Creditors' Trust may be made early in 2020, subject to adjudication of creditor claims received. Timing for the distribution to beneficiaries of the Stockpile Trust is subject to completion of the conditions precedent of the DoCA, and sale of the stockpiles.

8.4 Impact of the DoCA on shareholders

- 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 the DoCA Proponent. Existing Company shareholders will not be compensated for their shares.
- The existing shareholders will not retain any interest in the Company as at the date of effectuation of the DoCA.
- The transfer of the shares may constitute a capital gains tax event, crystallising a capital loss for tax purposes. Shareholders should seek individual tax advice in regard to their personal tax position.
- The DOCA will extinguish any claims of shareholders against the Company upon effectuation, however, the DoCA does not seek to limit shareholder or option holders claims against third parties.

8.5 DoCA Timeline

The timeline to DoCA effectuation is provided in Table 25.

Table 25 –DOCA timetable

Key step	Estimated completion date
DoCA approved at second creditors meeting	17 December 2019
Application to Court for section 444GA leave	19 December 2019
Draft Report and Explanatory Statement provided to ASIC	23 December 2019
ASIC consents to Report and Explanatory Statement being sent to shareholders	9 January 2020
Explanatory statement sent to shareholders	10January 2020
Public announcement for section 444GA Court application placed into national papers	3 January 2020
Date for any party to participate in the proceedings to provide notice	29 January 2020
Second Court hearing	30 January 2020
Final Court hearing	25 February 2020
Court decision	25 February 2020
Transfer of shares (if Court makes orders under section 444GA), and other conditions precedent satisfied effectuation of the Approved DOCA	28 February 2020

9 Valuation of the Group

9.1 Methodology

The Administrators have assessed whether, in our opinion, the value of the Group's assets exceeds the value of its Total Indebtedness, including the outstanding debt owing to the Secured Creditor under its security, in order to:

- assist the Court in determining whether the proposed transfer all of the Company's issued shares to the DoCA Proponent would unfairly prejudice the interests of the Company's shareholders
- to assist ASIC in its decision as to the granting of relief from Chapter 6 of the Act.

We have considered the valuation methodologies outlined in ASIC RG 111 (*Contents of expert reports*) and are of the opinion, given the nature of the Group's assets, the valuation methodologies in Table 26 are most appropriate.

The value assessed considers the impact of the DoCA on the remaining assets, in particular the payments to be made from cash at bank which are not dependent on approval of the condition's precedent to DoCA effectuation (including the 444GA approval).

Table 26 – Methodology to value individual assets & technical experts appointed

Asset	Reference	Technical expert	Primary valuation methodology	Cross Check Methodology
Circulating Assets				
Cash	9.3.2	Deed Administrators	Forecast	
Receivables	9.3.3	Deed Administrators	Net realisable value	
Inventory	9.3.4	Deloitte & Deed Administrators	Net realisable value	
Non Circulating Assets				
Bald Hill Project (includes Residual Resources)	9.3.5	Deloitte & SRK	Discounted cash flow	Resource multiple approach
Bald Hill – exploration assets	9.3.6	Deloitte & SRK	Comparable market transaction	Geoscientific based approach
Interest in Cowan Lithium	9.3.7	Deloitte & SRK	Recent capital raising	
Other Assets				
Antecedent transactions	9.3.8	Deed Administrators	Estimated realisable value	

A detailed discussion regarding the valuation methodologies selected is included in Appendix 5.

In determining the Deed Administrators' opinion, the following experts were appointed:

- SRK was engaged to prepare a valuation of the Group's mineral assets. The SRK Report is attached at Appendix 8.
- Deloitte was engaged to prepare an independent report expressing its opinion as to the current market value of the assets of the Group including:
  - Inventory, including ore & consumables
  - The mineral assets.

  A copy of the Deloitte's Report is attached to this Report at Appendix 7. Deloitte used the SRK Report to assist with its valuation.

9.2 Forced Sale Value

The Group's mineral assets and inventory have been valued by Deloitte and SRK on a fair market value basis assuming a going concern. A discount to the value of the Group's assets has not been applied despite our opinion being formed assuming a liquidation scenario. A forced sale discount would only reduce the value of the assets further and hence out adoption of fair market value is considered to be conservative.

9.3 Asset valuation

9.3.1 Conclusion

The value of the Group's totalassets is estimated to be in the range $43.24 million to $69.61 million, with a preferred value of $56.33 million . Table 27 provides a summary of the valuation range.

Table 27 – Valuation summary of the Group's remaining assets

($ million)	Value		
Asset	**Low**	**High**	**Preferred**
Circulating assets			
Cash	2.69	3.06	2.88
Receivables	0.05	0.25	0.15
Inventory	16.90	22.70	19.80
Total circulating assets	**19.64**	**26.01**	**22.83**
Non-circulating assets			
Bald Hill Project – includes Residual Resource	22.30	37.60	29.90
Bald Hill – Exploration Asset	1.10	4.80	2.90
Interest in Cowan Lithium	0.20	0.20	0.20
Total non-circulating assets	**23.60**	**42.60**	**33.00**
Other assets			
Antecedent transactions	Nil	1.00	0.50
Total other assets	**Nil**	**1.00**	**0.50**
Total assets	**43.24**	**69.61**	**56.33**

9.3.2 Cash at bank

The Group's cash at bank is held by the Receivers but is to be transferred to the Administrators in the near future. A summary of the cash held, the Receivers' fees and costs, the estimated amount to be transferred to the Administrators and DoCA payments is provided at Table 28.

Table 28 – Cash at bank estimate

($ million)	Low	High	Preferred
Cash held by Receivers	**13.87**	**13.87**	**13.87**
Less Receivers' costs			
Trading costs	(1.28)	(1.28)	(1.28)
Legal costs	(0.69)	(0.69)	(0.69)
Disbursements	(0.07)	(0.07)	(0.07)
Remuneration	(1.84)	(1.84)	(1.84)
Provision	(0.41)	-	(0.20)
Total Receivers' costs	**(4.29)**	**(3.88)**	**(4.08)**
GST refund	0.24	0.20	0.22
Refund from secured creditors	0.06	0.06	0.06
Future receivable	0.32	0.32	0.32
Estimated cash to Administrators	**10.14**	**10.57**	**10.39**
Less DoCA payments			
Cash Creditors' Trust	(3.01)	(3.01)	(3.01)
Administrator/DoCA costs	(4.50)	(4.50)	(4.50)
Net cash available	**2.69**	**3.06**	**2.88**

Source: Alita's receivers

9.3.3 Receivables

Receivables includes an insurance premium refund and an amount owed from the sale of a motor vehicle. The difference between the low calculation is the difference between what the Administrators will be recovered from the insurer .

For commercial sensitivity reasons the Administrators have not included any recoverable estimate for the claim against JBJ for breach of contract. A recovery from JBJ is not expected to materially impact the value of the assets of the Group or the estimated return to shareholders.

9.3.4 Inventory

The value of the Group's inventory is estimated at between $16.90 million and $22.70 million, with a preferred value of $19.80 million. The value range adopted is based on the Deloitte Report. A summary of the value of inventory is provided at Table 29.

The DoCA provides that the group's spodumene inventory stockpile will be monetised for contribution to the Stockpile Creditors' Trust, hence may be reclassified as cash at a point in time.

Table 29 – Inventory analysis - Deloitte

($ million)	Notes	Low	High	Preferred
Spodumene ore stockpile – mine & port	1	14.00	18.00	16.00
Spodumene ore stockpile - Chinese port	2	Nil	Nil	Nil
Tantalum stockpile – mine & port	3	2.30	4.10	3.20
Consumables	4	0.60	0.60	0.60
Total Inventory		**16.90**	**22.70**	**19.80**

Note1 - Spodumene ore stockpile

Deloitte adopted the net realisable value approach when determining the fair market value of the spodumene stockpile. Deloitte's fair market value analysis of the stockpile is provided on page 16 and 17 of the Deloitte Report (Annexure 7). A summary of the calculations undertaken by Deloitte is provided at Table 30.

Table 30 – Fair market value of Spodumene ore stockpile

		Assumption		Value		
	Unit	**Low**	**High**	**Low**	**High**	**Preferred**
Product at mine	wmt			8,746	8,746	8,746
Product at port	wmt			18,001	18,001	18,001
Total product	wmt			26,747	26,747	26,747
Total product	**dmt**	Deduct 1.5% moisture rate		**26,345**	**26,345**	**26,345**
Revenue[1]	$ million	$593 per tonne	$757 per tonne	15.60	20.00	17.08
Cost to sell	At mine	Haulage $53 per tonne	Haulage $53 per tonne	(0.60)	(0.60)	(0.60)
	At port	Port costs $15 per tonne	Port costs $15 per tonne	(0.30)	(0.40)	(0.40)
Royalties	$ million	5% of revenue		(0.80)	(1.00)	(0.90)
Fair market value				**14.00**	**18.00**	**16.00**
FMV – mine				*4.30*	*5.60*	*4.90*
FMV – port				*9.70*	*12.40*	*11.10*

(1) *Calculated as CIF price of US$438 per tonne to US$550 per tonne, less freight US$35 per tonne and AUD:USD 0.68 exchange* rate

The methodology adopted by Deloitte to value the spodumene ore stockpile appears to be fair and reasonable

Note 2 - Spodumene ore stockpile - Chinese port

The Administrators have not attributed any value to the 5,500 tonnes of spodumene ore stockpile located at the Zhenjiang Port in China. Prior to the Administrators' appointment the Group entered into an agency agreement with C&D where C&D prepaid 70% of the value of the 5,500 tonnes for US$2.36 million. C&D subsequently incurred storage costs of US$0.58 million.

The Receivers attempted to sell the spodumene at US$504/tonne, totalling US$2.76 million, which would have crystallised a US$0.18 million loss for C&D and an equivalent unsecured claim against the Group. C&D is continuing to attempt to realise the spodumene, however given the likely shortfall to C&D, no value has been adopted.

Note 3 - Tantalum stockpiles

Deloitte adopted the net realisable value approach when determining the fair market value of the tantalum stockpile. The ore is either located on-site, where it is unprocessed or at Nagrom in China where it has been processed to a different level. Further information about the tantalum stockpile is provided on pages 18 and 19 of the Deloitte Report. A summary of the calculation undertaken by Deloitte is provided at Table 31.

Table 31 – Fair market value of Tantalum ore stockpile

		Assumption		Value		
	Unit	**Low**	**High[1]**	**Low**	**High**	**Preferred**
Total product	wmt			387.2	387.2	387.2
Total product	dmt	Different moisture rates of 0.01-10%		379.0	379.0	379.0
Total product	**Pounds ('000)**	**Different grade and recovery rates**		**59.2**	**59.2**	**59.2**
Revenue	$ million	$80/pound	$74/pound	2.6	4.4	3.5
Processing costs	$ million	Include	Exclude	(0.2)	-	(0.1)
Royalty	$ million	5% of revenue		(0.1)	(0.3)	(0.2)
Fair market value				**2.30**	**4.10**	**3.20**

(1) High valuation range includes revenue from the processed off spec material at the Nagrom site whereas low scenario does not, hence the aggregated decrease in prices between low and high.

The methodology adopted by Deloitte to value the tantalum ore stockpile appears to be fair and reasonable.

Note 4 - Consumables

Deloitte valued the consumable inventory based on the Group's book value at 7 October 2019, which was $2.7 million.

Deloitte conducted an analysis of the list of consumables to form a view on a reasonable recoverable value for these items, and assumed the critical spares and consumables are sold with the plant. Deloitte allocated 5% residual value to consumable items and adopted book value for critical parts with a value greater than $10,000.

The estimated recoverable value of consumables is $0.57 million, as set out in Table 32.

Table 32 – Consumables estimate

Consumables	**Book value ($ million)**	**Allocation**	**Valuation ($ million)**
Critical spares above $10,000	0.46	100%	0.46
Consumables above $10,000	0.62	5%	0.03
Items below $10,000	1.62	5%	0.08
Total	**2.70**	**21.1%**	**0.57**

Source: Deloitte Report Table 12

9.3.5 Bald Hill Project and residual resources

The value of the Bald Hill Project and residual resources is estimated at between $22.30 million and $37.60 million, with a preferred value of $29.9 million. A summary of the valuations is provided at Table 33. The valuation is divided between the Bald Hill Project and the residual resources, as the Group's financial model does not include the residual resources.

The value range adopted is based on the Deloitte Report, which adopted values from the SRK Report.

Table 33 – Bald Hill Project and residual resources

Asset – ($ Million)	Low	High	Preferred
Bald Hill Project	11.20	18.90	15.00
Residual Resources	11.10	18.70	14.90
Total	**22.30**	**37.60**	**29.90**

Bald Hill Project

SRK classified the Bald Hill Project as a Pre-Development Project. Considering various valuation methods within the context of the VALMIN Code, SRK considered adopting the following valuation methods:

- Discounted cashflow
- Comparable transaction multiple

Deloitte also considered if there was a real option value.

Discounted cashflow

SRK believed that the discounted cash flow method could not be adopted because the Group's model was outdated, and the mine plan was not considered to be reasonable for valuation purposes. SRK provided its view on a number of technical inputs to the model, to allow Deloitte to undertake scenario analysis.

Deloitte commented in its report that its preferred valuation methodology was to perform a discounted cashflow valuation. However, the DCF valuation resulted in a value range of ($128.40) million to $21.20 million, depending on the assumptions adopted. Under Deloitte's preferred assumption, the DCF valuation range was between ($61.40) million and ($52.30) million, with a mid point of ($56.80) million.

Deloitte further commented that the DCF outcome put no valuation the inherent optionality of the Bald Hill Project and that willing buyers have regard to factors other than the current NPV under a static set of assumptions. On this basis, Deloitte decided not to adopt the discounted cash flow to determine the value of the Bald Hill Project

Market Comparable Analysis

SRK used its internal database and the S&P Global intelligence subscription database to compile information on comparable market transactions. SRK did not identify any listed companies with lithium projects in Western Australia that were at a similar pre-development stage as the Bald Hill Project, hence was unable to use share trading multiples to support a valuation.

SRK considered that three recent market transactions in 2019 could be comparable to the Bald Hill Project. A summary of these transaction is as follows:

1. In September 2019, Wesfarmers paid $1.90 in cash per share to acquire the outstanding shares of Kidman Resources Limited. The principal asset of Kidman is a 50% ownership in the Mount Holland Lithium Project which was classified as a Pre-Development Project.

2. In March 2019, an investor group paid $103.8 million in cash to acquire 13.8% interest in Mount Marion Project from Neo-Metals Limited. Mount Marion is a production stage asset with similar resource base to Bald Hill Project.

3. In June 2019, Yongshan International Co Ltd acquired an 11.8% stake in Altura Mining Limited for $25.1 million. The principal mineral asset of Altura is its 100% owned Pilangaroo Lithium Project. Altura had a net debt position of $170.1 million at the time of the transaction ($20.1 million for the 11.8% acquired).

Further details of these transactions are provided on pages 37-38 and Table 4-4 of the SRK Report. SRK commented that it considered the dollar per tonne rate implied by the three transactions included a 40% premium given their strategic investment value.

The transaction metrics implied by the transactions noted above, applied to the Bald Hill Project, are summarised in Table 34.

Table 34 – Comparable transactions data and value of Bald Hill Project

Item	Units	Transaction 1	Transaction 2	Transaction 3
Net transaction value (net of debt and interest)	$ million	745.3	103.8	50.2
Reserves and resources – Lithium	Tonnes	1,421,350	134,688	56,900
Transaction value/reserves and resources	$ tonne	524	771	882
Discounted transaction to reduce for 40% premium	$ tonne	314	462	529
Group's reserve and resources[1]	Tonnes	35,670	35,670	35,670
Comparable value[1]	**$ million**	**11.2**	**16.5**	**18.9**

(1) based on 4.1Mt of ore mined at 87% Li2O

Source: SRK Report, Table 4-4

Based on the above, SRK determined the low and high value to be $11.2 million and $18.9 million respectively. SRK noted that:

- the valuation range considers the ore reserves in the Group's financial model
- the range incudes the fixed asset register (processing facilities and related infrastructure)
- although the project plan contemplates the processing of tantalum credits, given that re-optimisation of the mineral resource estimate is required in order to determine the tonnage, no value has been applied to tantalum credits in the calculation.

Real Option Value

Deloitte also considered whether there were likely to be any additional real option value for the Bald Hill Project. The real option value refers to managements' ability to defer or adjust the scale of the re-start of the project (given it is now on care and maintenance), which may have value to an interested party.

Deloitte determined it was unlikely the Bald Hill Project had any real option value. Deloitte considered the following factors when determining the possibility of real option value:

- The forecast that supply and demand for Lithium will improve by 2024/2025. Deloitte determined that the price of spodumene would need to increase to US$805 per tonne free on board to realise the valuation of $15 million derived under the market comparable methodology
- Under the most favourable production and cost sensitivity provided by SRK, and Deloitte's preferred pricing assumptions, the valuation reaches only $25.1 million
- The current reserve optimisation and design of the open-pit mine is predicated on outdated modifying factors that include a spodumene price of US$880 per tonne, where prices are currently US$438-US$550 per tonne
- The Project only has a resource base supporting a 9 year mine life.

Residual resources

SRK determined that the fair market value adopting the comparable transaction resource multiple for the Residual Resource was between $11.1 million and $18.7 million with a preferred value of $14.9 million.

SRK considered that the market would pay between $157 per tonne and $265 per tonne for residual resources, being a 50% discount on the rates adopted for the Bald Hill Project, due to the inferred resource which cannot be measured as accurately. Tantalum by-products were also considered in this valuation as they have the potential for eventual economic extraction. Deloitte adopted the valuation by SRK.

The calculation of the value of the residual resource is provided in Table 35.

Table 35 – Residual resource valuation

	Units	Low	High	Preferred
Lithium resource	Tonne	67,500	67,500	67,500
Tantalum credit resource	Tonne	3,375	3,375	3,375
Total tonnes	**Tonne**	**70,875**	**70,875**	**70,875**
Adjusted reserve and resource multiple	$ tonne	157	265	211
Comparable value	**$ million**	**11.1**	**18.7**	**14.9**

Source: SRK Report, Table 4-6 and Table 4-7.

9.3.6 Bald Hill Project – exploration assets

The value of the Group's exploration assets is estimated at between $1.10 million and $4.80 million, with a preferred value of $2.90 million. The value range adopted is based on the Deloitte Report, which adopted values included in the SRK Report. A summary of the value of exploration assets is provided at Table 36,

The Bald Hill exploration assets were classified by SRK as an Advanced Exploration Project. Considering various valuation methods within the context of the VALMIN Code, SRK adopted the comparable market transaction method as its valuation methodology, and the geoscientific rating method to cross check its valuation.

Table 36 – Bald Hill Valuation – exploration assets

($ million)	Low	High	Preferred
Comparable market transaction method	1.10	4.80	2.90
Geoscientific rating method	0.70	2.00	1.30
Selected	**1.10**	**4.80**	**2.90**

Source: Deloitte Report section 5.3, and SRK Report, Table 4-16

These numbers need to be checked.

Comparable market transaction

SRK used its internal databases and the S&P Global Market Intelligence subscription database to compile and assess comparable market transaction information for the exploration assets. The comparable transactions are set out in Table 4-9 on page 41 of the SRK Report.

Two transactions for projects with a price per hectare of $20 per ha and $92 per ha took place since 2017 with Cowan Lithium Limited and Tawana Resources NL respectively, both in respect of the Cowan Project. These transactions were considered most comparable to the Bald Hill exploration assets, because they:

- surrounds the pre-development project
- had a similar level of technical study maturity
- had similar mineralisation style
- had a similar prospectively score.

However, SRK noted that given Cowan Lithium is an unlisted company, the non-cash component of the transactions could not be quantified in a definitive manner. SRK considered a further transaction (Liontown Resource Limited) at $60 per ha to be the next comparable transaction.

Given the prices per a hectare described above, SRK believe an interested party would pay for the Group's exploration assets in the range documented in Table 37.

Table 37 – Exploration assets - comparable transactions

	Low	High	Preferred
Rate per hectare $	20	90	55
Number of hectares	52,962	52,962	52,962
Comparable transaction value $ million	**1.10**	**4.80**	**2.90**

Source: SRK Report, Tables 4-10 and 4-11

The preferred rate is the mid point between the low and high range.

Geoscientific rating method

SRK utilised the geoscientific method as its secondary method to cross check the market value of the Group's exploration assets.

The geoscientific method quantifies the relevant technical aspects of a property through appropriate multipliers applied to an appropriate base value or Base Acquisition Cost (BAC) and is considered a cost-base method of valuation. SRK determined the BAC at $21 ha (average of exploration and prospecting leases) and included annual rent, administration fees, application fees and expenditure and acquisition costs as calculated in Table 4-12 on page 42 of the SRK Report.

SRK then applied a market factor to the BAC, which SRK determined as 0.5 as calculated in Table 4-13 on page 43 of the SRK Report.

SRK then adopted these assumptions into a geoscientific scorecard as calculated in Table 4-14 on page 44 of the SRK Report. The scorecard calculated the value on a geoscientific method as per Table 38.

Table 38 – Geoscientific valuation – Bald Hill Residual Resource

	Hectares	Low ($ million)	High ($ million)	Preferred ($ million)
Geoscientific valuation method	52,962	0.90	3.80	1.30

Source: SRK Report, Table 4-15

9.3.7 Interest in Cowan Lithium

The value of the Group's investment in Cowan Lithium is estimated at $0.2 million. The value adopted is based on the Deloitte Report. Deloitte valued the Company's interest in Cowan Lithium after taking into consideration the latest capital raising, on the basis this provided an indicator as to what investors/interested parties are willing to pay for the shares in Cowan Lithium in an open market.

A summary of Deloitte's valuation is provided at Table 39.

Table 39 – Deloitte valuation of Cowan Lithium interest

	Unit	
Number of shares held by the Company in Cowan Lithium	Number	3,063,133
Capital raising price per share	$	0.075
Value of the Company's shares on a minority basis	$ million	0.20
Value of 100% interest in Cowan Lithium – minority basis	$ million	2.00

Source: Deloitte Report, Table 14

Deloitte sought to reconcile its valuation with SRK's valuation. This reconciliation is provided at table 15 on page 22 of the Deloitte Report. Deloitte commented that its value is at the lower end of SRK's valuation but believed it was reasonable.

Value of Cowan Project – SRK

SRK valued the Interest in Cowan Lithium on a comparable market transaction and geoscientific basis. SRK adopted the lower of these values to determine its value for the Cowan Project. A summary of the values adopted is provided at Table 40.

Table 40 – SRK valuation of Cowan Lithium value

($ million)	Low	High	Mid
Comparable market transactions	1.40	6.50	3.90
Geoscientific rating	2.60	6.80	4.70
Selected	**1.40**	**6.50**	**3.90**

Source: SRK Report, Table 4-20

Given the Cowan Project owns tenements that are comparable with the Bald Hill Project, SRK consider the Advanced Exploration tenure for the Cowan Project to be comparable to the Bald Hill Project.

SRK adopted the valuation range implied by the comparable market transaction analysis for the Bald Hill Project, as set out in Table 41.

Table 41 – Cowan Lithium, comparable market transaction

	Low	High	Mid
A$/hectare	20	90	55
Hectares	71,991	71,991	71,991
Value $ million	**1.40**	**6.50**	**3.90**

Source: SRK Report. Tables 4-17 and 4-18

SRK adopted the geoscientific rating method as its secondary method to cross check the market value of Cowan Lithium. SRK used the geoscientific rating valuation scorecard in Table 4-21 on page 53 of the SRK Report to determine its valuation.

SRK valuation on a geoscientific basis is provided at Table 42.

Table 42 – Geoscientific Rating

($ million)	Low	High	Mid
Geoscientific rating method	2.60	6.80	4.70

Source: SRK Report, Table 4-19

9.3.8 Antecedent transactions

The Administrator undertook investigations into the affairs of the Group, including potential recoveries from:

- Preferential payments
- Uncommercial loans
- Uncommercial transactions,
- Under-priced sale of assets
- Insolvent trading
- Breaches of Directors' duties.

These investigations indicated the Group entered into a payment arrangement with Canaccord Genuity in respect of a debt for $2.7 million owed to Canaccord Genuity. This debt related to advisory services for the merger in December 2018. Following negotiations with Canaccord Genuity, the Group made the following instalment payments:

- $500,000 on 26 July 2019
- $500,000 on 31 July 2019.

Preliminary investigations indicate these payments were made at a time when the Group may have been insolvent, and it appears there would have been reasonable grounds for the creditor to suspect the Group was insolvent at the time of the transaction, given Canaccord Genuity was made aware of the Group's solvency issues when agreeing to receive payment via instalments.

Accordingly, our preliminary review of the Group's records indicates that there may be potential unfair preference payments as detailed in Table 43.

Table 43 – Preference Payment

($ million)	Low	High	Preferred
Preference Payments	Nil	1.00	0.50

Source: 439A Report

The Administrators' investigations did not find any further transaction or breaches of the Corporations Act which should be pursued in a liquidation scenario.

Appendix 1 – Information list

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

- SRK Report
- Deloitte Report
- 439A Report
- Updates provided by the Receiver
- Various Company announcements released on the ASX by the members of the Group
- Various Company announcements released on the SGX-Catalist
- S&P Capital IQ data
- Various audited financial reports lodged by the Company with the ASX
- Various unaudited financial reports prepared by the Company and either not yet signed off on by the auditors or not provided to the auditors.
- DoCA
- The two DoCA Proposals received by the Administrators and Deed Administrators during the sale process
- Explanatory statement for the Court application
- Department of Industry, Innovation and Science: Resources and Energy Economics Quarterly, June 2019
- Various IBISWorld reports
- Materials published by the World Gold Council
- Materials published by Metals Focus
- Materials published by the London Bullion Market Association ('LBMA') through http://www.lbma.org.uk/
- Various Consensus Economics' Consensus Forecast reports
- Various ASIC Regulatory Guides.

Appendix 2 – 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 the Administrators have relied upon and considered information believed, after due inquiry, to be reliable and accurate.

The Administrators have no reason to believe that any information supplied to us was false or that any material information has been withheld. The Administrators have evaluated the information provided to us by the Group, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Report. Whilst the Administrators do not imply, and it should not be construed that, the Administrators have audited any of the information provided to us; the Administrators believe that the information provided to us is reasonable for us to address our scope set out in Section 1.2 and that there are reasonable grounds for the value of the Companies' Mineral Assets and its remaining assets set out in Section 9.

The information relied upon in the preparation of this Report is set out in Appendix 1 to this Report.

The Administrators have the necessary experience and professional qualifications appropriate to prepare this Report for the purpose set out in Section 1.2 (our curriculum vitae are set out in Appendix 3). Other KordaMentha staff have been consulted in the preparation of this Report where appropriate.

The Administrators will receive a professional fee based on time spent in the preparation of this Report estimated at approximately $100,000 (exclusive of GST) which will be paid from the assets of the Group pursuant to the approved DOCA. The Administrators will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this Report.

It is not intended that the Report should be used for any other purpose other than that contemplated in Section 1.1 of this Report.

Appendix 3 – Deed Administrators' CV's

John Bumbak

Partner

John is an advocate of the role of the 'corporate doctor', always being on call to help in unusual and distressed situations.

With over 20 years' experience in the industry, John employs an efficient approach because such circumstances often require it. Working side by side with stakeholders throughout the process, John swiftly pinpoints the key issues and then works up appropriate and sensible action plans to best resolve the current position.

John's work with banks and businesses primarily in agriculture, equipment, hospitality, mining and mining services, brings the range of experience in advising and managing all shapes and sizes of business.

Richard Tucker

Partner

Richard's can-do attitude has enabled him to deliver successful outcomes in some of Australia's most complex, high-profile restructuring and insolvency appointments.

His background as an M&A banker, coupled with 10 years' experience in restructuring and insolvency, allows him to adopt a holistic, transactional-focused approach to assessing the options and deciding upon the best possible pathway to achieve his clients' preferred outcome.

Richard has worked on some of Australia's most complex and high-profile restructuring engagements. In 2018, he was jointly awarded the Turnaround Management Association of Australia's Restructuring Deal of the Year for the successful restructure of Paladin Energy and in 2014 received the same award for the restructure of mining giant Mirabela Nickel.

Appendix 4 – Historical financial performance

Detailed below is a summary of the consolidated monthly balance sheets and profit and loss statements of the Group, extracted from the Group's books and records. The management accounts for July 2019 were not finalised. For historical yearly financials, please refer to published annual reports available on the Alita website.

Consolidated Monthly Statement of Financial Position as at	31 Dec 2018 $'000	31 Jan 2019 $'000	28 Feb 2019 $'000	31 Mar 2019 $'000	30 Apr 2019 $'000	31 May 2019 $'000	30 June 2019 $'000
Current Assets							
Cash & cash equivalents	13,054	7,322	13,664	15,620	7,860	33,624	20,052
Trade receivables	2,560	2,995	3,372	12,457	9,707	2,527	1,172
Other receivables	1,120	1,312	1,143	1,164	1,552	1,061	1,459
Bank guarantees	100	100	100	100	100	100	100
Bond	25	25	25	25	25	25	25
Prepayments/Deposits – Current	513	492	436	350	300	527	842
Assets held for distribution	-	-	-	628	628	628	628
Inventory – Consumables	2,663	2,621	2,638	2,905	2,582	2,979	2,639
Inventory – Ore	33,938	43,374	27,654	17,529	25,676	26,988	35,993
Total Current Assets	**53,973**	**58,241**	**49,032**	**50,778**	**48,430**	**68,459**	**62,910**
Non-Current Assets							
Deposits	395	348	346	344	345	345	346
Investment in (Cowan Lithium Ltd)	634	634	634	634	634	634	634
Property plant & equipment	45,834	45,567	46,029	46,042	50,014	53,643	53,265
Mine Properties	66,597	66,409	65,903	65,158	64,176	63,390	61,880
Mine Properties – Deferred waste assets	31,179	33,712	35,375	37,156	36,586	37,466	36,853
Rehabilitation Asset	5,893	5,802	5,804	5,857	5,811	5,750	6,520
Exploration	71,545	71,627	71,698	71,755	71,902	72,566	73,255
Goodwill	22,383	22,383	22,383	22,383	22,383	22,383	22,383
Total Non-Current Assets	**244,459**	**246,481**	**248,172**	**249,329**	**251,851**	**256,179**	**255,136**
Total Assets	**298,432**	**304,722**	**297,204**	**300,107**	**300,280**	**324,638**	**318,046**
Current Liabilities							
Trade payables	(5,613)	(15,133)	(9,891)	(9,210)	(10,764)	(11,866)	(18,158)
Other payables	(618)	(638)	(641)	(592)	(690)	(389)	(377)
Proceeds received in advance	(11,437)	(11,544)	(11,544)	-	-	-	-
Interest Bearing Liabilities – Current	(19,154)	(18,747)	(18,957)	(183)	(185)	(188)	(41,628)
Accruals (General)	(25,632)	(24,142)	(24,355)	(26,063)	(23,389)	(26,078)	(25,809)
Accruals (Employee benefits)	(654)	(514)	(62)	(157)	(119)	(63)	(439)
Accruals (Interest Payable)	(451)	(931)	(602)	(678)	(1,211)	(1,754)	-
Provisions	(462)	(430)	(447)	(510)	(513)	(531)	(546)
Total Current Liabilities	(64,021)	(72,078)	(66,499)	(37,392)	(36,872)	(40,870)	(86,958)
Non-Current Liabilities							
Provision for rehabilitation	(7,798)	(7,882)	(7,868)	(8,044)	(8,093)	(8,131)	(7,916)
Interest Bearing Liabilities – Non-Current	(13,294)	(12,048)	(12,167)	(40,783)	(40,620)	(41,421)	(204)
Proceeds received in advance		-	-	(11,437)	(11,437)	(11,437)	(11,437)
Deferred tax liabilities	(4,261)	(4,261)	(4,261)	(4,311)	(4,311)	(4,311)	(4,311)
Total Non-Current Liabilities	**(25,353)**	**(24,191)**	**(24,296)**	**(64,575)**	**(64,460)**	**(65,299)**	**(23,868)**
Total Liabilities	**(89,374)**	**(96,269)**	**(90,794)**	**(101,967)**	**(101,332)**	**(106,169)**	**(110,826)**
Net Assets	**209,058**	**208,453**	**206,410**	**198,140**	**198,949**	**218,468**	**207,220**

Consolidated movement in equity	31 Jan 2019 $000	28 Feb 2019 $000	31 Mar 2019 $000	30 Apr 2019 $000	31 May 2019 $000	30 Jun 2019 $000
Movement in net assets	(605)	(2,043)	(8,270)	809	19,519	(11,248)
Profit and loss	**(445)**	**(2,200)**	**(8,271)**	**817**	**(2,384)**	**(12,404)**
Equity Injection	-	-	-	-	22,000	1,000
Unreconciled difference	**(160)**	**157**	**1**	**(8)**	**(97)**	**156**

Consolidated Statement of Profit or Loss for the month ended	31 Dec 2018 $'000	31 Jan 2019 $'000	28 Feb 2019 $'000	31 Mar 2019 $'000	30 Apr 2019 $'000	31 May 2019 $'000	30 June 2019 $'000
Revenue from Operations							
Lithium concentrate sales revenue	-	(323)	25,955	22,203	8,316	11,961	(170)
Total Revenue from Operations	**-**	**(323)**	**25,955**	**22,203**	**8,316**	**11,961**	**(170)**
Costs of Goods Sold							
Site operational expenditure	2,584	900	(26,138)	(22,443)	(4,775)	(11,370)	(6,631)
Tantalum sales credit		1,811	928	535	1,219	1,658	1,696
Demurrage	-	-	-	-	-	6	-
Penalties	-	-	-	-	(26)	6	-
Sales concentrate assays	-	-	-	-	-	-	-
Royalties	(294)	(132)	(692)	(1,853)	(481)	(681)	14
Depreciation	162	(402)	(373)	(420)	(390)	(411)	(659)
Mine property amortisation expense	(580)	(754)	(563)	(749)	(982)	(785)	(1,012)
Rehabilitation asset amortisation expense	336	(64)	(64)	(110)	(79)	(86)	(82)
Waste asset amortisation expense	(386)	(331)	(281)	(387)	(570)	(459)	(614)
Total Cost of Goods Sold	**1,821**	**1,028**	**(27,184)**	**(25,426)**	**(6,084)**	**(12,123)**	**(7,287)**
Gross Profit/(Loss)	**1,821**	**705**	**(1,228)**	**(3,222)**	**2,231**	**(162)**	**(7,457)**
Other Income							
Interest received	16	7	19	16	18	6	19
Other income	(26)	0	3	15	(0)	-	(0)
Total Other Income	**(10)**	**8**	**21**	**31**	**18**	**6**	**19**
Expenditure							
Administration costs	39	(6)	(5)	(47)	(71)	(39)	(52)
Consultancy expenses	(16)	(156)	(19)	(72)	(44)	(124)	27
Occupancy expenses	(15)	(14)	(11)	(16)	(5)	(16)	(19)
Communications	(1)	(3)	(5)	(4)	3	(3)	(3)
Legal fees	(12)	(46)	137	(95)	(143)	(55)	(161)
Bank Charges	(11)	(2)	(21)	(12)	(31)	(11)	(15)
Travel & accommodation	(30)	(3)	(1)	(6)	(53)	(24)	(14)
Entertainment	(3)	(0)	(1)	(2)	(3)	(0)	(1)
Insurance expenses	(16)	(17)	(19)	(40)	(26)	(77)	(55)
Employee benefits expenses	(743)	(164)	(118)	(539)	(323)	(110)	(307)
Director fees & charges	(35)	(78)	(49)	(2)	79	(49)	(24)

Consolidated Statement of Profit or Loss for the month ended	31 Dec 2018 $'000	31 Jan 2019 $'000	28 Feb 2019 $'000	31 Mar 2019 $'000	30 Apr 2019 $'000	31 May 2019 $'000	30 June 2019 $'000
Rehabilitation provision interest expense	5	(15)	(15)	(15)	(15)	(12)	(11)
Financing costs	(650)	(729)	(680)	(3,782)	(556)	(646)	(1,161)
Share based payments expenses	-	-	-	-	-	(34)	(18)
Compliance and regulatory expenses	(322)	(47)	(56)	(158)	2	(57)	(281)
Depreciation	(8)	(8)	(8)	(8)	(7)	(7)	(6)
Fixed asset impairment expense	(4,687)	1	(389)	-	-	-	-
Loss on distribution of assets	0	-	-	-	-	-	-
Loss on disposal of assets	-	(17)	0	-	-	-	-
Acquisition costs	(12,152)	-	-	-	-	-	(3,343)
Impairment	(16,464)	-	-	-	-	-	-
Foreign exchange gains & losses	(814)	140	272	(235)	(241)	(962)	479
Other expenses	0	5	(6)	1	(0)	-	-
Total Corporate & Other Expenditure	(35,934)	(1,158)	(993)	(5,030)	(1,433)	(2,227)	(4,966)
Profit/(Loss) before tax	**(34,123)**	**(445)**	**(2,200)**	**(8,221)**	**817**	**(2,384)**	**(12,404)**
Income tax benefit/(expense)	4,939	-	-	(50)	-	-	-
Net Profit/(Loss)	**(29,184)**	**(445)**	**(2,200)**	**(8,271)**	**817**	**(2,384)**	**(12,404)**

Appendix 5 – Valuation methodologies

Valuation guidelines

The performance of a valuation service and preparation of valuation report, in accordance with APES 225, can take three engagement forms:

- **Calculation Engagement** is where the Member and the Client or Employer agree on the Valuation Approaches, Valuation Methods and Valuation Procedures the Member will employ. It does not usually include all of the Valuation Procedures required for a Valuation Engagement or a Limited Scope Valuation Engagement.
- **Limited Scope Valuation Engagement** is where the scope of work is limited or restricted. The scope of work is limited or restricted where the Member is not free, as the Member would be but for the limitation or restriction, to employ the Valuation Approaches, Valuation Methods and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value is material.
- **Valuation Engagement** is where the Member is free to employ the Valuation Approaches, Valuation Methods and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time.

It is also important to note that the price accepted for assets may vary materially from the fair market value because a buyer is particularly anxious (for example, strategic reasons for buying the asset) or a seller is particularly anxious (for example, under financial stress or subject to an insolvency proceeding/liquidation, as is the case with the Company).

The Administrators have undertaken a Valuation Engagement as the Administrators were free to adopt the Valuation Approaches, Valuation Methods and Valuation Procedures that the Administrators deemed appropriate in assessing the value of the Company and its remaining assets.

Valuation methodology

ASIC Regulatory Guide 111 outlines the appropriate methodologies which should be considered when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- The application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets.
- The DCF method.
- The amount that would be available for distribution to shareholders in an orderly realisation of assets (asset-based valuations).
- The quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

These valuation techniques are not mutually exclusive and can be applied in conjunction with each other.

Valuation method adopted

The Administrators have considered the valuation methodologies outlined in ASIC Regulatory Guide 111 and are of the opinion, given the nature of the Company's current situation, it is appropriate to use the recent genuine offers received method as our primary valuation method. Further detail on the valuation methodologies is set out below.

Capitalisation of maintainable earnings or cash flows

Earnings based valuations require consideration of the following factors:

- Estimation of future maintainable earnings having regard to historical and forecast operating results, the core long term profit potential and future economic conditions.
- Determination of an appropriate earnings multiple that reflects:
  - risks inherent in the business and the industry in which the business operates

- general characteristics of the business being valued
- size of the business
- growth prospects of the business
- asset backing of the business
- time value of money.

Future maintainable earnings are often assessed by reference to past results on the basis they represent a reasonably accurate guide to future results. There may be reasons why past results are not indicative of future results. In such cases, future maintainable earnings must be assessed by obtaining an understanding of the entity's earnings generation capability, past events and expected future events and through the application of professional judgement. The future maintainable profits assessed should be the level of profit which (on average) the business can expect to maintain, in real terms, notwithstanding the vagaries of the economic cycle.

The earnings multiple must be consistent with the earnings period. Historical multiples must be applied to historical earnings and forecast multiples to forecast earnings.

The capitalisation of maintainable earnings method is particularly applicable to businesses with a track record of steady earnings, an expectation of continued steady earnings, regular capital expenditure requirements and an expected life in perpetuity.

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.

Control premium

Transactions for 100% ownership typically attract a control premium. The premium for control represents the difference between the value of 100% of the company (for example as evidenced by the price paid in a successful takeover) and the share price (prior to the bid being announced) which represents the market value of a small parcel of shares. It also reflects the value to an acquirer of the ability to control the operations of the business and gain unfettered access to the cash flows of the company.

Empirical studies show that take-over premiums have been in the range of 20% to 35% higher than the pre-bid share price. The percentage uplift depends on the industry in which the business operates and whether the pre-bid share price has already been affected by take-over speculation (and therefore already includes a take-over premium).

Capitalisation of maintainable earnings method conclusion

In our opinion the capitalisation of maintainable earnings methodology is not the most appropriate primary valuation methodology for assessing the value of the Companies and its remaining assets as:

- Not all assets are operating or in the development stage of their life cycle. Certain assets on care and maintenance and other assets are in the exploration phase of their life cycle.
- The assets in the development state of their life cycle have not had adequate feasibility work performed to accurately determine the operational life of the assets.
- The assets will require significant development capital expenditure before they all begin to generate revenue.

DCF method

The DCF method is based on the generally accepted theory that the value of a business is the present value of its free future cash flows. This method involves:

- The forecasting of future cash flows over a sufficiently long period of time (including, if appropriate, a terminal value of the business being valued).
- The discounting of those cash flows at an appropriate risk adjusted discount rate representing an opportunity cost of capital which reflects the expected rate of return obtainable by investors from similar investments.

Future cash flows comprise of the cash amounts expected to be generated each year after paying all cash costs and cash outgoings.

The DCF method is generally accepted as the most theoretically robust valuation method. However, its use in practice is limited due to a number of factors including:

- lack of reliable financial information
- difficulties associated with forecasting future cash flows with the requisite level of certainty.

Due to these restrictions, the DCF method is commonly used to value projects with a finite life (such as mining projects), early stage businesses (such as technology companies) and projects/assets with lumpy or highly variable future cash flows (such as forestry and other biological assets)

Discount rate for DCF valuation

The discount rate increases as the level of assessed risk increases. Risk is generally measured as variability in return. The higher the discount rate, the lower the generated value. The discount rate generally has two components, a cost of equity and a cost of debt. The discount rate is determined by weighting these components using a calculation known as the weighted average cost of capital ('WACC').

An underlying assumption of a DCF analysis is that an entity's gearing ratio remains constant over time. Changes in the gearing ratio will change the cost of equity and consequently the discount rate.

There are a number of acceptable methods of assessing an appropriate required return on equity. The methods the Administrators would consider in a DCF valuation are:

- using an economic model such as the capital asset pricing model ('CAPM')
- building up a discount rate using the adjusted capital asset pricing build-up method
- estimating a rate having regard for similar businesses and professional judgment.

Each of these methods must have regard for the factors affecting the required return on equity. These include:

- operational risk of the industry and the financial asset being valued (company specific factors)
- financial risk (gearing)
- the risk free rate of return
- market risk
- country risk
- size
- liquidity or marketability.

In calculating value using the DCF methodology it is important to ensure that the discount rate determined is expressed in terms consistent with the expression of the cash flows being discounted. In particular:

- if cash flows are expressed on an after-tax basis the discount rate should also be expressed on an after-tax basis
- if cash flows are before debt servicing costs (un-geared) the discount rate should reflect the sources of finance (debt and equity) generating those cash flows
- if cash flows are expressed in real terms the discount rate should also be expressed in real terms.

The basic discounting formula is:

$c/(1+i)^n$

where:

c = cash flow in each period

i = discount rate

n = number of periods the specific cash flow is being discounted

DCF method conclusion

In our opinion, the use of the DCF valuation methodology by RPM Global is an appropriate primary valuation methodology for assessing the value of certain Companies' assets which have defined resources and an identifiable finite life. The Administrators have based this opinion on the fact that the Companies' development assets have forecast cash flows over a sufficiently long period of time and the financial model's assumptions were able to be adjusted to reflect the current state of the assets.

Asset-based valuations

Asset-based valuations involve the determination of the net realisable value of the assets used in the business on the basis of an assumed orderly realisation (notional liquidation). This value includes an allowance for reasonable costs of carrying out the sale of assets, the time value of money and the taxation consequences of asset sales. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially below their fair market values.

The sum of a company's individual assets is not usually the most appropriate measure of its value. Asset-based valuations are normally used as a secondary method of valuation and as a cross check on the reasonableness of the level of goodwill implied in an earnings-based or DCF valuation. Asset-based valuations may be appropriate as primary valuation methods in other specific circumstances. They are particularly applicable in a liquidation scenario (i.e. the company is not a going concern) or where the company acts as an investor, does not carry on trading operations but controls the business.

The orderly realisation of assets basis of valuation usually provides the lowest realistic valuation for a company or business. This method assumes that the shareholder or owner has the ability to liquidate the company, usually by virtue of being the controlling shareholder. The difference between the value of the company's net assets and the value obtained using a capitalisation of earnings or DCF methodology is attributable to the value of unrecorded intangible assets. By estimating asset values it is therefore possible to work out the implied intangible component of a valuation which can be assessed for reasonableness.

The notional realisation of assets basis of valuation is normally only applied to businesses which do not produce an annual cash flow, or where, because of the stage of establishment of the business or industry conditions, the outlook for a particular company's future earnings is either uncertain or the capitalised value of such earnings is less than the net realisable value of the assets employed.

The net realisable assets methodology is also used to value assets that are surplus to the core operating business.

In our opinion, due to the nature of the Companies remaining assets, the use of an asset-based valuation methodology is appropriate as either a primary or cross-check valuation methodology. The Administrators will use this methodology in conjunction with the recent genuine offers received methodology to form our opinion.

Market-based valuations

The market-based valuation approach proceeds from values at which shares are traded on the stock exchange, or where transactions are observed in the market place. The share market price may constitute the market value of shares where sufficient trading of the shares takes place. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

Market-based valuations provide an objective view of a company's current market value. While other methodologies seek to estimate values at which a hypothetical transaction in the subject shares would occur, marked-based valuations proceed from values at which actual transactions have occurred. Despite the objectivity, market-based approaches are limited by the amount of information known by the market, which may likely be imperfect.

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Recent genuine offers

Where a company has undertaken a detailed and extensive process to dispose of its assets, the final round binding bids are likely to be the market's perception of value.

The final round binding bids represent the amount a potential acquirer is willing to pay based at the immediate point in time and the information available to it.

Appendix 6 – Administrators' Report liquidation scenario calculations

The below extract has been copied directly from the 439A Report and then amended to take into consideration an updated cash at bank position from the Receivers and creditor position given ongoing negotiations with JDJ and other unsecured creditors adjustments post the date of the 439A Report. The change in return to creditors is not material.

Set out below is a summary of the potential returns available to creditors if the Group was to be wound-up through liquidation.

Overview

The Administrators have prepared a liquidation analysis for the Group on a pooled basis. The Administrators have presented on this basis given the Deed of Cross Guarantee between the entities.

Under the pooling outcome, the assets of the Group would be available to creditors of the Group.

Estimated return to creditors in liquidation

Summary of return to creditors in liquidation

	Cents in dollar		
Creditor	**Low**	**High**	**Preferred**
Secured creditors	65.00	100.0	86.95
Priority creditors	100.0	100.0	100.0
Unsecured creditors	Nil	24.00	Nil

Source: See liquidation analysis below

Liquidation analysis

	Low	High	Pooled	Reference
Assets subject to circulating security interest				
Cash	2.69	3.06	2.88	9.3.2
Receivables	0.05	0.25	0.15	9.3.3
Inventory	16.90	22.70	19.80	9.3.4
Total assets subject to circulating security interest	**19.64**	**26.01**	**22.83**	
Less: priority creditors				
Amount owing for employee entitlements	0.43	0.43	0.43	5.1.4
Total priority creditors	**0.43**	**0.43**	**0.43**	
Amount available for Liquidators' fees and costs	**19.21**	**25.58**	**22.40**	
Less Liquidators fees and costs				
Liquidators' remuneration, disbursements and legal costs	2.12	2.12	2.12	5.1.2
Liquidators' trading costs	1.59	1.59	1.59	5.1.3
Total Administrators and Liquidators' fees and costs	**3.71**	**3.71**	**3.71**	
Circulating assets available for secured creditor	**15.50**	**21.87**	**18.69**	
Plus: Assets subject to non-circulating interests				
Bald Hill Project	22.30	37.60	29.90	9.3.5
Bald Hill – Exploration Assets	1.10	4.80	2.90	9.3.6
Antecedent transaction	-	1.00	0.50	9.3.8
Interest in Cowan Lithium	0.20	0.20	0.20	9.3.7
Total assets subject to non-circulating interests	**23.60**	**43.60**	**33.50**	

Total assets available for secured creditors	**39.10**	**65.47**	**52.19**	
Secured Creditors				
Administration loan	60.02	60.02	60.02	5.1.1
Total Secured Loans	**60.02**	**60.02**	**60.02**	
Surplus of assets available to ordinary unsecured creditors	**(20.92)**	**5.45**	**(7.83)**	
Unsecured claims				
Unsecured claims	(46.50)	(22.70)	(32.00)	5.1.5
Total unsecured claims	**(46.50)**	**(22.70)**	**(32.00)**	
Total Surplus	**(67.42)**	**(17.25)**	**(39.83)**	
Dividend Cents in $	*Nil*	*24.00*	*Nil*	

Appendix 7 – Deloitte's valuation of the Group's assets

Deloitte.

Richard Tucker and John Bumbak

Valuation of the assets of Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed)

17 December 2019

Deloitte.

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17 December 2019

Dear Administrators

In your capacity as voluntary administrators of Alita Resources Limited (**Alita** or **the Company**), you have engaged us to prepare a report expressing our opinion as to the current fair market value of the assets of Alita (the **Report**).

It is our understanding that in your role as voluntary administrators, you propose to enter into a Deed of Company Arrangement (DOCA) with a party that will purchase Alita (the Purchaser). As part of the DOCA process you will make a section 444GA application to the Court and apply to ASIC for relief pursuant to section 606 of the Corporations Act seeking permission for the Purchaser to obtain a shareholding of more than 20% in Alita.

We understand that you require a valuation of the assets of Alita to attach to your expert report which will be provided to and relied upon by the Court, ASIC, the shareholders of Alita and the share option holders of Alita in order to facilitate the DOCA process (the Purpose).

The scope of our work (**our Work**) was limited to the matters set out in the engagement letter dated 27 September 2019 and the addendum dated 17 December 2019. Our Report is prepared solely for your confidential use as voluntary administrators for the Purpose outlined above. It should not be quoted or referred to or used for any other purpose unless written consent has been provided by Deloitte. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the Report is used by any other person for any other purpose.

Our Work was completed on 26 November 2019 and has not been updated since that date. We have, however, reviewed the economic assumptions adopted in our Work to ensure that no material changes to these assumptions have occurred since that date.

Yours faithfully

Nicki Ivory
Partner
Deloitte Financial Advisory Pty Ltd

Glossary

Reference	Definition
A$	Australian dollars
A$m	Million Australian dollars
Administrators, the	Richard Scott Tucker and John Allan Bumbak of KordaMentha Pty Ltd
AISC	All in sustaining costs
Albemarle	Albemarle Corporation
Alita	Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed)
Altura	Altura Mining Limited
AMAE	Alliance Mineral Assets Exploration Pty Ltd
AMAL	Alliance Mineral Assets Limited
APES 225	APES 225 Valuation Services
ARRL	Al Rawda Resources Limited
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
ATO	Australian Taxation Office
Avontuur project	Avontuur manganese project
Aquila	Aquila Resources Pty Ltd
Bald Hill Model	Financial projections for the Bald Hill Project provided by Management entitled "20190730 Forecast 2019-2027 – Tribeca"
Bald Hill Project	The Bald Hill lithium and tantalum project
β	Beta
Burwill	Burwill Holdings Limited
Burwill Lithium	Burwill Lithium Company Limited
CAGR	Compound annual growth
Canaccord	Canaccord Genuity
CAPM	Capital Asset Pricing Model
CIF	Cost, insurance, freight
Company, the	Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed)
Cowan Lithium	Cowan Lithium Limited
Cowan Project	Cowan Lithium project
CPI	Consumer Price Index
DCF	Discounted cash flow
Deloitte	Deloitte Financial Advisory Pty Ltd
DFS	Definitive feasibility study
DMS	Dense media separating circuit
dmt	Dry metric tonnes
DRC	Democratic Republic of Congo
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIU	Economist Intelligence Unit
EMRP	Equity Market Risk Premium
EVs	Electric vehicles
Fastmarkets	Fastmarkets Ltd.
FOB	Free on board
FY	Financial year
Galaxy	Galaxy Resources Limited

Reference	Definition
Group, the	The following entities collectively: Alliance Mineral Assets Exploration Pty Ltd Tawana Resources Pty Ltd Lithco No.2 Pty Ltd Tawana Gold Pty Ltd Waba Holdings Pty Ltd
H.C. Starck	H.C. Starck Tantalum and Niobium GmbH
IBIS	IBIS World Pty Limited
IER	Independent expert's report
IPO	Initial public offering
JBJ	Jiangxi Bao Jiang Lithium Industrial Limited
Jiangte	Jiangxi Special Electric Motor Co., Ltd
JV	Joint venture
Kd	Cost of debt
Ke	Cost of equity capital
Kenema	Kenema-Man Holdings Liberia Pty Ltd
Km/s	Kilometres
KordaMentha	KordaMentha Pty Ltd
kt	thousand tonnes
Lbs	pounds
LCE	Lithium carbonate equivalent
Li_2CO_3	Lithium carbonate
Li_2O	Lithium oxide
LiOH	Lithium hydroxide
Lithco	Lithco No.2 Pty Ltd
LME	London Metals Exchange
LOM	Life of mine
Management	Management of Alita
Mineral Resources	Mineral Resources Limited
Mount Belches	Mount Belches Pty Ltd
Mt	Million tonnes
Mtpa	Million tonne per annum
NPV	Net present value
NRV	Net realisable value
Orocobre	Orocobre Limited
Our Work	The scope of our work as set out in our engagement letter dated 27 September 2019 and the addendum dated 17 December 2019
Pilbara Minerals	Pilbara Minerals Limited
ppm	Parts per million
Project, the	The Bald Hill Lithium and Tantalum Project
Purpose, the	Valuation of the assets of Alita to attach to expert report of the voluntary administrators which will be provided to and relied upon by the Court, ASIC, the shareholders of Alita and the share option holders of Alita in order to facilitate the DOCA process.
Rakana	Rakana Consolidated Mines Pty Ltd
Receivers and Managers	Martin Jones, Matthew Woods and Andrew Smith of KPMG
Report, the	The Report prepared by Deloitte expressing our opinion on the current fair market value of the assets of Alita
Residual Resources	Residual resources not considered in the Bald Hill LOM Model
Rf	Risk free rate of return
Rm	Expected return on the market portfolio
Roskill	Roskill Consulting Group Limited

Reference	Definition
Spodumene	Lithium concentrate
Sq km/km^2	Square kilometre
SRK	SRK Consulting (Australasia) Pty Ltd
SRK Report	SRK Consulting (Australasia) Pty Ltd's Independent Specialist Report on the Mineral Assets of Alita Resources Limited dated 26 November 2019
t	tonnes
Ta_2O_5	Tantalum pentoxide
Tawana	Tawana Resources Pty Ltd
Tawana Gold	Tawana Gold Pty Ltd
Tianqi	Tianqi Lithium Corporation
Tpa	Tonnes per annum
Tribeca	Tribeca Investment Partners
US$	United States dollars
US$/lb	US$ per pound
US$/oz	US$ per ounce
US$/t	US$ per tonne
WABA Holdings	Waba Holdings Pty Ltd
WACC	Weighted average cost of capital
wmt	Wet metric tonnes

Contents

1 Valuation conclusion

1.1 Conclusion

Our valuation has been performed for Richard Tucker and John Bumbak (**the Administrators**) in their capacity as voluntary administrators of Alita to attach to their expert report which will be provided to and relied upon by the Court, ASIC, the shareholders of Alita and the share option holders of Alita in order to facilitate the DOCA process. The Administrators have requested that we perform a valuation of the assets of Alita, comprising the Bald Hill lithium and tantalum Project (**Bald Hill Project** or **the Project**), exploration potential of the Bald Hill Project, ore stockpiles and Alita's interest in Cowan Lithium Limited (**Cowan Lithium**). Our valuation has therefore not considered the overall valuation of an equity interest in Alita.

We note per Section 2.2 of the SRK report that the Bald Hill Project tenements are subject to an application of forfeiture by CCS Equipment Pty Ltd. Our valuation assumes that a prospective buyer would not complete a transaction in respect of the Project until these claims have been resolved. We have therefore not adjusted our valuation for a forfeiture probability as the impact on the valuation of the outcome of a forfeiture decision is binary.

The following table sets out our assessment of the fair market value of the assets of Alita.

Table 1

A$m	Low	High	Mid	Reference
Ore reserves considered in the Bald Hill LOM Model	11.2	18.9	15.0	Section 5.1.1
Residual Resources not considered in the Bald Hill LOM Model	11.1	18.7	14.9	Section 5.1.2
Bald Hill Project[2]	**22.3**	**37.6**	**29.9**	
Spodumene stockpile	14.0	18.0	16.0	Section 5.2.1
Tantalum stockpile	2.3	4.1	3.2	Section 5.2.1
Inventory - ore	**16.3**	**22.1**	**19.2**	
Inventory – consumables	**0.6**	**0.6**	**0.6**	Section 5.2.2
Bald Hill exploration assets	**1.1**	**4.8**	**2.9**	Section 5.3
Interest in Cowan Lithium	**0.2**	**0.2**	**0.2**	Section 5.4

Source: Alita, SRK, Deloitte analysis
Notes:
1. The table above is subject to rounding
2. The value of the plant and equipment is implicitly included in our valuation of the Bald Hill Project

Our initial preferred valuation approach for the Bald Hill Project was to perform a discounted cash flow (**DCF**) valuation of the ore reserves included in the Bald Hill Model, coupled with a resource multiple approach for the residual ore reserves and mineral resources not included in the Bald Hill Model (**Residual Resources**). However, in undertaking the DCF it became clear that the valuation on this basis under our preferred assumptions yields a negative value for the ore reserves. This outcome puts no value on the inherent optionality of the Project and that willing buyers have regard to factors other than the current net present value (**NPV**) under a set of static current assumptions. We therefore modified our approach and extended the resource multiple approach to cover the ore reserves as well as the Residual Resources.

We received assistance from SRK Consulting (Australasia) Pty Limited (**SRK**) to determine the appropriate resource multiples to apply. We also considered whether any real option value exists for the Project.

We have applied a net realisable value (**NRV**) approach in our valuation of the ore stockpiles. For the stores and consumable inventory, in conjunction with Deloitte's Fixed Asset Valuation team, we have performed an analysis in order to form a view on a reasonable recoverable value for these items.

We have relied on SRK's valuation of the Bald Hill exploration assets. SRK used comparable market transaction and geoscientific based valuation approaches, which are common approaches for early stage exploration assets.

We have primarily had regard to the expected price in a recent capital raising undertaken by Cowan Lithium to determine the value of Alita's interest in Cowan Lithium.

2 Background

Alita commenced commercial production in July 2018 and reached steady state production during the March 2019 quarter, however as a result of the combination of the general decline in the market for spodumene and challenges experienced with its offtake partner (refer Section 3.4.4), the following events unfolded leading to Alita appointing voluntary administrators.

On 16 August 2019 Alita received a notice of default from the consortium of lenders led by Tribeca Investment Partners (**Tribeca**) under the secured A$40 million loan facility. The reasons for the default were:

- non-acceptance by lenders of updated life of mine (**LOM**) plan
- alleged failure to comply with the physical parameters of the previously approved life of mine plan
- Alita suffering a material adverse effect to its business and financial performance as a result of the deterioration of the lithium spot price and weakened market demand for lithium concentrate (**spodumene**).

On 27 August 2019, Galaxy Resources Limited (**Galaxy**) (Alita's most significant shareholder) acquired the Senior Secured Debt Facility from the consortium led by Tribeca for a total amount of US$31.1 million. KordaMentha were appointed as voluntary administrators on 28 August 2019 as the directors noted the Alita group of companies were insolvent or likely to become insolvent at some time in the future.

On 28 August 2019, Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed) (**Alita** or the **Company**) announced the Board of Directors had appointed Richard Scott Tucker and John Allan Bumbak of KordaMentha Pty Ltd, as voluntary administrators of the Company and the following subsidiaries:

- Alliance Mineral Assets Exploration Pty Ltd (**AMAE**)
- Tawana Resources Pty Ltd (**Tawana**)
- Lithco No.2 Pty Ltd (**Lithco**)
- Tawana Gold Pty Ltd (**Tawana Gold**)
- Waba Holdings Pty Ltd (**Waba Holdings**).

(collectively referred to as **the Group**).

Subsequent to the appointment of the Administrators, Galaxy announced that it had appointed Martin Jones, Matthew Woods and Andrew Smith of KPMG (**Receivers and Managers**) as Receivers and Managers of Alita and certain subsidiaries pursuant to the senior secured debt facility and security documentation acquired by Galaxy on 27 August 2019.

As a result of this process, the Administrators have requested that Deloitte perform a valuation of the assets of Alita to assist them to evaluate potential offers for the Company or its assets.

3 Profile of Alita

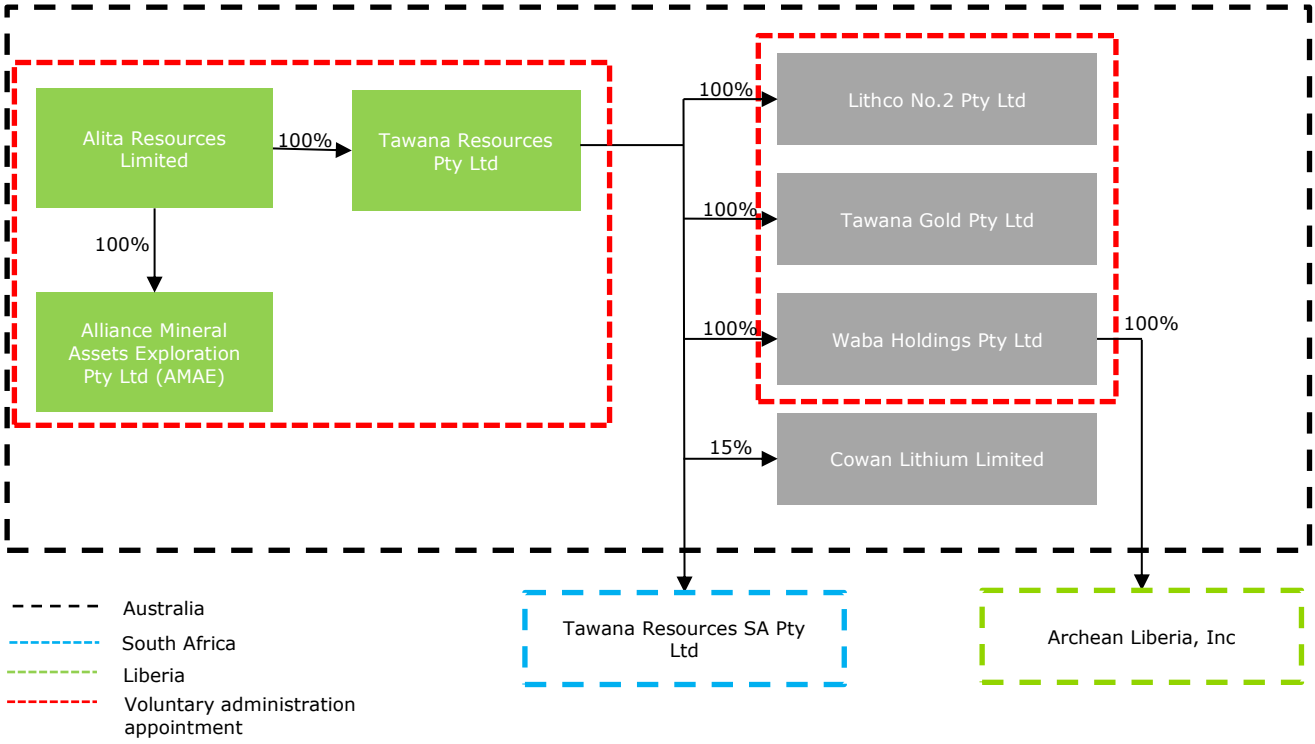
3.1 Overview

Alita is a listed lithium and tantalum production company headquartered in Osborne Park, Western Australia. Alita's main asset is its 100% interest in the Bald Hill Project in Western Australia. A scheme of arrangement between Alliance Mineral Assets Limited (**AMAL**) and Tawana was implemented on 14 December 2018, effectively consolidating the respective 50% joint venture (**JV**) interests in the Project. AMAL underwent a name change to Alita Resources Limited in July 2019.

3.2 Group structure

The diagram below indicates the group structure of Alita and illustrates the entities under voluntary administration.

Figure 1



Source: Alita

AMAE, Waba Holdings and Tawana Gold were not trading prior to the appointment of the Administrators and were essentially dormant subsidiaries in the Group. Refer to Section 3.6 for a discussion on Cowan Lithium.

Lithco was the previous manager of the JV between AMAL and Tawana and is the contracting party for various operational, offtake and financial agreements.

3.3 Bald Hill Project

3.3.1 Overview

The Bald Hill Project is a lithium and tantalum mine located southeast of the Goldfields-Esperance Region of Western Australia, 105 km southeast of Kalgoorlie. The Project comprises an area of 769 km^2 with all operations located on mining lease ML 15/400. Bald Hill mine operates as a conventional open pit mine with mining operations largely performed by contractors. Processing was completed through a dense media separating circuit (**DMS**) which operated at a 1.6 million tonne per annum (**mtpa**) capacity.

Spodumene was hauled to the Port of Esperance for export under the offtake agreement with Jiangxi Bao Jiang Lithium Industrial Limited (**JBJ**) in China. Refer to Section 3.4.4 for details on offtake agreements.

Tantalum concentrate was exported via the Fremantle po0rt to H.C. Starck Tantalum and Niobium GmbH (**H.C. Starck**). Regular discussions for longer term tantalum offtake agreements have occurred, however no offtake agreement was ever signed. An overview of the lithium and tantalum industries can be found in Appendix C.

3.3.2 Progression of operations

The table below sets out the recent progression of operations:

Table 2

Date	Event
2002 - 2006	Bald Hill Project– a hard rock tantalum mine with 1.35 Mt ore processed and 820,000 per pound (**Lbs**) of Tantalum Pentoxide (**Ta_2O_5**) 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
June 2018	Total lithium resource upgrade to 26.5 Mt total lithium and tantalum ore
Jul 2018	Commercial production
Dec 2018	+ 10,000t/month concentrate produced. Detailed design of Stage 2 of plant upgrade of the fines circuit continues and order of long lead items commences
Mar 2019	Stage 1 steady state production reached 60,000m drill programme focussing on infill drilling, extensional and exploration drilling
July 2019	Alita announces strategic review of operations including halt of fines circuit construction
Sep 2019	Bald Hill Project placed under care and maintenance

Source: Alita corporate presentation and announcements

3.3.3 Current status of operations

KPMG in their capacity as Receivers and Managers placed the Bald Hill Project under care and maintenance from 2019. Operational contractors have been demobilised or scaled down to care and maintenance scope.

Table 3

Contractor	Role	Status
Primero Group Limited	Operation and maintenance contractor	Contract placed on hold and demobilised from site
SMS Innovative Mining Pty Ltd	Mining services – load and haulage, drilling and blasting	Contract terminated
Cape Crushing and Earthmoving Contractors Pty Ltd	Transfer and stockpiling of crushed ore and feeding of stockpile ore to processing plant	Contract terminated
Qube Bulk Pty Ltd	Haulage, storage, material handling and ship loading services in respect of spodumene from Bald Hill to the Port at Esperance and storage and ship loading services in Esperance	Contract remains in place and significant stockpiles are stored at Qube facilities
Other minor contractors		Scaled down to care and maintenance

Source: Alita Management

3.3.4 Mineral resources and ore reserves

The table below shows the mineral resources and ore reserves of Alita as at April 2018. The mineral resources and ore reserves are prepared in accordance with the JORC Code (2012 edition).

Table 4

Resource category	Tonnes (Mt)	Grade Li_2O%	Contained Li_2O Tonnes	Grade Ta_2O_5 ppm	Contained Ta_2O_5 ('000 Lbs)
Bald Hill Mine, Resources above 0.3% Li_2O% cut-off					
Indicated	14.4	1.02	147,200	168	5,300
Inferred	12.1	0.9	108,000	123	3,300
Total	**26.5**	**0.96**	**255,200**	**149**	**8,600**
Bald Hill Mine, Resources above 0.3% Li_2O% and above 200ppm Ta_2O_5 cut-offs					
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**
Bald Hill Mine, Reserves above 0.3% Li_2O					
Proven	-	-	-	-	-
Probable	11.3	1.01	114,100	160	4,000
Total	**11.3**	**1.01**	**114,100**	**160**	**4,000**
Bald Hill Mine, Reserves above 0.3% Li_2O and above 200ppm Ta_2O_5 cut-offs					
Proven	-	-	-	-	-
Probable	2.0	-	-	313	1,400
Total	**2.0**	**-**	**-**	**313**	**1,400**

Source: Alita corporate presentation dated February 2019

We have requested SRK to review the preparation of the above mineral resource and ore reserves statement and provide input on the appropriate assumptions to incorporate into the Bald Hill Project life of mine model as set out in Section 4.2.

We note that Management provided an internal ore reserve and mineral resource update prepared by CSA Global Pty Ltd dated September 2018 for SRK to consider as part of the valuation engagement. This update estimates 29.4mt of R&R compared with 26.5 of reported R&R. SRK have reviewed the resource

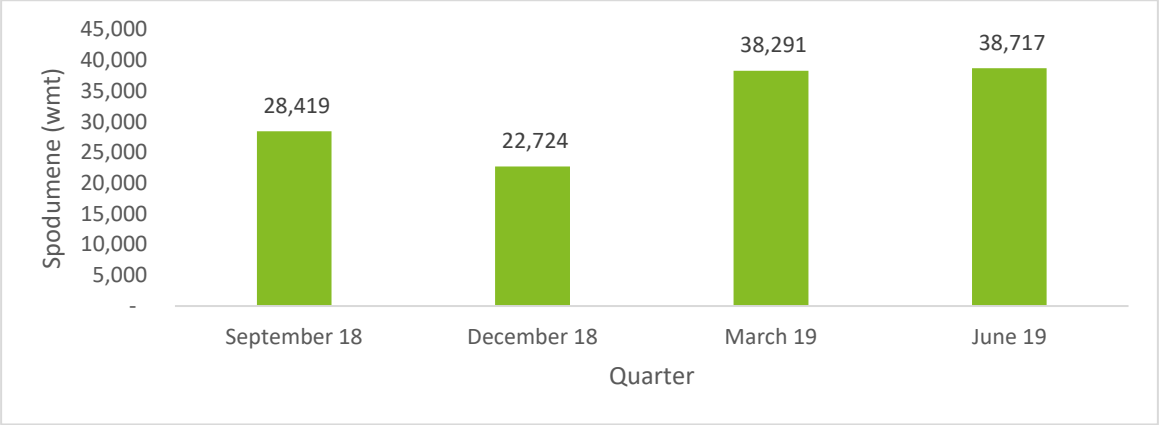
update and do not consider it appropriate to form the basis of the valuation as it has not been reported in line with JORC requirements.

3.4 Operations

3.4.1 Production

The following figure shows the Bald Hill Project's quarterly spodumene production.

Figure 2



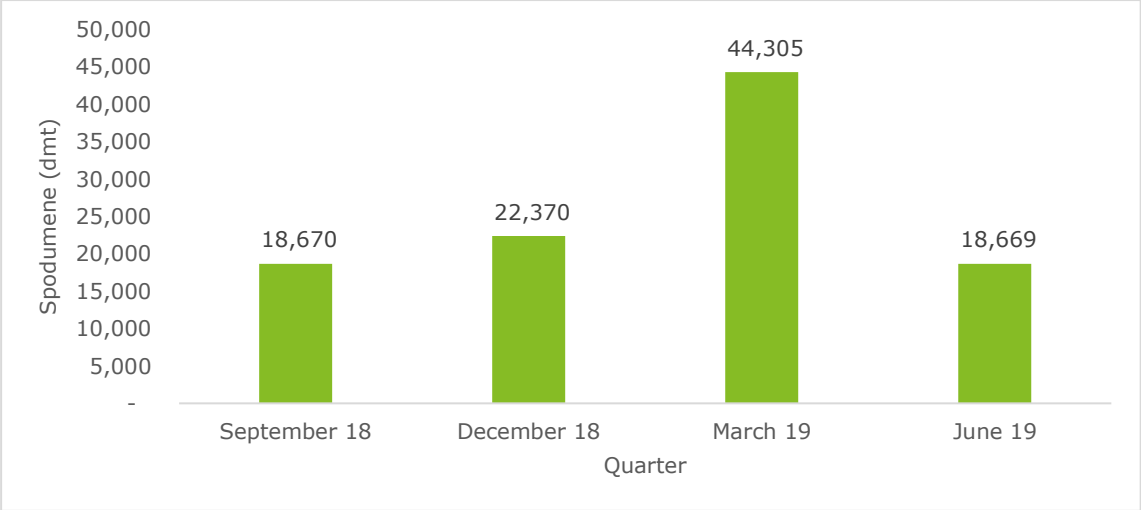
Source: Alita ASX announcements

Commercial production commenced in July 2018 with 28,419 wet metric tonnes (**wmt**) of Lithium Oxide (**Li_2O**) produced in the September 2018 quarter. Production decreased by 20% to 22,724 wmt in the December 2018 quarter due to low feed grade in October and November 2018. Production guidance for July to December 2018 was 55,000 to 60,000 wmt compared to actual production of 51,143 wmt.

Production ramped up significantly after the December 2018 quarter to 38,291 wmt in the March quarter. Record production occurred in the June quarter with 38,717 wmt produced. Production guidance for January to June 2019 was 65,000 to 80,000 wmt compared to actual production of 77,008 wmt.

3.4.2 Sales

Figure 3



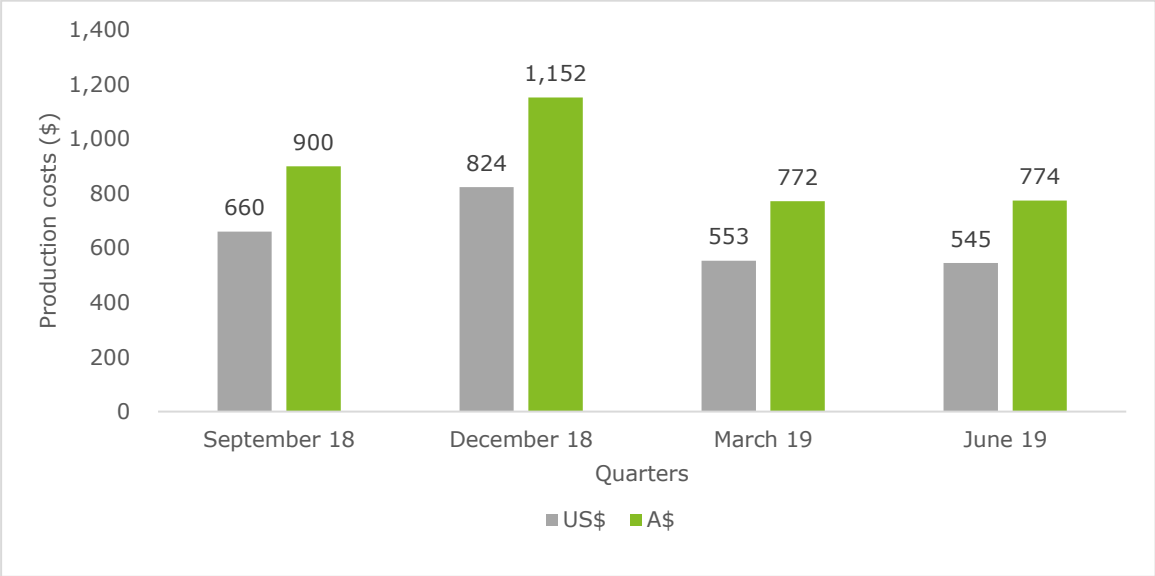
Source: Alita ASX announcements

In the second half of 2018, Alita shipped a total of 41,040 dry metric tonnes (**dmt**) of concentrate to JBJ. The offtake agreement with JBJ specified 80,000 to 100,000 dmt for 2019 and 100,000 to 140,000 dmt/year for 2020-2022. During the first half of 2019, Alita shipped 58,063 dmt to JBJ and 4,935 dmt to a new customer on a trial shipment basis. Alita shipped 20,500 dmt during August 2019. The first

shipment of 10,000 dmt was sold in accordance with the terms of the offtake agreement. The second shipment of 10,500 dmt was priced 10% lower than the previous floor price of US$680/tonne (**t**) with 14% deferred for six months from shipment date. No further shipments occurred as Alita's offtake customer suspended operations. Refer below for further discussion on the offtake agreement.

3.4.3 Production costs

Figure 4



Source: Alita ASX announcements

Production costs for the September 2018 quarter were approximately A$900/wmt spodumene produced. Production costs increased to A$1,152/wmt in the December 2018 quarter due to poor feed grade. Production costs then decreased to A$772/wmt and A$774/wmt in the March and June 2019 quarters due to increased recovery and concentrate production as the Project has reached steady state.

3.4.4 Offtake agreements

On 20 April 2017, Tawana entered into a long term spodumene offtake agreement with Burwill Lithium Company Limited (**Burwill Lithium**). The agreement is for the supply of Lithco's share of spodumene from the Bald Hill Project over an approximate initial 5 year term at a fixed price in the first two years of US$880/t (6.0% Li_2O). Alita also has an offtake agreement with Burwill Lithium on similar terms.

On 15 January 2019, Alita announced a restructure of the lithium offtake agreement where the spodumene price was revised from a fixed price of US$880/t to a floating price subject to a floor of US$680/t and a ceiling of US$1,080/t from February 2019 until 31 December 2022. The price was derived from a market-linked pricing mechanism for lithium carbonate. The restructuring of the offtake agreement reflected the challenging market conditions for spodumene and a reduction in price was needed to remain competitive. The rights and obligations as the buyer under the offtake agreement were also transferred from Burwill Lithium to JBJ.

On 26 August 2019, Burwill Holdings Limited (**Burwill**), the parent company of Burwill Lithium announced on the Hong Kong Stock Exchange that it had defaulted on its loan facility and effectively suspended business operations. Burwill held a 50% interest in JBJ and was a guarantor of 50% of JBJ's obligations under the offtake agreements. Jiangxi Special Electric Motor Co., Ltd (**Jiangte**) held the remaining 50% interest in JBJ.

Based on our discussions with Management of Alita (**Management**) we understand that as JBJ had defaulted on their offtake agreement they would no longer receive any more spodumene. Breach notices were sent to JBJ by the Receivers and Managers and management is negotiating settlement of the A$16 million in prepayments made by JBJ to Alita.

3.4.5 Lithium hydroxide joint venture

In April 2019, Alita entered into a non-binding memorandum of understanding with Jiangte to form a 50:50 JV to produce and sell battery-grade lithium hydroxide. Jiangte is developing and will operate a lithium hydroxide and carbonate converter in China.

Under the terms of the JV, Alita planned to supply spodumene to the converter. The cost of production and transport would be recovered from the sale of lithium hydroxide. The margin on lithium hydroxide sales would be shared between the parties.

In July 2019, Alita announced that it had progressed to formal terms of the 50:50 JV. Management has noted that the JV should have progressed to full form documentation by August 2019. Consequently, Alita or Jiangte each have the option not to proceed with the JV.

The JV remains an option if the Project can be restarted during the next 12 months. However, Management has stated that pricing will need to be re-examined given the decline in lithium hydroxide pricing. Refer to Appendix C.

3.5 Bald Hill exploration assets

In the June 2019 quarter Alita announced completion of approximately 14,758m of RC drilling and 2,197m of diamond core drilling. The drilling indicated further evidence of an extensive mineralised pegmatite body at Bald Hill. Refer to SRK's independent specialist for further information in respect of Bald Hill's exploration potential.

3.6 Interest in Cowan Lithium

Prior to the merger between Tawana and Alliance, Tawana held several exploration assets including the following:

- 100% owned Cowan Lithium project in Western Australia comprising exploration licences
- 100% owned Yallari Lithium project in Western Australia comprising exploration licenses
- 100% owned Mofe Creek Iron Ore Project in Liberia comprising exploration licenses
- 26% interest in Rakana Consolidated Mines Pty Ltd (**Rakana**) which itself holds a 26% interest in the Avontuur Manganese project in South Africa (**Avontuur Project**).

Following shareholder approval on 6 July 2018, Tawana demerged these assets into a wholly owned public, unlisted company, Cowan Lithium. On 18 July 2018, the demerger was effected by a capital reduction through a pro-rata in specie distribution of 85% of the fully paid ordinary shares in the capital of Cowan Lithium to Tawana shareholders, resulting in Tawana retaining a 15% interest in Cowan Lithium. Tawana also paid Cowan Lithium A$750,000.

Subsequent to the merger between Tawana and Alliance, Alita retains the interest in Cowan Lithium and, subject to an Australian Securities Exchange (**ASX**) waiver (if required), has the right to maintain its proportionate interest. In addition, as long as Alita's interest in the share capital of Cowan Lithium remains above 10%, it is entitled to appoint a nominee director to the Board of Cowan Lithium.

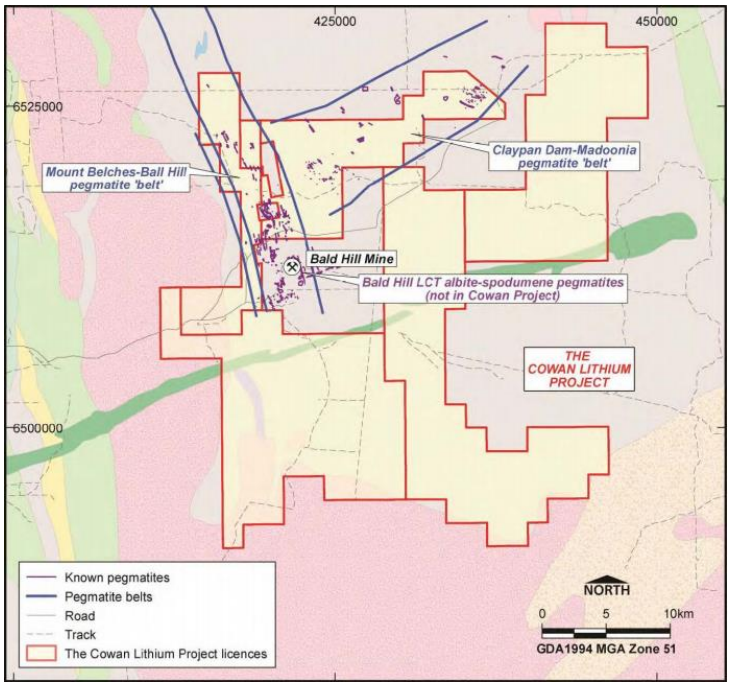
In September 2019 Alita received a letter from Cowan Lithium indicating that it would be completing a capital raising which would dilute Alita's interest from 15.0% to 13.3%. Under the capital raise, Cowan Lithium would issue 6,666,667 ordinary shares at an issue price of A$0.075 to raise up to A$500,000 before costs. The administrators have advised us that they are uncertain whether the capital raising was completed. Refer to Section 5.4 for our valuation considerations in respect of Alita's interest in Cowan Lithium.

3.6.1 Cowan Project

The Cowan Lithium project (**Cowan Project**) is comprised of six exploration licenses located in the Eastern Goldfields province of Western Australia. It is located adjacent to the Bald Hill mine. Drilling was

completed by Tawana in 2016 across the Mt Belches pegmatite belt and indicated widespread pegmatites containing spodumene and tantalum. The figure below shows the location of the Cowan Project licenses.

Figure 5



Source: Cowan Lithium 2018 annual report

From June to October 2018, Cowan Lithium undertook detailed field mapping of Mt Belches to improve understanding of pegmatite distribution and placement. Results from the mapping show that several new pegmatites were discovered.

3.6.2 Yallari project

Cowan Lithium relinquished the Yallari project tenure during March 2019, surrendering the granted tenements and withdrawing their exploration license. The Yallari project was deemed not prospective for lithium bearing pegmatites after field reconnaissance trips in 2018 and is no longer part of the company's core business.

3.6.3 Mofe Creek project

As part of the demerger from Tawana, Cowan Lithium acquired Kenema-Man Holdings Liberia Pty Ltd (**Kenema**) which held a 100% interest in the Mofe Creek iron ore project.

Al Rawda Resources Limited (**ARRL**) paid A$20,000 to Kenema for an option to acquire a 100% interest in Mofe Creek. The option was subsequently exercised and the project was sold to ARRL for A$480,000 (excluding legal costs). In addition to the consideration, ARRL is to reimburse tenement expenditure during the option period, repay loans and pay Tawana a 1.25% royalty on the free on board value of iron ore product shipped when the project is brought into operation.

3.6.4 Avontuur project

Cowan Lithium owns a 26% interest in Rakana which holds a 26% interest in the Avontuur project in South Africa. This results in Cowan Lithium owning a 6.8% indirect interest in the Avontuur project. The Avontuur project is a JV with Aquila Resources Pty Ltd (**Aquila**) which holds a 74% interest.

The Gravenhage manganese project is situated within the Avontuur tenement and a definitive feasibility study (**DFS**) was completed in 2011. The Gravenhage project has been disrupted since 2013 due to a

legal claim. In February 2019 the legal claim was settled as the court ruled in Aquila's favour[1]. Aquila is now considering its next steps.

3.6.5 IPO

During the period March 2018 to December 2018, Cowan Lithium was exploring an initial listing on the ASX and issued a prospectus dated 22 August 2018. However, due to prevailing market conditions for funding exploration companies and downward sentiment in the lithium market, the Board decided to defer the ASX listing.

The initial public offering (**IPO**) was to issue 40 million shares at A$0.20 per share, raising up to A$8 million. Canaccord Genuity (**Canaccord**) acted as the lead manager. To date no further plans have been announced.

1 https://www.miningreview.com/news/aquila-manganese/

3.7 Financial position

We have summarised in the table below the financial position of Alita as at 31 May 2019. Management advised that no complete management accounts were compiled subsequent to May 2019 and the table below reflects the most recent available complete statement of financial position. The values are expressed in A$.

Table 5

A$'000	Unaudited Actual May-19
Cash and cash equivalents	33,624
Trade and other receivables	3,588
Bank guarantees	100
Bond	25
Prepayments/ deposits	527
Assets held for distribution	628
Inventory	29,967
Total current assets	**68,459**
Deposits	345
Investment in Cowan Lithium	634
Property, plant and equipment	53,643
Mine properties	63,390
Mine properties - deferred waste assets	37,466
Rehabilitation asset	5,750
Exploration	72,566
Goodwill	22,383
Total non-current assets	**256,177**
Total assets	**324,636**
Trade and other payables	12,255
Interest bearing liabilities	188
Accruals	27,895
Provisions	531
Total current liabilities	40,869
Provision for rehabilitation	8,131
Interest bearing liabilities	41,421
Proceeds received in advance	11,437
Deferred tax liabilities	4,311
Total non-current liabilities	65,300
Total liabilities	**106,169**
Net assets	**218,467**

Source: Alita management
Notes:
1. The table above is subject to rounding

We note the following in relation to the financial position of Alita:

- the June 2019 financial position was not finalised due to:
    - going concern issues of Alita
    - issues with inventory valuation
    - issues with the valuation of Bald Hill.
- inventory mainly corresponds to spodumene stockpiles waiting to be shipped to buyers in China

- investment in Cowan Lithium comprises the Company's 15% interest in Cowan Lithium, an Australian unlisted company
- property, plant and equipment relates mainly to the lithium plant and to ongoing capital projects including expansion of camp accommodation and tailings storage facility capacity, site infrastructure work and engineering/long lead items related to the Fines DMS plant expansion
- mine properties corresponds to Bald Hill Project's reserves included in the LOM plan
- exploration represents Alita's investment in the Bald Hill exploration assets that were not included in the LOM plan
- goodwill reflects the excess of the consideration paid over the net assets of Tawana as a result of the scheme of arrangement between AMAL and Tawana implemented on 14 December 2019
- as at 31 May 2019, interest bearing liabilities corresponded mainly to the Senior Secured Debt Facility from the consortium led by Tribeca. This debt was acquired by Galaxy on 27 August 2019
- proceeds received in advance correspond to the prepayment received by the Company from Burwill Lithium as part of the offtake agreement signed with them.

4 Valuation Approach

4.1 Introduction

This engagement is a Valuation Engagement as defined under APES 225 Valuation Services (**APES 225**). It has been conducted in accordance with statements, standards and guidelines issued by the Accounting and Professional Ethics Standards Board including APES 225.

For the purpose of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the assets of Alita would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Fair market value, as defined above, is a concept of value which may or may not equal the "purchase/sale price" that could be obtained if the assets of Alita were sold to a special purchaser in an actual transaction in the open market. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation is not premised on the existence of a special purchaser.

4.2 Appointment and role of technical expert

Given the nature of the assets of Alita, SRK Consulting (Australasia) Pty Ltd (**SRK**), a specialist advisory company with technical expertise in the mining industry, was engaged to advise Deloitte on the valuation of the exploration assets, and on the following technical inputs to the Bald Hill Model:

- resources and reserves incorporated into the model for the Project
- mining physicals (including tonnes of ore mined, ore processed, recovery and grade)
- processing assumptions (including ore and grade processed, products and recovery)
- operating costs (including but not limited to mining, processing, haulage, general site costs/administration, penalties, transport, contingencies and royalties)
- capital expenditure (including but not limited to project capital costs, sustaining capital expenditure and contingency)
- costs associated with the restart of the Bald Hill Project
- any other relevant technical assumptions including environmental and permitting provisions.

Additionally, SRK provided an independent opinion on the market valuation of:

- the reserves included in the Bald Hill Model
- the resources not already included in the Bald Hill Model (Residual Resources)
- the Bald Hill exploration assets
- the Cowan Project.

SRK leveraged their previous work in respect of the Tawana Independent Expert's Report (**IER**) which included an assessment of the Bald Hill Project.

SRK also considered evidence from broadly comparable transactions for the value of the Bald Hill Project. SRK has been engaged by the Administrators and carried out its work under the oversight of Deloitte Financial Advisory. A copy of SRK's Independent Specialist Report (**SRK Report**) is provided in Appendix H.

4.3 Valuation methodologies

To value Alita's primary assets, we have considered the generally acceptable valuation methodologies as set out in Appendix B. We have adopted the following methodologies for each of the primary assets of Alita:

Table 6

Assets of Alita	Selected valuation methodology
Bald Hill Project	
Ore reserves considered in the Bald Hill Model	SRK multiples valuation
Residual Resources not considered in the Bald Hill Model	SRK multiples valuation
Inventory	
Ore	Net realisable value
Stores and Consumables	Residual value/book value
Bald Hill Project exploration assets	SRK valuation
Interest in Cowan Lithium	Recent capital raising price

Source: SRK, Deloitte analysis

Our initial preferred valuation approach for the Bald Hill Project was to perform a DCF valuation of the ore reserves included in the Bald Hill Model, coupled with a resource multiple approach for the residual resources provided by Management entitled "20190730 Forecast 2019-2027 – Tribeca" (**Bald Hill Model**). However, in undertaking the DCF it became clear that the valuation on this basis under our preferred assumptions yields a negative value for the ore reserves. This outcome puts no value on the inherent optionality of the Project and that willing buyers have regard to factors other than the current NPV under a set of static current assumptions. We therefore modified our approach and extended the resource multiple approach to cover the ore reserves as well as the Residual Resources. Our considerations in respect of the Bald Hill Model and the valuation methodology adopted by SRK are presented in Section 5.1. We note that our valuation of the Bald Hill Project implicitly includes the value of the plant and equipment. Refer to Section 4.2.2 of the SRK Report.

We received assistance from SRK to determine the appropriate resource multiples to apply. We also considered whether there is likely to be any real option value above our valuation range.

We have applied a NRV approach in our valuation of the ore stockpiles. For the stores and consumable inventory, in conjunction with Deloitte's Fixed Asset Valuation team, we have performed an analysis in order to form a view on a reasonable recoverable value for these items. Our valuation of the inventory is set out in Section 5.2.

We have relied on SRK's valuation of the Bald Hill exploration assets. The valuation methodologies adopted by SRK for the Bald Hill exploration assets are set out in Section 5.3.

We have primarily had regard to the expected price in a recent capital raising undertaken by Cowan Lithium to determine the value of Alita's interest in Cowan Lithium. Our valuation methodology for the interest in Cowan Lithium is presented in Section 5.4.

5 Valuation of the assets of Alita

5.1 Valuation of the Bald Hill Project

5.1.1 Ore reserves included in the Bald Hill Model

With reference to the valuation approach set out in Section 4.3, the fair market value of the project under the DCF methodology resulted in a wide range of outcomes ranging from -A$128.4 million to A$21.2 million, depending on the assumptions adopted. Using our preferred assumptions, the outcome is a negative range between -A$61.4 million and -A$52.3 million, with a mid-point value of -A$56.8 million. Refer to Appendix E for our detailed considerations in respect of the DCF analysis.

The fair market value of the reserves included in the Bald Hill Model on a comparable transactions resource multiples basis results in a valuation range of between A$11.2 million and A$18.9 million with a midpoint value of A$15.0 million.

The following table summarises our assessment of the fair market value of the ore reserves included in the Bald Hill Model based on SRK's valuation.

Table 7

	Unit	Low	High	Midpoint
Adjusted reserves & resources multiple	A$/tonne	314	529	421
Ore reserves considered within the model[1]	tonnes	35,670	35,670	35,670
Fair market value	**A$m**	**11.2**	**18.9**	**15.0**

Source: SRK

Notes:
1. Based on 4.1Mt of ore mined at 0.87% Li_2O

We have also considered whether there is likely to be any real option value above our valuation range. Real option value stems from Management's ability to affect whether or not the Project restarts and, if so, when re-start will occur and at what scale the Project will be re-started. This flexibility, or real option, to defer or adjust the scale of the re-start of the Project, may have value to the project owner which is not captured under other conventional valuation methods. We have considered the following factors in assessing any further potential real option value for the Bald Hill Project above of our valuation range:

- we have performed scenario analysis based on the sensitivity ranges suggested by SRK and using the Bald Hill Model provided by Management. The current view of market commentators and analysts is that supply and demand dynamics in the global lithium market will start to improve by 2024/2025. We have therefore considered what the implied spodumene price would need to be if the Project restarts at that point in time. Our modelling shows that the spodumene price would need to recover to US$805/t free on board (**FOB**) Esperance to realise the same A$15 million value derived under our primary valuation method.
- under the most favourable production and costs sensitivity scenario suggested by SRK and our preferred pricing assumptions, the value of the Project would be A$25.1 million.
- the current reserve optimisation and design of the open-pit mine is predicated on outdated modifying factors (refer Section 4.2.1 of the SRK Report) that include a 6% spodumene price of US$880/t FOB Esperance. This has resulted in the current mine schedule included in the Bald Hill Model being uneconomic in a market environment where spodumene prices are closer to US$438-US$550/t. Another option available to a potential buyer is to undertake a revised study to determine an appropriate reserve optimisation and pit design under updated Modifying Factors. The study would likely have to be done at scoping study levels of confidence based on the current information available. There is insufficient information at present to perform modelling on what this scenario could look like, and it would need to be completed over a longer time frame than available now. There is no guarantee that a revised pit optimisation would result in a significantly higher value than our current valuation.

- the Project has a resource base supporting a reported 9 year mine life. The most significant area to extend mine life was the adjoining Cowan Project which was demerged from Tawana during July 2018. This limits future options. The Bald Hill Model includes only a relatively small proportion of the ore reserves supporting a two year mine life. SRK has advised us that the remainder of the reserves are located close to the edge of the tenement bordering the Cowan Project or are located under the processing facility which makes it difficult to access them, other than through an underground mining method, which further limits future options.
- we therefore consider that it is unlikely that the Project would have any material real option value above our current valuation range.

Refer to Appendix E for further detail in respect of the DCF method and the sensitivity scenarios.

5.1.2 Residual Resources not considered in the Bald Hill Model

We have relied on SRK's valuation of the Residual Resources not considered in the Bald Hill Model. SRK performed a valuation of the Residual Resources based on multiples implied by transactions in companies with similar stage projects. Refer to Appendix H for SRK's Report.

SRK's assessment of the fair market value of the Residual Resources not considered in the Bald Hill Model is set out in the table below.

Table 8

	Unit	Low	High	Mid
Adjusted reserves & resources multiple[1]	A$/tonne	157	265	211
Ore reserves considered within the model[2]	tonnes	70,875	70,875	70,875
Fair market value	**A$m**	**11.1**	**18.7**	**14.9**

Source: SRK

Notes:
1. Considers a 50% discount to the range estimated for the reserves considered in the Bald Hill Model given the level of technical uncertainty attributable to the inferred mineral resource estimates which account for 66% of the Residual Resources.
2. Based on 7.5 Mt of ore mined at 0.9% Li2O for 67,500 contained tonnes plus a 5% tantalum by-product credit

5.2 Valuation of inventory

5.2.1 Ore

The table below summarises our assessment of the fair market value of ore stockpiles in the range of A$16.3 million to A$22.1 million with a midpoint value of A$19.2 million.

Table 9

	Unit	Low	High	Mid
Spodumene stockpiles	**A$m**	**14.0**	**18.0**	**16.0**
Product at mine	**A$m**	4.3	5.6	4.9
Product at port	**A$m**	9.7	12.4	11.1
Tantalum stockpiles	**A$m**	**2.3**	**4.1**	**3.2**
Product at mine	**A$m**	0.9	1.0	0.9
Product at Nagrom	**A$m**	1.4	3.2	2.3
Spodumene stockpiles in China	**A$m**	**-**	**-**	**-**
Total	**A$m**	**16.3**	**22.1**	**19.2**

Source: Deloitte analysis

Notes:
1. The table above is subject to rounding

Spodumene stockpiles

In arriving at the fair market value of spodumene stockpiles, we have used the NRV approach by considering the estimated selling prices of the inventory, less the remaining transport and port and storage costs still to be incurred by Alita to make the inventory ready for sale, less the anticipated royalty payment to be made. As remaining costs to be incurred are based on contractor rates, we consider that these costs already incorporate a reasonable profit allowance for effort not yet expended.

We have estimated the fair market value of spodumene stockpiles to be in the range of A$14.0 million to A$18.0 million with a midpoint value of A$16.0 million. Our valuation assessment is shown in the table below.

Table 10

	Unit	Low	High	Mid
Product	wmt	**26,746**	**26,746**	**26,746**
Product at mine	wmt	8,746	8,746	8,746
Product at port	wmt	18,001	18,001	18,001
Product[2]	dmt	**26,345**	**26,345**	**26,345**
Product at mine	dmt	8,614	8,614	8,614
Product at port	dmt	17,730	17,730	17,730
Spodumene price[3]	A$/dmt	**593**	**757**	**675**
Revenue	A$m	**15.6**	**20.0**	**17.8**
Product at mine	A$m	5.1	6.5	5.8
Product at port	A$m	10.5	13.4	12.0
Less: Costs to sell[4]	A$m	**(0.9)**	**(1.0)**	**(0.9)**
Product at mine	A$m	(0.6)	(0.6)	(0.6)
Product at port	A$m	(0.3)	(0.4)	(0.3)
Less: Royalties[5]	A$m	**(0.8)**	**(1.0)**	**(0.9)**
Product at mine	A$m	(0.3)	(0.3)	(0.3)
Product at port	A$m	(0.5)	(0.7)	(0.6)
Fair market value of spodumene inventory	A$m	**14.0**	**18.0**	**16.0**
Product at mine	A$m	4.3	5.6	4.9
Product at port	A$m	9.7	12.4	11.1

Source: Management, Deloitte analysis
Notes:
Notes:
1. The table above is subject to rounding
2. Based on a moisture reduction rate of 1.5% to convert wmt to dmt
3. CIF prices ranging from US$438/t to US$550/t less US$35/t freight cost and an AUD:USD exchange rate of 0.68
4. Road haulage costs of $53/t and site shipping and port costs of $15-$20/t
5. Royalty rate of 5%

The following assumptions have been made in the valuation of the spodumene stockpile:

- product of 26,746 wmt consisting of 8,746 wmt at the Bald Hill site and 18,001 wmt at port based on Management's assessment of closing stockpiles as at 31 August 2019, with no further sales since that date
- moisture reduction rate of 1.5% to convert wmt to dmt based on estimates provided by Management, this is in line with the assumptions included in the Bald Hill Model
- spodumene price range of US$438/t to US$550/t based on an in-China price with cost insurance and freight (**CIF**) included. The lower end of the price range reflects the most recent spot price offers received by Management prior to Receivers and Managers and Administrators being appointed. The high-end of our range reflects our assessment of the spodumene spot price

based on spot rates on shipments announced by other major lithium producers and spot rates reported by market analysts and brokers. Given the significant downward trend in spodumene pricing (refer Appendix C and the opaqueness of the spot market, we consider a wide valuation range to be appropriate for the valuation of spodumene stockpiles. The Receivers and Managers attempted to sell 5,500t of spodumene that is stockpiled in China at the date of our report this remains unsold

- Management has provided an estimate of Esperance to China freight costs of US$35/t. Based on our enquiries of market participants a US$35/t freight cost appears appropriate
- AUD:USD exchange rate of 0.68 based on the spot rate as at 30 October 2019
- Management applied a road haulage cost estimate for ore stockpiles at site of A$45/t and shipping and port charges of A$11/t based on FY2019 budget. SRK have reviewed these costs and have advised that road haulage charges of A$53/t and shipping and port charges of A$15-A$20/t would be a more appropriate estimate. We have adopted SRK's cost estimates in determining an appropriate valuation range for spodumene ore stockpiles
- a royalty rate of 5%.

Tantalum stockpiles

In estimating an appropriate fair market value range for tantalum stockpiles, we have used a NRV approach by considering the estimated selling price of the inventory based on grade and expected recovery that could be realised by a buyer, less the anticipated royalty payments to be made.

At the low end of our valuation range we have adjusted the NRV of tantalum ore for expected costs still to be incurred to get the tantalum ready for sale and not attributed any value to tantalum ore that does not meet the required market specifications for tantalum as there is some doubt whether a market exists for this product, based on our discussions with SRK.

The high end of our valuation range reflects Management's expectation (in consultation with Galaxy) that tantalum can be sold as-is to Global Advanced Metals Pty Ltd at a discounted price of US$50/lbs and therefore the inventory valuation was not adjusted for processing costs to be incurred.

We have estimated the fair market value of tantalum stockpiles to be in the range of A$2.3 million to A$4.1 million with a midpoint value of A$3.2 million. Our valuation assessment is shown in the table below.

Table 11

	On site		Nagrom				
	Jig con-centrate	Table bags	Processed inspec saleable	Processed offspec material	Unprocessed material (Jig con)	Unprocessed material (Table con)	Total tantalum inventory
wmt	52.1	28.1	3.0	253.0	3.0	48.0	**387.2**
Moisture	1.0%	10.0%	0.01%	0.01%	1.0%	10.0%	
dmt[2]	51.6	25.3	3.0	253.0	3.0	43.2	**379.0**
Grade Ta_2O_5	5.1%	25.4%	29.2%	5.3%	26.0%	27.0%	
Recovery	90%	60%	100%	90%	90%	60%	
Contained pounds[3] (Thousands)	**5.2**	**8.5**	**1.9**	**26.6**	**1.5**	**15.4**	**59.2**
Low end of range- tantalum price of A$80/pound[4]							
Revenue (A$m)	0.4	0.7	0.2	0.0	0.1	1.2	2.6
Less: Royalty[5]	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Less: Transport to Nagrom	(0.0)	(0.0)	n/a	n/a	n/a	n/a	(0.0)
Less: processing costs	(0.1)	(0.0)	n/a	n/a	(0.0)	(0.1)	(0.2)
Fair market value – low (A$m)	**0.3**	**0.6**	**0.1**	**0.0**	**0.1**	**1.1**	**2.3**
High end of range - tantalum price of A$74/pound[4]							
Revenue (A$m)	0.4	0.6	0.1	2.0	0.1	1.1	4.4
Less: Royalty[5]	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.2)
Fair market value - high (A$m)	**0.4**	**0.6**	**0.1**	**1.9**	**0.1**	**1.1**	**4.1**

Source: Management, Deloitte analysis
Notes:
1. The table above is subject to rounding
2. Based on a moisture reduction rate ranging from 0.01% to 10% to convert wmt to dmt
3. Determined by dmt multiplied by grade, recovery and converting tonnes to pounds (1 tonne = 2204.62 pounds)
4. Tantalum prices ranging from US$50/pound to US$55/pound and an AUD:USD exchange rate of 0.68
5. Royalty rate of 5%

The following assumptions have been made in the valuation of the tantalum stockpile:

- product of 387 wmt, consisting of 80 wmt at the Bald Hill site and 307 wmt at Nagrom, based on the Receivers and Managers' analysis of product at site and information received from Nagrom. Tantalum is shipped to Nagrom for testing against specification and off-specification Tantalum is stockpiled and blended at Nagrom until it matches contract requirements
- a moisture reduction rate ranging from 0.01% to 10.0% to convert wmt to dmt depending at which stage in the production process the tantalum by-product is collected
- grade ranging from 5.1% to 29.2% contingent on where in the production process the tantalum by-product is collected, based on previous material from the streams provided by Management
- Management have applied recovery rates ranging from 70% to 100% based on Management's assessment of previous recoveries. SRK have advised us that 60% for concentrate collected from the table would be a more appropriate base case
- at the high end of our valuation we have applied a tantalum price of US$50/pound based on Management's assessment of recent trading prices and a discount to reflect that the buyer would still need to process the tantalum by-product. At the low end of our valuation we have applied a tantalum price of US$55/pound reflecting that a buyer would not need to process the tantalum further. This is in line with the 30% CIF spot price for tantalum reported by Bloomberg of US$58/lbs on 30 October 2019.
- at the low end of the range we adjusted the NRV of tantalum ore by Nagrom processing costs of A$1,537/t and transport costs of A$60/t from site to Perth as well as port charges and storage costs of A$200/t based on the costs included in the Bald Hill Model

- an AUD:USD exchange rate of 0.68 based on the spot rate as at 30 October 2019
- a royalty rate of 5%.

China spodumene

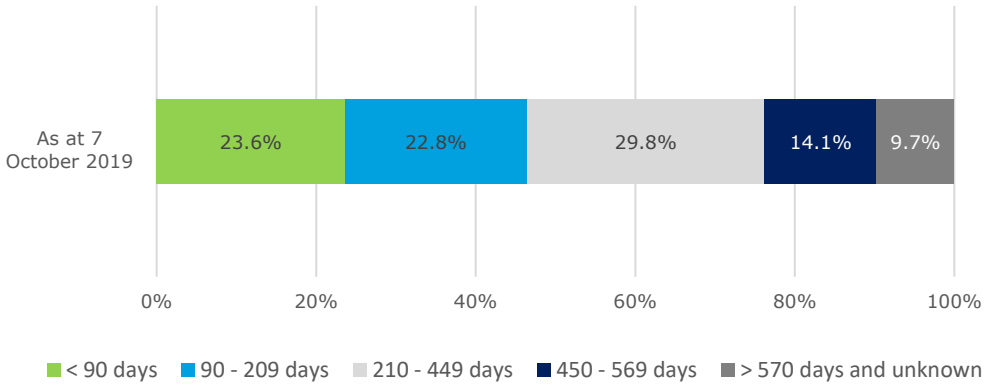
We have been requested by the Administrators to not include the 5,500t of China based lithium concentrate stockpiles in our valuation of Alita's assets, given their near term sale. We understand that offers of US$504/t were received, but fell through. At the date of our Report these stockpiles remain unsold.

5.2.2 Stores and consumables

We received a stores and consumables list from Management comprising c. 1,500 items including both critical spares and consumable items.

The book value of stores and general consumables as at 7 October 2019 was A$2.7 million. We have summarised the ageing profile of the stores and general consumables as at 7 October 2019 in the figure below.

Figure 6



Although 54% of stores and general consumables are aged 210 days or more and Management have indicated that it is unlikely that Alita will realise 100% of book value of these items, it does not mean that these items are necessarily obsolete as they could be critical spares or need to be kept for insurance purposes.

We understand from Management that some recently acquired items may be returned to the supplier for a restocking fee (ie. at a discount to the purchase price), and certain items have already been returned to WAM for a restocking fee of 20%. Other older consumable items cannot be returned to suppliers and are unlikely to realise much value. In general, given the nature of the items, we would expect critical spares to realise a reasonable value, while consumable items, particularly older ones, are unlikely to realise much value.

The value actually realised from critical spares will depend on the realisation strategy adopted. Critical spare items could potentially be realised through auction but will more likely be realised through the sale of the plant/project.

In conjunction with Deloitte's Fixed Asset Valuation team, we have performed an analysis of the list of stores and consumable items provided by Management to form a view on a reasonable recoverable value for these items, assuming the critical spares are retained with the plant and the consumables are sold. We have assumed that all items with a book value below $10,000 are consumables and allocated a 5% residual value to them. We have reviewed all items above $10,000 and determined whether they are consumable items or critical spares for the plant. We have allocated a 5% residual value to any consumable items and adopted book value for any critical spares. Based on this approach, we have determined a stores and consumables inventory recoverable value of A$0.6 million. The following table summarises our analysis.

Table 12

Classification	Unit	Book value	Valuation	Valuation basis
Critical spares above $10,000	A$	455,776	455,776	Book value
Consumables above $10,000	A$	636,928	31,846	Residual value of 5%
Items below $10,000	A$	1,586,855	79,343	Residual value of 5%
Total	**A$**	**2,679,558**	**566,965**	

Source: Deloitte Fixed Asset Valuation team analysis

Given the various avenues for realising value it is likely that the actual value realised will be different from our analysis set out above.

5.3 Valuation of Bald Hill exploration assets

SRK's assessment of the fair market value of the Bald Hill exploration assets is set out in the table below.

Table 13

Methodology	Unit	Low	High	Mid
Comparable market transactions	A$m	1.10	4.80	2.90
Geoscientific rating method	A$m	0.70	2.00	1.30
Selected	**A$m**	**1.10**	**4.80**	**2.90**

Source: SRK Report

The following valuation approaches were adopted by SRK to estimate the fair market value of the Bald Hill exploration assets:

- **Comparable market transactions**: SRK used its internal databases and the S&P Global Market Intelligence subscription database to compile and assess comparable market transaction information
- **Geoscientific Rating method:** SRK has used this method as its secondary method. The geoscientific rating or modified Kilburn method of valuation attempts to quantify the relevant technical aspects of a property through appropriate Multipliers (factors) applied to an appropriate base (or intrinsic) value.

We have relied on SRK's valuation of the exploration properties. Refer to Appendix H for SRK's Report.

5.4 Valuation of Alita's interest in Cowan Lithium

In assessing the value of Alita's interest in Cowan Lithium, we have considered:

- the value of shares in Cowan Lithium implied by the recently proposed capital raising
- the net book value of Cowan Lithium's assets
- the carrying value of Alita's interest
- SRK's valuation of the Cowan Project
- the allocation to Cowan Lithium's remaining exploration projects implied by other our other valuation considerations.

5.4.1 Capital raising

We have valued the 3.1 million shares held by Alita in Cowan Lithium at the proposed capital raising price of A$0.075. This implies a value of c. A$0.7 million in Cowan Lithium as shown in the table below.

Table 14

	Unit	
Number of shares held by Alita in Cowan Lithium	#	3,063,133
Proposed capital raise price	A$	0.075
Value of Alita's shares on a minority basis	A$m	0.2
Value of 100% interest in Cowan Lithium - minority basis	A$m	2.0

Source: Computershare, Deloitte analysis

Note:
1. Based on Alita's interest after proposed capital raising of 11.3%

5.4.2 Net book value

As at 31 December 2018, Cowan Lithium had net assets of A$3.4 million. Cowan Lithium has no trading history as it is unlisted. It also has limited commercial activity and limited spending. A material movement in the net assets of Cowan Lithium since 31 December 2018 is therefore unlikely.

5.4.3 Carrying value

Alita's interest in Cowan Lithium was recorded at A$0.6 million in Alita's balance sheet. This value was determined by CSA Global Pty Ltd on 1 May 2018, during the demerger with Tawana.

5.4.4 SRK's valuation of the Cowan Project

Cowan Lithium's flagship project is the Cowan Project. It is the only project that Cowan Lithium is currently actively developing and therefore likely that a market participant would attribute the majority of the value in Cowan Lithium to the Cowan Project. SRK have performed a valuation of the Cowan Project based on comparable market transaction analysis and geoscientific methods and determined a fair market valuation range of between A$1.4 million and A$6.5 million with a midpoint value of A$4.0 million.

We have sense checked our valuation of Cowan Lithium based on the capital raising, by considering whether the implied value allocated to Cowan Lithium's interests in its remaining exploration projects appears reasonable, as set out below.

Table 15

		Low	High	Mid
Value of Cowan Lithium implied by capital raising - minority basis	A$m	2.0	2.0	2.0
Control premium		20%	20%	20%
Value of Cowan Lithium - control basis	**A$m**	**2.4**	**2.4**	**2.4**
SRK valuation of Cowan Project - control basis	**A$m**	**1.4**	**6.5**	**4.0**
Implied value of other assets		**1.0**	**(4.1)**	**(1.6)**

Source: SRK Report, Deloitte analysis

Notes:
1. Refer below for our selection of an appropriate control premium

Based on the above analysis we consider that a value towards the lower end of SRK's valuation range is reasonable.

5.4.5 Control premium

The value of Alita's interest implied by the capital raising price reflects a minority interest value. In order to determine the implied value of Cowan Lithium's other assets we added a control premium to the value of Alita's interest implied by the capital raising price in order to compare it on a like for like basis with SRK's valuation of the Cowan Project, which reflects a control value.

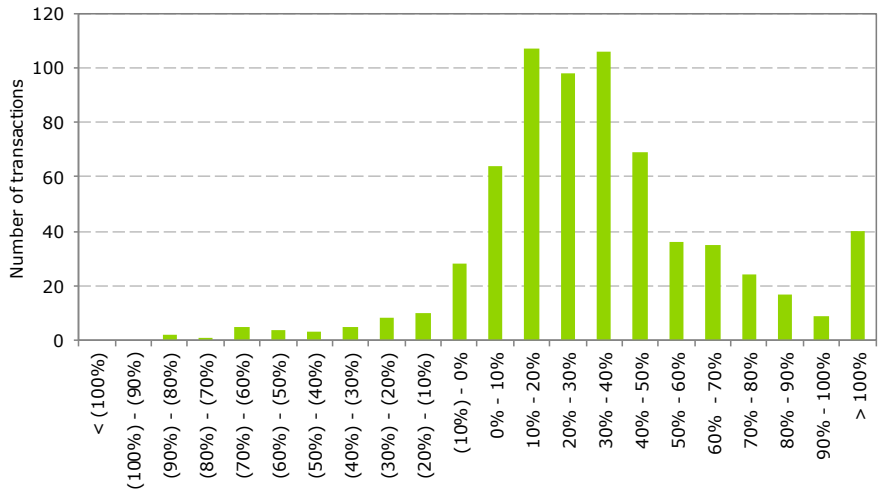
The difference between the market value of a minority interest and a controlling interest and is referred to as the premium for control. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for directors
- determine the strategy and policy of the company
- make acquisitions, or divest operations
- control the composition of the board of directors.

In determining an appropriate control premium to apply to Alita's interest in Cowan Lithium we have considered an empirical study conducted by Deloitte of the premiums paid in transactions in Australia between 1 January 2000 and 30 September 2019. Figure 7 illustrates the findings of this study. For more details on the study refer to Appendix D.

Figure 7



Source: Deloitte analysis

The level of control premium that should be applied is somewhat subjective. Based on the above considerations, and Cowan Lithium comprising of exploration stage projects, we believe that a control premium in the order of 20% is appropriate for Cowan Lithium.

Appendix A: Context to the Report

Deloitte was appointed to prepare a Report setting out our opinion as to the current fair market value of the assets of Alita.

Purpose of the report

We understand that the Report is required by Richard Tucker and John Bumbak as Voluntary Administrators to attach to their expert report which will be provided to and relied upon by the Court, ASIC, the shareholders of Alita and the share option holders of Alita in order to facilitate the DOCA process. .

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

Limitations, qualifications, declarations and consents

The Report represents solely the expression by Deloitte of its opinion as to the current fair market value of the assets of Alita. The opinion of Deloitte is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods.

Statements and opinions contained in this Report are given in good faith but, in the preparation of this Report, Deloitte has relied upon the completeness of the information provided by Alita and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to the Administrators for confirmation of factual accuracy.

Deloitte also relies on the valuation report prepared by SRK. Deloitte has received consent from SRK for reliance in the preparation of this Report.

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of the Administrators and Alita's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (**AUASB**) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for the assets of Alita included in this Report has been prepared on a reasonable basis. In relation to the prospective financial information, actual results may be different from the prospective financial information of Alita referred to in this Report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

The Partner responsible for the preparation of this Report is Nicki Ivory, Partner, B.Com (Hons), CA, CFA.

Deloitte will receive a fee for preparing this Report. This fee is not contingent on the conclusion, content or future use of our Report.

Sources of information

In preparing this report, we have had access to the following principal sources of information:

- Alita's company website
- Alita's corporate report as at May 2019
- Roskill Consulting Group Limited (**Roskill**) through publicly available information and Fastmarkets Ltd (**Fastmarkets**) lithium industry research
- Publicly available information on broker lithium industry analysis
- Forecast 2019 to 2027 Tribeca LOM model

- Cowan Lithium 2018 annual report
- Alliance Mineral Assets Limited stamp duty report dated 25 June 2019
- The supplementary scheme booklet for Tawana
- Publicly available information on comparable companies and market transactions published by S&P Capital IQ, ASIC, Thomson Research and Mergermarket
- In addition, we have had discussions and correspondence with certain directors and executives including Ron Chamberlain (CFO) and Alexei Fedotov (Company Secretary) in relation to the above information and to current operations and prospects
- We have also had discussions and correspondence with Karen Lloyd of SRK with regards to the contents of the SRK Independent Specialist Report dated 26 November 2019.

Appendix B: Valuation methodologies

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.

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

Appendix C: Lithium and tantalum industries

Lithium

Overview

Lithium is a soft, silver-white metal and is the lightest metal under standard conditions with several of its alloys and compounds produced and used on an industrial scale. Historically it has been used in heavy greases, additives for metal production and glasses/ceramics. Today, the main use of lithium is in lithium-ion batteries due to the rise of consumer electronics, electric vehicles (**EVs**) and energy storage.

Lithium does not occur naturally as a pure substance but exists as a chemical compound in hard rock (spodumene) or lithium rich brine. These substances are processed further into lithium hydroxide (**LiOH**) or lithium carbonate to be used in batteries for EVs. The lithium industry often measures lithium and lithium compounds in terms of lithium carbonate equivalent (**LCE**).

Hard rock mining vs brine based operations

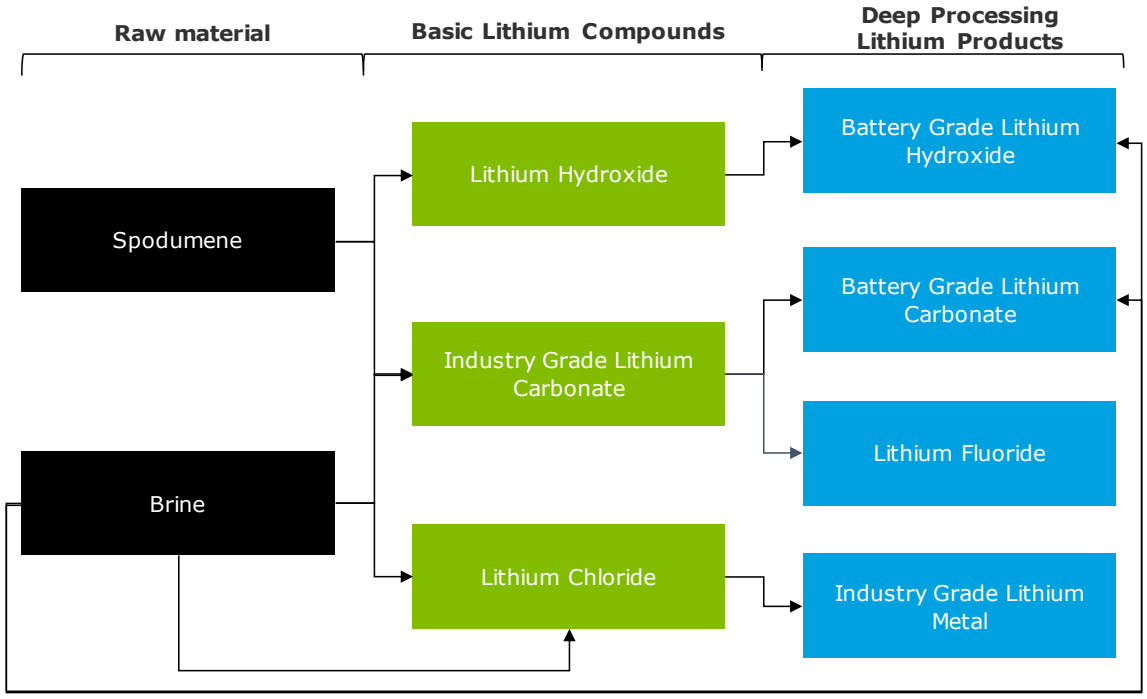
Of the four largest lithium producing countries globally, Australia produces from hard rock with Argentina and Chile from brines and China producing from both hard rock and brines.

Initial capital for hard rock mining is lower than that of brine projects which has resulted in increased development of hard rock projects. To produce spodumene, the rock is crushed and goes through a refining process which can then be used directly for glass and ceramics but must be refined further into LCE or LiOH. While the cost of producing LCE from hard rock is more expensive than from brines, the cost of producing LiOH from hard rock is much lower than from brines. Hard rock mining is also less impacted by weather conditions.

Lithium brine bodies are formed in basins where water has leached lithium from surrounding rock. Extraction of lithium involves pumping water into evaporation ponds where once evaporation has completed, lithium rich concentrate (Lithium carbonate (**Li_2CO_3**)) is left behind. This is then typically processed into LCE. Although brine can be processed into LiOH, it must first be processed into LCE and refined further into LiOH. This processing method is consequently more expensive than refining spodumene into LiOH.

The figure below shows the different processing methods for spodumene and brine.

Figure 8



Source: Deutschebank

Roskill notes that lithium projects are very attractive on an operating and capital cost basis but market participants fail to acknowledge that there are high levels of technical risk[2]. Such risks include cost blowouts and difficulty ramping up production. This is evidenced by significant cost blowouts and delays in the building of Tianqi Lithium Corporation's (**Tianqi**) lithium hydroxide processing plant in Western Australia.

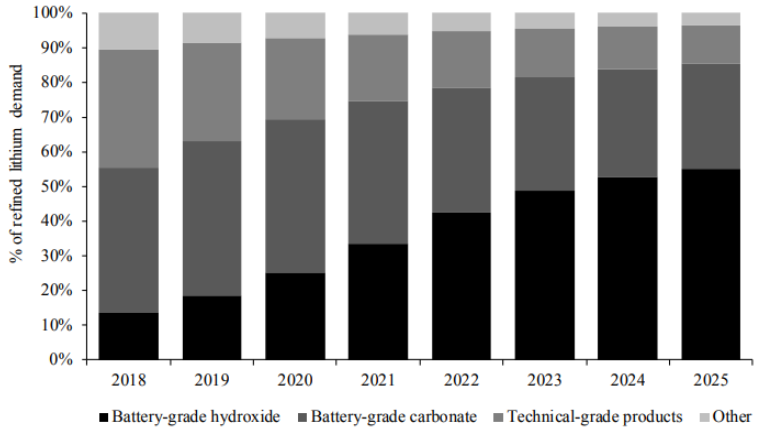
A few years ago there were a handful of major lithium producers focusing on the best deposits. The relatively niche market required producers to grow with the market and meet modest increases in lithium demand. However, when a step change in demand for Lithium occurred, producers could not meet the additional required capacity.

Orocobre Limited's (**Orocobre**) lithium salt brines in Argentina found difficulty meeting additional capacity as brine production outside of Chile's Atacama Desert where good grades and favourable climate conditions exist, are relatively unproven. Hard rock mining is relatively more straight forward however producers have also experienced difficulty ramping up production[3]. This supply constraint has led to multiple lithium projects coming online in recent years such as Mineral Resources Limited's (**Mineral Resources**) Wodgina project, Altura Mining Limited's (**Altura**) Pilgangoora project and Pilbara Minerals Limited's (**Pilbara Minerals**) Pilgangoora project.

Lithium carbonate vs hydroxide

Currently, demand for battery grade LCE exceeds demand for battery grade LiOH but this is expected to shift in the future as EV manufacturers prefer using LiOH in longer range EVs due its ability to maintain chemical stability in higher energy dense batteries. This shift from LCE to LiOH can be seen in the figure below.

Figure 9



Source: Roskill – Lithium 15th Edition Update 3 dated March 2019

Factors affecting demand

Lithium demand is expected to grow in the future, driven by the demand for lithium ion batteries used in EVs and in energy storage applications. China is the largest consumer of lithium in the world due to its involement in electronics and EV production. Approximately 60% of lithium is currently used in batteries for EVs and consumer products. By 2025 this is expected to reach c. 80% as shown in the Figure 9.

According to Roskill, refined lithium demand is forecast to increase at a compound annual growth rate (**CAGR**) of over 20% with demand from battery applications increasing at a CAGR of 27% through to 2025[4].

In response to falling prices and lackluster demand from China, lithium producers have pulled back on chemical-grade concentrate shipments and/or production schedules[5]. The EV revolution arriving slower

2 https://roskill.com/news/greenfields-first-battery-raw-materials-project-report/

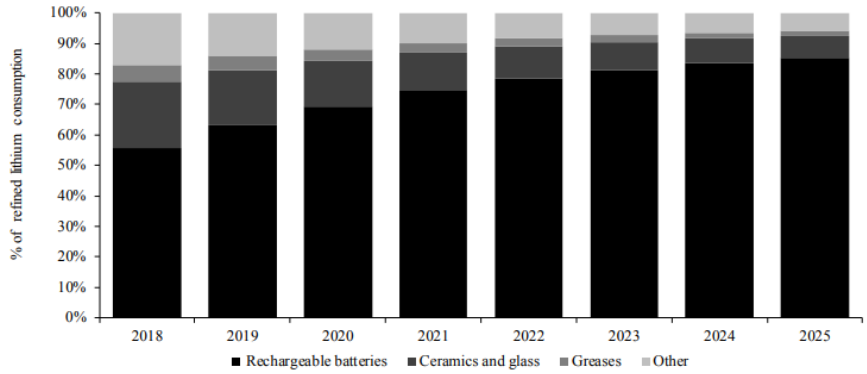
3 https://roskill.com/news/greenfields-first-battery-raw-materials-project-report/

4 Roskill – Lithium 15th Edition Update, 3 March 2019

5 Roskill - Lithium prices to continue slide despite forecast supply disruptions and strong demand growth dated July 2019

than anticipated has resulted in market commentators forecasting a surplus in spodumene for 2020-2023[6].

Figure 10



Source: Roskill – Lithium 15th Edition Update 3 dated March 2019

Demand for EVs is one of the primary drivers of recent and forecast demand for lithium. Global market penetration of EVs is expected to reach 9.7% by 2025 with China, Europe and Japan being the largest markets.

Figure 11

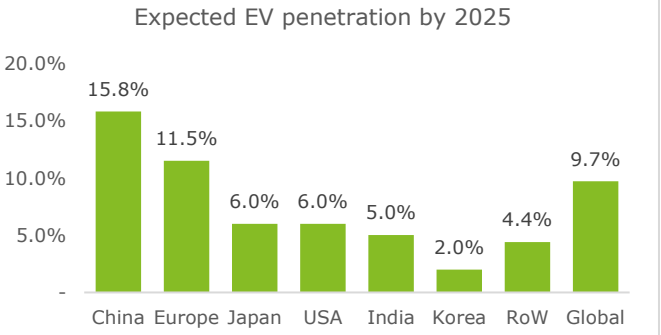
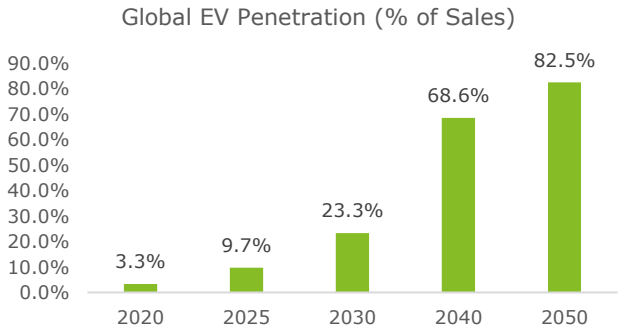


Figure 12



Source: Morgan Stanley Research dated May 2019

Factors affecting supply

Lithium supply is oligopolistic in structure with only eight producing countries. Chile, Australia and China account for 85% of global production (equivalent to 216 kilotonnes (**kt**) of LCE) in 2017[7].

Lithium supply has grown significantly over the past few years, exceeding mineral/chemical conversion capacity in China. The increase in supply is the result of three new Australian spodumene projects commencing operation in 2018 and a ramp up of production at several existing brine and mineral operations. The historical supply of LCE is shown in Figure 13. This increase in supply has resulted in oversupply of lithium which led to a decrease in lithium prices from highs during 2017-2018.

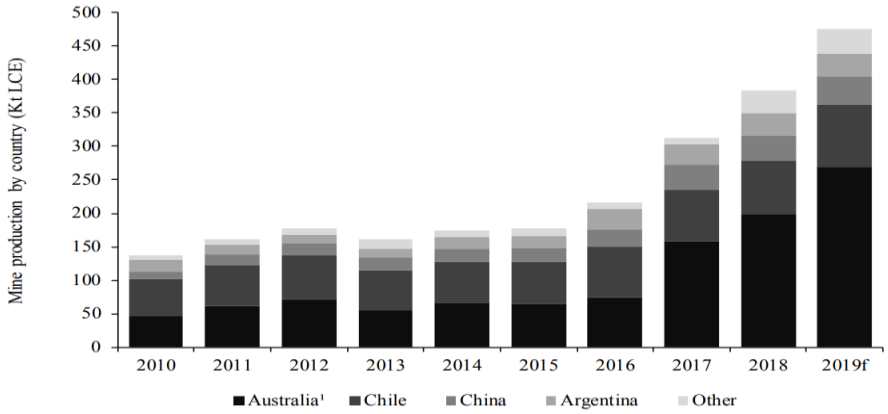
Fastmarkets expects 2019 to 2023 to be the years where an oversupply of lithium is prevalent. From 2024 onwards it is expected that supply will struggle to keep up with the strong CAGR in demand driven by EV and energy storage systems[8].

6 Canaccord Genuity – Specialty Minerals and Metals Industry Update dated September 2019

7 McKinsey – Lithium and Cobalt – A Tale of Two Commodities dated June 2018

8 Fastmarket – Charging up: Lithium market outlook – dated January 2019

Figure 13



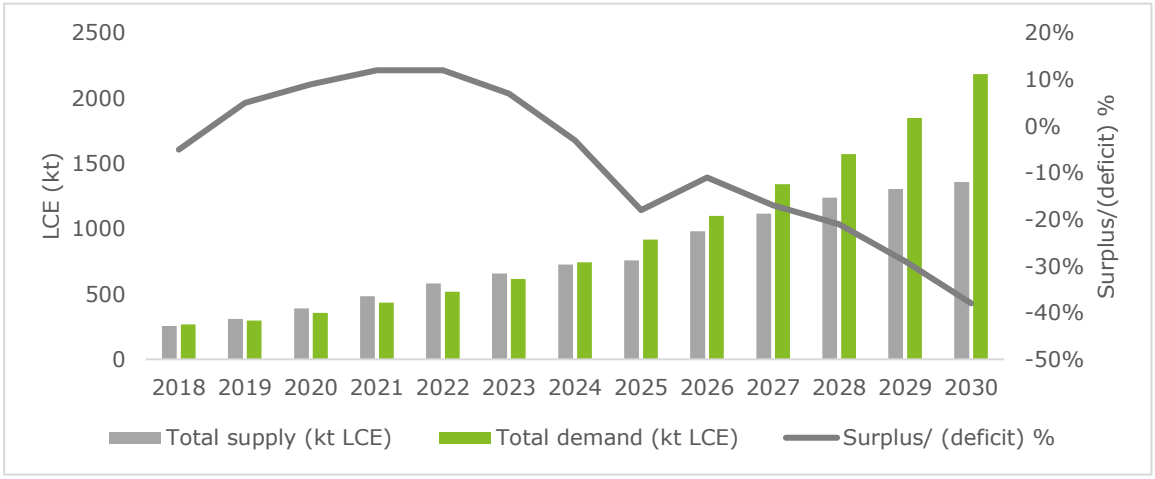
Source: Roskill – Lithium 15th Edition Update 3 dated March 2019

Notes:

1. Australia total excludes direct ore shipments from Pilgangoora and Wodgina

Canaccord[9] holds a similar view and expects there to be excess supply of LCE until 2023. This can be seen in Figure 14. Although Figure 14 references lithium carbonate surplus not spodumene, spodumene demand is derived from lithium carbonate and hydroxide. As a result, we consider this to be an appropriate proxy to forecast spodumene surplus/deficits. We note that UBS is forecasting an excess in supply of LCE until 2024[10].

Figure 14



Source: Canaccord Genuity estimates

Pricing

The price of spodumene concentrate is directly related to the price of LCE while the price of LCE and LiOH is related to the supply and demand factors of EVs and battery storage technologies.

Unlike other commodities there is no exchange traded market for lithium compounds. Prices for lithium compounds are typically set through negotiation between producers and consumers through private agreements. The terms of these agreements remain confidential and may contain terms that make it difficult to compare them with each other. These agreements may contain terms on annual volume flexibility, price floor and ceilings etc.

We note that spot prices are becoming more widely quoted, particularly in China where consumption of lithium compounds is the highest.

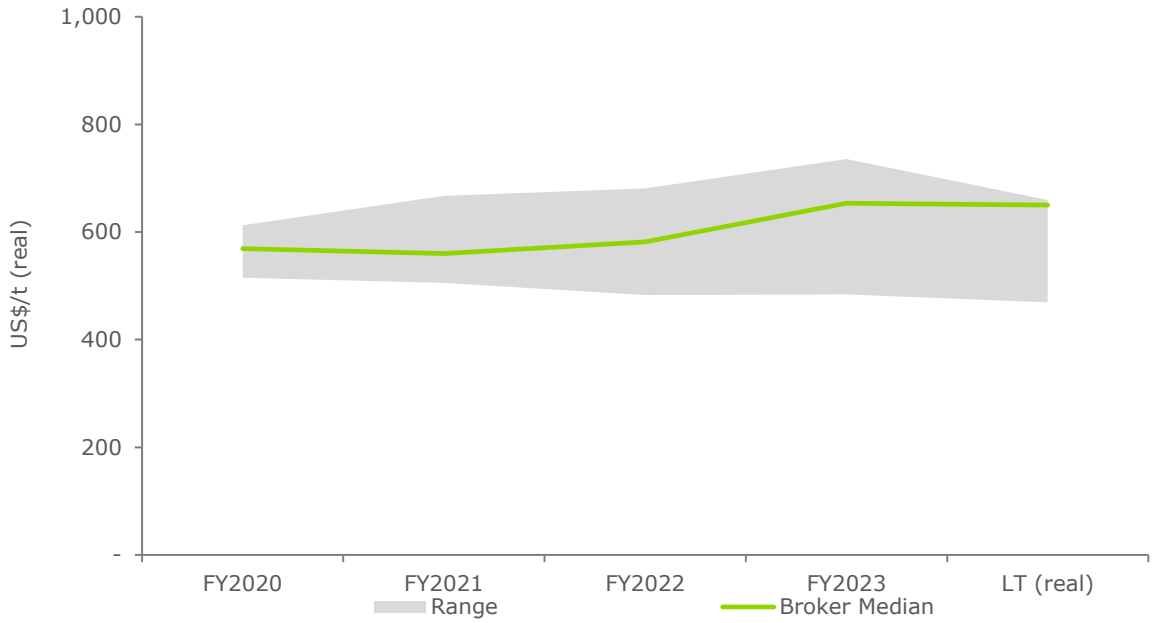
9 Canaccord Genuity Specialty Minerals and Metals – dated 1 September 2019

10 UBS Global I/O: Miners' Price Review – dated 26 September 2019

In June 2019, the London Metals Exchange (**LME**) announced it had been working closely with price reporting agency Fastmarkets to promote market uptake of a transparent and representative global lithium price. No completion timeline has been provided. The LME offers price quotes for LCE and LiOH which are updated weekly[11].

Broker forecasts provide a guide on the pricing of lithium compounds given the lack of an exchange traded market as shown in Figure 15. Median spodumene prices are forecast to be US$569/t in FY20, US$560/t in FY21, US$582/t in FY22 and US$653/t in FY23 with a long term of US$650/t.

Figure 15



Source: Broker reports, Deloitte analysis

As lithium prices have fallen, UBS[12] and Canaccord[13] report that prices have not bottomed out. While the longer-term trend remains towards high-nickel, lithium hydroxide dependent chemistries, the Chinese government has cut subsidies to EVs in an attempt to strengthen the industry by eliminating inferior electric automakers. The cut in subsidies range between 45% and 60% while subsidies were completely scrapped for vehicles with ranges below 250km/charge. This is expected to dampen lithium demand in the short term[14]. Majority of EV sales continue to be driven by a combination of government incentives (subsidies) and disincentives (higher taxes on internal combustion engine vehicles).

The dampening of short term lithium prices has resulted in Tianqi delaying completion of a A$300 million second stage of their lithium hydroxide plant in Western Australia[15]. Albemarle Corporation (**Albemarle**) has similarly delayed lithium investment plans in response to the weak market price by cancelling plans to build a LiOH processing plant in Australia's north-west with Mineral Resources and scaling back investment at its proposed Kemerton lithium hydroxide plant[16]. Pilbara Minerals has also cut exports as spodumene concentrate prices fell[17]. This pullback on supply will likely result in supply deficits in the

11 https://www.lme.com/Metals/Minor-metals/Lithium#tabIndex=0

12 UBS Global IO Miners' Price Review – dated 26 September 2019

13 Canaccord Genuity Specialty Minerals and Metals – dated 1 September 2019

14 https://www.cnbc.com/2019/06/19/china-subsidy-cuts-for-electric-carmakers-could-lead-to-consolidation.html

15 https://www.afr.com/companies/mining/tianqi-puts-brakes-on-landmark-wa-lithium-plant-expansion-20190910-p52ppp

16 https://www.afr.com/companies/mining/lithium-giant-albemarle-slashes-australian-investment-plans-20190809-p52ff0

17 https://www.afr.com/companies/mining/pilbara-minerals-cuts-exports-as-lithium-stalls-20190617-p51yeq

future as demand for battery materials is expected to outpace supply. Canaccord is forecasting a deficit of lithium carbonate equivalent to occur from 2024 onwards.

Tantalum

Overview

Tantalum is a hard silver-grey metal with more than 70 different chemical compositions, of which tantalite, microlite and wodginite are of the greatest economic importance[18]. The main use of tantalum is in the manufacture of capacitors required for the electronics and telecommunication industries. Tantalum also has anti-corrosive properties with tantalum metal being used in chemical industry applications as well as in metal alloys for aerospace and electricity-generation industries. Approximately 60% of annual consumption of tantalum is used in electronics.

Factors affecting demand and supply

Demand for tantalum is expected to grow in the future, driven by the growth of the electronic industry and extensive usage of tantalum alloys in aviation and gas turbines. The market for tantalum is expected to grow at a CAGR of 5.81% from 2019-2024[19]. The Asia-Pacific region dominates global consumption with China and South Korea being the largest markets.

Tantalum mining occurs in few countries with most tantalum being mined in Rwanda and the Democratic Republic of Congo (**DRC**). The table below shows the worldwide levels of production and reserves of tantalum[20]. The identified worldwide resources of tantalum are mostly found in Australia, Brazil and Canada and are considered adequate to supply projected needs. Pilbara Minerals and Alita produce tantalite concentrates as by-products of lithium operations. Tantalum is rarely bought and sold in pure form, instead it is sold as tantalite ore from which the metal can then be extracted[21].

Table 16

Country	Mine production (tonnes) 2017	2018	Reserves (tonnes)
Australia	83	90	76,000
Brazil	110	100	34,000
China	110	120	n/a
Congo	760	710	n/a
Ethiopia	65	70	n/a
Nigeria	153	150	n/a
Rwanda	441	500	n/a
Other	83	100	n/a
World total	**1,805**	**1,840**	**110,000**

Source: USGS

Outlook

There is no exchange traded market for tantalum compounds. Prices for tantalum compounds are typically set through negotiation between producers and consumers through private agreements. The terms of these agreements remain confidential and may contain terms that make it difficult to compare with each other. These agreements may contain terms on annual volume flexibility, price floor and ceilings etc.

Broker forecasts provide a guide on the pricing of tantalum compounds given the lack of an exchange traded market as shown in Figure 16. Median tantalite prices are expected to remain relatively stable, between US$60/t and US$65/t from FY2019 to FY2023.

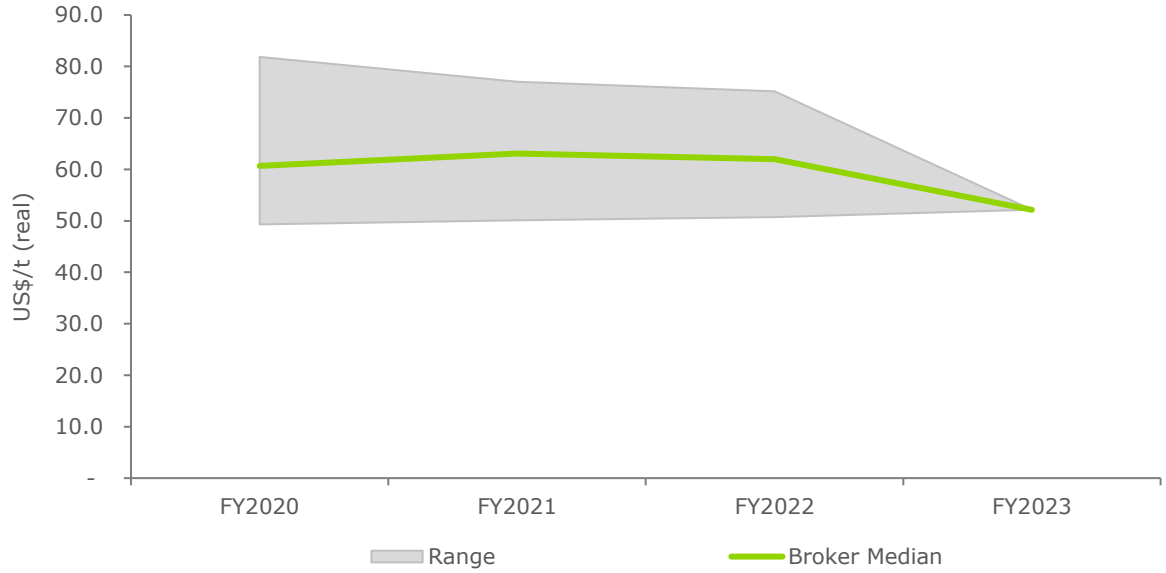
18 Geoscience Australia

19 https://www.mordorintelligence.com/industry-reports/tantalum-market

20 https://www.usgs.gov/centers/nmic/niobium-columbium-and-tantalum-statistics-and-information

21 http://www.metalary.com/tantalum-price/

Figure 16



Source: Broker reports, Deloitte analysis

Appendix D: Control Premium Studies

Set out in this appendix are a number of studies and analysis we have identified in order to inform our assessment of the appropriate range of control premiums to apply. Most specifically, we maintain our own database of transactions in the Australian market and using this database we are able to calculate historical control premiums.

Deloitte database of Australian public company M&A activity

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 30 September 2019. Our merger and acquisition data was sourced from MergerMarket, Capital IQ and Thomson Reuters along with publicly available news and information sources. This identified 672 transactions that were completed during the period under review[22].

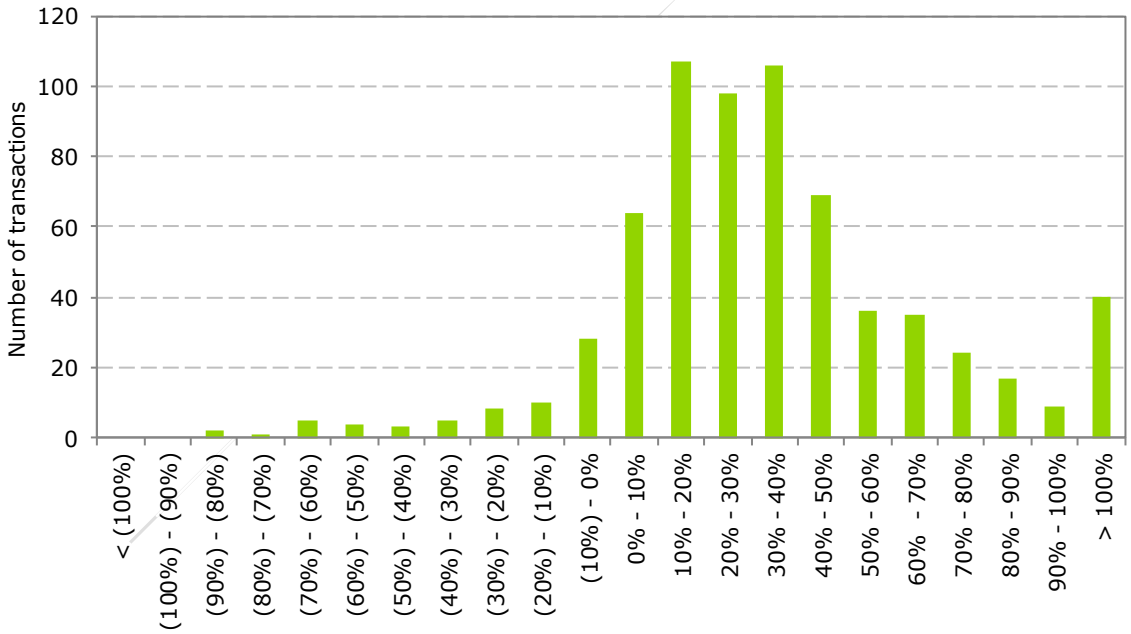
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 30 September 2019 are widely distributed with a long 'tail' of transactions with high premiums.

Figure 17: Control premium analysis - distribution of transactions



Source: Deloitte analysis

22 Excluding transactions where inadequate data was available.

The following table details our findings.

Table 17: Control premium analysis – overall market findings

	Control premium
Upper quartile	49%
Average	36%
Median	30%
Lower quartile	14%

Source: Deloitte analysis

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise 'special purchaser' value which is only available to a very few buyers. Such 'special purchaser' value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

For the reasons set out above, we consider the control premium range of 20% to 40% to be representative of general market practice for the following reasons.

Other studies

In addition to our own analysis as set out above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, 'Cross Country Determinants of Mergers and Acquisitions', on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- 'Valuation of Businesses, Shares and Equity' (4th edition, 2003) by W.Lonergan states at pages 55-56 that: "Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly."
- a study conducted by P.Brown and R.da Silva dated 1997, 'Takeovers: Who wins?', JASSA: The Journal of the Securities Institute of Australia, v4 (Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7% (however, we note that during this period the Australian economy went through a period of unusually weak economic growth, including a recession)
- a study conducted by A. Gilmore, G. Yates and I. Douglas of RSM dated 2017, 'Control Premium Study 2017 – Insights into market dynamics, financial dynamics and other factors', on successful takeovers and schemes of arrangement completed between 1 July 2005 and 30 June 2016 for companies listed on the Australian Stock Exchange. The study included 463 transactions (for which meaningful data was available) and indicated an average implied control premium at 20 days pre-bid of 34.5% and a median implied control premium of 27.0%.

Appendix E: DCF analysis

Our initial preferred valuation approach for the Bald Hill Project was to perform a DCF valuation of the ore reserves included in the Bald Hill Model. In undertaking the DCF it became clear that the valuation yields a wide range of outcomes ranging from -A$128.4 million to A$21.2 million, depending on the assumptions adopted. Using our preferred assumptions, the outcome is a negative range between -A$61.4 million and -A$52.3 million, with a mid-point value of -A$56.8 million. Details of our DCF analysis are presented below.

Management provided us with the Bald Hill Model which includes detailed cash flow projections on a real basis. On this basis, we have performed an analysis of the cash flow projections, including:

- limited procedures regarding the mathematical accuracy of the Bald Hill Model (but have performed neither a detailed review nor an audit)
- review of the basis of the underlying assumptions such as revenue, operating expenditure, capital expenditure, royalties, and taxes.

In addition to the above, SRK has reviewed the technical assumptions set out in the Bald Hill Model, and held discussions with Management regarding the preparation of and basis for the technical assumptions. We have adjusted these assumptions based on SRK's recommendations.

Economic assumptions

We have made amendments to the Bald Hill Model to reflect our selected price assumptions, foreign exchange rates and inflation assumptions. Our consideration of these assumptions is set out below.

Commodity prices

The primary commodities produced from Bald Hill Project are lithium and tantalum. In estimating the appropriate forecast lithium and tantalum price assumptions, we have had regard to the following:

- spot lithium and tantalum prices
- broker forecast lithium and tantalum price estimates
- other publicly available industry estimates and commentary.

Based on the above, we have adopted the following forecast commodity price assumptions on a real basis. Refer to Appendix C for further discussion on the selected commodity prices.

Table 18

	2020	2021	2022	2023	LT
Spodumene (US$/t)					
Median broker forecasts[1]	534	525	547	618	615
Tantalite (US$/t)					
Median broker forecasts	55.7	62.6	61.1	52.1	n/a

Source: Capital IQ, Thomson Research, Deloitte analysis

Note:

1. Spodumene prices are based on a FOB Esperance basis after subtracting US$35/t of freight costs from CIF China reported prices to account for an Esperance to China freight cost. This cost appears appropriate based on our enquiries of market participants.

Foreign exchange

We have selected the US$:A$ foreign exchange rate assumptions based on our consideration of:

- historical and current US$:A$ exchange rates
- forecasts prepared by economic analysts and other publicly available information, including analyst forecasts.

Based on the above, we have adopted the following US$:A$ foreign exchange rate assumptions:

Table 19

Foreign exchange	2020	2021	2022	2023+
US$:A$	0.69	0.71	0.71	0.71

Source: Economist Intelligence Unit (**EIU**) and broker forecasts where available, Deloitte analysis

Inflation

The Bald Hill Model provided by Management has been prepared on a real basis. We have therefore adopted US$ and A$ inflation assumptions to adjust the brokers' estimates to form our view on the commodity prices forecast assumptions in real terms, based on our consideration of the following:

- historical and current US and Australian Consumer Price Index (**CPI**) rates
- forecasts prepared by economic analysts and other publicly available information, including analyst forecasts.

Based on the above, we have adopted the following inflation assumptions.

Table 20

Inflation	2019	2020	2021	2022	2023	2024+
US	2.00%	1.40%	1.90%	2.10%	1.80%	2.00%
Australia	1.50%	1.50%	1.90%	2.00%	2.10%	2.50%

Source: EIU and broker forecasts where available, Deloitte analysis

Key assumptions

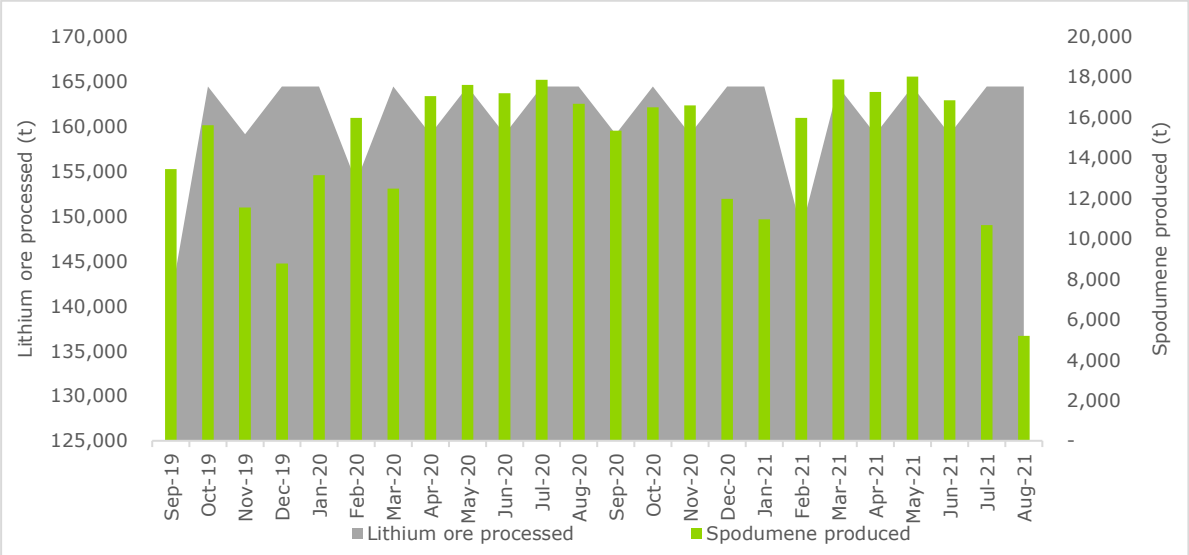
The key assumptions adopted in the preparation of the cash flow projections and the adjustments we have made are discussed below. We note the following about the assumptions below:

- figures are presented in real terms unless otherwise stated
- Bald Hill Model provided by Management assumes that production never stopped and the plant is currently operating. Based on the time required to restart the plant, we adjusted this and have assumed January 2020 as the restart date for our base case valuation. We have included the corresponding restart and the care and maintenance costs for the period that we have assumed that the plant is not operating
- based on information provided by SRK, we have adjusted the processing and crushing costs to reflect a scenario where the Project is re-started on an owner-operator basis rather than a contractor model as was done in the past.

Production assumptions

Revenue is a function of the quantity of the ore processed and the prices of lithium and tantalum, as discussed in the following sections. The following figures show the forecast lithium ore processed and the spodumene and tantalum concentrate produced over the LOM of the Bald Hill Project.

Figure 18



Source: Bald Hill Model, SRK, Deloitte analysis

Figure 19

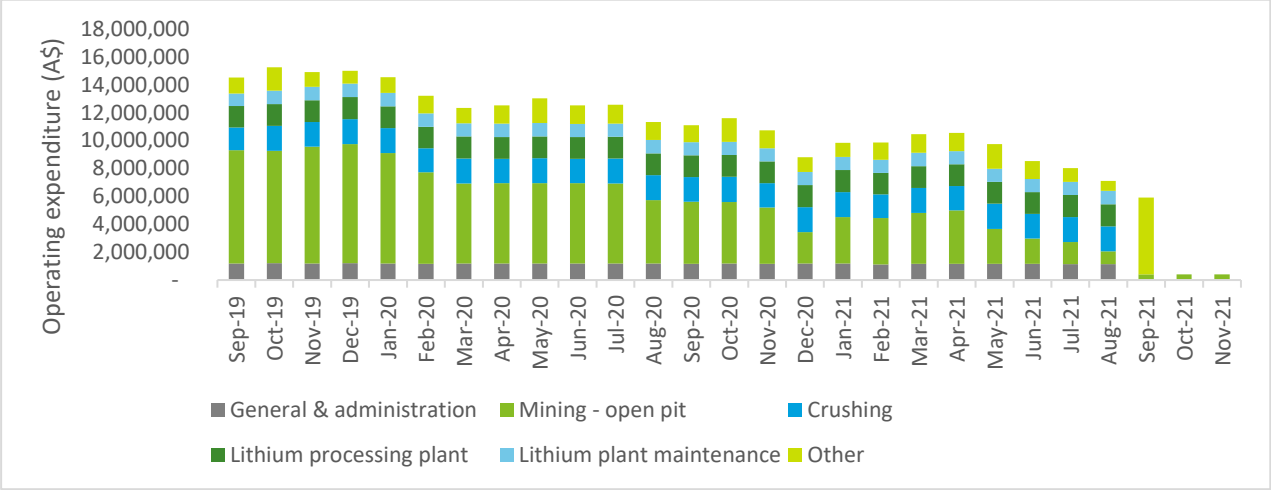
Source: Bald Hill Model, SRK, Deloitte analysis

We note the following in relation to the projected production volumes:

- total forecast lithium ore processed comprises of approximately 3.9 Mt over the LOM starting in 2020 and ending in 2022 with an average feed grade of 0.86% lithium oxide. As advised by SRK we have adjusted the model to include 4.1 Mt over the LOM, refer Section 4.2.1 of the SRK Report
- this corresponds to 350kt of spodumene product produced over the LOM and 621t of tantalum concentrate
- as suggested by SRK, we have adjusted the ore grade (Li_2O) adjustment factor included in the Bald Hill Model from 100% to 76% to reflect that the project economics are not supported by current mine plan, refer to Section 4.2.1 of the SRK Report.

Operating expenditure

Figure 20



Source: Bald Hill Model, SRK, Deloitte analysis

We note the following with respect to the above figure:

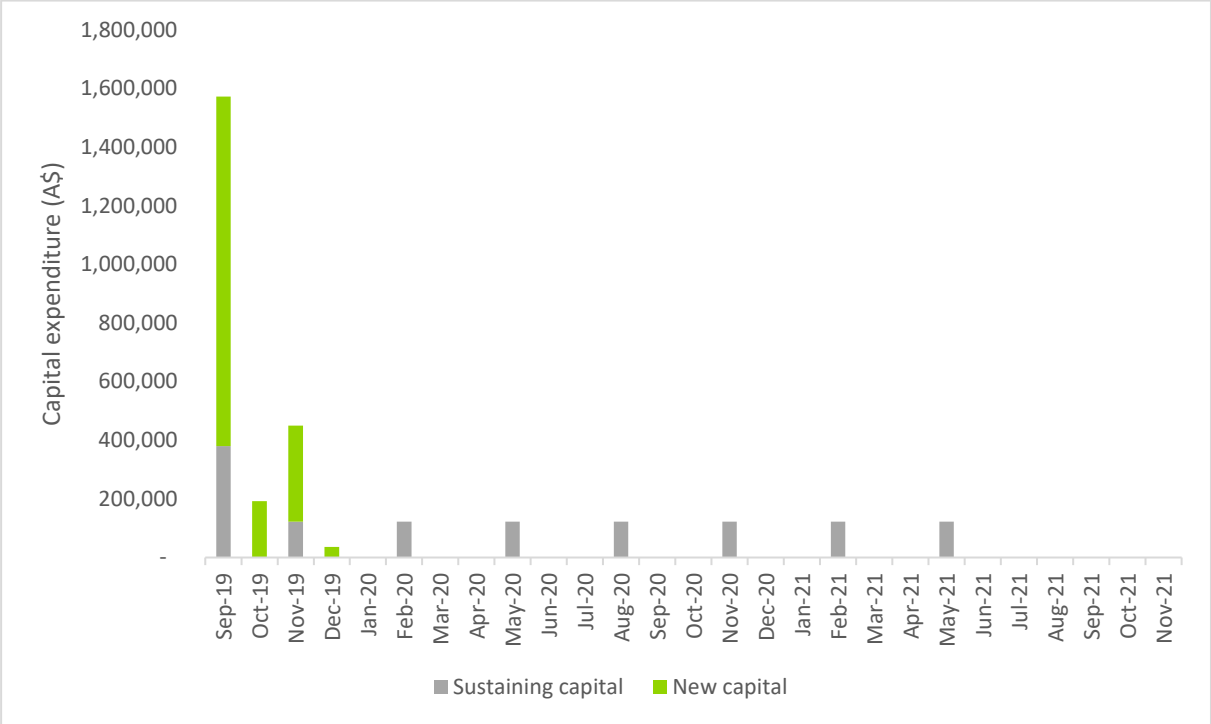
- total operating costs over the LOM are projected to be approximately A$285 million (excluding royalties) and comprises of mining, crushing, plant processing and maintenance, road maintenance/ development, product transportation, corporate and administrative expenses of the mine
- the royalty rate on lithium and lithium by products sold is 5%, payable to the Western Australian state government
- projected operating costs of spodumene produced (net of tantalum credits) is approximately A$762/t over the LOM
- as mentioned before, we have adjusted the processing and crushing costs to reflect a scenario where the Project is re-started on an owner-operator basis rather than a contractor model as was done in the past. This assumption is consistent with the restart costs we have included in the Bald Hill Model as described in the section below.

Restart and care and maintenance costs

We have included an estimate of the restart and care and maintenance costs provided by SRK in the Bald Hill Model. Restart costs are estimated to be c. A$21 million over the three months required to restart the plant. Refer to Section 4.2.4 of SRK's Report. We have estimated care and maintenance costs to be c. A$15,000 per month to cover salaries of the staff on site. Refer to Section 3.5.1 of SRK's Report.

Capital expenditure

Figure 21



Source: Bald Hill Model, SRK, Deloitte analysis

We note that the total capital expenditure over the LOM is projected to be approximately A$3.0 million. New capital primarily consists of an additional processing plant costing A$1 million.

Other assumptions

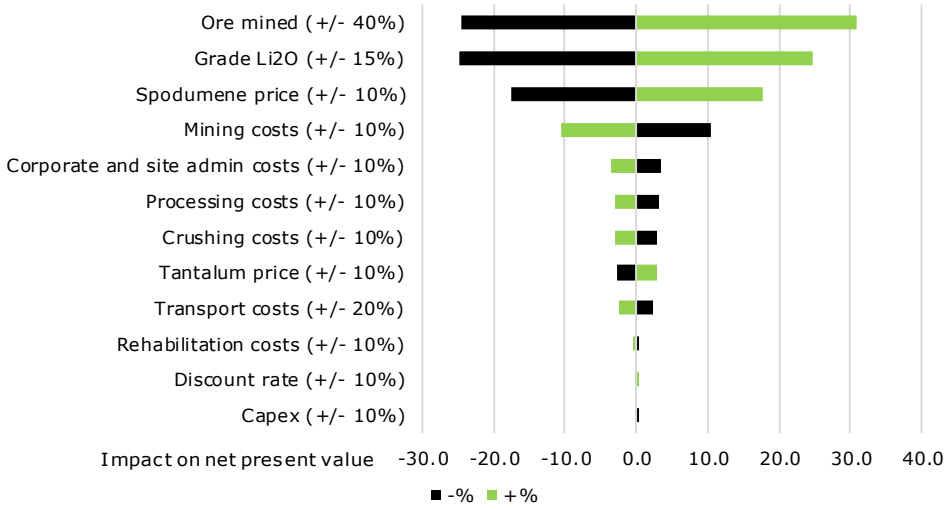
In addition to the assumptions discussed in the preceding sections, we have also made the following assumptions:

- the cash flows in the Bald Hill Model were modelled with no corporate taxes. We have included the Australian government corporate tax rate of 30%, utilising tax losses accumulated where applicable
- rehabilitation costs of A$5.5 million incurred in March 2022
- ore stockpiles were not included in the cash flows given that they have been valued separately
- we have changed the shipping schedule included in the Bald Hill Model and assumed that all the production is shipped the same month it is produced
- we have selected a real post-tax discount rate of 12% to 13% to discount the future cash flows of the Bald Hill Project to their present value. Refer to Appendix F for details of our selected discount rate.

Sensitivity analysis

We have considered the sensitivity of the value of the Bald Hill Project to changes in commodity prices, discount rate, planned ore mined, ore grade, operating expenditure, capital expenditure and rehabilitation costs assumptions adopted. The impact on the NPV of changes in these assumptions is set out in the figure below.

Figure 22



Source: Bald Hill Model, SRK, Deloitte analysis

Note:

1. 0.0 refers to the midpoint of the outcome under our preferred assumptions i.e. -A$56.8 million
2. Sensitivities to the waste mined and the ore grade (Ta_2O_5) factor were not included because it was not possible to run these adjustments through the Bald Hill Model

The figure above includes the sensitivity adjustments suggested in Section 4.2.1 of the SRK Report for the inputs to be used in our scenario analyses. These adjustments comprise of the following sensitivity ranges:

- +/- 40% of ore mined,
- +/-15% of ore grade (Li_2O) factor,
- +/-10% of mining costs,
- +/-10% of processing costs,
- +/-10% of crushing costs,
- +/-10% of corporate and administration costs,
- and +/-20% of transport costs.

Under the most favourable sensitivity scenario (+40% of ore mined, +15% of ore grade (Li_2O) factor, -10% of mining costs, -10% of processing costs, -10% of crushing costs, -10% of corporate and administration costs, and -20% of transport costs), the value of the Project would be A$21.2 million. Under the least favourable assumptions, the value would be -A$128.4 million

It is important to note that any impact of an individual assumption reflected above would not result in a positive value for the Bald Hill Project. Our modelling shows that spodumene prices would need to recover to US$805/t FOB Esperance for the DCF to show the same value as under our primary valuation method. The table below shows the spodumene price required to obtain a similar value to our primary valuation method assuming different restart dates.

Table 21

	Spodumene price						
(A$ million, EV Bald Hill Project)	**805**	**825**	**840**	**855**	**870**	**885**	**900**
Restart date							
01-Jan-20	**15.1**	19.8	23.3	26.7	30.2	33.7	37.2
01-Sep-20	11.0	**15.3**	18.6	21.8	25.0	28.2	31.5
01-Sep-21	7.9	11.7	**14.6**	17.5	20.3	23.2	26.0
01-Sep-22	6.6	10.0	12.6	**15.1**	17.7	20.2	22.7
01-Sep-23	5.8	8.8	11.0	13.3	**15.6**	17.8	20.1
01-Sep-24	5.0	7.6	9.6	11.7	13.7	**15.7**	17.7
01-Sep-25	4.2	6.6	8.4	10.2	12.0	13.8	**15.5**

Source: Bald Hill Model, SRK, Deloitte analysis

Appendix F: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued. Discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity selected. This is commonly referred to as the weighted average cost of capital (**WACC**). The WACC can be derived using the following formula:

$$WACC = \left(\frac{E}{V} \times K_e\right) + \left(\frac{D}{V} \times K_d \times (1 - t_c)\right)$$

The components of the formula are:

K_e = cost of equity capital

K_d = cost of debt

t_c = corporate tax rate

E/V = proportion of enterprise funded by equity

D/V = proportion of enterprise funded by debt

We have used the Capital Asset Pricing Model (**CAPM**) to estimate the K_e for the Bald Hill Project. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital. The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta (R_m - R_f) + \alpha$$

A brief description of the above factors and a summary of the AUD denominated build-up of our selected discount rate is set out below.

Table 22

	Low	High	Mid
Risk free rate (R_f)	0.94%	0.94%	0.94%
Equity market risk premium (EMRP)	8.50%	8.50%	8.50%
Beta (ungeared β)	1.10	1.20	1.15
Beta (geared β)	1.19	1.29	1.24
Project specific risk premium	4.00%	5.00%	4.50%
Calculated K_e	**15.02%**	**16.94%**	**15.98%**
Net debt/enterprise value	10.00%	10.00%	10.00%
Tax rate	30.00%	30.00%	30.00%
K_d (pre-tax)	4.72%	5.72%	5.22%
K_d (post-tax)	**3.31%**	**4.01%**	**3.66%**
WACC (post-tax) nominal	**13.85%**	**15.64%**	**14.75%**
Inflation rate	2.00%	2.00%	2.00%
WACC (post-tax) real	**11.62%**	**13.38%**	**12.50%**
Selected WACC real	**12.00%**	**13.00%**	**12.50%**

Source: Capital IQ, Deloitte analysis
Notes:
1. Includes the Blume adjustment

R_f: compensates the investor for the time value of money and the expected inflation rate over the investment period. In determining the risk-free rate, we have adopted the five-day average of the 10-year zero coupon Australian government bond rate as at 30 September 2019.

EMRP: represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. We consider an EMRP of 8.5% to be reasonable.

β: measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. In our research in respect of comparable company betas, we have also considered non-producing lithium companies given the current status of the Bald Hill Project, however the betas were largely not meaningful due to poor statistical correlation. Therefore, we have considered betas of producing lithium companies and adjusted the discount rate through a project specific risk premium, discussed below

We note that the average and median unlevered betas of comparable lithium producing companies are 1.11 and 1.14 based on 4 year monthly data, respectively.

Therefore, we have selected a beta of between 1.1 and 1.2 for the Project. We have re-levered the selected beta based on our selected gearing set out below. We have also applied the Blume mean reversion adjustment, resulting in a selected adjusted levered beta in the range of 1.19 to 1.29.

Gearing ratio: We have considered the capital structures of companies considered comparable to Alita and our view on the optimal long-term capital structure of similar companies to determine a reasonable gearing ratio of 10%.

Project specific risk premium: in selecting of our project specific risk premium of 4% to 5% we have considered the following factors:

- as indicated in the SRK Report there is significant uncertainty around the appropriateness of the mine plan for valuation under the DCF method. Reconciliation of past production results on volumes and grade against the mine plan indicates material shortfalls against the mine plan
- Alita does not have any offtake agreements in place
- a revised pit optimisation study is required in order to re-optimise the mine plan.

Tax rate: our selected tax rate of 30% reflects the current Australian corporate tax rate.

K_d: we have estimated an applicable pre-tax cost of debt to be 4.7% to 5.7%. The cost of debt is a reflection of the interest rate demanded by debt capital providers. Interest rates are typically determined with reference to a base rate. We have used the 10 year BBB bond spread to swap rate and applied a base rate. We consider this assumption to be reasonable for the Project given the low level of gearing assumed and based on the public information available for the cost of debt of other market participants in the lithium industry.

Inflation: based on the LOM and our inflation forecast presented in Table 20, we consider appropriate to use 2% as the inflation rate to adjust the nominal WACC to real.

Appendix G: Comparable company betas

Table 23

Name	EV (on a minority basis) (A$m)	4 year monthly debt to enterprise value (%)	2-year weekly beta			4-year monthly beta		
			Levered	Unlevered	R^2 correlation	Levered	Unlevered	R^2 correlation
International producers								
Sociedad Química y Minera de Chile S.A.	11,873.8	5.5%	0.99	0.97	13.5%	0.93	0.90	10.0%
Albemarle Corporation	12,946.7	13.4%	0.98	0.92	17.9%	0.98	0.87	14.1%
Tianqi Lithium Corporation	13,133.0	13.7%	1.19	0.98	28.2%	1.28	1.15	17.5%
Nemaska Lithium Inc.	688.0	16.8%	n/m	n/m	3.1%	n/m	n/m	4.8%
Orocobre Limited	630.1	-	1.91	1.91	24.2%	n/m	n/m	4.8%
Average			**1.27**	**1.20**		**1.06**	**0.97**	
Median			**1.09**	**0.98**		**0.98**	**0.90**	
Australian producers								
Mineral Resources Limited	3,269.3	5.9%	1.16	1.06	11.7%	n/m	n/m	0.8%
Pilbara Minerals Limited	656.9	3.5%	1.17	1.14	7.0%	n/m	n/m	1.0%
Galaxy Resources Limited	160.9	4.2%	1.51	1.51	16.0%	n/m	n/m	1.3%
Altura Mining Limited	305.1	14.7%	n/m	n/m	4.3%	n/m	n/m	2.8%
Average			**1.28**	**1.24**		**n/m**	**n/m**	
Median			**1.17**	**1.14**		**n/m**	**n/m**	
Overall average			**1.27**	**1.21**		**1.06**	**0.97**	
Overall median			**1.17**	**1.06**		**0.98**	**0.90**	

1. EV – Enterprise value
2. Negative values are presented as nil
3. n/m – not meaningful
4. Figures in this table are subject to rounding

Appendix H: SRK Consulting (Australasia) Australia Pty Ltd Independent Specialist Report

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Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

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Appendix 8 – SRK Independent Specialist Report on the Mineral Assets of the Group

Independent Specialist Report on the Mineral Assets of Alita Resources Limited

Report prepared for

KordaMentha Pty Ltd and Deloitte Financial Advisory Pty Ltd

Report prepared by

SRK Consulting (Australasia) Pty Ltd

KDM002

November 2019

Independent Specialist Report on the Mineral Assets of Alita Resources Limited

KordaMentha Pty Ltd

Level 10, 40 St Georges Terrace, Perth WA 6000

Deloitte Financial Advisory Pty Ltd

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SRK Project Number: KDM002

November 2019

Compiled by

Karen Lloyd
Associate Principal Consultant

Email: klloyd@srk.com.au

Peer Reviewed by

Jeames McKibben
Principal Consultant

Authors:

Karen Lloyd, Scott McEwing, Steve Howard, Rebecca Getty

Executive Summary

Deloitte Financial Advisory Pty Ltd (Deloitte) has been engaged by KordaMentha Pty Ltd (KordaMentha) in its capacity as voluntary administrators of Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed) (Alita or the Company) to prepare an Independent Valuation Report (IVR) expressing its opinion as to the current market value of the assets of Alita.

SRK Consulting (Australasia) Pty Ltd (SRK), as Technical Specialist, has been requested by KordaMentha to provide an Independent Specialist Report (Report) on the mineral assets of Alita (Mineral Assets) in support of the IVR, and SRK understands that its Report is to be included as an appendix to Deloitte's IVR.

The principal mineral asset of Alita is the wholly owned Bald Hill Lithium and Tantalum Mine (Project) located in the Eastern Goldfields region of Western Australia. Through its 15% equity interest in Cowan Lithium Limited, Alita also holds an interest in the Cowan Project, a lithium and tantalum exploration mineral asset situated contiguous with the Project. SRK's representatives, Karen Lloyd, Scott McEwing and Steve Howard undertook a one-day site inspection to the Project on 9 October 2019.

SRK's scope of work included an assessment of the reasonableness of the technical inputs to the Project's discounted cashflow model (Model) supplied by KordaMentha. Where deemed warranted, SRK has modified production and capital and operating cost projections for use by Deloitte. Additionally, SRK has prepared a valuation of the Project and the Cowan Project (collectively the Projects) using an analysis of market-based (comparable sales) and cost-based methods.

SRK's recommended valuation ranges and preferred values are detailed in the Valuation section (Section 7) of this Report and are summarised in Table ES-1. The valuation ranges were developed on the basis of the perceived potential of the Projects. SRK's preferred values are positioned at the 50th percentile, given the current market uncertainty for future lithium prices.

Table ES-1: Summary of SRK's valuation as at 20 October 2019 on a 100% equity basis

Stage	Low (A$M)	High (A$M)	Preferred (A$M)
Ore Reserves considered in the Model	11.2	18.9	15.0
Mineral Resources not considered in the Model (residual resources)	11.1	18.7	14.9
Restart value	+/- 35% estimate		21.0
Salvage Value	7.5	8.5	8.0
Advanced Exploration tenure	1.1	4.8	2.9
Cowan Project	1.4	6.5	3.9

Note: Any discrepancies between values in the table are due to rounding.

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by KordaMentha Pty Ltd (KordaMentha). The opinions in this Report are provided in response to a specific request from KordaMentha to do so. SRK has exercised all due care in reviewing the supplied information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

1 Introduction and Scope of Report

Deloitte Financial Advisory Pty Ltd (Deloitte) has been engaged by KordaMentha Pty Ltd (KordaMentha) in its capacity as voluntary administrators of Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed) (Alita or the Company) to prepare an Independent Valuation Report (IVR) expressing its opinion as to the current market value of the assets of Alita.

SRK Consulting (Australasia) Pty Ltd (SRK), as Technical Specialist, has been requested by KordaMentha to provide an Independent Specialist Report (Report) on the mineral assets of Alita (Mineral Assets) in support of the IVR.

The principal mineral asset of Alita is the wholly owned Bald Hill Lithium and Tantalum Mine (Project) located in the Eastern Goldfields region of Western Australia. Through its 15% equity interest in Cowan Lithium Limited, Alita also holds an interest in the Cowan Project, a lithium and tantalum exploration asset contiguous with the Project.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in relation to the exploration, development of, and production from, those tenures. This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals relating to that tenure.

For this valuation, the Project and the Cowan Project (collectively the Projects) were classified in accordance with the categories outlined in the VALMIN Code (2015), these being:

- **Early Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been 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.
- **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.
- **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 (PFS).
- **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants that have been commissioned and are in production.

The Bald Hill Project is classified as a Pre-Development Project, which is on care and maintenance. The Cowan Project is classified as an Advanced Exploration Project.

1.1 Nature of the brief and summary of principal objectives

As agreed with Deloitte and KordaMentha, SRK was engaged to review the technical project assumptions in the Project's discounted cashflow model (Model) as supplied by KordaMentha and provide an assessment regarding the reasonableness of the incumbent assumptions, and to assist Deloitte in making any changes to reflect SRK's opinion. Specifically, SRK's review and assessment were focused on the:

- Stated Mineral Resources and Ore Reserves
- Mining physicals (including tonnes of ore mined, ore processed, recovery and grade)
- Processing assumptions (including ore and grade processed, products and recovery)
- Operating costs (including but not limited to mining, processing, haulage, general site costs/ administration, penalties, transport, contingencies and royalties)
- Capital expenditure (including but not limited to project capital costs, sustaining capital expenditure and contingency)
- Care and maintenance costs and costs required to restart the operations of the Bald Hill Project
- Environmental and permitting provisions.

SRK's scope specifically excluded any work related to the marketing, commodity price and exchange rate assumptions, discount rate and financial analysis adopted in the Model.

Additionally, SRK was engaged to provide:

- An independent opinion on the market value of the Mineral Resources not included in the Model (residual resources)
- An independent opinion on the market value of the Project on a comparable transactions basis
- An independent opinion on the market value of the Cowan Project
- An estimate of the salvage value of the processing facilities
- An estimate of the costs likely to be incurred in order to restart the mining and processing operation.

1.2 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). The authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN and JORC Codes. For the avoidance of doubt, this report has been prepared according to:

- 2015 edition of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code)
- 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

As per the VALMIN Code (2015), a first draft of the report was supplied to KordaMentha to check for material error, factual accuracy and omissions before the final report was issued.

For the purposes of this Report, value is defined as 'market value', being the amount of money (or the cash equivalent or some other consideration) 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, wherein the parties each acted knowledgeably, prudently and without compulsion.

SRK's Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of the Projects and any other parties.

1.3 Work program

This assignment commenced in October 2019, with a review of supplied information as well as publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Market Intelligence database services. KordaMentha provided SRK with access to an online data room and SRK consultants worked through the datasets, the Model and completed research on comparable market transactions.

In accordance with Section 11.1 of the VALMIN Code (2015), a site inspection to the Project was undertaken by SRK on 9 October 2019.

1.4 Legal matters

SRK has not been engaged to comment on any legal matters. SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK understands that there are a number of legal matters relating to the tenure and material contracts which are being dealt with by KordaMentha.

1.5 Effective Date

The Effective Date of this Report is 20 October 2019.

1.6 Project team

This Report has been prepared by a team of consultants from SRK's Perth office. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below and in Table 1-1.

Karen Lloyd, Associate Principal Consultant (Project Evaluation), BSc(Hons), MBA, FAusIMM

Karen has more than 20 years international resource industry experience gained with some of the major mining, consulting and investment houses globally. She specialises in independent reporting, mineral asset valuation, project due diligence, and corporate advisory services. Karen has worked in funds management and analysis for debt, mezzanine and equity financing and provides consulting and advisory in support of project finance. She has been responsible for multi-disciplinary teams covering precious metals, base metals, industrial minerals and bulk commodities in Australia, Asia, Africa, the Americas and Europe.

Karen is a Fellow of the Australasian Institute of Mining and Metallurgy and has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Scott McEwing, Principal Consultant (Mining), BE (Mining), FAusIMM (CP)

Scott has over 20 years' mining experience in both open pit and underground mining. Scott is a mining engineer who works in due diligence, project management and with technical mine planning arenas. Scott has been SRK's project manager for the delivery of a number of large multi-discipline feasibility studies. His technical skills include mine planning, optimisation and design. Scott has practical experience in both production and planning roles in Australia and in New Zealand.

Scott is a Fellow of the Australasian Institute of Mining and Metallurgy. He has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Steve Howard, Associate Principal Consultant (Capital Infrastructure)

Steve has 35 years of design, estimation and construction management experience and operational expertise. Steve is an expert in capital and operating cost estimation for mineral projects and is the author of the Rawlinson Process Engineering estimating handbooks. He has significant experience in capital allocation for operation restarts and takes a pragmatic approach to cost estimation.

Rebecca Getty, Senior Consultant (Environmental Management), MEM, BSc (Hons), MAusIMM, MAIG

Rebecca is an environmental management professional with 11 years' experience in the mining industry. Her experience as an environmental advisor includes mine closure planning and cost estimation, due diligence, assurance matters, environmental management plans and environmental approvals. She commenced her career as an exploration geologist, responsible for supervising drill programs and preparing technical and statutory reports. Rebecca has strong project management and risk assessment skills. Her duties have included planning multi-disciplinary projects, organisation of subconsultants, budget and scheduling control and effective communication. Rebecca's experience in technical reporting includes authoring and co-authoring of reports to international reporting guidelines.

Rebecca is a Member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists. She has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Jeames McKibben, Principal Consultant (Project Evaluation), BSc(Hons), MBA, FAusIMM(CP), MAIG, MRICS.

Jeames is an experienced international mining professional having operated in a variety of roles including consultant, project manager, geologist and analyst over more than 25 years. He has a strong record in mineral asset valuation, project due diligence, independent technical review and deposit evaluation. As a consultant, he specialises in mineral asset valuations and Independent Technical Reports for equity transactions and in support of project finance. Jeames has been responsible for multi-disciplinary teams covering precious metals, base metals, bulk commodities (ferrous and energy), industrial minerals and other minerals in Australia, Asia, Africa, North and South America and Europe. He has assisted numerous mineral companies, financial, accounting and legal institutions and has been actively involved in arbitration and litigation proceedings. Jeames has experience in the geological evaluation and valuation of mineral projects worldwide.

Jeames is a Fellow of the Australasian Institute of Mining and Metallurgy, a Member of the Australian Institute of Geoscientists, and a Member of the Royal Institution of Chartered Surveyors. He has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Table 1-1: SRK Project Team

Specialist	Position/ Company	Responsibility	Length and Type of Experience	Site Inspection	Professional designation
Karen Lloyd	Associate Principal Consultant/ SRK Consulting (Australasia) Pty Ltd	Project Manager Geology Valuation	24 years. 8 years in operations, 7 years in strategic planning, 3 years in funds management, 6 years in consulting	11/05/2018 09/10/2019	MBA, BSc (Hons), FAusIMM
Scott McEwing	Principal Consultant/ SRK Consulting (Australasia) Pty Ltd	Mining	23 years post graduate experience. 5 years operations and 18 years consulting including studies and due diligence	09/10/2019	BE(Mining), FAusIMM, CP(Min), RPEQ
Steve Howard	Associate Principal Consultant/ SRK Consulting (Australasia) Pty Ltd	Process and Non-Process Infrastructure	35 years' experience in capital and operating cost estimation for process and non-process infrastructure. Author of the Rawlinson series Cost Estimation Handbooks.	09/10/2019	N/A
Rebecca Getty	Principal Consultant/ SRK Consulting (Australasia) Pty Ltd	Environment and Permitting	11 years in consulting, 9 as an exploration geologist, two years as environment/ mine closure due diligence	None	MEM, BSc (Hons), MAusIMM, MAIG
Jeames McKibben	Principal Consultant/ SRK Consulting (Australasia) Pty Ltd	Peer Review	25 years, including 15 years in valuation and corporate advisory, 2 years as an analyst and 8 years in exploration and project management roles	None	BSc (Hons), MBA, MAusIMM(CP), MAIG, MRICS

1.7 Limitations, reliance on information, declaration and consent

1.7.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by KordaMentha throughout the course of SRK's investigations as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Such technical information as provided by KordaMentha was taken in good faith by SRK. SRK has not independently verified Mineral Resources or Ore Reserve estimates by means of recalculation.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by KordaMentha was complete and not incorrect, misleading or irrelevant in any material aspect. KordaMentha has confirmed in writing to SRK that, to the best of its knowledge and understanding all material information relating to the Report has been disclosed, and that, to the best of its knowledge and understanding, such information is complete, true and accurate SRK has no reason to believe that any material facts have been withheld.

1.7.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, has any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as

capable of affecting their independence or that of SRK. SRK was previously engaged by Tawana Resources NL (Tawana) in June 2018 to prepare an Independent Specialist Report (ISR) on the Bald Hill Lithium and Tantalum Project. The ISR was included in the scheme booklet in relation to the merger of Alliance Mineral Assets Limited (AMAL) with Tawana. SRK has no beneficial interest in the outcome of this Report capable of affecting its independence.

1.7.3 Indemnities

As recommended by the VALMIN Code (2015), KordaMentha has provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by KordaMentha or KordaMentha not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.7.4 Consent

SRK consents to this Report being included, in full, in the documents of KordaMentha and Deloitte in the form and context in which it is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessment and valuation expressed in the Executive Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete Report.

1.7.5 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$44,000. The payment of this professional fee is not contingent upon the outcome of this Report.

2 Overview

2.1 Location, access and climate

The Projects are located approximately 105 km south-southeast of Kalgoorlie and about 56 km east of Widgiemooltha in the Goldfields–Esperance region of Western Australia. Access to the Projects is via National Highway 94 (Coolgardie to Esperance Highway), to Widgiemooltha and then via 65 km of the unsealed Binneringie Road from Widgiemooltha (Figure 2-1).

There are no significant infrastructure, climatic or topographic impediments to project development or future production. The Goldfields–Esperance region experiences a semi-arid climate with annual rainfall between 225 mm and 260 mm. This rainfall is most consistent during the winter months, though isolated thunderstorms and remnants of tropical cyclones in the summer months provide sporadic and heavy downfalls that produce substantial runoff. The Projects are accessible all year round except during those periods of high rainfall when the gravel access road may be closed by the shire council for short periods as a damage prevention measure. Temperatures in the summer months commonly exceed 35°C, and minimum temperatures during winter commonly drop below 5°C with occasional frosts. Topographic relief is typically low, with the dominantly granitic rocks forming an irregular terrain interspersed by sheet wash zones and sandplains.

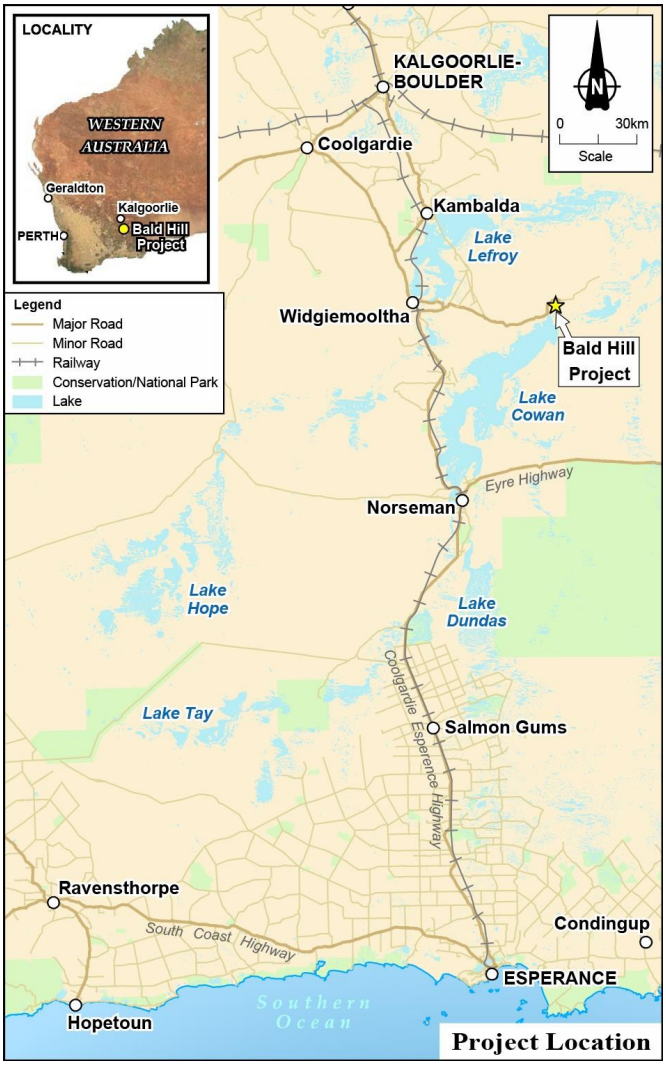


Figure 2-1: Location overview

Source: KordaMentha (Alita management information)

2.2 Ownership

The Project comprises four granted Mining Leases, one granted Retention Licence, twelve Exploration Licences (ten granted and two expired*), four granted Prospecting Licences, one granted General Purpose Lease and three granted Miscellaneous Licences (Table 2-1 and Figure 2-2). These tenures are sufficient to support project development and a return to production. SRK notes that Alita has provided its 2019 Annual Environmental Report (AER) to the Department of Mines, Industry Regulation and Safety (DMIRS); however, the AER has not been accepted (submitted) by DMIRS at the date of this Report. As such, the Project's tenure may be subject to an application of forfeiture by DMIRS, although DMIRS is likely to be reluctant to forfeit the tenure unless there is a strong reason to do so.

The Cowan Project comprises six granted Exploration Licences. Exploration Licence E15/01377 is due to expire on 11 November 2019.

SRK has received representation from KordaMentha that the tenement schedules presented in Table 2-1 and Table 2-2 are to be relied upon and used for the purpose of this Report.

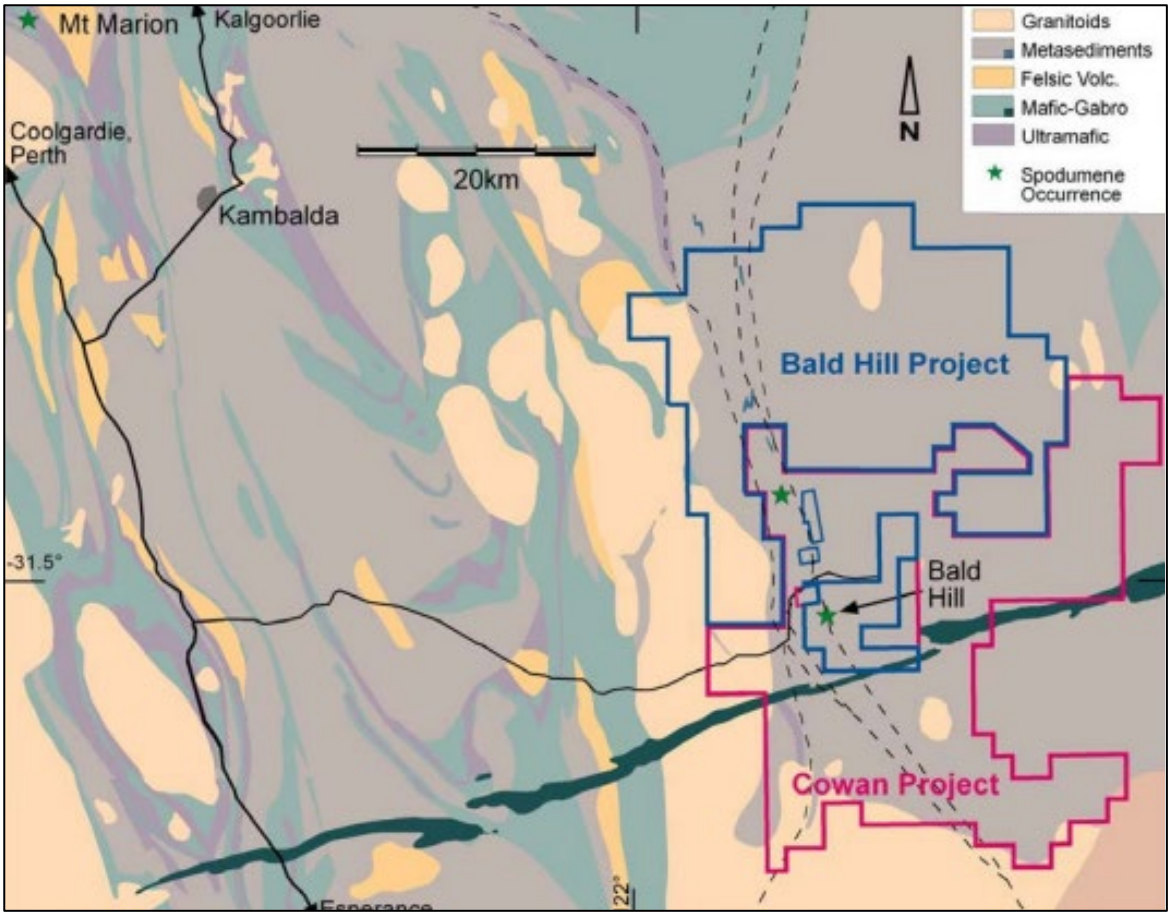


Figure 2-2: Tenement overview

Source: KordaMentha (Alita Management Information)

Table 2-1: Bald Hill Project – Tenement schedule*

Name	Type	Status	Granted	Expiry	Area (ha)
M15/1305	Mining Lease##	Live	29-Dec-00	28-Dec-21	97.89
M15/1470	Mining Lease##	Live	13-May-10	12-May-31	400.00
M15/1308	Mining Lease##	Live	29-Dec-00	28-Dec-21	92.53
M15/400	Mining Lease##	Live	30-Aug-88	7-Sep-30	501.00
R15/1	Retention Licence	Live	9-Jun-10	8-Jun-20	973.00
E15/1556	Exploration Licence##	Live	16-Mar-17	15-Mar-22	4,480.00
E15/1161	Exploration Licence##	Live	25-Jan-11	24-Jan-21	280.00
E15/1492	Exploration Licence##	Live	23-Feb-17	22-Feb-22	14,280.00
E15/1353	Exploration Licence##	Live	5-Aug-13	4-Aug-23	11,760.00
E15/1555	Exploration Licence##	Live	16-Mar-17	15-Mar-22	5,600.00
E15/1166	Exploration Licence##	Live	31-Aug-10	30-Aug-20	1,400.00
E15/1066	Exploration Licence##	Expired**	20-Aug-09	19-Aug-19	6,440.00
E15/1493	Exploration Licence	Live	24-Feb-17	23-Feb-22	7,280.00
E15/1162	Exploration Licence##	Live	10-Jan-11	9-Jan-21	840.00
E15/1067	Exploration Licence##	Expired**	20-Aug-09	19-Aug-19	6,440.00
E15/1212	Exploration Licence##	Live	2-May-11	1-May-21	2,800.00
E15/1058	Exploration Licence##	Live	12-Mar-09	11-Mar-21	2,520.00
P15/5862	Prospecting Licence##	Live	15-Oct-14	14-Oct-22	501.00
P15/5863	Prospecting Licence##	Live	15-Oct-14	14-Oct-22	501.00
P15/5864	Prospecting Licence	Live	15-Oct-14	14-Oct-22	501.00
P15/5865	Prospecting Licence	Live	15-Oct-14	14-Oct-22	501.00
G15/28	General Purpose Lease	Live	25-May-17	24-May-38	1.43
L15/348	Miscellaneous Licence	Live	5-Sep-14	4-Sep-35	3.16
L15/365	Miscellaneous Licence	Live	19-Jul-17	18-Jul-38	15.49
L15/366	Miscellaneous Licence	Live	19-Jul-17	18-Jul-38	61.52

Note: *All tenements registered in the name of Alita Resources Limited **Renewals submitted, pending decision.

application for forfeiture lodged by CCS Equipment Pty Ltd on 20 August 2019, mention hearing due 29 November 2019.

Table 2-2: Cowan Project – Tenement schedule**

Name	Type	Status	Granted	Expiry	Area (ha)
E15/01205	Exploration Licence	Live	10-Mar-2011	9-Mar-2021	585
E15/01377	Exploration Licence	Live	12-Nov-2014	11-Nov-2019	9,555
E15/01446	Exploration Licence	Live	18-Aug-2015	17-Aug-2020	5,749
E15/01502	Exploration Licence	Live	1-Nov-2016	31-Oct-2021	20,442
E15/01503	Exploration Licence	Live	1-Nov-2016	31-Oct-2021	20,446
E28/02702	Exploration Licence	Live	30-Jan-2018	29-Jan-2023	15,214

Note: **All tenements registered in the name of Cowan Lithium Limited

2.2.1 Permitting and Approval

The Project's mining proposal to produce 1.2 Mtpa concentrate (registered identification number 72575) was approved on 3 October 2018. Alita submitted an expansion proposal with a Mine Closure Plan on 2 November 2018 and this was withdrawn on 12 August 2019 (registered identification number 76849).

The Project holds a groundwater licence (number 174305), which permits the extraction of 1.2 GL per annum for dust suppression, dewatering and mineral processing.

The Project's clearing permit (CPS 6131-3) expired on 12 September 2019 and a new permit will be required prior to any further clearing activities at the Project.

Approval of an AER is a requirement for live tenure under the *Mining Act 1978.* The Project's February 2019 AER status is registered as being "On hold pending edits" (https://ace.dmp.wa.gov.au/ACE/Public/ComplianceSubmissions/Search). Failure to submit a report is considered a breach of conditions that can result in tenement forfeiture.

2.3 Native Title

Both Projects lie within the Native Title Claim Determination area of the Ngadju People, who hold traditional ownership of a 102,000 km^2 area surrounding the town of Norseman, including exclusive title over an approximately 45,000 km^2 area.

Regional Standard Heritage Agreements (RHSAs) and Heritage Agreements are in place for certain exploration licences and prospecting licences. The current Native Title status of the tenements is summarised in Table 2-3.

Table 2-3: Summary of Native Title and Aboriginal Heritage agreements

Name	Native Title Status
M15/1470	Deferred Production Agreement
P15/5862	RSHA between Alita and the Ngadju People
P15/5863	RSHA between Alita and the Ngadju People
P15/5864	RSHA between Alita and the Ngadju People
P15/5865	RSHA between Alita and the Ngadju People
E15/1058	RSHA between Alita and the Ngadju People
E15/1066	RSHA between Alita and the Ngadju People
E15/1067	RSHA between ABEH Pty Ltd and the Ngadju People (being replaced by RSHA between Alita and the Ngadju people)
E15/1161	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju People
E15/1162	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju People
E15/1166	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju People
E15/1212	RSHA between Living Waters Mining (Australia) Pty Ltd and the Ngadju People
E15/1353	RSHA between Alita and the Ngadju People
E15/1492	Heritage Agreement between Alita and the Ngadju People
E15/1555	Heritage Agreement between Alita and the Ngadju People
E15/1556	Heritage Agreement between Alita and the Ngadju People

2.4 Royalties

On any production from the Project, state royalties will be distributed to the Western Australian Government at the rate of 5.0% of the royalty value of any concentrate produced. This rate is the *ad valorem* rate that applies to concentrate material as defined under the *Mining Regulations 1981* (Regulation 85).

With regard to third-party royalties, Alita has assumed the obligation to pay to Maxwell Peter Strindberg and ABEH Pty Ltd (ACN 098 110 233), the previous holders of E15/1058, E15/1066 (which expired on 19 August 2019) and E15/1067 (which also expired on 19 August 2019), a royalty in respect of

those tenements and any future mining tenements in respect of the land the subject of those tenements (together Royalty Tenements) of the following:

1. 2.5% of the gross proceeds of sale, net of general sales tax (GST), of all finished processed materials of tantalum and tin mined and extracted from the land which is the subject of the Royalty Tenements
2. 5% of the gross proceeds of sale, net of GST, of all other finished processed materials mined and extracted from the land which is the subject of the Royalty Tenements.

SRK understands this third-party royalty is currently payable in respect of E15/1058, E15/1066 and E15/1067.

In addition, John Walter Graham, Sonny Graham, Katie Ray and Jack Schultz (for and on behalf of the Ngadju People) and Maxwell Peter Strindberg have entered into the Deferred Production Agreement in respect of M15/1470. As at 20 October 2019, SRK understands that Alita neither assumed, nor had been approached to assume, Strindberg's obligations under the Deferred Production Agreement. There may be a requirement or an election to do so in future.

The Deferred Production Agreement requires Strindberg to pay:

1 An amount equivalent to a designated percentage of a spot price, calculated with reference to the average LBMA (London Bullion Market Association) London PM Fix in respect of the relevant quarter (converted to Australian dollars with reference to the Reserve Bank of Australia (RBA) rates), in respect of any gold produced from M15/1470, being:
   a. 0.75% up to A$600 per ounce
   b. 1.00% between A$600 and A$800 per ounce
   c. 1.25% between A$801 and A$1,000 per ounce
   d. 1.50% between A$1,001 and A$1,200 per ounce
   e. 1.75% over A$1,201 per ounce.
2 An amount equivalent to 30% of the royalty payable to the State of Western Australia in respect of any other mineral.

2.5 History

The Project area has a long history of exploration and production of tin and tantalum. During the 1970s, small amounts of tin and tantalum were periodically mined from multiple shallow oxide pits by private operators.

The Gwalia Group (Gwalia) undertook tantalum exploration around the Project during the 1980s, including geological mapping, costeaning, and several drilling campaigns, though low prices for tantalum precluded a development decision at that time.

In 2001, International Resources Limited (Haddington) announced a resource of 1,140,000 t at 472 ppm Ta_2O_5. In 2001, Haddington received approval from the Western Australian Department of Environmental Protection for the construction of a 200,000 tpa processing plant and associated infrastructure to support a 4-year mine life and deliver about 145,000 lb of tantalite to the Greenbushes treatment plant operated by Sons of Gwalia Ltd (SoG).

Haddington undertook larger-scale shallow open pit mining between July 2001 and March 2006. Mining was from several small pits. A total of 1.35 Mt of ore was processed through a gravity plant with a throughput rate of 340,000 tpa. A total 4,000 t of concentrate containing 364 t of tantalum pentoxide was sold.

The mine was placed on care and maintenance on 31 March 2006 after Haddington's licence agreement with SoG expired, and it stopped taking third-party concentrates. Haddington continued its exploration efforts until 2009.

On 12 September 2009, Living Waters Mining (Australia) Pty Ltd acquired the Project's tenure, as well as tenure to the north of the main pit area, where it continued exploration.

In 2011, ownership was transferred to HRM Resources Australia Limited (HRM). HRM continued with exploration, especially testing for strike extensions of the Boreline, North and South open pits.

In 2014, HRM was re-named Alliance Mineral Assets Limited (Alliance) and listed on the Catalist board of the Singapore Exchange Securities Trading Limited on 25 July 2014.

On 4 February 2015, Alliance reported that it had commenced trial mining at the Boreline Pit. Alliance refurbished and upgraded the processing plant previously operated by Haddington and commissioned these facilities during late 2015 and early 2016.

Although Haddington noted that the pegmatite ore contained up to 30% to 50% spodumene, lithium was not assayed for or recovered until Alliance noted high levels of spodumene in tantalum concentrates during recommissioning of the Haddington plant in 2015.

On 3 June 2016, Alliance reported that it had executed a binding term sheet with Lithco No. 2 Pty Ltd (Lithco) for, *inter alia*, a Farm-In and Joint Venture arrangement regarding joint exploration and exploitation of lithium and other minerals at the Project.

On 24 October 2016, Tawana reported that it had entered into an option agreement to acquire all the shares in Lithco for an option fee of A$25,000 and 50,000,000 Tawana shares.

On 17 November 2016, Tawana reported that Lithco had intercepted multiple mineralised pegmatites over a large area, indicating significant resource potential. Lithco completed initial metallurgical testwork and a concept study on a spodumene concentrator followed shortly thereafter.

On 16 January 2017, Tawana reported that its Board of Management had approved the commencement of a feasibility study into the potential redevelopment of the Project.

In February 2017, the Farm-In agreement was finalised. Key terms were:

1. Expenditure Commitment: By 31 December 2017 (or a later date as agreed), to spend a minimum of A$7,500,000 on exploration, evaluation and feasibility for a 50% interest in all rights to lithium minerals from the tenements comprising the Project
2. Capital Expenditure: By 31 December 2019, a capital expenditure of A$12,500,000 was required to upgrade and convert the plant for processing ore derived from the Project, infrastructure costs, pre-stripping activities and other expenditures including operating costs.

Completion of the Expenditure Commitment and Capital Expenditure entitled Lithco to a 50% interest in the Project (all minerals from the tenements and the processing plant and infrastructure at Bald Hill).

On 11 July 2017, Tawana reported the results of a pre-feasibility study on the Project. Key metrics announced were:

1. Forecast annual production of approximately 155,000 tpa of spodumene concentrate from the dense media separation (DMS) circuit, and 260,000 lb per annum of tantalum pentoxide from the existing Tantalum Processing Facility (TPF)
2. A maiden Ore Reserve of 4.3 Mt at 1.18% Li_2O and 208 ppm Ta_2O_5, representing approximately 90% conversion of existing Indicated Mineral Resources and an additional tantalum Ore Reserve of 1.4 Mt at 317 ppm Ta_2O_5

3. An initial starter pit life of 3.6 years, with further growth for the Project expected from infill and extensional drilling
4. An additional 8.2 Mt at 1.14% Li_2O Inferred Mineral Resources not included in the pre-feasibility study, which indicate potential for a 10-year mine life prior to resource growth
5. Long-lead items had been ordered, and construction mobilisation commenced under an early works contract, with production scheduled for the 2018 March quarter
6. A Project Internal Rate of Return (IRR) of 185% and payback of approximately 12 months
7. A$42M capital cost (excluding pre-production operating costs), with A$37.5M already committed to the Project from Tawana earnings (A$12.5M) and off-take contractual pre-payments (A$25M)
8. Average EBITDA for the starter pit of approximately A$83M per annum
9. Operating cashflow for the starter pit of approximately A$223M
10. $NPV_{10\%}$ of the starter pit of A$150M, with potential to increase further to conversion of the Inferred Mineral Resources and the inclusion of a low-cost lithium fines circuit
11. Estimated life-of-pit operating cash costs of A$508/t (US$381/t) of spodumene concentrate free-on-board (FOB) (including tantalum pentoxide by-product credits), resulting in a 100% pre-tax margin.

In August 2017, Tawana reported that construction of the lithium plant had commenced following the Engineering, Procurement and Construction (EPC) contract award to Primero Group Limited (Primero) to build a 1.2 Mtpa DMS circuit.

On 25 January 2018, Tawana and Alliance reported that they had each a non-binding, in-principle term sheet for the offtake of tantalum concentrate with HC Starck Group, a Munich-based subsidiary of Bayer AG (HC Starck). In-principle terms agreed include the purchase of a minimum of 600,000 lb of tantalum concentrate in aggregate from April 2018 to 31 December 2020, or all of the standard grade tantalum concentrate produced at the Project until 31 December 2020 if the total is less than 600,000 lb at a price to be agreed. HC Starck may also purchase any other tantalum materials from the Project, including low-grade concentrate and off-specification material.

On 14 March 2018, Tawana and Alliance reported that lithium production had commenced following commissioning of the DMS circuit. In addition:

1. Power plant operations had commenced.
2. The Motor Control Centre/ Low Voltage (MCC/ LV) switch room was commissioned.
3. Dry commissioning had commenced.
4. Crushing and stockpiling of ore had commenced.
5. Mining daily movements averaged approximately 20,000 m^3 per day.
6. Practical completion had been achieved.
7. Ferrosilicon media had been introduced to the plant and stabilised.
8. Crushing had commenced after commissioning, and 20,000 t of crushed ore was stockpiled.

On 22 March 2018, Tawana reported its intent to restructure the company's assets in order to focus on the Project. The restructure would transfer its interest in the Cowan Project, the Yallari Project and the Mofe Creek Project to a wholly owned public company, SpinCo, before undertaking a capital reduction and distribution of 85% of all SpinCo shares to Tawana's shareholders. Tawana would retain a 15% interest in SpinCo.

On 5 April 2018, Alliance and Tawana announced a planned merger between the two companies. Tawana would become a wholly-owned subsidiary of Alliance, with existing Alliance shareholders owning about 51% and existing Tawana shareholders owning about 49% of the merged entity.

On 6 June 2018, Tawana reported a production update as well as a Mineral Resource and Ore Reserve upgrade:

- Total Mineral Resources of 26.5 Mt at 1.0% Li_2O (using 0.3% Li_2O grade cut-off) were reported.
- Indicated Mineral Resources of 14.4 Mt at 1.02% Li_2O (an increase of 55% in contained lithium from October 2017) were reported.
- The Ore Reserve of 11.3 Mt at 1.0% Li_2O and 160 ppm Ta_2O_5 represents an increase of 105% in contained lithium from the July 2017 Ore Reserve estimate and supporting a 9-year mine life at a processing rate of 1.2 Mtpa.
- The tantalum Ore Reserve of 2.0 Mt at 313 ppm Ta_2O_5 represents an increase of 43% from the July 2017 Ore Reserve estimate.
- Stage 1 DMS circuit achieved 50% of nameplate throughput for month 1 and 75% for month 2 of ramp-up, producing a premium high-quality lithium concentrate.
- Tantalum pre-concentrate recoveries from the lithium circuit are exceeding initial expectations.
- Mining was averaging approximately 30,000 BCM per day.
- Logistics, including power, fuel management, concentrate haulage and ship loading were functioning as expected.
- Two concentrate shipments were completed in May 2018.

On 31 July 2018, Tawana reported that commercial production had been achieved and that the Joint Venture (JV) was targeting the production of between 60,000 and 75,000 tonnes of spodumene concentrate for the six months between July and December 2018. Additionally, the JV parties were assessing the viability of the construction of a second DMS circuit in addition to the proposed fines circuit.

On 27 September 2018, Tawana reported that it had secured a A$40M funding package from a consortium of lenders led by Tribeca Investment Partners (Secured Loan Facility). Tawana reported that it intended to use an initial A$20M to fund the development of the proposed fines circuit and that the remaining A$20M would be conditional and subject to the merger completion with Alliance and on Alliance receiving ASX listing approval.

In October 2018, Tawana and Alliance signed separate long-term exclusive lithium concentrate offtake contracts with Burwill Commodity Limited (now Burwill Lithium Company Limited), a wholly owned subsidiary of Burwill Holdings Limited (Burwill). Under the terms of the agreements, Burwill agreed to pay a fixed price for all production up to 31 December 2019 of US$880/t (FOB Esperance) for 6% Li_2O. From 2020 to 2023, the sales price and volumes would be negotiated and agreed based upon prevailing market conditions at the time (Offtake Agreement).

On 25 October 2018, Tawana reported that the JV had agreed to sell 20–30 dry metric tonnes (dmt) of tantalum concentrate to H.C. Starck Tantalum and Niobium GmbH. Additionally, about 400 wet metric tonnes (wmt) produced between April and July 2018 were to be sold under a one-off sales contract to Global Advanced Metals.

On 14 December 2018, Alliance reported that the scheme of arrangement (Scheme) between Tawana and its shareholders was implemented and that pursuant to the Scheme, Alliance had acquired 100% of the ordinary shares in Tawana.

On 15 January 2019, Alliance reported that it had agreed with Burwill that Alliance would transfer its rights and obligations under the Offtake Agreement to Jiangxi Bao Jiang (JBJ). Also, the Offtake Agreement was amended to provide a market-linked pricing mechanism, with a lower and upper limit of US$680/mt and US$1,080/mt. In addition, the exclusivity and pre-emptive rights were removed.

The maximum supply commitment was 100,000 metric tonnes in 2019 and 140,000 metric tonnes for 2020–2022.

On 28 April 2019, Alliance reported that it had entered into a non-binding memorandum of understanding (MOU) with Jiangxi Special Electric Motor Co. Ltd (Jiangxi) to develop the terms on which the parties will cooperate in a 50:50 JV to produce and sell battery-grade lithium hydroxide (Hydroxide Joint Venture). The parties would work towards executing a formal binding agreement by 30 June 2019. As announced, Alliance would continue to operate the Project to supply spodumene to Jiangxi's lithium carbonate converter plant in Yichun in China. The joint venture would sell the resulting lithium hydroxide to third parties.

On 16 July 2019, Alliance reported a formal change of its company name to Alita Resources Limited (Alita).

On 25 July 2019, Alita reported a corporate and operations update:

- The receipt of A$10M from Jiangxi further to a conditional share placement
- An agreement reached with Jiangxi to progress the formal terms of the Hydroxide Joint Venture, as follows:
  - Alita will deliver spodumene FOB Port of Esperance: approximately 10,000 t/month.
  - Jiangxi will ship and import the product into China and transport it to its facility.
  - Jiangxi will then convert spodumene to battery-grade lithium hydroxide or other agreed products to agreed specifications.
  - Jiangxi will sell the JV Products as instructed by the JV. The JV will work to develop long-term downstream partnerships for the products.
  - Alita will receive 50% of the margin from the sale of the products plus reimbursement of the cost of the spodumene used in production.
  - Jiangxi will receive 50% of the margin from the sale of the products plus reimbursement of the cost of shipping and conversion of spodumene to products.
  - Costs of spodumene and costs of conversion are to be calculated in accordance with agreed principles and subject to floors and ceilings linked to market price for lithium hydroxide.
  - Either party will be able to exit the Hydroxide Joint Venture if it fails to deliver a minimum agreed financial outcome to that party. The Hydroxide Joint Venture is conditional upon formal documentation being agreed and executed, regulatory and other consents, output from the Project being sufficient for the Hydroxide Joint Venture, and the converter being able to produce products to agreed specifications.
- A product sales update noting that JBJ had taken delivery of 58,063 dmt during the half year ended 30 June 2019
- Notification that Alita was continuing negotiations with various other parties for the supply of spodumene, including advanced negotiations for the supply of spodumene concentrate and a trial shipment to a Japanese trading company
- Notification that Alita was conducting low-cost trial testwork to upgrade concentrate for use in the ceramics industry
- Notification that Alita had commenced a strategic review of its business and loan facilities in recognition of difficult market conditions for lithium concentrates and had temporarily postponed the construction of the fines circuit and other capital expenditure.

On 14 August 2019, Alita shares were placed into voluntary suspension from trading on the ASX.

On 16 August 2019, Alita's mining contractor, SMS Innovative Mining Solutions Pty Ltd (SMS) commenced scaling back operations at the mine.

On 18 August 2019, Alita reported that it had received a notice of default (Notice) relating to the Secured Loan Facility. The Notice asserted events of defaults relating to non-acceptance by the lenders of the updated mine plan, alleged failure to comply with the physical parameters of the previously approved mine plan, and Alita suffering a material adverse effect to its business and financial performance, as a result of the deterioration of the lithium spot price and weakened market demand for spodumene concentrate.

On 21 August 2019, Alita advised its shareholders that it had completed a shipment to JBJ of approximately 10,500 dmt of lithium concentrate. The price agreed for this shipment was approximately 10% less than a previously negotiated floor price of US$680/dmt (FOB 6% Li_2O) with approximately 14% of the price deferred for approximately six months from the shipment date.

On 26 August 2019, Alita advised its shareholders that it was continuing negotiations with multiple parties regarding offtake arrangements for uncommitted production of spodumene concentrate. Alita also notified its shareholders that Burwill had announced that it had defaulted under its loan facility from Haitong International Financial Products (Singapore) Pte. Ltd and its business operations were mostly suspended. Burwill, through its wholly owned subsidiary, holds a 50% interest in JBJ and is a several guarantor of 50% of JBJ's obligations to Alita.

On 27 August 2019, Galaxy Resources Limited (Galaxy) reported that it has reached an agreement with Tribeca and the consortium of lenders to acquire the Secured Loan Facility with a principal value of US$28.8M. The total amounted assigned and novated to Galaxy, including all accrued interest, fees and costs was US$31.1M.

On 29 August 2019, KordaMentha gave notification that on 28 August 2019, Richard Tucker and John Bumbak of KordaMentha were appointed as Voluntary Administrators of Alita, and Galaxy gave notification that it had appointed Martin Jones, Matthew Woods and Andrew Smith from KPMG as receivers and managers of Alita, and the mining and milling operations were transitioned to care and maintenance.

2.6 Site inspection

In accordance with Section 11.1 of the VALMIN Code (2015), a site inspection was made to the Project by SRK representatives Karen Lloyd, Scott McEwing and Steve Howard on 9 October 2019. The site inspection included a meeting with the registered mine manager to discuss the operating performance prior to the cessation of mining and milling activities, an open pit and dam tour, and a fixed plant inspection. Alita personnel accompanied SRK personnel during the fixed plant inspection to discuss the current care and maintenance activities.

3 Geological setting

3.1 Regional geology

The Projects are located within the Kurnalpi Terrane of the Eastern Goldfields Province in the Yilgarn Craton of Western Australia. The Kurnalpi Terrane comprises the Archaean-aged Mount Belches Formation, a metasedimentary sequence of rocks including interbedded wackes and mudstones (Painter & Groenewald, 2001). The Mount Belches Formation contains graded beds, sedimentary structures, Bouma Sequences and channels. Several granitic intrusions within the region are low-calcium and high-calcium monzogranites and granodiorites, which have intruded this metasedimentary sequence (Hall & Jones, 2008). Pegmatite dykes intrude the metasedimentary rocks of the Mount Belches Formation. Pegmatites contain feldspar, muscovite, quartz, tantalite and spodumene at Bald Hill. Quartz veins commonly intrude the metasedimentary units as vein arrays and are typically milky white.

Regionally, the units have been metamorphosed to lower amphibolite grade. Local contact metamorphism with hornfels and metasomatism of the Mount Belches Formation is due to the intrusion of granitic plutons, dykes, quartz veins and the Binneringie Dyke (Painter & Groenewald, 2001).

The Proterozoic Widgiemooltha Dyke Suite with the Binneringie Dyke (a gabbroic dyke), cross-cuts the region for approximately 600 km in an east–northeasterly direction (Hall & Jones, 2008).

Cover sequences of the Eucla Basin overlie Archaean basement rocks with recent sediments of calcrete and colluvium (Hall & Jones, 2008).

Deformation within the Bald Hill area has been recognised in the Archaean basement and is summarised by Hall & Jones (2008) as D_1 to D_5:

- D_1: Recumbent folding and thrusting
- D_2: Tight upright folding from east–northeast to west–southwest crustal shortening
- D_3–D_4: Regional-scale faults and shear zones (only recognised on aeromagnetic images)
- D_5: Albany–Fraser Orogen-related warping and drag folds of D_2 structures.

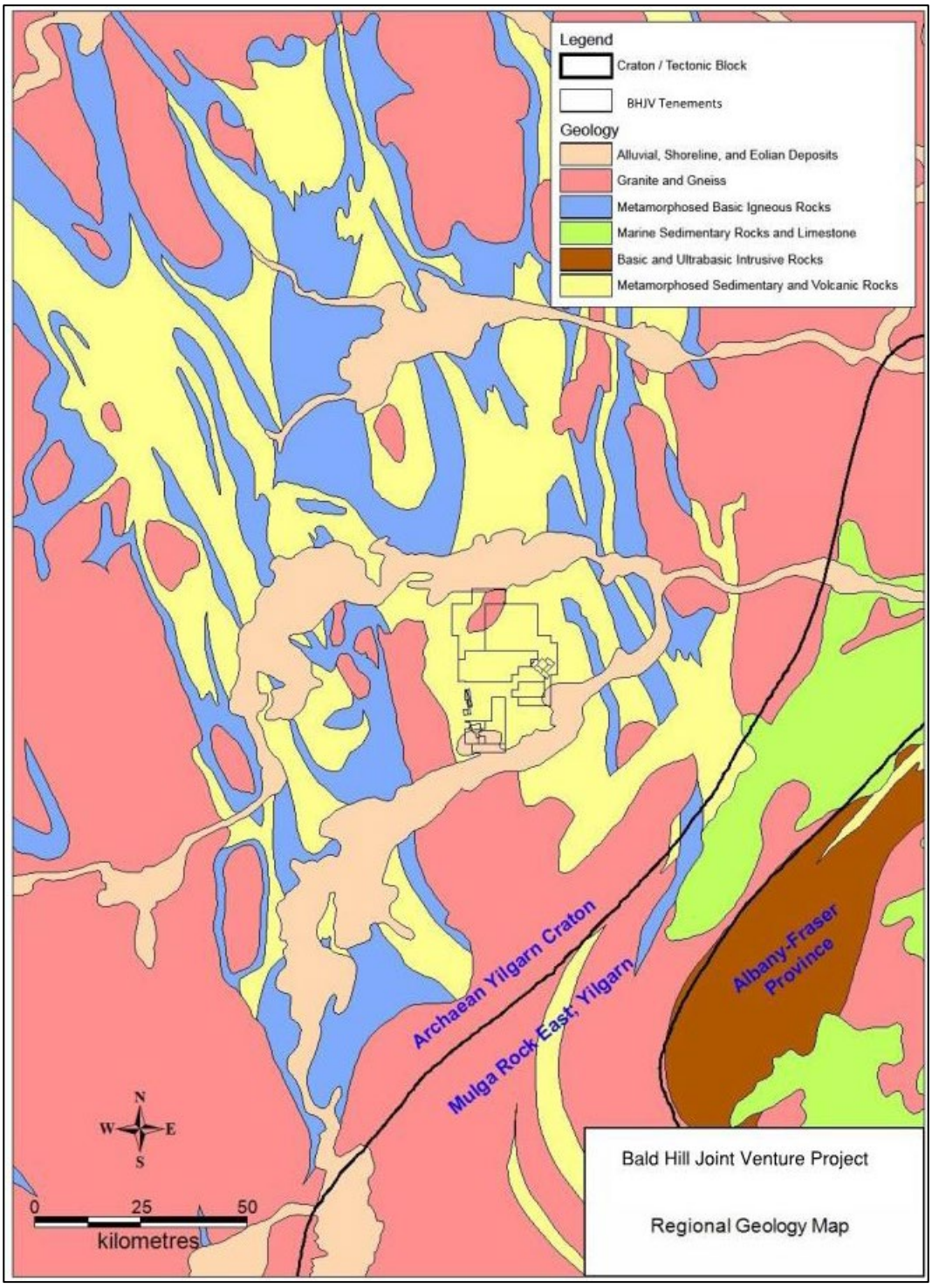


Figure 3-1: Regional geology with Bald Hill location

Source: KordaMentha (modified from Alita Management Information)

3.2 Local geology and mineralisation

Fetherston (2004) notes that the Bald Hill pegmatites are in the order of 400–600 m in length, and form linear swarms orientated parallel to the regional foliation of about 350°. The pegmatites intrude Archaean metasedimentary rocks, mainly quartz–biotite schists and amphibolites, about 3–6 km east of the Binneringie Granite pluton. Pegmatites in the area are commonly covered by shallow colluvial material and are often deeply weathered to kaolinite in the near-surface environment.

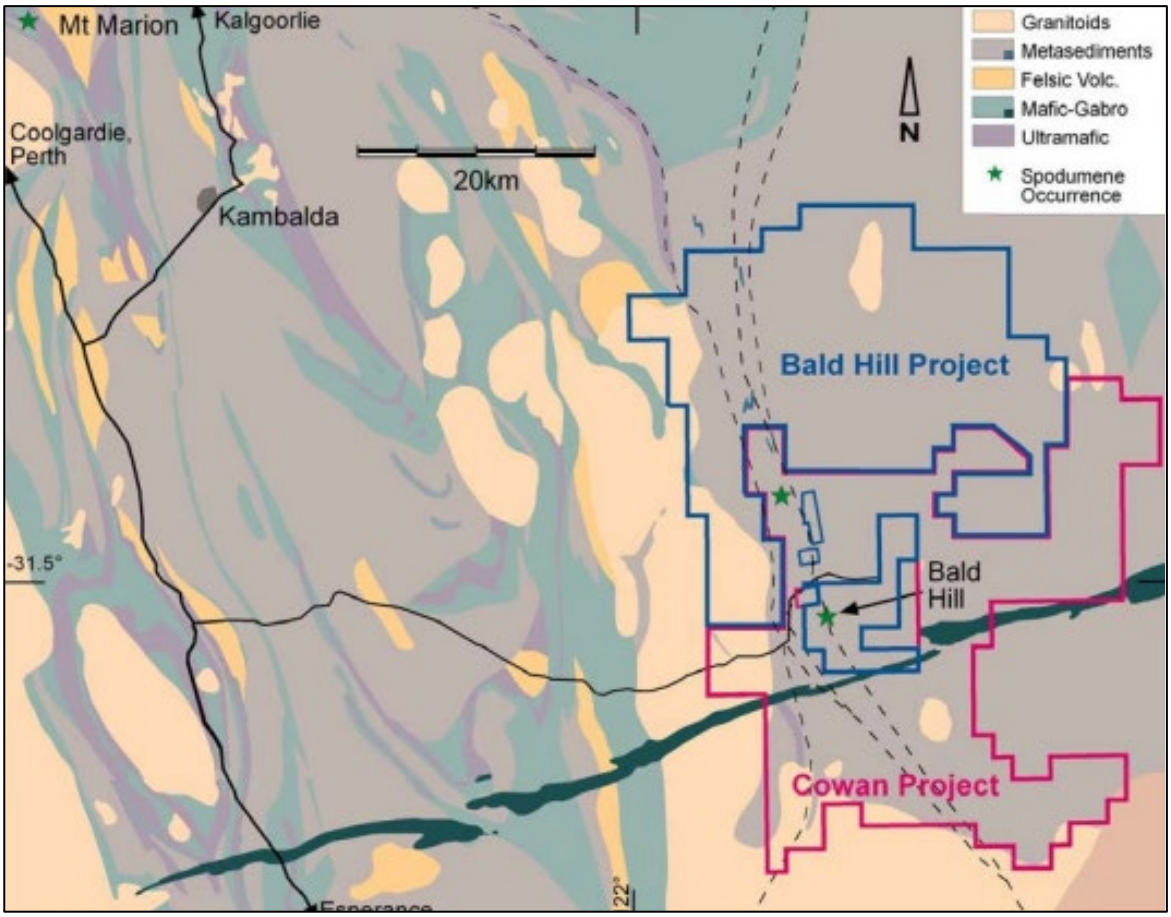


Figure 3-2: Local geology with mapped spodumene occurrences

Source: KordaMentha (Alita Management Information)

Two main belts of rare element lithium–caesium–tantalum type (LCT) pegmatites are known in the Project area (Figure 3-3):

1. The Mount Belches–Bald Hill Belt. This pegmatite belt striking north to north-west extends for at least 15 km; however, the pegmatite belt likely extends for a further 10 km under transported cover. A large number of albite-rich and LCT-type albite–spodumene pegmatites occur over a width of about 4 km. Previous exploration and exploitation focused on tantalum and tin mineralisation in the region.
2. The Claypan Dam–Madoonia Belt. This less explored north-east–south-west oriented LCT pegmatite belt has a strike length of at least 22 km and width of at least 7 km. The belt is known to contain LCT-type albite pegmatites with tantalite and tin and potentially hosts LCT-type albite-spodumene pegmatites.

The pegmatites at the Project fall into five categories:

1. Tantalum – generally narrow, high in tantalum, low in spodumene, which was the main focus of prior mining
2. Zoned lithium–tantalum – generally wider pegmatites with simple zoning, with spodumene richest in the central zone, and tantalum typically richer on the margins
3. Lithium–tantalum – pegmatites with no apparent zonation
4. Lithium – unzoned and simply zoned pegmatites containing abundant spodumene but low tantalum
5. Barren – the least common and often narrow pegmatites, containing <0.1% Li_2O and <100 ppm Ta_2O_5.

The pegmatites can generally be classified as unzoned albite spodumene pegmatites and occur as gently dipping sheets and as steeply dipping veins striking parallel to the north–south regional foliation. They range in thickness from a few metres up to 30 m, and also occur as multiple, parallel dykes or swarms separated by sheared metasediments. Outcrop is limited to those areas not covered by alluvium or colluvium.

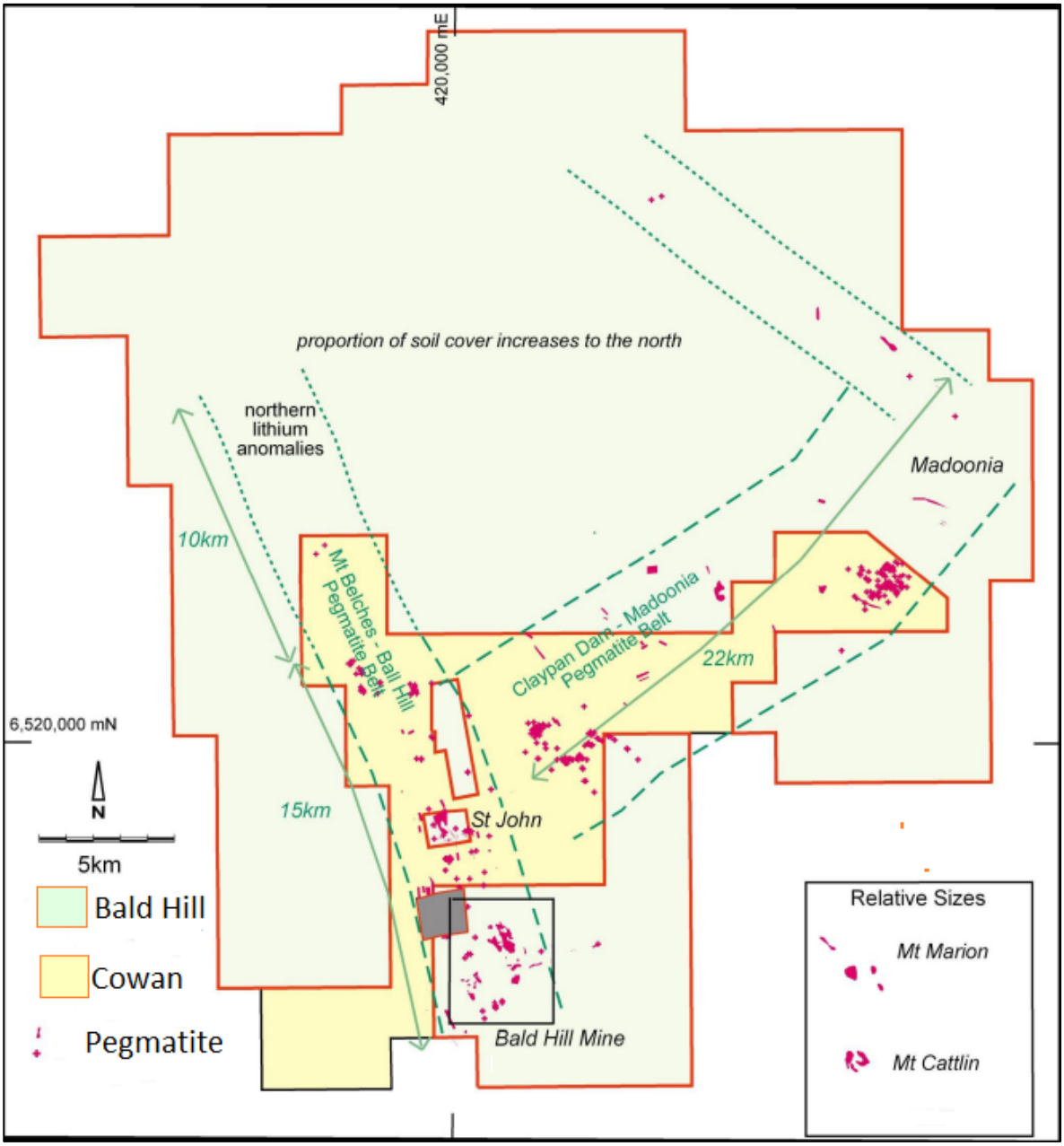


Figure 3-3: Interpreted pegmatite distribution in the Project area

Source: KordaMentha (Modified from Alita Management Information)

3.3 Mineral Resource estimates

The focus of exploration and mining at the Project prior to 2017 was on tantalum mineralisation. Prior to 2017, there were no Mineral Resources estimated at the Project for lithium minerals.

Between 2001 and 2005, Haddington, under a sales purchase agreement with Sons of Gwalia Limited, mined tantalite from a number of small oxide pits at the Project.

In 2014, Alliance announced a tantalite Mineral Resource estimate of 2.58 Mt at 352 ppm Ta_2O_5, using a 100 ppm Ta_2O_5 cut-off, which was reported under JORC Code (2012) guidelines and included the Creekside, Boreline and Central Mine Areas.

In 2015, further to additional drilling on the Boreline deposit, Alliance announced an updated Mineral Resource estimate of 2.67 Mt averaging 341 ppm Ta_2O_5 based on a 100 ppm Ta_2O_5 cut-off grade.

CSA Global Pty Ltd (CSA) was commissioned by Tawana in 2017 to compile a maiden lithium Mineral Resource estimate for the Project and to update the historical tantalum Mineral Resource estimate. Tawana reported high-grade resources of 18.9 Mt at 1.18% Li_2O and 149 ppm Ta_2O_5 at a 0.5% cut-off; and additional tantalum resources of 6.4 Mt at 330 ppm Ta_2O_5 at a 200 ppm Ta_2O_5 cut-off (2017 Mineral Resource estimate).

The Mineral Resource was classified as Indicated and Inferred in accordance with the JORC Code (2012) on a qualitative basis, taking into consideration numerous factors including drill hole spacing, estimation quality statistics (kriging slope of regression), the number of informing samples, average distance to informing samples in comparison to the semi-variogram model ranges, and overall coherence and continuity of the modelled mineralisation wireframes (Tawana ASX announcement dated 11 July 2017).

This 2017 Mineral Resource estimate was used to support detailed mine planning studies underpinning a feasibility study (2017 Bald Hill Feasibility Study) on the Project.

On 6 June 2018, Tawana reported revised Mineral Resources estimates based on the mine survey as at 30 April 2018. Geological confidence and sample support were increased as a result of infill drilling and a lower applied cut-off, given the plant's operating performance. The revised Mineral Resource estimate (2018 Mineral Resource estimate) also included a low-grade component grading between 0.3% and 0.5% Li_2O (Table 3-1).

Table 3-1: Mineral Resource estimate summary

Table 1: Bald Hill Project – Resources above 0.3% Li_2O cut-off grade

Mineral Resource Category	Tonnes (Mt)	Grade Li_2O (%)	Contained Li_2O (t)	Grade Ta_2O_5 (ppm)	Contained Ta_2O_5 (,000 lb)
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 2: Bald Hill Project – Tantalum Resources below 0.3% Li_2O and above 200 ppm Ta_2O_5 cut-off grade

Mineral Resource Category	Tonnes (Mt)	Grade Li_2O (%)	Contained Li_2O (t)	Grade Ta_2O_5 (ppm)	Contained Ta_2O_5 (,000 lb)
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**

Note: The tantalum resources reported in Table 2 are additional to those reported in Table 1.

Source: Alliance SGX announcement 6 June 2018.

The Mineral Resource has a total strike length of 1,245 m and a width of up to 990 m. The main pegmatite body is sub-horizontal, strikes north–south, and is surrounded by a number of smaller, discrete pegmatites which are sub-parallel to the main body. The currently defined resource starts approximately 20 m below surface and extends to a total vertical depth of 990 m. The pegmatite package plunges gently to the south along its strike length, as evident in Figure 3-4.

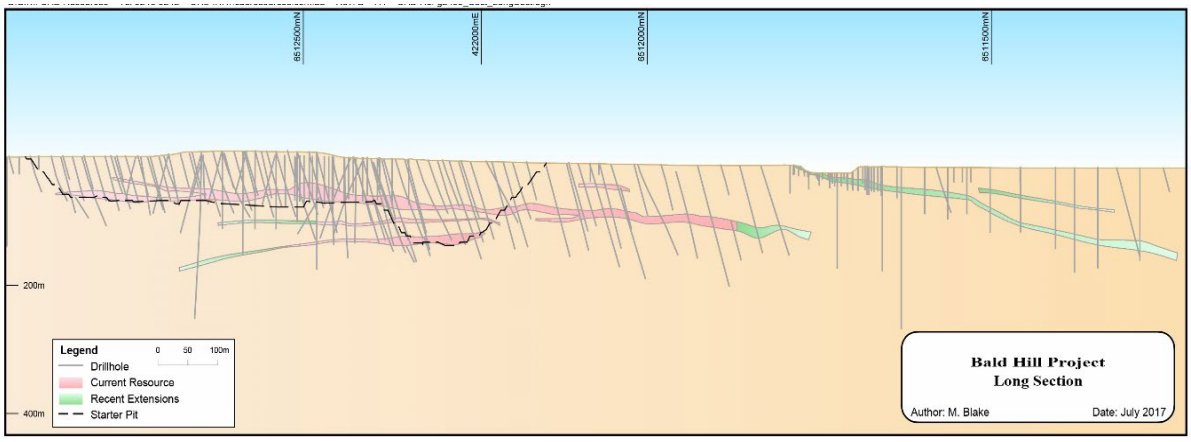


Figure 3-4: Project long section depicting the resource outline

Source: Tawana

SRK has not independently verified the Mineral Resource estimate by means of recalculation.

3.3.1 Resource extension – target area

During the June quarter 2018, a drilling campaign targeted mineralisation beyond the Mineral Resource area, and focused on two areas of interest: a northern extension and an eastern extension (Figure 3-5 and ASX announcement dated 6 June 2018):

1. Northern Extension drilling intercepts included:
    - 21 m at 1.50% Li_2O from a 169 m downhole depth, from a 22 m wide pegmatite in drill hole LRC0707, 600 m north of the pit
    - 17 m wide pegmatite from a 128 m downhole depth, which included 9 m at 0.33% Li_2O in drill hole LRC0708, 400 m west of the pit
    - 8 m wide pegmatite from a 43 m downhole depth, which included 6 m at 0.68% Li_2O from 24 m, and 4 m at 1.0% Li_2O from a 45 m downhole depth in drill hole LRC0706.
2. Eastern Extension drilling intercepts included
    - 33 m at 1.33% Li_2O from a 228 m downhole depth, including 20 m at 1.78% Li_2O in drill hole LRC0729
    - 24 m at 1.51% Li_2O from a 200 m downhole depth in drill hole LRC0730
    - 29 m at 1.31% Li_2O from a 174 m downhole depth in drill hole LRC0755
    - 28 m at 1.28% Li_2O from a 179 m downhole depth, including 11 m at 1.73% Li_2O in drill hole LRCD0754.

At that time, the Pegmatite Drilling Target Area was also defined (Figure 3-5).

A 2019 drilling campaign was designed to further infill and extend the resource area, and resulted in Alita reporting an Exploration Target between 17 Mt and 24 Mt at 1.25% Li_2O to1.40% Li_2O and 150 ppm to 180 ppm Ta_2O_5 (ASX announcement dated 10 May 2019).

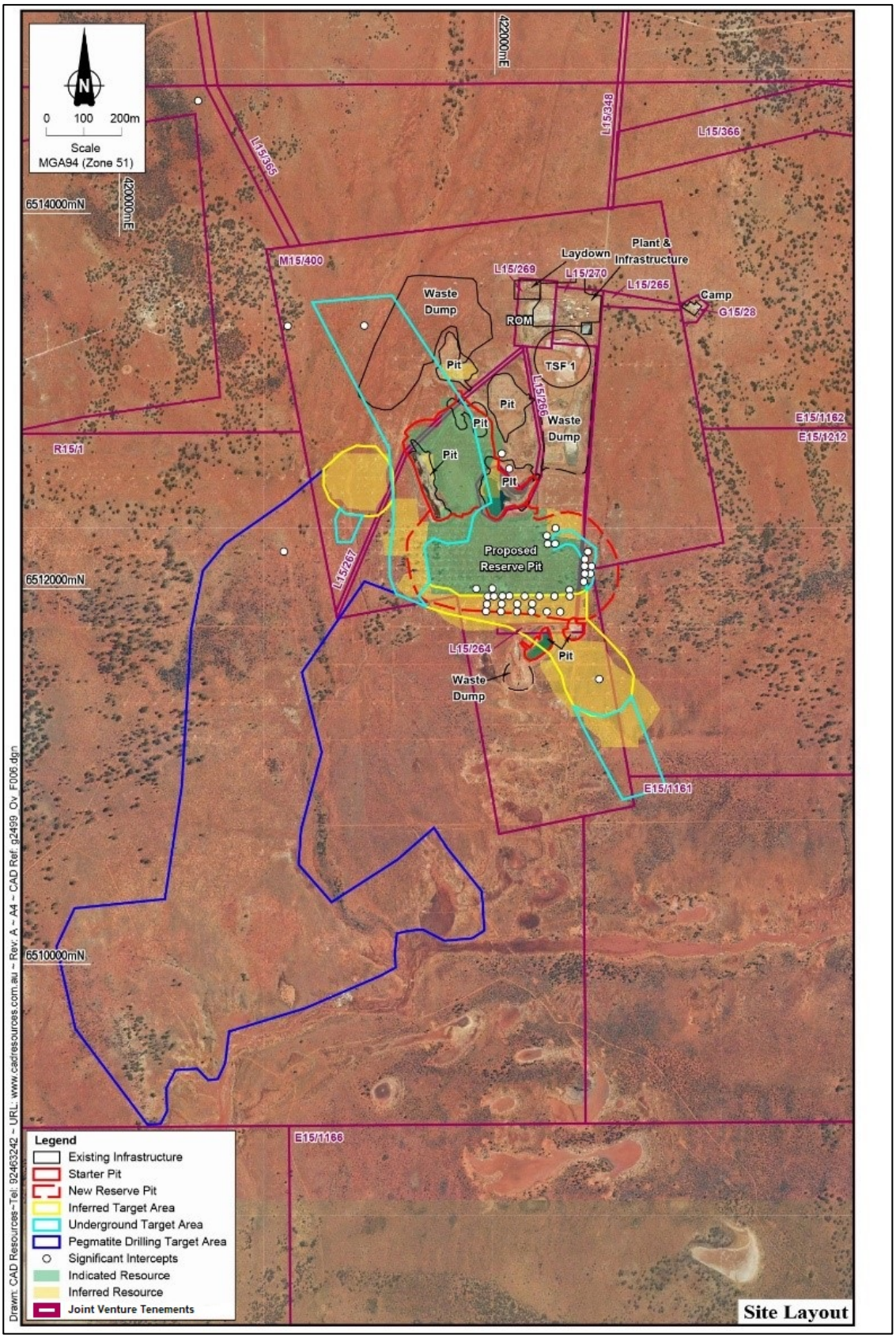


Figure 3-5: Plan view depicting Mineral Resource and Ore Reserve footprint, with additional drilling target areas

Source: KordaMentha (Alita Management Information)

3.4 Ore Reserve estimate and Mine Planning

CSA was commissioned by Tawana to prepare an Ore Reserve estimate using the March 2018 pit surface and the 2018 Mineral Resource estimate. This Ore Reserve estimate was reported to the ASX by Alita (then Tawana) on 6 June 2018.

Table 3-2: Ore Reserve estimate summary

Table 3: Bald Hill Mine – Reserves above 0.3% Li_2O

Ore Reserve Category	Tonnes (Mt)	Grade Li_2O (%)	Contained Li_2O (t)	Grade Ta_2O_5 (ppm)	Contained Ta_2O_5 (,000 lb)
Proven	–	–	–	–	–
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_2O and 0 ppm Ta_2O_5.
2) Ore Reserves have been cut to the April 2018 end of month mine survey.

Table 4: Bald Hill Project – Reserves below 0.3% Li_2O and above 200 ppm Ta_2O_5 cut-offs, April 2018

Ore Reserve Category	Tonnes (Mt)	Grade Ta_2O_5 (ppm)	Contained Ta_2O_5 (,000 lb)
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) Ore Reserves contained in Table 4 are additional to those reported in Table 3.
3) Ore Reserves have been cut to the April 2018 end of month mine survey; ore stockpiles and concentrates are excluded.

Source: Tawana ASX announcement dated 6 June 2018.

CSA classified the Ore Reserve in accordance with JORC Code (2012) guidelines and the underlying Mineral Resource classification. SRK has not independently verified the Ore Reserve estimate by means of recalculation.

To establish revised mineable quantities and grades, CSA ran a number of optimisations on the resource model using Whittle FourX pit optimisation software to identify a preferred pit shell on which to base a pit design. Inputs used for the optimisation were based on information provided to CSA by Tawana at that time. An open pit mine design was developed from the initial optimised pit shells to confirm the mined volumes and inform a mining schedule. The Ore Reserve estimate supported a mine life of nine years at a processing rate of 1.2 Mtpa at that time.

The open pit was designed using an optimal pit shell derived from Indicated material only. All Inferred Mineral Resources within the pit design were reported as waste during the Ore Reserve estimation.

The mine schedule was completed using MineSched scheduling software using a cut-off grade of 0.30% Li_2O, and iterations of the mining schedule were run based on the capabilities of the mining equipment on site and to meet a minimum ore mining rate of 110,000 t/month. The mine schedule was developed on a 3-stage cutback model. Table 3-3 presents a summary of the material inputs used by CSA as the basis for the optimisation.

Table 3-3: Ore Reserve – optimisation inputs

Item	Value
Cut-off	3,000 ppm for Li_2O and 200 ppm for Ta_2O_5
Geotechnical	Domain-based criteria (Dempers & Seymour Consultants) catch berms every 20 vertical metres
Block size	10 m by 10 m by 5 m
Minimum mining width	30 m
Mining dilution	7.5% at 0% grade
Ore loss	7.5%
Mining recovery	92.5%
Inferred resources	Not included
Processing route	Assumes Phase 1 DMS processing only in Year 1; assumes the fines DMS circuit is added from Year 2
Processing recovery	65% for Year 1, then 80% from Year 2
Deleterious elements	Negligible
Prices	US$880/t (FOB Esperance) for 6% Li_2O and US$60/lb (FOB Esperance) for +25% Ta_2O_5
Costs	Mining A$360.7/t, Processing A$127/t
Royalties	5% ad valorem (WA State Government)

Source: KordaMentha (Alita Management Information)

Prior to the cessation of mining activities, the operation used a conventional truck and shovel open pit mining method. SMS undertook contract mining using three excavators (1 × 360 t, 1 × 200 t and 1 × 120 t), and a fleet of CAT 785/777 trucks and ancillary equipment including dozers, graders, loaders and water carts. Drilling and blasting was undertaken under subcontract to SMS by JSW Pty Ltd Australia using a combination of top hammer and downhole hammer drill rigs.

Ore was mined on a bench height of 2.5 m, with drill and blast limited to a 5 m depth in areas containing ore. Bulk waste was mined using 5–10 m benches, with bulk waste drill and blast targeting 10 m benches.

SRK estimates that the re-mobilisation of a mining contractor from the Goldfields region would cost approximately A$2M. This estimate is based on the use of the mobile fleet presented in Table 3-4.

Table 3-4: Mobile fleet requirement

Item Number	Quantity	Description
1	1	21 m^3 loader
2	2	7 m^3 excavator/ loader
3	10	CAT 785 truck
4	4	CAT 777 truck
5	3	CAT D10 dozer
6	2	CAT16 graders
7	2	Water carts
8	1	CAT 988 loader
9	5	Drill rig
10	8	Light vehicles
11	2	Re-fuelling truck
12	1	Dome shelter workshop
13	2	Site office
14	2	Crib rooms
15	1	Ablutions building
16	1	Generator

3.5 Mineral processing and metallurgical testwork

A metallurgical testwork program was undertaken to support feasibility studies between December 2016 and May 2017. Testing was undertaken on variability samples, a 150 kg composite sample and a 5 t bulk sample (for marketing purposes) of the Bald Hill ores. The tests undertaken were typical of those used for lithium ores and included comprehensive head grade and size by size analysis, mineralogy, wet tabling, heavy liquid separation (HLS), dense media separation (DMS) and impurity removal through upflow classification (using a REFLUX™ classifier). DMS and HLS separation was undertaken on coarse and fine fractions. Upgrading of lower grade ores was also undertaken using jigging, DMS and optical sorting, of which only DMS was effective in the preliminary testing. While lithium was the primary focus of the testwork, tantalum recoveries were also reported.

The testing was undertaken at Nagrom Metallurgical (Nagrom). The physical (comminution) testwork was undertaken at Bureau Veritas Pty Ltd (Bureau Veritas) laboratories in Perth.

The testwork demonstrated that:

- Lithium was predominantly contained in spodumene.
- Comminution characteristics were typical of pegmatitic ores, i.e. hard and abrasive.
- A saleable Li_2O concentrate grade above 6% (and generally higher) could be achieved at acceptable Li_2O recoveries.
- Key impurities such as iron can be effectively removed to saleable concentrate levels.
- Lithium concentrate grade was relatively robust (i.e. to a lower) to feed grade.
- Mica (and other impurities) could be effectively removed through screening, DMS and upflow classification.
- Additional gravity separation and/ or flotation of the -1 mm fraction is able to recover additional Li_2O at grades above 6% and was to be the subject of future testing.
- Upgrading of lower lithium grade samples was able to recover Li_2O into saleable grades (>6.0%), but the tantalum recovery into this fraction was high and further testwork was identified to optimise this.
- The three testwork campaigns were comparable, repeatable and all demonstrated favourable metallurgical behaviour.

The lithium testwork program was fast-tracked to align with the rapid implementation of the Project. As such, the focus was on the optimal processing of the coarse fraction of the feed. This was considered to have a low processing risk with maximised recovery of Li_2O. The intermediate DMS and fines stockpiles could be potentially reprocessed further to a Phase 2 plant upgrade. Additional testwork was then undertaken to support the future processing of the fines and DMS middlings fractions.

Tantalum testwork has been extensive in the past, but this is superseded by the two previous operating periods on tantalum ore from the Project.

3.5.1 Processing flowsheet

The process design and subsequent construction on an EPC (engineering, procurement and construction) basis was undertaken by the Primero Group Pty Ltd (Primero).

The intent was to develop the processing facilities in two stages:

1. The first phase to produce a coarse (+1 mm) spodumene product of >6.0% Li_2O using DMS was implemented prior to the cessation of activity.

2. The second phase was not implemented prior to the cessation of activity. This phase was designed to expand production through a replication of the DMS circuit or expansion of the existing DMS circuit, and re-processes the -1 mm stockpile as well as second-stage DMS middling stockpile, and would allow tantalum concentrate to be recovered as a standalone product.

The installed processing facilities comprised a contract crushing operation producing a product <10 mm. This contract crushing operation has been de-mobilised from the Project. A two-stage DMS circuit using ferrosilicon (FeSi) to control density is currently installed. This DMS circuit incorporates mica removal through upflow classification using REFLUX™ classifiers, with rolls-crushing and recycling of the coarse DMS middlings. Two size fractions can be processed through the DMS plant, a -10 mm +5 mm fraction and a -5 mm +1 mm fraction. The -1 mm fraction is deslimed, passed over spirals to remove tantalum and then dewatered and stored for future processing. The second stage DMS overflow (middlings) is dewatered and stored for future processing.

The Phase 1 Project design processes 1.41% Li_2O feed at a rate of 161 tph (1.2 Mtpa) with a concentrate mass recovery of 153,417 t at 6.0% Li_2O. While this is approximately 55% Li_2O recovery, the rolls-crushing and recycling of the coarse DMS middlings have since been incorporated into the constructed plant and reflect the 65.8% Li_2O recovery used in cashflow modelling. The Phase 2 processing of the +2 mm feed would be processed through the existing DMS plant streams and the 'Fines' stream would treat an additional 20% of feed in the 2–0.5 mm size range.

Tantalum in the -1 mm fines from the lithium circuit was processed through the existing gravity circuit and recovered from the spiral concentrates. They were transported to Nagrom in Perth for upgrading to final concentrate using screens, air tables, magnetic separation and electrostatic separation before sale to market.

The flowsheet selection is appropriately premised on the metallurgical testwork results and was designed and implemented as a conventional lithium processing flowsheet, typical of other lithium plants. Key elements of the target product specifications are a Li_2O grade above 6.0%, total iron below 0.8% (rejection limit) and moisture below 8.0% (rejection limit).

The processing facility was designed with a capacity of 1.2 Mtpa. This equates to a throughput of 161 tph with an overall uptime (utilisation) of 85%. The equipment sizings and design allowances were reasonable, and the utilisation assumption was appropriate for this flowsheet.

SRK estimates that the restart of the processing facility would cost approximately A$0.5M. In SRK's opinion, the care and maintenance field staff have completed a well-managed run-down of the plant, their ongoing program is to check, unhook and clean all mechanical plant. All ultraviolet light sensitive plant items with exposed lining material or screen decks have been cleaned and covered with tarpaulins. All drive motors have been decoupled from the mechanical plant. All rotating equipment has been cleaned and flushed and wet equipment left holding clean water to maintain seal integrity, although some drives in the thickener area are still to be cleaned and decoupled. The mica screw classifier has a broken shaft and would need replacing at a cost of approximately A$100,000.

Prior to operational restart, a commissioning crew would need to be mobilised to the Project and undertake a full assessment of all wear components and lining materials. Electrical testing of the plant systems, test bumping and motor testing would also be required. Recoupling and replacement of guarding on all rotating equipment including the replacement of all belts and coupling consumables would be required. Wet commissioning could then be undertaken to ensure seals and drive equipment operate efficiently. SRK estimates that this restart would take up to 12 weeks.

Table 3-5: Restart requirement (processing facility)

Item	Estimated cost (A$)
Commissioning team	60,000
Plant operators	90,000
Electrical commissioning	120,000
Materials	70,000
Repair screw classifier	50,000
Total	**490,000**

SRK estimates that most of the care and maintenance costs associated with the Project at the date of the report are related to salaries. At the site inspection, SRK noted that one project manager and three maintenance personnel were working on site. Additionally, the accommodation village and kitchen were staffed under the catering contract. No capital will be required to maintain the Project in its current condition until such a time that the fixed plant starts to weather.

3.6 Production prior to transition to care and maintenance

The most recent mining operation commenced in March 2018 and continued until August 2019. Table 3-6 presents a summary of the mining reconciliation information developed by Alita. Alita noted several operational challenges that were being addressed at the time operations were suspended. While the lithium tonnage estimates contained within the mine plan reconciled well with production, notable variance in the estimated lithium grades was recorded (-26%). This grade variance is outside the industry accepted limit of +/-15% on short-term basis and +/10% as a life-of-mine average. Alita recognised this and was undertaking iterative resource modelling and optimising grade control methods to gain a better understanding of the local grade range variabilities. Further, Alita reported poor pit management and had undertaken a restructure of the mining personnel department (including senior supervisory positions) in the quarter preceding operational cessation.

SRK understands that Alita had developed an operational grade control model and internal resource model (Figure 3-6) to inform future mine planning. Should production recommence, formal reporting and re-optimisation of the internal resource model would be required to assess the Project's economic feasibility.

Table 3-6: Mining reconciliation summary (March 2018 until August 2019)

Ore Type	Mined		Modelled		Variance	
	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Lithium	1,457,135	0.89%	1,509,939	1.21%	-3%	-26%
Tantalum	284,574	345 ppm	364,287	329 ppm	-22%	+5%

Source: KordaMentha (Summarised from Alita Management Information)

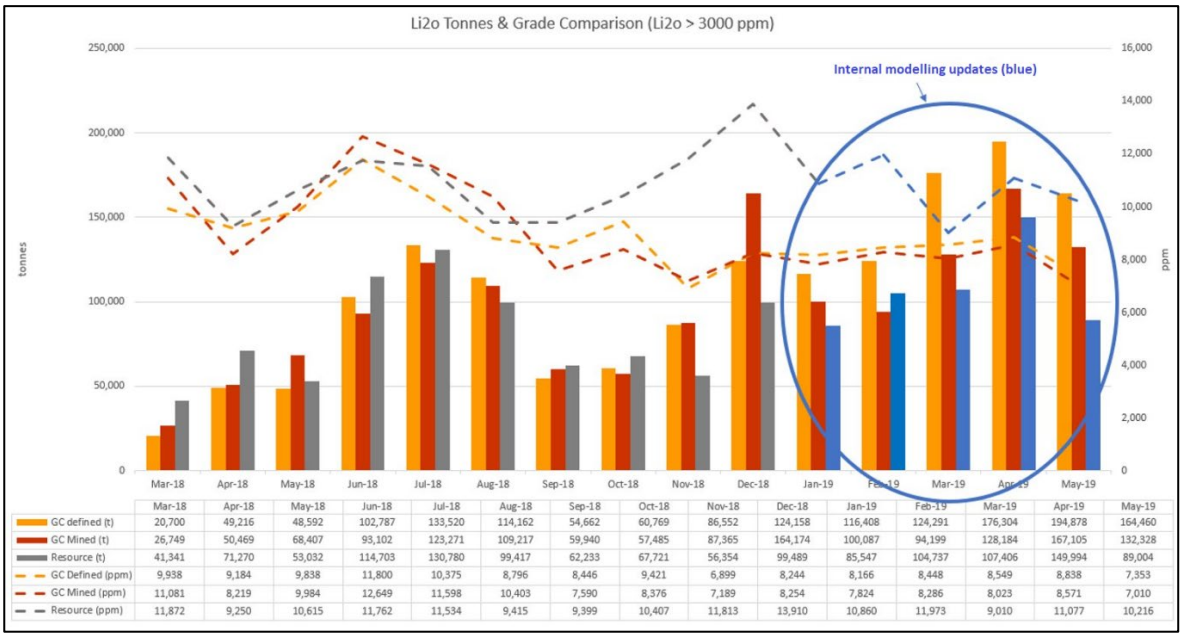


Figure 3-6: Mining production summary

Source: KordaMentha (modified from Alita Management Information)

Processing activities were suspended on 28 August 2019. The production records indicate that the average 2019 processing plant throughput was 225 tph, which is 40% above the design specification. The 2019 processing summary is presented in Table 3-7.

Table 3-7: 2019 processing summary

Metric	Actual	Target	Variance
Feed Tonnes	1,459,682	1,582,359	-8%
Feed Grade	0.84%	0.92%	-9%
Mass Yield	9.02%	9.11%	-1%
Metal Recovery	64.90%	59.54%	+8%
Product Grade	6.05%	6.00%	+1%
Product Tonnes	131,704	144,103	-9%
Unplanned Downtime	15.48%	14.29%	+8%
Plant Utilisation	83.75%	94.65%	-13%
Plant Availability	83.07%	85.00%	-2%

Source: KordaMentha (Summarised from Alita Management Information)

3.7 Infrastructure

The Projects are located approximately 175 km by road southeast of Kalgoorlie in the Eastern Goldfields of Western Australia. The site is accessed via the sealed Coolgardie–Esperance Highway and is accessed from the regional mining hub of Kalgoorlie to the turn-off 5 km south of Widgiemooltha, followed by 68 km of unsealed clay and gravel-based roads to site. The unsealed public road is maintained by the Shire of Coolgardie. During the operating period, concentrate products were trucked to the Port of Esperance to ship to overseas customers.

The Project uses the Kalgoorlie International Airport for personnel movements. The airport has several daily flights to and from Perth.

3.7.1 Water supply

Long-term water supply is a critical consideration and project risk for future operations. During the site inspection, Alita personnel suggested that the depth to the water table is approximately 30 m and the existing bore depth is approximately 100 m. The flow rates vary between 6 L/s and 14 L/s and collectively supplied the processing facilities with 27 L/s. This was considered sub-optimal by Alita personnel, who indicated that a borefield supplying 40 L/s should be developed. The water supply used hired pump headworks and downhole equipment, which has since been removed from the Project site.

A ground water study by Rockwater in 2018 indicates that pit dewatering could provide between 5 L/s and 35 L/s, depending on the rate of pit deepening.

Two options to allow for the re-establishment of the existing water supply could be considered – re-equipment of the existing bores through either hired or purchased equipment and the development of an additional bore.

The fit-out requirement for a 100 m deep bore would be:

1. 100 m of 4G70 OZO Plus screened cable
2. Wellmaster hose couplings with jacking screws and draining hose
3. 1 × skid-mounted control cabinet with a remote telemetry motor operating system
4. 1 × galvanised bore cap and rubber hose to attach to discharge head works
5. 1 × galvanised pipe discharge head works mounted on same skid as electrical cabinet, includes air release valve, electromagnetic flow meter, pressure gauges, check valve, 2 × butterfly valves, flow regulating valve, pressure switch, pressure transducer and cable for monitoring water level
6. 1 x generator set, Marachel outlets with a 1 week's supply fuel tank.

The cost for each fit-out is estimated to be approximately A$133,000. Drilling of a new bore including screens, casing and head works would cost approximately A$150,000.

On this basis, the development of a single bore to provide 27 L/s run in conjunction with the existing bores would require capital of approximately A$380,000. Alternatively, a capital requirement of approximately A$519,000 would be required to fit-out the existing bores and develop a fourth bore providing 13 L/s.

Additionally, a dedicated process water pond would need to be established. Either a pontoon-mounted pump or land-based pumps using floating suction would be required. The estimated capital expenditure for this facility would be A$800,000 for the pond and A$90,000 for the pumping infrastructure and associated piping.

3.7.2 Power supply

Electrical power is provided through a build-own-operate (BOO) diesel-fired power station.

The power station currently consists of 3 × 1,250 KVA and 1 × 900 KVA diesel generators connected to 2 × 2,000 KVA transformers. The plant and associated installed facilities up to the switch rooms will be removed should the power contract not be renewed or renegotiated.

The current contract carries a A$485,000 demobilisation charge to remove these units from the site. Options for a buyout of the power plant as it stands is noted in the contract as A$2.45M.

Capital replacement for this plant is estimated as:

- 3 × 1,250 KVA units at A$380,000 each
- 1 × 900 KVA at A$240,000

- Transformers 2 × A$120,000 each
- Installation at A$680,000
- Freight at A$58,000.

These costs are based on the existing units being decommissioned and removed from site and all utilities stripped back to the switch room, but inground infrastructure, slabs, switch boards, fuel and water tie-ins being in place and serviceable.

Diesel fuel is free issue by the mining operation principal. The fuel farm is supplied as part of the fuel supply contract and fuel connections are in place for the current power units.

3.7.1 Transport

SRK assessed the road haulage contract rates and note that there is an early termination fee of A$573,000. Road haulage to the Port of Esperance is 359 km. The rate per tonne for haulage is A$30.61 (A$0.0852 cents per tonne kilometre) which, when benchmarked against other contracts for tonnages between 2.0 Mtpa and 4.5 Mtpa, is considered reasonable.

Costs associated with storage in Esperance and ship loading are A$13.11/t, which SRK considers are reasonable.

3.7.1 Accommodation village

A camp expansion is required to allow site personnel to be accommodated at the Project site. SRK estimates that the camp expansion will cost approximately A$1.5M.

3.7.1 Tailings storage facility

A life-of-mine tailings storage facility (TSF) has been constructed at the Project. The TSF has not been utilised, as construction had only been completed in the few weeks prior to the transition to care and maintenance.

3.7.1 Closure planning

A sum of A$5.5M has been allocated for mine closure. Based on a review of SRK's internal database this number is likely to be adequate for closure of the Project, but slightly low for the life-of-mine closure cost. The current approved Mine Closure Plan (MCP) states that dispersive waste material will be encapsulated by competent material in the waste rock landforms. This includes the existing Boreline Waste Dump waste rock landform, which was constructed with external dispersive material. The MCP identifies the Central Pit as the source of competent capping material. If mining does not proceed, the mine closure cost estimate is likely to increase if competent material must be sourced from a location with significant haulage or requires to be imported. It is unclear from the rehabilitation material assessment presented in the MCP if competent material exists elsewhere at the Project site.

3.8 Other considerations

3.8.1 Commodity prices

Like most specialised commodities, the lithium market is not transparent. Lithium concentrate is not traded on an exchange, and the prices are not set by independent bodies. Producers of lithium products negotiate prices with individual consumers and price information is rarely reported. Commercial payment terms are also negotiated between buyer and seller and can vary widely.

Spot prices for lithium products have become more widely quoted, although they are not thought to influence contract pricing; rather, they reflect material available off-contract in small volumes and are

likely higher (when the market is good) or lower (when the market is poor) than contract prices.

The price profiles quoted by different journals or websites are usually similar over an extended term, although they might show a small, consistent offset. These sources publish prices on a weekly, twice-weekly or month-end basis. They quote the low price and the high price that represent what has been the general consensus of industry correspondents who have reported spot transactions for the period. Spot transactions, by definition, use the spot price to settle. The spot price itself is open to negotiation between buyer and seller according to the perceived supply and demand conditions.

There are principally two types of lithium concentrate – technical-grade lithium concentrate and chemical-grade lithium concentrate, which can be produced from lithium ores. The technical-grade lithium concentrates, with 5.0%–7.5% Li_2O and very low iron levels, are primarily used for manufacturing glasses and ceramics. The chemical-grade lithium concentrate, with 6.0% Li_2O and relatively higher iron levels, is further processed in lithium chemical plants to produce lithium chemicals (Figure 3-7).

Concentrates from the Project can be considered chemical grade.

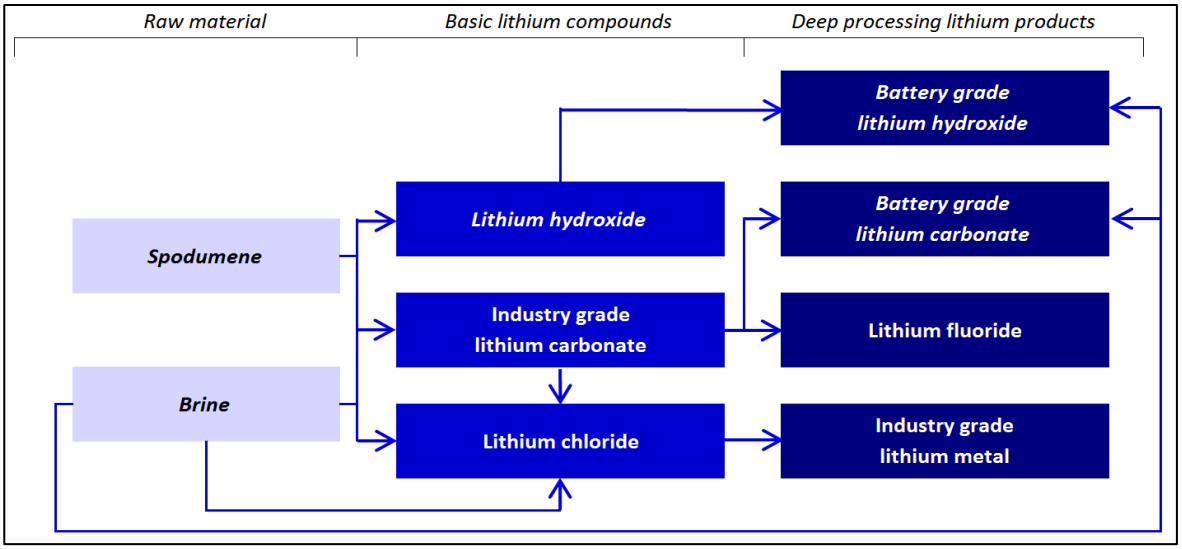


Figure 3-7: Lithium product processing paths

Source: www.deutschebank.com

According to the Australian Government Resources and Energy June 2019 quarterly report, lithium hydroxide and lithium carbonate prices have been trending down since their peak in 2018 and are expected to keep falling in the short term to 2020, before recovering slightly in 2021.

The recent fall in prices has been led by China, where price drops have been large enough to offset stable or rising prices in other countries. In recent months spot prices have fallen more sharply than contract prices, with contract prices responding more slowly to oversupply. Spodumene concentrate prices are expected to face a longer period of oversupply than lithium hydroxide and lithium carbonate. Demand growth is expected to outstrip supply by around 2023.

The market for tantalum is expected to register a compound annual growth rate of 5.81% between 2019 and 2024. The growth of the electronic industry and the use of tantalum alloys in gas turbines and the aviation industry are the biggest tantalum market drivers.

3.8.2 Previous valuations

The VALMIN Code (2015) requires that practitioners should refer to other recent valuations or expert reports undertaken on the mineral properties being assessed. In May 2018, CSA prepared an

independent valuation on the Cowan Project (CSA valuation), and in December 2018, SRK prepared an independent valuation on the Bald Hill Project (SRK valuation).

In preparing this Report, SRK has considered the CSA valuation and SRK valuation where applicable.

4 Valuation

The objective of this section is to provide KordaMentha and Deloitte with SRK's opinion regarding the reasonableness of the technical inputs to the Model and to provide a market valuation of the Projects using market (comparable transactions) and cost-based methods. SRK has not valued Alita or Cowan Lithium Limited, these being the corporate entities that are the beneficial owners of the Projects.

In determining the appropriate parameters for valuation, SRK has considered the assessments that might be made by a willing, knowledgeable and prudent buyer in assessing the value of the Project and the Cowan Project. SRK has relied on information provided by KordaMentha, as well as information sourced from the public domain, SRK's internal databases and SRK's subscription databases.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

1. Market Approach
2. Income Approach
3. Cost Approach.

The Market Approach is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The Income Approach is based on the principle of anticipation of economic benefits and includes all methods that are based on the income or cashflow generation potential of the mineral asset (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cashflow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The Cost Approach is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the mineral asset.

The applicability of the various valuation approaches and methods varies depending on the stage of exploration or development of the mineral asset and hence the amount and quality of the information available on the mineral potential of the assets. Table 4-1 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 4-1: Suggested valuation approaches according to development status

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

Source: VALMIN Code (2015).

The market-based approach to valuation is generally accepted as the most suitable approach for valuation of all projects.

The **'**Market Value' is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent or some other consideration) for which the 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 wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee's (IVSC) term of the same name. This has the same

meaning as Fair Value in Regulatory Guide (RG) 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The term Technical Value is defined in the VALMIN Code (2015) as 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. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

4.1 Valuation basis

In estimating the value of the Project and the Cowan Project as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015). SRK has considered the Mineral Resources and Ore Reserves associated with the Project, as well as the prospectivity. SRK's valuation basis is presented in **Table** 4-2.

Table 4-2: Valuation basis

Project	Development Stage	Description	Valuation basis
Bald Hill	Pre-Development	Ore Reserves considered within the Model and Mineral Resources not considered within the Model (residual resources)	Income: Cashflow Model Market: Comparable Transactions
Bald Hill	Advanced Exploration	Exploration tenure	Market: Comparable Transactions Cost: Geoscientific Rating
Cowan	Advanced Exploration	Exploration tenure	Market: Comparable Transactions Cost: Geoscientific Rating

4.2 Pre-Development Project Valuation

4.2.1 Discounted cashflow model

Alita has developed a cashflow model (Model) and has provided this to SRK. SRK has assessed production and cost projections and has advised Deloitte of its findings.

The reconciliation differences noted in SRK's assessment of the available operating data show that the proposed mine plan, design and extraction schedule use outdated Modifying Factors. As such, the mine plan is not considered by SRK to be reasonable for valuation purposes.

SRK understands that Deloitte and KordaMentha will undertake a scenario analysis on the inputs to the Model to assess the value of a number of real option scenarios.

SRK therefore recommends the input ranges given in Table 4-3 be adopted in the scenario analyses.

Table 4-3: SRK's assessment of the technical inputs to the Model (Physicals)

Item	Model	SRK recommendation/ comment
Total planned ore mined	4.1 Mt	Not reasonable as project economics are not supported by current mine planning reflecting reconciliation and revenue changes Re-optimisation of the resource model is required using revised Modifying Factors +/- 40% sensitivity range
Total planned waste mined	25.3 Mt	Not reasonable as project economics are not supported by current mine planning reflecting reconciliation and revenue changes Re-optimisation of the resource model is required using revised Modifying Factors +/- 40% sensitivity range

Item	Model	SRK recommendation/ comment
Total planned mined	29.4 Mt	Not reasonable as project economics are not supported by current mine planning reflecting reconciliation and revenue changes Re-optimisation of the resource model is required using revised Modifying Factors +/- 40% sensitivity range
Ore grade (Li_2O) adjustment factor	100%	Not reasonable as project economics are not supported by current mine planning reflecting reconciliation and revenue changes Re-optimisation of the resource model is required using revised Modifying Factors Use 76% as a base case and then apply +/- 15% sensitivity range in addition to the tonnage sensitivity ranges noted above
Ore grade (Ta_2O_5) adjustment factor	100%	Not reasonable as project economics are not supported by current mine planning reflecting reconciliation and revenue changes Re-optimisation of the resource model is required using revised Modifying Factors +/- 15% sensitivity range
Mining cost per tonne mined	A$4.40	Reasonable based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions +/- 10% sensitivity range
Processing per tonne milled (Li)	A$15.99	Reasonable based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions +/- 10% sensitivity range Owner-operator costs would be likely to fall closer to A$13.20/t milled
Crushing costs per tonne crushed	A$11.12	Reasonable based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions +/- 10% sensitivity range Owner-operator costs would be likely to fall between A$7.70 and A$8.90/t crushed
Corporate and Administration costs per tonne milled (Li)	A$9.85	Reasonable based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions +/- 10% sensitivity range
Transport costs per tonne	A$47.59	Reasonable based on SRK's review and assessment of the recent technical work conducted at the Project and SRK's experience working on similar projects in similar jurisdictions +/- 20% sensitivity range

4.2.2 Comparable market transactions

As a cross-check on the cashflow model valuation, SRK used its internal databases and the S&P Global Market Intelligence subscription database to compile and assess information on comparable market transactions. SRK also considered whether there are listed comparable companies with lithium projects in Western Australia that are at a similar pre-development stage as the Bald Hill Project in order to determine whether share trading multiples support the observed transaction multiples. SRK did not identify any such comparable companies.

SRK considers that there have been three recent market transactions undertaken on tenure that can be considered comparable to the Project. As the transactions took place in 2019, SRK elected not to apply any commodity price adjustments.

Transaction 1

In September 2019, Wesfarmers Limited paid A$1.90 in cash per share to acquire each issued and outstanding common share of Kidman Resources Limited (Kidman). The principal mineral asset of Kidman was a 50% ownership of the Mount Holland Lithium Project (Mount Holland). Mount Holland is classified as a Pre-Development project where an Ore Reserve estimate and pre-feasibility studies have been completed. The transaction also included a nickel and gold exploration portfolio.

Transaction 2

In March 2019, an investor group comprising Ganfeng Lithium Co Ltd. and Mineral Resources Limited paid A$103.8M in cash to acquire the remaining 13.8% interest in Mount Marion (Mount Marion) Project from Neometals Limited (the investor group held 61.2%). Mount Marion is a production-stage asset, with a similar resource base to the Bald Hill Project.

Transaction 3

In June 2019, Yongshan International Co. Ltd. acquired an 11.8% stake in Altura Mining Limited (Altura) for A$25.1M. The principal mineral asset of Altura is its 100% owned Pilgangoora Lithium Project (Pilgangoora), although it holds a 22% equity interest in the Delta Coal Project (13.6 Mt Coal Resources) and a 70% equity interest in the Tabalong Project (9.4 Mt Coal Resources). Altura had a net debt position of A$170.1M at the time of the transaction (A$20.1M for the 11.8% acquired). The production of spodumene concentrate from Pilgangoora commenced in July 2018, with concentrate sales commencing in October 2018 and commercial production was reported in March 2019. Altura has offtake agreements in place for 100% of the spodumene concentrate produced from Pilgangoora, which has a total resource and reserve base of 483,000 contained lithium tonnes. Offtake agreements are in place for 100% of the concentrate produced from Pilgangoora. Assuming a 20% control premium for the minority stake, the implied transaction value is A$50.2M and the implied resource multiple is A$882 per contained tonne lithium.

Albermarle–Mineral Resources Limited Transaction

In November 2019, Albemarle Corporation (Albemarle) completed the acquisition of a 60% stake in the Wodgina Hard Rock Lithium Mine (Wodgina Project) from Mineral Resources Limited (MRL) for a consideration of US$1.3 billion. The consideration comprised US$820M in cash and a 40% interest in the Kemerton Modules (two 25 ktpa lithium hydroxide conversion units being constructed near Bunbury). As part of the transaction, Albemarle and MRL also signed a joint venture agreement whereby the spodumene produced by the Wodgina Project would provide feedstock to the Kemerton lithium hydroxide modules when completed. SRK does not consider that this transaction is sufficiently comparable with respect to the Bald Hill mineral assets.

The summary deal metrics from the three comparable transactions are presented in Table 4-4.

Table 4-4: Comparable transaction analysis summary metrics

Item	Units	Transaction 1	Transaction 2	Transaction 3
Deal value	A$M	776.19	103.8	25.1
Deal value, as reported	A$M	776	103.8	25.1
Transaction value	A$M	745.32	103.8	50.2
Gross transaction value	A$M	776.19	103.8	50.2
Percent of equity ownership acquired	%	100	13.8	11.8
Net Debt/ (net cash) assumed	A$M	(30.86)	0	170.1
Reserves & Resources - Lithium	t	1,421,350	134,688	56,900
Transaction Value/ Reserves & Resources	A$/t	524	771	882

SRK considers that the dollar per tonne range given by the three transactions is indicative of the likely premiums of 40% that would be expected on these transactions given their strategic investment value. All three transactions involved mineral assets with long-term offtake agreements in place and access to downstream processing facilities.

Given this analysis, SRK considers that the market would likely pay in the range between A$314/t (i.e. A$524/t less 40% strategic investment premium) and A$529/t (i.e. A$882/t less 40% strategic investment premium) for the Pre-Development stage Project. **Table** 4-5 presents a summary of SRK's valuation range for the Bald Hill Project's Pre-Development stage as implied by these multiples. This valuation range considers the Ore Reserves within the Model (4.1 Mt at 0.87% Li_2O for 35,670 contained tonnes with no credit for tantalum, given there is no economic processing route given in the Model), and includes the fixed-asset register (processing facilities and related infrastructure).

Although the project plan contemplates the processing of tantalum by-products at Nagrom, SRK considers that it is not reasonable to allow for tantalum credits in its valuation of the Ore Reserves included in the Model, given that a re-optimisation of the Mineral Resource estimate is required in order to determine the tonnage and grade estimates for tantalum and the associated processing cost requirements. The mine plan considered in the Model is not demonstrably economic.

SRK has selected its preferred value based on the midpoint of the valuation range, given the uncertainty around long-term offtake contracts for the Bald Hill Project.

Table 4-5: Valuation range (Pre-Development Project)

Stage	Low (A$M)	High (A$M)	Preferred (A$/M)
Pre-Development (Model)	11.2	18.9	15.0

4.2.3 Residual resources

To estimate a value range for the Mineral Resources outside those considered in the Model, SRK has applied a 50% discount to the applied range assigned to the Pre-Development project analysis given the level of technical uncertainty attributable to the Inferred Mineral Resource estimates, which account for 66% of the residual resources.

Given this analysis, SRK considers that the market would likely pay in the range between A$157/t (i.e. 50% discount to the A$314/t adopted previously) and A$265/t (i.e. 50% discount to the A$529/t adopted previously) for the residual resources. Table 4-7 presents a summary of SRK's valuation range for the residual resources implied by these multiples. This valuation range considers only the Mineral Resources not within the Model. The residual resources are in the Inferred category. The estimate of 11.3 Mt at 1.01% Li_2O converted at 77% is 8.7 Mt at 1.01% Li_2O. The production reconciliation data has demonstrated a variance of up to -26% between the modelled tonnes and the actual tonnes recovered. SRK has therefore attributed a 15% production discount to the tonnage estimates to arrive at an implied residual resource estimate of 7.5 Mt at 0.9% Li_2O for 67,500 contained tonnes, with a 5% tantalum by-product credit. By-product credits were applied to the residual resources as their classification assumes that they have the potential for eventual economic extraction (Table 4-6). As noted in Section 3.6, Alita prepared revised internal resource estimates as at September 2018. These estimates were not reported to the ASX and SRK notes that these estimates have not been prepared, reported or compiled in accordance with JORC Code (2012) requirements. SRK has therefore not included them in its determination of the Project's reported resources.

Table 4-6: Comparable transaction multiples

Commodity	Contained tonnes	Low (A$/t)	High (A$/t)	Preferred (A$/t)
Lithium	67,500	157	265	211
Tantalum credit	3,375			
Total	**70,875**			

SRK selected its preferred value based on the midpoint of the valuation range, given the uncertainty around the Modifying Factors to convert the Mineral Resources to Ore Reserves (Table 4-7).

Table 4-7: Valuation range (residual resources)

Stage	Low (A$M)	High (A$M)	Preferred (A$M)
Pre-Development (residual resources)	11.1	18.7	14.9

4.2.4 Salvage value and restart cost estimation

SRK has prepared a sum-of-parts salvage value estimate for the established processing facilities and developed a restart cost estimate to assist Deloitte and KordaMentha for their real option scenario analysis.

Salvage value

Sunk direct costs that cannot be reclaimed in a salvage value sale include all statutory and labour imposts, management, construction plant and equipment, earthworks, concrete, underground services and a large portion of the electrical installations. The salvage value is also directly related to the cost of demolition and haulage from the Project.

Should the processing facilities be disassembled as a modular plant to be re-assembled off site, the value is estimated by SRK at between A$7.5M and A$8.5M, with a preferred valuation of A$8M. This valuation range assumes that a processing and operating model is provided to the purchaser, and that the plant would be removed from site and the plant concrete, inground services removed and rehabilitation undertaken for a A$0 net result.

Project restart cost estimation

Table 4-8 summarises SRK's restart cost estimate as detailed in Section 3 of this Report. The cost estimate should be considered as having a +/- 35% accuracy range and has been developed using, the latest edition of Rawlinson database of cost estimation and SRK's experience on comparable projects, and is based on a start-up period of 12 weeks.

Table 4-8: Restart cost estimate

Item	Restart requirement	Cost (A$M)
1	Borefield (headworks with telemetry/ solar)	0.52
2	Groundwater Study	0.20
3	Build raw water pond 80,000 m^3	0.80
4	Power and pump for raw water pond	0.09
5	DMS Process plant ramp-up and re-commissioning	0.49
6A	3 × 1,250 KVA, 1 × 900 KVA generators, 2 × 2,000 KVA transformers (market replacement cost, installed)	2.36
6B	Buy-out option within existing power contract before demobilisation at site	2.45
7	Camp, complete upgrade and demobilisation from Lanfranchi site	1.50

Item	Restart requirement	Cost (A$M)
8A	Re-establish crushing contract (A$310,000 mobilisation cists plus A$200,000 obligation for recent demobilisation)	0.51
8B	Purchase second-hand plant from Cape Crushing as per Contract (A$3,815,498) plus mobilisation (A$310,000)	4.12
8C	Purchase purpose-built mobile crushing plant	6.00
9	Remobilisation of the mining contractor	2.00
	Total (rounded)	**21.00**

4.3 Advanced Exploration Valuation

4.3.1 Comparable market transaction valuation

SRK used its internal databases and the S&P Global Market Intelligence subscription database to compile and assess comparable market transaction information for the advanced exploration tenure surrounding the pre-development project (Table 4-9).

Notably, two comparable market transactions have taken place since 2017 that involve the exploration licences contiguous with the Project (Cowan Project). SRK considers that these recent transactions (March 2017 and July 2018) involved granted tenure that is most comparable to the advanced exploration tenure surrounding the pre-development project, at a similar level of technical study maturity, has a similar mineralisation style and prospectivity score. However, given that Cowan Lithium Limited is an unlisted company, SRK considers that the non-cash component of the transaction consideration cannot be quantified in a definitive manner.

SRK considers the Liontown Resources Limited transaction (Table 4-9) to be the next most comparable transaction. This transaction involved mining leases and exploration tenure at a similar level of technical study maturity and mineralisation style in a similar geological province.

The Kidman Resources Limited transaction is considered to be a high outlier and included a nickel and gold exploration portfolio. The Core Exploration Limited transaction appears to represent a land-grab transaction, which was sold for a market premium at the height of the Australian lithium boom.

Table 4-9: Market comparable transactions

Buyer	Completion Date	A$/ha (2019 prices)	Mineral Assets acquired	Consideration
Cowan Lithium Limited	18/07/2018	20*	Cowan tenements	A$750,000 in cash and 61,266,465 (9,189,969 shares to Tawana and 52,076,496 shares to Tawana's shareholders (demerger scheme)
Core Exploration Limited	11/07/2017	490	Bynoe project, including EL29699, EL30015, EL30012, ML16 and EML28651	A$1.50M in cash and issued approximately 39.23 million shares. In addition, upon defining a JORC Code compliant Mineral Resource totalling 5 Mt within the Bynoe Project area, payment of A$1.50M in cash or shares.
Tawana Resources NL	3/03/2017	92	Cowan tenements	A$1,000,000 in cash and A$1,000,000 in shares (50% escrowed for 12 months).
Liontown Resources Limited	12/09/2016	60	15 granted mining leases and one exploration licence application, covering a total area of 75 km^2	25 million shares, and an agreement to pay 1% of gross sales and A$0.50/t of pegmatite-hosted ore mined and milled.
Kidman Resources Limited	2/28/2017	4,017	Two exploration licences (E77/1400 and E77/2099) adjacent to the Earl Grey project	A$6M worth of Kidman shares and a gross revenue royalty of 1.5% on future lithium production. Payment of A$150 for every contained tonne of Li_2O classified as a JORC Code Ore Reserve

*Cash component only

Using the multiples implied by the recent transactions involving comparable tenure, considers the market would pay within the range given in Table 4-10 for the Advanced Exploration tenure surrounding the pre-development project. SRK's preferred multiple of A$55/ha considers the subjectivity around the non-cash component of the Cowan transaction. The preferred multiple is therefore positioned at the 50th percentile of the range.

Table 4-10: Comparable transactions valuation range – Advanced Exploration Tenure*

Stage	Area (ha)	Low (A$/ha)	High (A$/ha)	Preferred (A$/ha)
Advanced Exploration	52,962	20	90	55

On this basis, using the comparable transactions approach as applied to the Project's Advanced Exploration, the value is estimated to lie between A$0.9M and A$4.8M, with a preferred estimate of A$2.9M (Table 4-11).

Table 4-11: Comparable transaction valuation – Advanced Exploration Tenure*

Stage	Area (ha)	Low (A$M)	High (A$M)	Preferred (A$M)
Advanced Exploration	52,962	1.1	4.8	2.9

Note: *Zero value allocated to expired tenements E15/1066 and E15/1067.

4.3.2 Geoscientific rating valuation

SRK has used the geoscientific rating method as its secondary method to estimate the market value of the Advanced Exploration tenure. The geoscientific rating or modified Kilburn method of valuation attempts to quantify the relevant technical aspects of a property through appropriate multipliers (factors) applied to an appropriate base (or intrinsic) value and is considered a cost-based method of

valuation. The intrinsic value is referred to as the Base Acquisition Cost (BAC), which represents the 'average cost to identify, apply for and retain a base unit of area of title'.

Multipliers are considered for off-property aspects, on-property aspects, anomaly aspects, and geology aspects. These multipliers are applied sequentially to the BAC to estimate the Technical Value for each tenement. A further market factor is then considered to derive a Market Value.

A BAC of A$21/ha (average of exploration and prospecting leases) has been assumed in this valuation, which incorporates annual rental, and administration and application fees in addition to nominal indicative minimum expenditure on acquisition (Table 4-12).

Table 4-12: Base acquisition cost

Item	Unit	Value	Total
Average licence size	km^2	70	-
Average licence age	Years	4	-
Application fee	A$/licence	1,362	1,362
Annual rent Years 1–3	A$/$km^2$	44.7	9,387
Annual rent Year 4	A$/$km^2$	69.3	4,851
Minimal annual expenditure Years 1–3	A$/$km^2$	333	69,930
Minimal annual expenditure Year 4	A$/$km^2$	500	35,000
Costs of identification, legal costs and negotiations and compensation agreements	A$/licence	25,000	25,000
Annual rates	A$/licence	2,000	2,000
BAC of average licence	**A$/$km^2$**	**-**	**2,108**
BAC of average licence	**A$/ha**	**-**	**21.08**

In converting its implied Technical Values to a Market Value, SRK considers that market participants would apply a discount to the Technical Value given the current market sentiment at the date of this report. As such, SRK has allocated a market factor of 0.5 to the analysis.

The rating criteria use for assessing the modifying factors are provided in Table 4-13. These rating criteria have been modified by SRK and the scorecard is presented in Table 4-14.

Table 4-13: Modified property rating criteria

Rating	Off-property factor	On-property factor	Geological factor	Anomaly factor
0.1			Unfavourable geological setting	No mineralisation identified – area sterilised
0.5	Unfavourable district/ basin	Unfavourable area	Poor geological setting	Extensive previous exploration provided poor results
0.9			Generally favourable geological setting, under cover or complexly deformed or metamorphosed	Poor results to date
1.0	No known mineralisation in district	No known mineralisation on lease	Generally favourable geological setting	No targets outlined
1.5	Minor workings	Minor workings or mineralised zones exposed		Target identified, initial indications positive
2.0	Several old workings in district	Several old workings or exploration targets identified	Multiple exploration models being applied simultaneously	
2.5			Well-defined exploration model applied to new areas	Significant grade intercepts evident but not linked on cross or long sections
3.0	Mine or abundant workings with significant previous production	Mine or abundant workings with significant previous production	Significant mineralised zones exposed in prospective host rock	
3.5				Several economic grade intercepts on adjacent sections
4.0	Along strike from a major deposit	Major mine with significant historical production	Well-understood exploration model, with valid targets in structurally complex area, or under cover	
5.0	Along strike for a world-class deposit		Well-understood exploration model, with valid targets in well understood stratigraphy	
6.0			Advanced exploration model constrained by known and well-understood mineralisation	
10.0		World class mine		

Source: Modified after Xstract, 2009 and Agricola Mining Consultants, 2011.

Table 4-14: Geoscientific Rating scorecard – Advanced Exploration tenure (100% basis)*

BAC/ha = A$20, Market Factor = 0.5			Off-property		On-property		Anomaly		Geology		Technical value		Valuation (A$M)		
Tenement/ sub-block	Area (ha)	BAC	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Preferred
E15/1058	2,520	50,400	1.5	2	1	1.5	0.9	1	0.9	1	0.06	0.15	0.03	0.08	0.05
E15/1161	280	5,600	1.5	2.5	1.5	2.5	1	2	0.9	1	0.01	0.07	0.01	0.04	0.02
E15/1162	840	16,800	1.5	2.5	1.5	2.5	1	2	0.9	1	0.03	0.21	0.02	0.11	0.06
E15/1166	1,400	28,000	1.5	2.5	1.5	2.5	1	2	0.9	1	0.06	0.35	0.03	0.18	0.10
E15/1492	14,280	285,600	1.5	2	1	1.5	0.9	1	0.9	1	0.35	0.86	0.17	0.43	0.30
E15/1493	7,280	145,600	1.5	2	1	1.5	0.9	1	0.9	1	0.18	0.44	0.09	0.22	0.15
E15/1555	5,600	112,000	1.5	2	1	1.5	0.9	1	0.9	1	0.14	0.34	0.07	0.17	0.12
E15/1556	4,480	89,600	1.5	2	1	1.5	0.9	1	0.9	1	0.11	0.27	0.05	0.13	0.09
E15/1212	2,800	56,000	1.5	2	1	1.5	0.9	1	0.9	1	0.07	0.17	0.03	0.08	0.06
E15/1353	11,760	235,200	1.5	2	1	1.5	0.9	1	0.9	1	0.29	0.71	0.14	0.35	0.25
P15/5862	501	10,020	1.5	2	1	1.5	0.9	1	0.9	1	0.01	0.03	0.01	0.02	0.01
P15/5863	501	10,020	1.5	2	1	1.5	0.9	1	0.9	1	0.01	0.03	0.01	0.02	0.01
P15/5864	501	10,020	1.5	2	1	1.5	0.9	1	0.9	1	0.01	0.03	0.01	0.02	0.01
P15/5865	501	10,020	1.5	2	1	1.5	0.9	1	0.9	1	0.01	0.03	0.01	0.02	0.01
R15/1	973	19,460	2.5	3	1.5	2	1.5	2	1	1	0.11	0.23	0.05	0.12	0.09
												Total	**0.7**	**2.0**	**1.3**

*Tenure considered to be Advanced Exploration where value has not been attributed to the Pre-Development Project.

SRK considers the market would pay between A$0.70M and A$2.00M with a preferred value of A$1.3M for Advanced Exploration tenure associated with the Pre-Development Project using the geoscientific rating valuation method (Table 4-15). Given the uncertainty in the future direction of lithium market prices, SRK has elected to use the midpoint of the valuation range to inform its preferred value.

Table 4-15: Geoscientific rating valuation – Advanced Exploration tenure*

Stage	Area (ha)	Low (A$M)	High (A$M)	Preferred (A$M)
Advanced Exploration	52,962	0.70	2.00	1.30

Note: *Zero value allocated to expired tenements E15/1066 and E15/1067.

SRK has elected to use the comparable transactions method as its primary valuation technique for the Advanced Exploration tenure, given the current market sentiment and availability of comparable transactions information. On this basis, the estimated valuation as applied to the Project's Advanced Exploration tenure is estimated to lie in the range between A$1.10M and A$4.80M, with a preferred estimate of A$2.90M (Table 4-16).

Table 4-16: Summary valuation – Advanced Exploration tenure

Method	Low (A$M)	High (A$M)	Preferred (A$M)
Comparable market transactions	1.10	4.80	2.90
Geoscientific	0.70	2.00	1.30
Selected	**1.10**	**4.80**	**2.90**

4.4 Cowan Project Valuation

4.4.1 Comparable market transaction valuation

Given the Cowan Project involves tenements that are contiguous with the Bald Hill Project, SRK considers the Advanced Exploration tenure associated with the Cowan Project to be truly comparable with the Advanced Exploration tenure at the Bald Hill Project.

As such, SRK has elected to use the valuation range implied by the comparable market transaction analysis to inform its valuation of the Cowan Project.

SRK considers the market would pay within the range given in Table 4-17 for the Advanced Exploration tenure that comprises the Cowan Project.

Table 4-17: Comparable transactions valuation range – Cowan Project

Stage	Area (ha)	Low (A$/ha)	High (A$/ha)	Preferred (A$/ha)
Cowan Project	71,991	20	90	55

On this basis, using the comparable transactions approach, the value of the Cowan Project is estimated to lie between A$1.4M and A$6.5M, with a preferred estimate of A$3.9M (Table 4-18).

Table 4-18: Comparable transactions valuation – Cowan Project

Stage	Area (ha)	Low (A$M)	High (A$M)	Preferred (A$M)
Cowan Project	71,991	1.4	6.5	3.9

4.4.2 Geoscientific rating valuation

SRK has used the geoscientific rating method as its secondary method to estimate the market value of the Cowan Project. Using the scorecard presented in Table 4-21, SRK considers the market would

pay between A$2.6M and A$6.8M, with a preferred value of A$4.7M, for the Cowan Project using the geoscientific rating valuation method (Table 4-19). Given the uncertainty in the future direction of lithium market prices, SRK has elected to use the mid-point of the valuation range to inform its preferred value.

Table 4-19: Geoscientific rating valuation – Cowan Project

Stage	Area (ha)	Low (A$M)	High (A$M)	Preferred (A$M)
Cowan Project	71,991	2.6	6.8	4.7

SRK has elected to use the comparable transactions method as its primary valuation technique for the Cowan Project, given the current market sentiment and availability of comparable transactions information. On this basis, the estimated valuation as applied to the Cowan Project is estimated to lie in the range between A$1.40M and A$6.5M, with a preferred estimate of A$3.9M (Table 4-20).

Table 4-20: Summary valuation – Cowan Project

Method	Low (A$M)	High (A$M)	Preferred (A$M)
Comparable market transactions	1.4	6.5	3.9
Geoscientific rating	2.6	6.8	4.7
Selected	**1.4**	**6.5**	**3.9**

4.4.3 Book Value

For completeness, SRK notes that the carrying book value of the Cowan Project is $2.76M with a minimum expenditure requirement of A$402,926 (Cowan annual report for the calendar year end December 2018).

Table 4-21: Geoscientific rating valuation scorecard – Cowan Project (100% basis)

BAC/ha = A$20, Market Factor = 0.5			Off-property		On-property		Anomaly		Geology		Technical value		Valuation (A$M)		
Tenement/ sub-block	Area (ha)	BAC	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Preferred
E15/1205	585	11,700	1.5	2	1	1	1	1	2	2.5	0.04	0.06	0.02	0.03	0.02
E15/1446	5,749	114,980	2.5	3	1.5	2	2.5	3	2.5	3	2.69	6.21	1.35	3.10	2.23
E15/1377	9,555	191,100	1.5	2.5	1.5	2	1.5	2	2	2.5	1.29	4.78	0.64	2.39	1.52
E28/2702	15,214	304,280	1	1.5	1	1	1	1	1	1.5	0.30	0.68	0.15	0.34	0.25
E15/1502	20,442	408,840	1	1.5	1	1	1	1	1	1.5	0.41	0.92	0.20	0.46	0.33
E15/1503	20,446	408,920	1	1.5	1	1	1	1	1	1.5	0.41	0.92	0.20	0.46	0.33
												Total	**2.57**	**6.78**	**4.68**

5 Valuation Summary

Table 5-1 summarises SRK's market value assessment.

Table 5-1: Valuation summary

Stage	Low (A$M)	High (A$M)	Preferred (A$M)
Ore Reserves considered in the Model	11.2	18.9	15.0
Mineral Resources not considered in the Model (residual resources)	11.1	18.7	14.9
Restart Value	+/- 35% estimate		21.0
Salvage Value	7.5	8.5	8.0
Advanced Exploration tenure	1.1	4.8	2.9
Cowan Project	1.4	6.5	3.9

5.1 Discussion on SRK's valuation range

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with Pre-Development and Advanced Exploration stage projects.

The range in value is driven by the confidence limits placed around the size and grade of mineralised occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained resource and its potential to be extracted profitably.

Table 5-2 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry.

Table 5-2: General guide regarding confidence resource and reserve estimates

Classification	Estimate range (90% confidence limit)
Proven/ Probable Reserves	±5 to 10%
Measured Resources	±10 to 20%
Indicated Resources	±30 to 50%
Inferred Resources	±50 to 100%
Exploration target	+100%

The level of uncertainty with advancing project stages is illustrated in Figure 5-1.

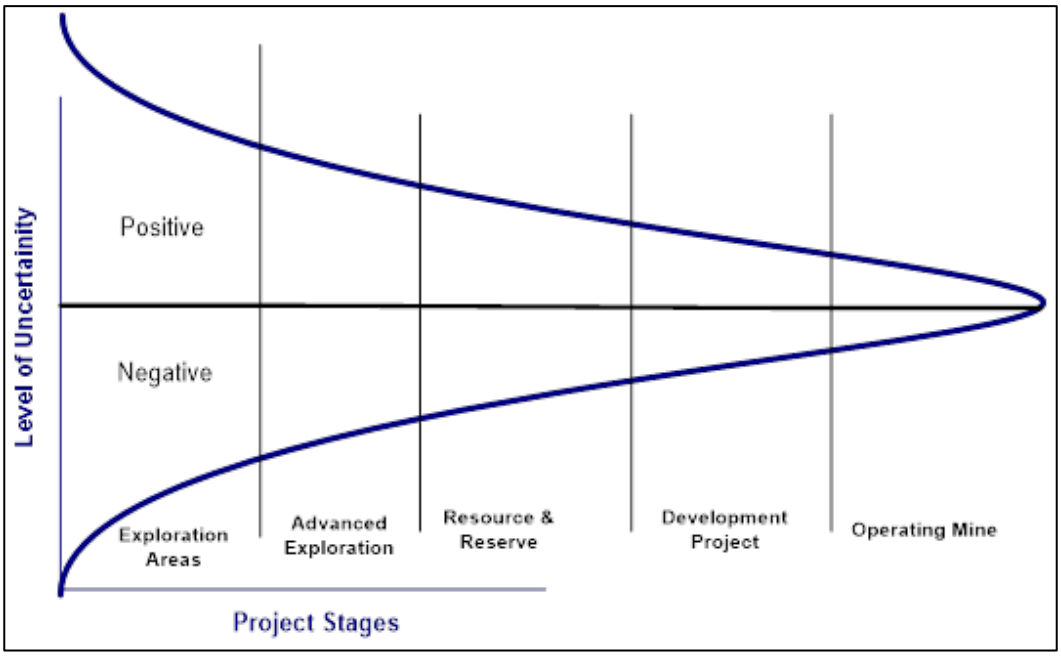


Figure 5-1: Uncertainty by advancing exploration stage

Estimated confidence of +/-60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds, given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, a greater degree of certainty regarding these assets is implied than may be the case. Where possible, SRK has endeavoured to narrow its valuation range.

In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation. These factors can ultimately result in significant differences in valuations over time. The key risks include, but are not limited to, risks outlined in the following subsections.

Mineral Resources and Ore Reserves prepared under the JORC Code (2012) are best estimates based on individual judgement and reliance upon knowledge and experience using industry standards and the available database. The Mineral Resource to Ore Reserve risk is considered to be high for the Pre-Development projects, given the current market for lithium and tantalum concentrates and the challenges around securing long-term offtake contracts for these products. Further, the Bald Hill Project is based on a contractor model, where operating costs are much higher than those for an owner-operator model. In SRK's opinion, the re-establishment of the mining operation is dependent on the provision of an adequate water supply, the re-optimisation of the current Mineral Resource estimate and revised mine planning to allow contract negotiations to commence.

Project Number: KDM002

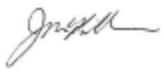
Report Title: Independent Specialist Report on the Mineral Assets of Alita Resources Limited

Compiled by

Karen Lloyd

Associate Principal Consultant

Peer Reviewed by



Jeames McKibben

Principal Consultant

SRK Report Client Distribution Record

Project Number: KDM002

Report Title: Independent Specialist Report on the Mineral Assets of Alita Resources Limited

Date Issued: 26 November 2019

Name/Title	Company
Nicky Ivory	Deloitte Financial Advisory Pty Ltd
Simon Harris	KordaMentha Pty Ltd

Rev No.	Date	Revised By	Revision Details
6	26/11/2019	Karen Lloyd	Final Report

Appendix 9 – Schedule 7 of the Uniform Civil Procedure Rules 2005

Uniform Civil Procedure Rules 2005

Current version for 15 June 2018 to date (accessed 9 November 2018 at 18:03)

Schedule 7

Schedule 7 Expert witness code of conduct

(Rule 31.23)

1 Application of code

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.

2 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.

3 Content of report

Every report prepared by an expert witness for use in court must clearly state the opinion or opinions of the expert and must state, specify or provide:

(a) the name and address of the expert, and

(b) an acknowledgement that the expert has read this code and agrees to be bound by it, and

(c) the qualifications of the expert to prepare the report, and

(d) the assumptions and material facts on which each opinion expressed in the report is based (a letter of instructions may be annexed), and

(e) the reasons for and any literature or other materials utilised in support of each such opinion, and

(f) (if applicable) that a particular question, issue or matter falls outside the expert's field of expertise, and

(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, and

(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, and

(i) 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 knowledge of the expert, been withheld from the court, and

(j) any qualification of an opinion expressed in the report without which the report is or may be incomplete or inaccurate, and

(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

(l) where the report is lengthy or complex, a brief summary of the report at the beginning of the report.

4 Supplementary report following change of opinion

(1) 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 must forthwith provide to the party (or that party's legal representative) a supplementary report which must state, specify or provide the information referred to in clause 3 (a), (d), (e), (g), (h), (i), (j), (k) and (l), and if applicable, clause 3 (f).

(2) In any subsequent report (whether prepared in accordance with subclause (1) or not), the expert may refer to material contained in the earlier report without repeating it.

5 Duty to comply with the court's directions

If directed to do so by the court, an expert witness must:

(a) confer with any other expert witness, and

(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.

6 Conferences of experts

Each expert witness must:

(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 must 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.

Appendix 10 – APES 215 – Forensic Accounting Services

APES 215 Forensic Accounting Services

[Supersedes APES 215 Forensic Accounting Services issued in December 2013]

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

REVISED: December 2015

Contents

Section

1. Scope and application

1.1 The objective of APES 215 *Forensic Accounting Services* is to specify a Member's professional and ethical obligations in respect of:

- the provision of a Forensic Accounting Service to a Client or Employer;
- the types of Engagement or Assignment that are a Forensic Accounting Service;
- applicable Independence requirements;
- relationships and the provision of other Professional Activities that create threats to compliance with the fundamental principles;
- the obligations of a Member who provides an Expert Witness Service and the required disclosures in the Member's Report; and
- applicable quality control and documentation obligations.

1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 215 *Forensic Accounting Services* (**the Standard**), which is effective for Engagements or Assignments commencing on or after 1 April 2016 and supersedes APES 215 issued in December 2013. Earlier adoption of this Standard is permitted.

1.3 APES 215 sets the standards for Members in the provision of quality and ethical Forensic Accounting Services. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 215 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

1.4 Members in Australia shall follow the mandatory requirements of APES 215 when they provide Forensic Accounting Services.

1.5 Members outside of Australia shall follow the mandatory requirements of APES 215 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

1.6 Where a Professional Activity which, when it commenced was not a Forensic Accounting Service, later becomes such a service, the Member shall comply with the requirements of this Standard from that time onwards.

1.7 Where a Member is undertaking a Forensic Accounting Service, other than an Expert Witness Service, which later becomes an Expert Witness Service, the Member shall comply with the requirements of section 5 of this Standard from that time onwards.

1.8 Members shall be familiar with relevant Professional Standards and guidance notes when providing Forensic Accounting Services. All Members shall comply with the fundamental principles outlined in the Code.

1.9 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.

1.10 All references to Professional Standards, guidance notes and legislation are references to those provisions as amended from time to time.

1.11 In applying the requirements outlined in APES 215, Members should be guided not merely by the words but also by the spirit of the Standard and the Code.

1.12 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

For the purpose of this Standard:

Assignment means an instruction, whether written or otherwise, by an Employer to a Member in Business relating to the provision of Professional Activities by a Member in Business. However, consultations with the Employer prior to such instruction are not part of an Assignment.

Client means an individual, firm, entity or organisation to whom Professional Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants*.

Consulting Expert means a Member who has been engaged or assigned to provide a Consulting Expert Service.

Consulting Expert Service means a Professional Activity provided in the context of Proceedings, other than an Expert Witness Service, a Lay Witness Service or an Investigation Service. It includes acting as an adviser, an arbitrator, mediator, member of a professional tribunal, expert in an expert determination, referee or in a similar role.

Contingent Fee means a fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the Firm. A fee that is established by a Court or other public authority is not a Contingent Fee.

Court means any body described as such and all other bodies exercising judicial or quasi-judicial functions and includes professional disciplinary tribunals, industrial and administrative tribunals, statutory or parliamentary investigations and inquiries, royal commissions, arbitrations and mediations.

Employer means an entity or person that employs, engages or contracts a Member in Business.

Engagement means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the Terms of Engagement are specified in a written form.

Expert Witness means a Member who has been engaged, assigned or otherwise obligated to provide an Expert Witness Service. As an Expert Witness, the Member may express opinions or provide Other Evidence to the Court based on the Member's specialised knowledge derived from the Member's training, study or experience on matters such as whether technical or Professional Standards have been breached, the amount of damages, the amount of an account of profits, or the amount of a claim under an insurance policy. Generally all opinion evidence is expert evidence if it is wholly or substantially based on the specialised knowledge derived from the Member's training, study or experience, however not all expert evidence is opinion evidence. Expert evidence may be opinion or Other Evidence.

Expert Witness Service means a Professional Activity provided in the context of Proceedings to give expert evidence in a Report or, in certain circumstances, orally.

Firm means:

(a) A sole practitioner, partnership, corporation or other entity of professional accountants;

(b) An entity that controls such parties, through ownership, management or other means;

(c) An entity controlled by such parties, through ownership, management or other means; or

(d) An Auditor-General's office or department.

Forensic Accounting Services means Expert Witness Services, Lay Witness Services, Consulting Expert Services and Investigation Services.

Independence is:

(a) Independence of mind - the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.

(b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a Firm's, or a Member's integrity, objectivity or professional scepticism has been compromised.

Investigation Service means a Professional Activity to perform, advise on, or assist with an investigation, whether in the context of Proceedings, or in connection with allegations of, or concerns regarding conduct that may be illegal, unethical or otherwise improper in respect of which the Member has a reasonable expectation that the matter will be brought before a Court.

Lay Witness means a Member who has been engaged, assigned or otherwise obligated to provide a Lay Witness Service.

Lay Witness Service means a Professional Activity provided in the context of Proceedings to provide evidence other than expert evidence, whether orally or in the form of a Report or both. This service involves the Member giving evidence on matters within the Member's professional knowledge that are directly observed or perceived by the Member.

Member means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.

Member in Business means a Member employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a Member contracted by such entities.

Member in Public Practice means a Member, irrespective of functional classification (e.g. audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.

Other Evidence means evidence which does not provide an opinion, but which requires the application of the Expert Witness's specialised knowledge derived from the Expert Witness's training, study or experience. An example might be where a Member provides a summary of the sales, by month, by product, by geography, based on the information contained within a series of invoices and a general ledger. Whilst it may be a matter of fact as to what sales were made, the extraction and summary of this information is facilitated by the Member's specialised knowledge. Another example requiring specialised knowledge might be where a Member sets out the accounting standards that are relevant to particular types of transactions without actually expressing an opinion as to whether the actual treatment is in line with those standards.

Proceedings means a matter before a Court, a matter which the Member has a reasonable expectation will be brought before a Court or a matter in which the Member is undertaking Professional Activities to help a Client or Employer make an assessment as to whether a matter should be brought before a Court.

Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means Professional Activities performed for Clients.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable Professional Body.

Report means a written report, affidavit or written statement that is for the purpose of communicating expert evidence or lay evidence in Court.

Terms of Engagement means the terms and conditions that are agreed between the Client and the Member in Public Practice for the Engagement.

3. Fundamental responsibilities of Members

3.1 A Member providing a Forensic Accounting Service shall comply with Section 100 *Introduction and Fundamental Principles* of the Code and with relevant law.

Public interest

3.2 In accordance with Section 100 *Introduction and Fundamental Principles* of the Code, a Member shall observe and comply with the Member's public interest obligations when providing a Forensic Accounting Service.

3.3 When engaged to perform a Forensic Accounting Service, a Member shall be and be seen to be free of any interest which may be regarded as being incompatible with the fundamental principles of Section 110 *Integrity* and Section 120 *Objectivity* of the Code.

3.4 Members in Public Practice shall comply with Section 220 *Conflicts of Interest* and Section 280 *Objectivity – All Services* of the Code.

3.5 When a Member is requested to perform an Expert Witness Service and the Member or the Member's Firm has previously provided a Forensic Accounting Service other than an Expert Witness Service, the Member shall consider whether the Member is able to perform the Expert Witness Service in an objective manner.

Professional Independence

3.6 When a Member in Public Practice is engaged to provide a Forensic Accounting Service which requires Independence or when the Member purports to be independent in providing a Forensic Accounting Service, the Member shall comply with Independence as defined in this Standard.

3.7 A Member in Public Practice shall determine whether the circumstances of the Forensic Accounting Service make the Engagement an assurance Engagement under the *Framework for Assurance Engagements* issued by the Auditing and Assurance Standards Board (AUASB).

3.8 Where a Forensic Accounting Service is an assurance Engagement, the Member in Public Practice shall comply with Section 290 *Independence – Audit and Review Engagements* or Section 291 *Independence – Other Assurance Engagements*, as applicable of the Code.

3.9 If a Member in Public Practice is asked to provide a Professional Service to a Client where:

(a) the Member or the Member's Firm is providing or has provided an Expert Witness Service to the Client; or

(b) the Member or the Member's Firm is providing or has provided an Expert Witness Service to a different Client,

and the proposed Professional Service is related to the Expert Witness Service, and the Member determines that a reasonable and informed third party having knowledge of all the relevant information, including safeguards applied, would regard the objectives of the proposed Professional Service to be undertaken as being inconsistent with the objectives of the Expert Witness Service, then the Member shall decline the Engagement or the relevant part thereof.

3.10 There is no requirement, at law, that an Expert Witness be free of any relationship with parties to Proceedings. For example, there is no legal prohibition on a Member in Public Practice acting as an Expert Witness for a Client for whom the Member provides other Professional Services.

3.11 A Member who is providing an Expert Witness Service shall disclose all matters in the Member's Report that would assist the Court to assess the degree of the Member's Independence.

Professional competence and due care

3.12 A Member providing a Forensic Accounting Service shall maintain professional competence and take due care in the performance of the Member's work in accordance with Section 130 *Professional Competence and Due Care* of the Code.

3.13 Forensic Accounting Services generally require a Member to have specialised knowledge derived from the Member's training, study or experience. Before accepting an Engagement or Assignment to provide a Forensic Accounting Service, a Member should exercise professional judgement to determine if the Member is competent to provide the requested Forensic Accounting Service having regard to the specialised knowledge derived from the Member's training, study or experience.

3.14 In accordance with Section 330 *Acting with Sufficient Expertise* of the Code, a Member in Business shall only undertake Assignments for which the Member has, or can obtain, sufficient training or expertise and shall not intentionally mislead an Employer as to the level of expertise or experience possessed, nor shall a Member fail to seek appropriate expert advice and assistance when required.

3.15 Where a Forensic Accounting Service or part thereof requires the consideration of matters that are outside a Member in Public Practice's professional expertise, the Member shall seek expert assistance or advice from a suitably qualified third party on those matters or decline all, or that part of, the Forensic Accounting Service. Where the Member relies upon the advice of a third party, the Member shall disclose in any Report issued by the Member the name and qualifications of the third party and the area in the Report where the third party advice has been obtained.

3.16 Where a Member performs a Forensic Accounting Service that involves acting as an investigator or as a decision-maker (as might be the case for certain Consulting Expert Services, such as acting as an arbitrator, mediator or referee), the Member may be required to observe some or all of the rules of procedural fairness (which collectively are referred to as "natural justice"). If a Member is not certain of the Member's legal obligations then the Member should consider taking legal advice.

Confidentiality

3.17 In accordance with Section 140 *Confidentiality* of the Code, a Member who acquires confidential information in the course of performing a Forensic Accounting Service for a Client or Employer shall not use that information for any purpose other than the proper performance of the professional work for that Client or Employer.

3.18 Subject to legislative requirements, where a Client or Employer has given a Member permission to disclose confidential information to a third party, it is preferable that this permission is in writing. Where oral permission is obtained, a contemporaneous note should be made and kept on file by the Member recording the relevant details of the Client's or Employer's permission.

4. Professional Engagement matters

4.1 A Member in Public Practice shall document and communicate the Terms of Engagement to a Client in accordance with APES 305 *Terms of Engagement.*

4.2 A Member in Public Practice who is approached by a potential Client to undertake a Forensic Accounting Service shall comply with Section 210 *Professional Appointment* of the Code.

5. Expert Witness Services

5.1 If a Member in Public Practice is asked to provide an Expert Witness Service to a Client where:

(a) the Member or the Member's Firm is providing or has provided another Professional Service to the Client; or

(b) the Member or the Member's Firm is providing or has provided another Professional Service to a different Client,

and the proposed Expert Witness Service is related to the other Professional Service, and the Member determines that a reasonable and informed third party having knowledge of all the relevant information, including safeguards applied, would regard the objectives of the proposed Expert Witness Service to be undertaken as giving rise to a conflict with the objectives of the other Professional Service, then the Member shall decline the Engagement or the relevant part thereof.

5.2 Subject to paragraph 5.3, if a Member in Business is asked to provide an Expert Witness Service to the Member's Employer where:

(a) the Member or another employee of the Member's Employer has provided, or is providing, another service to the Employer which is related to the proposed Expert Witness Service; or

(b) the Member's Employer has an interest in the outcome of the Proceedings (whether as a party or otherwise),

and the Member determines that a reasonable and informed third party having knowledge of all the relevant information, including safeguards applied, would regard the objectives of the proposed Expert Witness Service to be undertaken as giving rise to a conflict with the objectives of the other service, or if the Member's objectivity is impaired as a result of the Employer's interest in the outcome of the Proceedings, then the Member shall decline the Assignment or the relevant part thereof.

5.3 Paragraph 5.2 does not apply to a Member in Business who is employed by a government agency, where that agency has a statutory function of regulation, investigation, or law enforcement.

5.4 A Member who is acting as an Expert Witness shall comply with the following:

(a) the paramount duty to the Court which overrides any duty to the Client or Employer;

(b) a duty to assist the Court on matters relevant to the Member's area of expertise in an objective and unbiased manner;

(c) a duty not to be an advocate for a party; and

(d) a duty to make it clear to the Court when a particular question or issue falls outside the Member's expertise.

5.5 A Member who is acting as an Expert Witness should comply with evidentiary and procedural requirements relating to Expert Witnesses.

The Report of an Expert Witness

5.6 Subject to any legal requirements or restrictions, a Member providing an Expert Witness Service shall clearly communicate in any Report:

(a) the instructions received, whether oral or written;

(b) any limitations on the scope of work performed;

(c) a statement of the Member's training, study or experience that are relevant to the matters on which the Member is providing expert evidence;

(d) whether any of the opinions, findings or conclusions of the Member are not based wholly or substantially on the Member's specialised knowledge derived from training, study or experience;

(e) the relationships, if any, the Member or the Member's Firm or the Member's Employer has with any of the parties to the Proceedings (including any of the matters referred to in paragraphs 3.9, 5.1, or 5.2) that may create a threat or a perceived threat to the Member's obligation to comply with the fundamental principles of the Code or the Member's paramount duty to the Court, and any appropriate safeguards implemented;

(f) the extent, if any, of reliance by the Member on the work of others;

(g) the opinions formed, or Other Evidence given, by the Member;

(h) whether an opinion or Other Evidence is provisional rather than concluded, and, if so, the reasons why a concluded opinion or concluded Other Evidence has not been provided;

(i) the significant facts upon which the opinions or Other Evidence are based;

(j) the significant assumptions upon which the opinions or Other Evidence are based and the following matters in respect of each significant assumption:

(i) whether the Member was instructed to make the assumption or whether the Member chose to make the assumption; and

(ii) if the Member chose to make the assumption, then the reason why the Member made that choice;

(k) if the Member considers that an opinion or Other Evidence may be misleading because a significant assumption is likely to mislead, then a statement to that effect and an explanation of why the assumption is likely to mislead;

(l) where applicable, that the Member's opinion or Other Evidence is based upon another person's report;

(m) the reasoning by which the Member formed the opinions or arrived at the Other Evidence, including an explanation of any method employed and the reasons why that method was chosen;

(n) a list of all documents and sources of information relied upon in the preparation of the Report;

(o) any restrictions on the use of the Report; and

(p) a statement that the Expert Witness Service was conducted in accordance with this Standard.

5.7 In providing an Expert Witness Service, a Member should consider whether APES 225 *Valuation Services* is applicable to the Engagement or Assignment. APES 225 requires, amongst other things, that a Member make certain disclosures in a Report.

5.8 If a Member is not certain whether a matter is a significant assumption or an opinion, the Member should consult the legal representative of the Member's Client or Employer.

5.9 Working papers document the work performed by the Member and the process by which the Member arrived at an opinion or Other Evidence that may or may not be used in a Report. A working paper is not considered a Report unless it was specifically designed to communicate expert evidence to the Court.

6. False or misleading information and changes in opinion

6.1 A Member shall not knowingly or recklessly make a statement or cause another to make a statement in or in connection with a Forensic Accounting Service that, by its content or by an omission, is false or misleading.

6.2 If a Member who was engaged or assigned to provide an Expert Witness Service becomes aware that an opinion expressed or Other Evidence given by the Member in a Report or in oral evidence was based on information that was false, misleading or contained material omissions and that situation has not been subsequently disclosed in a Report or in oral testimony, the Member shall promptly inform, as appropriate, the legal representative of the Client, the Employer or the Court of the situation. The Member shall also consider whether it is necessary to issue a supplementary Report.

7. Quality control

7.1 A Member in Public Practice shall comply with the requirements of APES 320 *Quality Control for Firms*.

7.2 A Member in Business who undertakes a Forensic Accounting Service should utilise a system of quality control that includes appropriate policies and procedures dealing with elements of quality control including but not limited to:

(a) Leadership responsibilities for quality within the Employer;

(b) Ethical requirements;

(c) Human resources;

(d) Assignment performance; and

(e) Monitoring.

7.3 A Member performing a Forensic Accounting Service shall prepare working papers that appropriately document the work performed, including the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the Forensic Accounting Service have been made.

7.4 A Member should be aware that working papers generated as part of undertaking a Forensic Accounting Service may be required to be furnished to other parties or the Court as evidence. Where appropriate, a Member should maintain the chain of custody, including origin, possession and disposition of documents and other material, particularly originals, relevant to the Engagement or Assignment.

8. Professional fees

8.1 A Member in Public Practice providing a Forensic Accounting Service shall be remunerated for such Professional Service by way of professional fees computed in accordance with Section 240 *Fees and Other Types of Remuneration* of the Code.

8.2 A Member in Public Practice shall not enter into a Contingent Fee arrangement or receive a Contingent Fee for:

(a) an Expert Witness Service; or

(b) a Forensic Accounting Service, other than an Expert Witness Service, that requires Independence or where the Member purports to be independent.

8.3 A Member in Business shall not enter into a contingent remuneration arrangement or receive contingent remuneration for an Expert Witness Service.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 215.

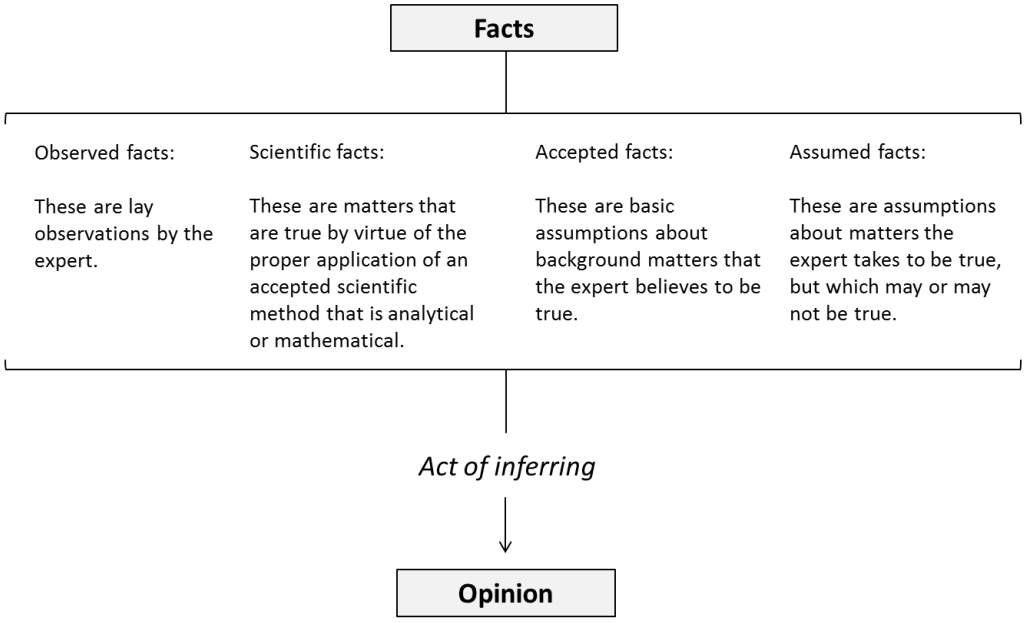
Appendix 1

Facts, assumptions, and opinions

This Appendix contains some examples to assist a Member determine whether a matter is a fact, an assumption or an opinion for the purposes of APES 215. Members are cautioned that the determination of whether a matter is a fact, an assumption or an opinion under this Standard is a matter of professional judgement, based on the particular facts and circumstances. The examples contained in this Appendix are provided for illustrative purposes only. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration as to whether a matter is a fact, an assumption or an opinion.

Classification of facts for expert evidence

An opinion is an inference drawn from facts. In the context of expert evidence, facts may be classified as observed, scientific, accepted, or assumed.[1]



Observed facts and scientific facts are both based on observations by the expert witness. They differ in that observed facts are lay observations but scientific facts are expert observations. Observed facts are lay observations because they are based on perceptions by the expert witness using one or more of the five senses, but are not based on the application of the expert witness's expertise. An example would be the observation by a land valuer of the presentation of a property. On the other hand, scientific facts are based on the expertise of the expert witness but do not involve any significant degree of expert judgement. It has been said that scientific facts are true by virtue of the proper application of an accepted scientific method that is analytical or mathematical. An example might be a complex financial calculation by a Member that is based on the application of specialised knowledge but that does not amount to an opinion. This would occur where the results of the calculation flow mathematically or analytically without requiring inferences or questions of judgement if the underlying financial records are proved and if the calculation is done correctly. Under APES 215, both observed facts and scientific facts are facts.

[1] See *ASIC v Rich* [2005] NSWSC 149 and, in particular, paragraphs 186, 187, 260 to 263, and 270 to 272. See also chapter 15 of J. D. Heydon, *Cross on Evidence*, 9th edition, LexisNexis Australia, 2012.

Accepted facts and assumed facts both involve assumptions. Accepted facts are basic assumptions about background matters that the expert believes are true. An example would be a basic assumption about the workings of the market economy. Another example would be a basic assumption about the dating of information or the provenance of documents. On the other hand, assumed facts are assumptions about matters that may or may not be true but which the expert witness assumes are true for the purpose of forming his or her opinion. An example, in a contractual dispute involving a claim for lost profits, would be an assumption about the selling price of a product but for the alleged breach of contract. If the expert witness's opinion depends upon accepted facts or assumed facts then those facts must be proved or admitted in order for the expert witness's opinion to be given weight. Under APES 215, both accepted facts and assumed facts are assumptions, although whether any particular accepted fact or assumed fact is a *significant* assumption will depend on the circumstances.

Examples

The Member has been asked to calculate the cost of goods sold expense for a period based on balances for opening stock, purchases and closing stock that have already been agreed by the parties. In calculating the expense, the Member applies specialised knowledge derived from the Member's training, study or experience using a well-accepted method which is not controversial (i.e. that cost of goods sold expense is equal to opening stock plus purchases less closing stock). However, the calculation does not require the Member to apply any significant degree of expert judgement. In this case, the figure calculated by the Member is a fact rather than an opinion (i.e. because it is in the nature of a scientific fact). On the other hand, if the Member were instructed to assume a figure for the cost of goods sold expense then that would be an assumption.

The Member has been asked to quantify the lost profits that would have been earned by a business but for a breach of duty. Among other things, this may require the Member to choose a figure for the sales revenue that the business would have earned but for the breach of duty. The question of what would have happened to sales revenue but for the breach requires the Member to consider a situation that is hypothetical rather than real and which, therefore, cannot be a question of fact. If in assessing the figure for sales revenue the Member applies specialised knowledge derived from the Member's training, study or experience and a significant degree of expert judgement then the Member will be expressing an opinion. On the other hand, if the Member were instructed to assume a figure for the sales revenue then that would be an assumption.

The Member uses the Capital Asset Pricing Model (CAPM) to determine a discount rate for the valuation of a business using the discounted cash flow method. The Member must choose a figure for the beta, which is an input to the CAPM. In the normal course, the Member will choose a beta after having gathered relevant information and having performed relevant analyses. In assessing the figure for beta the Member will apply specialised knowledge derived from the Member's training, study or experience and a significant degree of expert judgement. Therefore, the Member will be expressing an opinion. On the other hand, if the Member were instructed to assume a figure for the beta then that would be an assumption.

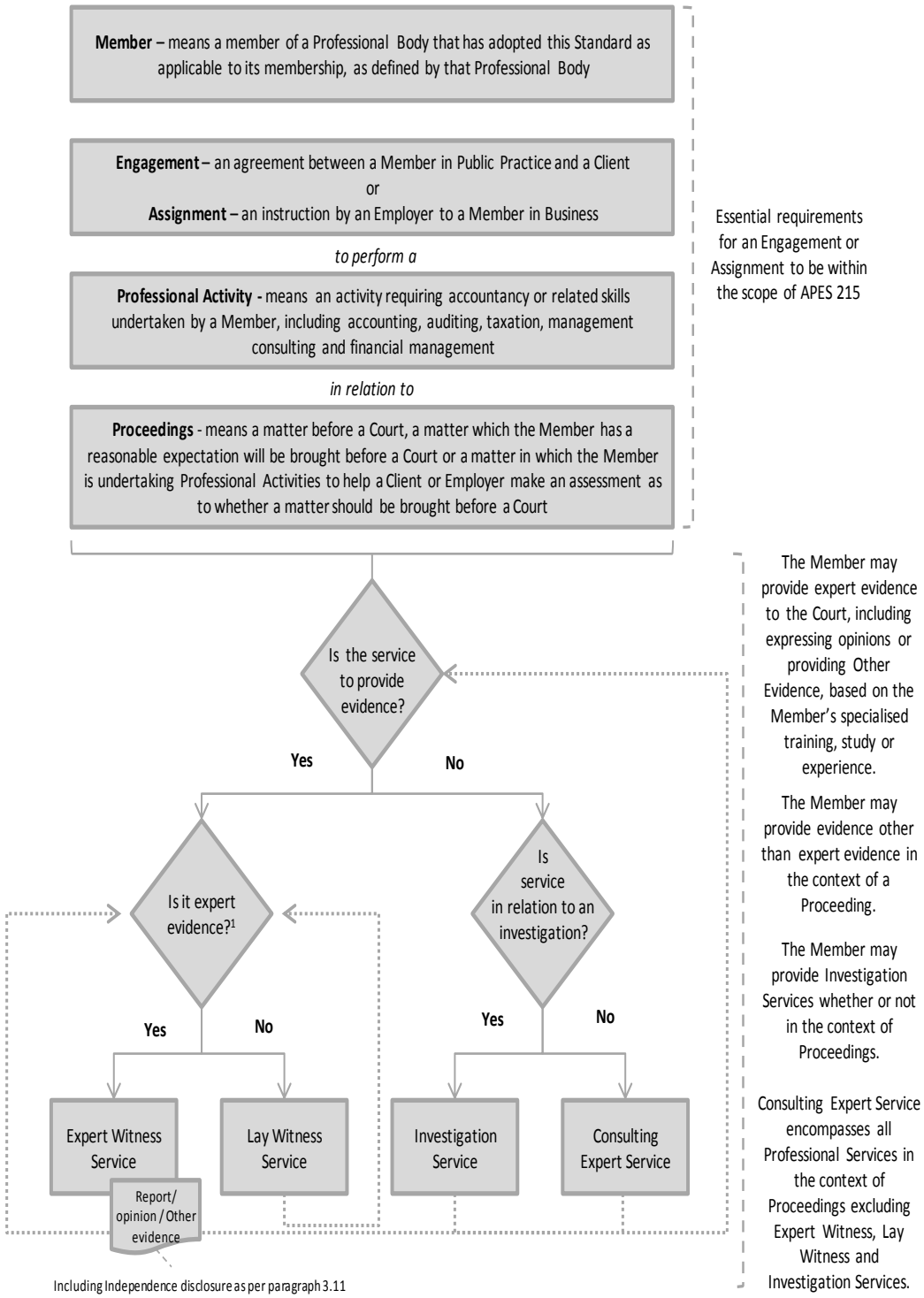
Appendix 2

Decision Tree to determine the type of Forensic Accounting Service

This Appendix contains a decision tree schematic to assist or determine whether a particular service is a Forensic Accounting Service for the purposes of APES 215 and, if so, whether the Engagement or Assignment is an Expert Witness, Lay Witness, Consulting Expert or Investigation Service. Each type of Forensic Accounting Service carries professional obligations specific to its purpose and therefore it is important for Members to make this determination.

Members are cautioned that the determination of whether a particular service is a Forensic Accounting Service under this Standard is a matter of professional judgement, based on the particular facts and circumstances.

The critical determination is whether a particular Forensic Accounting Service is an Expert Witness Service. Subsequently whether evidence is deemed admissible by the Court is a matter for the Court. However, this is likely to happen after the Forensic Accounting Service has been wholly or substantially provided by the Member. The important step is for the Member to assess, both initially and during the Engagement or Assignment, whether it is a Forensic Accounting Service and, if so, which one. If the Member determines that it is an Expert Witness Service, a subsequent decision to not admit the evidence from that Expert Witness Service does not change the nature of the Forensic Accounting Service. It is the intention to give expert evidence that is relevant and in turn creates the obligation for a Member to comply with the requirements of this Standard.



[1] Whether or not evidence is accepted as expert evidence is an after the fact matter. A Member must comply with the Standard in anticipation that evidence will be treated as expert evidence.

Appendix 3

Examples of Forensic Accounting Services

This Appendix analyses some examples to assist a Member determine the type of Forensic Accounting Services provided by a Member for the purposes of APES 215.

Members are cautioned that the determination of the type of Forensic Accounting Service provided by a Member under this Standard is a matter of professional judgement, based on the particular facts and circumstances. The examples contained in this Appendix are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. The examples are not a substitute for reading the full text of APES 215 and applying the Standard to the particular circumstances to determine the type of Forensic Accounting Service provided by a Member. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration to determine the type of Forensic Accounting Service.

No	Nature	Conclusion
1	Participation in a professional tribunal	Consulting Expert
2	Dispute mediator	Consulting Expert
3	Adviser to investigation by law enforcement/regulatory agency	Consulting Expert (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
4	Prepare a Report for a company in a dispute	Expert Witness
5	Prepare a Report for a regulatory body on a listed company's compliance with accounting standards	Expert Witness
6	Member employed by/engaged by a law enforcement/regulatory body to provide a summary of complex transactions for Proceedings	Expert Witness
7	Member employed by/engaged by a law enforcement/regulatory body to provide a summary of a flow of funds for Proceedings	Expert Witness
8	Member employed by a company under investigation subpoenaed to provide a factual witness statement	Lay Witness
9	Member employed by a company under investigation subpoenaed to provide a factual witness statement and subsequently asked to apply expertise	Expert Witness
10	Member employed by a company under investigation subpoenaed to provide an opinion on the appropriate accounting for a chart of transactions	Expert Witness
11	*Insurance Claim* - Provision of loss adjusting services requiring accounting skills	Consulting Expert (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
12	*Insurance Claim* - Provision of advice requiring accounting skills	Consulting Expert (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
13	Member requested to determine amount of restitution or payment on a fraud or compensation matter	Consulting Expert (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
14	*Family Law* – Appointed by the Court to provide a Report including opinion evidence	Expert Witness
15	*Family Law* – Engaged to provide consulting advice related to another accounting expert's opinion	Consulting Expert (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
16	*Family Law* – Engaged, as a neutral party, to mediate between two accounting experts who have provided expert opinions to the Court	Consulting Expert

No	Nature	Conclusion
17	Member employed by a company investigating a potential criminal offence or civil matter	Investigation Service
18	Member requested to testify facts of purchases made on construction project account	Lay Witness (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
19	Member requested to provide an affidavit in respect of processes the Member undertook as part of a forensic investigation, specifically in relation to the collection and securing of computer forensic evidence	Lay Witness (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
20	Member requested to give evidence in relation to the Member's observations of a staff member who has been charged with theft of company equipment/ property	Lay Witness
21	Member requested to give evidence in relation to observations of a motor vehicle accident in which the Member was involved	Lay Witness
22	Member employed by a revenue authority undertaking an investigation into a taxpayer's affairs	Expert Witness
23	Member is employed by a regulatory agency tasked with the review of a trust account in which alleged irregularities have occurred	Expert Witness

Example 1 Participation in a professional tribunal

Facts: The Member has been asked to be a member of a professional tribunal handling a disciplinary matter involving an auditor. Professional tribunals typically include disciplinary bodies of the Professional Bodies and statutory boards involved in the review of auditors and liquidators. As a member of the professional tribunal, the tribunal will be relying on the Member's specialised knowledge derived from the Member's training, study or experience in providing informed input to allow the tribunal to determine the issues to be raised and decided upon before the tribunal.

Analysis: **Consulting Expert** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance in respect of a Proceeding, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to be a tribunal member in part because of the Member's specialised knowledge derived from the Member's training, study or experience.

Example 2 Dispute mediator

Facts: The Member has been asked to be a mediator in a dispute between two parties over lost profits that would have been earned by a business but for a breach of duty. As a mediator, the Member will be neutral and impartial and will assist the parties identify the issues, such as the accounting treatment of transactions, consider options and negotiate solutions. The parties must reach their own agreement and the mediator will not make any decisions about the dispute.

Analysis: **Consulting Expert** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to mediate the Proceeding, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to be the mediator in this matter in part because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

Example 3 Adviser to investigation by law enforcement/regulatory agency

Facts: The Member has been asked to be an adviser to an investigation being conducted by a law enforcement/regulatory agency. The Member's specialised knowledge derived from the Member's training, study or experience in accounting will be used in providing advice (written and/or oral) to members of the investigation team on accounting issues and transactions that are, or are intended to be, investigated. The Member can act as an adviser to the investigation even when Proceedings are contemplated or have commenced. It is not envisaged that the Member will be required to provide evidence and/or a report in the Proceedings (if any) arising from the investigation.

Analysis: **Consulting Expert** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the investigation, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to assist in the investigation in part because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

However, if during this process, it is decided that the Member either is, or is likely, to give expert evidence (an opinion or Other Evidence) in this matter, then it would become an **Expert Witness Service** from that time. Where, during the conduct of an Engagement, the scope of work changes significantly, a Member in Public Practice should amend and reissue the Terms of Engagement, particularly where it will result in an Expert Witness Service.

Example 4 Prepare a Report for a company in a dispute

Facts: The Member has been asked by a company involved in a dispute, or the company's legal advisers, to prepare a Report to quantify the lost profits that would have been earned by a business but for a breach of duty or a breach of contract. It is highly likely that the Report will be produced in Court in relation to legal action that is contemplated or has been commenced by the company. It is also highly likely that the Member will have to give evidence in the Court about matters covered in the Report. The Member's specialised knowledge derived from the Member's training, study or experience in accounting will be used in assessing the issues in dispute and preparing the Report. The Report will express opinions about the lost profits that would have been earned by a business but for a breach of duty.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the Court through the provision of written and/or oral evidence. As it is not lay evidence (i.e. the Member is not simply describing what the Member observed or did), it is considered expert evidence (whether or not it involves the expression of opinions).

Example 5 Prepare a Report for a regulatory body on a listed company's compliance with accounting standards

Facts: The Member has been asked by a regulatory body to prepare a Report on whether certain accounting standards have been complied with by a listed company. The Report will be produced in Court in relation to legal action that has been commenced by the regulatory body against directors of the company. It is also highly likely that the Member will have to give evidence in Court about matters covered in the Report. The Member's specialised knowledge derived from the Member's training, study or experience in accounting will be used in assessing the accounting standards in issue and preparing the Report. The Report will express opinions about the accounting standards that were used and whether the accounting standards were or were not complied with.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the Court through the provision of written and/or oral evidence. It is not lay evidence as the Member is expressing opinions on a matter in which the Member has specialised knowledge derived from the Member's specialist training, knowledge and experience.

Example 6 Member employed by/engaged by a law enforcement/ regulatory body to provide a summary of complex transactions for Proceedings

Facts: The Member is employed by a law enforcement/regulatory body and has been asked to prepare a chart or summary that summarises a number of complex transactions and related accounting journals and ledger entries. The chart or summary will be produced by the Member in Court in relation to legal action that has been commenced by the law enforcement/regulatory body. The chart or summary is likely to aid the comprehension of material that is to be produced for the Court. The Member offers no opinions in the chart or summary that has been prepared.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the Court, through the chart/summary of transactions. As it is not lay evidence (i.e. the Member is not simply describing what the Member observed or did), it is considered expert evidence (even though it may not involve the expression of opinions).

Example 7 Member employed by/engaged by a law enforcement/ regulatory body to provide a summary of a flow of funds for Proceedings

Facts: The Member is employed by a law enforcement/regulatory body and has been asked to prepare a chart or summary that summarises the flow of funds/money through various bank accounts and trace the use of these funds/money. The chart or summary will be produced by the Member in Court in relation to legal action that has been commenced by the law enforcement/regulatory body. The chart or summary is likely to aid the comprehension of material that is to be produced for the Court. The Member offers no opinions in the chart or summary.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the Court, through the chart/summary of transactions. As it is not lay evidence (i.e. the Member is not simply describing what the Member observed or did), it is considered expert evidence (even though it may not involve the expression of opinions).

Example 8 Member employed by a company under investigation subpoenaed to provide a factual witness statement

Facts: The Member is or was employed by a company that has been the subject of an investigation by a law enforcement/regulatory body which has subsequently asked or subpoenaed the Member to provide a witness statement covering the Member's involvement in and observations of specific transactions and activities of the company without drawing on the Member's specialised knowledge derived from the Member's training, study or experience.

Analysis: **Lay Witness** – the Member is not using the Member's specialised knowledge derived from the Member's training, study or experience to provide assistance to the law enforcement/regulatory body, and hence to the Court, through the Member's observations made. As the Member is simply describing what the Member observed or did, it is not considered expert evidence.

Example 9 Member employed by a company under investigation subpoenaed to provide a factual witness statement and subsequently asked to apply expertise

Facts: The Member is or was employed by a company that has been the subject of an investigation by a law enforcement/regulatory body which has subsequently asked or subpoenaed the Member to provide a witness statement covering the Member's involvement in and observations of specific accounting transactions and activities of the company without drawing on the Member's specialised knowledge derived from the Member's training, study or experience. Upon examination during the Court proceedings the Member is asked to provide an opinion to aid the Court in understanding accounting records presented as evidence.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the Court, in support of the Member's observations made. Since the Member has subsequently been asked to provide an opinion on a matter in which the Member has specialised knowledge derived from the Member's training, study or experience, it is not lay evidence.

When the Member is asked to provide an opinion or Other Evidence in Court proceedings, then it would become an **Expert Witness Service** from that time.

Example 10 Member employed by a company under investigation subpoenaed to provide an opinion on the appropriate accounting for a chart of transactions

Facts: Similar facts to Example 8, but the Member is required to give the Member's opinions on what the reasons for the transactions were and/or whether they were in accordance with generally accepted accounting practice.

Analysis: **Expert Witness** – the Member is using specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the law enforcement/regulatory body, and hence to the Court, through the chart/summary of transactions. As it is not lay evidence (i.e. the Member is not simply describing what the Member observed or did), it is considered expert evidence (even though it may not involve the expression of opinions).

Example 11 *Insurance Claim* – Provision of loss adjusting services requiring accounting skills

Facts: The Member is assigned to provide loss adjusting services in respect of an insurance claim that involve use of the Member's specialised knowledge derived from the Member's training, study or experience in accounting. The Member is to assess the claim value with respect to both material damage and business interruption in accordance with the insurance policy.

Analysis: **Consulting Expert** – the Member is using specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to one party in the matter (i.e. the insurance company or the insured), but is not (at least initially) engaged to give evidence (expert or lay) in the Proceedings. It is to be presumed that the Member has been chosen to assist because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

However, if during this process, it is decided that the Member either is, or is likely to be asked, to provide an opinion or Other Evidence to the Court in the matter, then it would become an **Expert Witness Service** from that time. Where, during the conduct of an Engagement, the scope of work changes significantly, a Member in Public Practice should amend and reissue the Terms of Engagement, particularly where it will result in an Expert Witness Service.

Example 12 ***Insurance Claim*** **– Provision of advice requiring accounting skills**

Facts: The Member has been asked to determine the appropriate amount of compensation a claimant is entitled to under an income protection (or similar) insurance policy or statutory scheme. The Member's specialised knowledge derived from the Member's training, study or experience will be used in providing advice (written and/or oral) to the Employer, statutory agency or insurance company on the claimant's entitlements. It is not envisaged that the Member will be required to provide evidence and/or a report to the Court in the Proceedings (if any) arising from the assessment.

Analysis: **Consulting Expert** – the Member is using specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the investigation, but is not giving evidence (expert or lay) in the Proceedings. It is to be presumed that the Member has been chosen to undertake the assessment in part because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

However, if during this process, it is decided that the Member either is, or is likely, to give an opinion or Other Evidence in this matter then it would become an **Expert Witness Service** from that time. Where, during the conduct of an Engagement, the scope of work changes significantly, a Member in Public Practice should amend and reissue the Terms of Engagement, particularly where it will result in an Expert Witness Service.

Example 13 **Member requested to determine amount of restitution or payment on a fraud or compensation matter**

Facts: The Member has been asked to determine the amount of restitution or overpayment in a fraud or compensation matter based on the evidence obtained up until that time. The Member's specialised knowledge derived from the Member's training, study or experience will be used in providing advice (written and/or oral) to members of the investigation team on the amount of restitution or overpayment. It is not envisaged that the Member will be required to provide evidence and/or a report to the Court in the Proceedings (if any) arising from the review/assessment.

Analysis: **Consulting Expert** – the Member is using specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the investigation, but is not giving evidence (expert or lay) in the Proceedings. It is to be presumed that the Member has been chosen to undertake the assessment in part because of the specialised knowledge derived from the Member's training, study or experience in accounting.

However, if during this process, it is decided that the Member either is, or is likely, to give an opinion or Other Evidence in this matter then it would become an **Expert Witness Service** from that time. Where, during the conduct of an Engagement, the scope of work changes significantly, a Member in Public Practice should amend and reissue the Terms of Engagement, particularly where it will result in an Expert Witness Service.

Example 14 ***Family Law*** **– Appointed by the Court to provide a Report including opinion evidence**

Facts: The Member is appointed by the Court following representations by the parties' solicitors to provide a Report for both parties to the dispute including opinion evidence on valuation and accounting matters.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience to provide a written Report as a joint expert to the Court. It is not lay evidence as the Member is expressing opinions and/or providing Other Evidence on a matter or matters in which the Member has specialised knowledge derived from the Member's training, study or experience.

Example 15 ***Family Law*** **– Engaged to provide consulting advice related to another accounting expert's opinion**

Facts: The Member is asked by one of the parties to a matrimonial dispute to provide consulting advice (as a "shadow") in relation to another accounting expert's opinion. When asked, the Member is not expected to file a report giving the Member's opinion to the Court, but merely to assist the instructing party and their solicitor.

Analysis: **Consulting Expert** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to one party to the dispute, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to assist because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

However, if during this process, it is decided that the Member either is, or is likely, to be asked to provide an opinion or Other Evidence to the Court in the matter, then it would become an **Expert Witness Service** from that time. Where, during the conduct of an Engagement, the scope of work changes significantly, a Member in Public Practice should amend and reissue the Terms of Engagement, particularly where it will result in an Expert Witness Service.

Example 16 ***Family Law*** **– Engaged, as a neutral party, to mediate between two accounting experts who have provided expert opinions to the Court**

Facts: The Member is asked by the solicitors for both parties to a matrimonial dispute to mediate between two accounting experts who have provided expert opinions on the valuation of business assets with the parties to the dispute present at the mediation. As a mediator the Member will be neutral and impartial and will assist the parties identify the issues between the two expert valuers, consider options and negotiate solutions. The parties must reach their own agreement and the mediator will not make any decisions about the dispute.

Analysis: **Consulting Expert** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to mediate the Proceedings, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to be the mediator in this matter in part because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

Example 17 **Member employed by a company investigating a potential criminal offence or civil matter**

Facts: The Member is asked by the Member's Employer to undertake or assist in investigating a potential criminal offence or civil matter with the intention of identifying the facts, determine the financial implications/overpayment/amount inappropriately obtained and ultimately assisting the Employer to understand the situation and make a fully informed decision on what action should be taken. It is not envisaged that the Member will be required to provide evidence and/or a report to the Court in the Proceedings (if any) arising from the investigation.

Analysis: **Investigation Service** – the Member is using specialised knowledge derived from the Member's training, study or experience in accounting in the investigations to assist the Employer in understanding the matter and assist in determining what action should be taken, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to investigate this matter in part because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

However, if during this process, it is decided that the Member either is, or is likely to be asked, to provide an opinion or Other Evidence to the Court in the matter, then it would become an **Expert Witness Service** from that time.

Example 18 Member requested to testify facts of purchases made on construction project account

Facts: The Member is employed as a project accountant on a construction project. The Member has been asked by the Member's Employer to appear in Court to provide a statement on the total amount of purchases made on account for a recently completed construction project which is in legal dispute. The Member's participation is restricted to providing a factual representation of the purchases processed by the Member in the project accounting ledger and the fact that the Member observed the construction project in progress. It is not envisaged that the Member will be required to provide an opinion and/or Other Evidence and/or provide a Report to the Court in the Proceedings. The terminology used in the Member's statement is expressed in a manner that the Court can understand without technical accounting assistance.

Analysis: **Lay Witness** – the Member is not using specialised knowledge derived from the Member's training, study or experience in accounting in the statement to assist the Court in understanding the matter and assist in determining what action should be taken, and is not giving expert evidence in the Proceedings. The Member has been chosen to participate in this matter only due to the Member's employment on the project team.

However, if during this process, it is decided that the Member either is, or is likely, to be asked to provide an opinion or Other Evidence in Court proceedings, then it would become an **Expert Witness Service** from that time.

Example 19 Member requested to provide an affidavit in respect of processes the Member undertook as part of a forensic investigation, specifically in relation to the collection and securing of computer forensic evidence

Facts: A Member has been engaged to assist with the identification, collection and secure storage of electronic evidence held by an organisation. The Member provides an affidavit/statement detailing the actions and steps taken to perform the above Engagement or Assignment. The Member has been subpoenaed to Court to give this evidence.

Analysis: **Lay Witness** – the Member is not using the Member's specialised knowledge derived from the Member's training, study or experience in accounting in the statement to assist the Court in understanding the matter nor is the Member assisting the Court in determining what action should be taken. The Member has been chosen to participate in this matter only because of the Member's skills in electronic evidence retrieval, without any analysis or examination of the underlying evidence collected.

However, if at any stage during this process, it is decided that the Member either is, or is likely to have the additional responsibility of providing an opinion or Other Evidence in relation to the summarising or charting of that evidence collected using specialised knowledge derived from the Member's training, study or experience then it would become an **Expert Witness Service** from that time. Where, during the conduct of an Engagement, the scope of work changes significantly, a Member in Public Practice should amend and reissue the Terms of Engagement, particularly where it will result in an Expert Witness Service.

Example 20 Member requested to give evidence in relation to the Member's observations of a staff member who has been charged with theft of company equipment/property

Facts: The Member is employed as an accountant by an accounting firm. The Member was present when another staff member allegedly took a laptop, mobile phone and other company equipment from the office to their home and was involved in some discussion surrounding the alleged theft with the staff member who has been charged. The Member has provided a witness statement/affidavit about the Member's observations and discussions with the accused and has been subpoenaed to Court to provide evidence about this matter. The Member's participation is restricted to providing a factual account of the Member's observations and discussions leading up to and after the alleged theft.

Analysis: **Lay Witness** – the Member is not using specialised knowledge derived from the Member's training, study or experience in accounting in the statement/affidavit to assist the Court in understanding the matter nor is the Member assisting the Court in determining what action should be taken. The Member has been chosen to participate in this matter solely because of what the Member had witnessed.

Example 21 Member requested to give evidence in relation to observations of a motor vehicle accident in which the Member was involved

Facts: The Member is employed as an accountant and was involved in a motor vehicle accident where the Member was driving a vehicle and was not at fault for the accident. The at fault driver has been charged with criminal offences as a result of the motor vehicle accident. The Member has provided a witness statement/affidavit setting out the Member's observations and knowledge of the circumstances surrounding the motor vehicle accident. The Member has been subpoenaed to Court to give this evidence.

Analysis: **Lay Witness** – the Member is not using specialised knowledge derived from the Member's training, study or experience in accounting in the statement/affidavit to assist the Court in understanding the matter nor is the Member assisting the Court in determining what action should be taken. The Member has been chosen to participate in this matter only because of the Member's involvement in the motor vehicle accident and what the Member had witnessed.

Example 22 Member employed by a revenue authority undertaking an investigation into a taxpayer's affairs

Facts: The Member is employed by a government revenue authority and is undertaking a review of a taxpayer's affairs in connection with a Proceeding, and with a view to providing a Report on the findings to the Court. The work is likely to result in an assessment or amended assessment for the taxpayer as there are alleged breaches of the applicable tax legislation.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting and taxation knowledge to formulate the Report and the conclusions contained therein to the Court. In this situation, the Member will be expressing an opinion or providing Other Evidence about the interpretation of the relevant legislation, its application to the factual findings concerning specific items of the review and whether the alleged breaches result in an unidentified liability (or overpayment). It is not lay evidence as the Member is expressing opinions and/or providing Other Evidence on matters in which the Member has specialised knowledge derived from the Member's training, study or experience.

Example 23 Member is employed by a regulatory agency tasked with the review of a trust account in which alleged irregularities have occurred

Facts: The Member is employed in a regulatory agency and is undertaking a review of a trust account in which alleged irregularities have occurred. The Member is tasked with performing a review and providing a Report on the findings to the Court.

Analysis: **Expert Witness** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to formulate the Report to the Court. It is not lay evidence, as the Member will be expressing opinions and/or providing Other Evidence on matters in which the Member has specialised knowledge derived from the Member's training, study or experience.

Appendix 4

Summary of revisions to the previous APES 215 (Issued in December 2013)

APES 215 *Forensic Accounting Services* originally issued in December 2008 and revised in December 2013 has been revised by APESB in December 2015. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.1	Added
1.2 – Paragraph 1.1 of existing APES 215 relocated	Amended
1.3 – Paragraph 1.2 of existing APES 215 relocated	Amended
1.12	Added
2 – Definition of Assignment	Amended
2 – Definition of Contingent Fee	Amended
2 – Definition of Engagement	Amended
2 – Definition of Firm	Amended
2 – Definition of Independence	Amended
2 – Definition of Member in Business	Amended
2 – Definition of Member in Public Practice	Amended
2 – Definition of Professional Bodies	Amended
2 – Definition of Professional Standards	Amended
3.6	Amended
3.7	Amended
3.8	Amended
3.17	Amended
4.1	Amended
5.6	Amended
8.1	Amended
Appendix 3	Amended

** Refer Technical Update 2015/11*

Appendix 11 – APES 225 – Valuation Services

APES 225 Valuation Services

[Supersedes APES 225 Valuation Services issued in December 2015]

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

REVISED: March 2018

Contents

Section

1. Scope and application

1.1 The objective of APES 225 *Valuation Services* is to specify a Member's professional and ethical obligations in respect of:

- the provision of a Valuation Service to a Client or Employer;
- the types of Engagement or Assignment that are a Valuation Service;
- matters a Member in Public Practice must address in the Terms of Engagement;
- matters to be disclosed in a Valuation Report; and
- quality control and documentation requirements.

1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 225 Valuation Services (**the Standard**), which is effective for Valuation Engagements or Assignments commencing on or after 1 July 2018 and supersedes APES 225 issued in December 2015. Earlier adoption of this Standard is permitted.

1.3 APES 225 sets the standards for Members in the provision of quality and ethical Valuation Services. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 225 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

1.4 Members in Australia shall follow the mandatory requirements of APES 225 when they provide Valuation Services.

1.5 Members outside of Australia shall follow the mandatory requirements of APES 225 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

1.6 Members shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

1.7 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.

1.8 All references to Professional Standards, guidance notes and legislation are references to those provisions as amended from time to time.

1.9 In applying the requirements outlined in APES 225, Members should be guided not merely by the words but also by the spirit of the Standard and the Code.

1.10 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

For the purpose of this Standard:

Assignment means an instruction, whether written or otherwise, by an Employer to a Member in Business relating to the provision of Professional Activities by a Member in Business. However, consultations with the Employer prior to such instruction are not part of an Assignment.

Calculated Value means an estimate of value of a business, business ownership interest, security or intangible asset that results from a Calculation Engagement. A Calculated Value may either be a single amount or a range.

Calculation Engagement means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member and the Client or Employer agree on the Valuation Approaches, Valuation Methods and Valuation Procedures the Member will employ. A Calculation Engagement generally does not include all of the Valuation Procedures required for a Valuation Engagement or a Limited Scope Valuation Engagement.

Client means an individual, firm, entity or organisation to whom or to which Professional Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants*.

Conclusion of Value means an estimate of value of a business, business ownership interest, security or intangible asset that results from a Valuation Engagement or a Limited Scope Valuation Engagement. A Conclusion of Value may either be a single amount or a range.

Contingent Fee means a fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the Firm. A fee that is established by a court or other public authority is not a Contingent Fee.

Employer means an entity or person that employs, engages or contracts a Member in Business.

Engagement means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the Terms of Engagement are specified in a written form.

Firm means:

(a) A sole practitioner, partnership, corporation or other entity of professional accountants;

(b) An entity that controls such parties, through ownership, management or other means;

(c) An entity controlled by such parties, through ownership, management or other means; or

(d) An Auditor-General's office or department.

Independence is:

(a) Independence of mind - the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.

(b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a Firm's, or a member of the Engagement team's, integrity, objectivity or professional scepticism has been compromised.

Limited Scope Valuation Engagement means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted. The scope of work is limited or restricted where the Member is not free, as the Member would be but for the limitation or restriction, to employ the Valuation Approaches, Valuation Methods and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value is material. A limitation or restriction may be imposed by the Client or Employer or it may arise from other sources or circumstances. A limitation or restriction may be present and known at the outset of the Engagement or Assignment or may arise or become known during the course of a Valuation Engagement. A Limited Scope Valuation Engagement may also be referred to as a "restricted-scope valuation engagement" or an "indicative valuation engagement".

Member means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.

Member in Business means a Member employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a Member contracted by such entities.

Member in Public Practice means a Member, irrespective of functional classification (e.g. audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.

Premise of Value means an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation, e.g. going concern or liquidation.

Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means Professional Activities performed for Clients.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable Professional Body.

Terms of Engagement means the terms and conditions that are agreed between the Client and the Member in Public Practice for the Engagement.

Valuation means the act or process of determining an estimate of value of a business, business ownership interest, security or intangible asset by applying Valuation Approaches, Valuation Methods and Valuation Procedures. A Valuation does not involve the verification of information in respect of the business, business ownership interest, security or intangible asset being valued.

Valuation Approach(es) means a general way(s) of determining an estimate of value of a business, business ownership interest, security, or intangible asset using one or more Valuation Methods.

Valuation Engagement means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time. Where a Member has entered into a Valuation Engagement but during the course of performing the Valuation Engagement the Member becomes aware of a limitation or restriction that, if it had been known at the time the Engagement or Assignment was entered into, would have made the Engagement or Assignment a Limited Scope Valuation Engagement then the Valuation Engagement will become a Limited Scope Valuation Engagement.

Valuation Method(s) means, within Valuation Approaches, a specific way(s) to determine an estimate of value of a business, business ownership interest, security or intangible asset.

Valuation Procedures means the act, manner and technique of performing the steps of a Valuation Method.

Valuation Report means any written or oral communication by the Member containing a Conclusion of Value or a Calculated Value.

Valuation Service means a service provided by a Member to a Client or Employer in performance of a Valuation Engagement, Limited Scope Valuation Engagement or a Calculation Engagement.

3. Fundamental responsibilities of Members

3.1 A Member providing a Valuation Service shall comply with Section 100 *Introduction and Fundamental Principles* of the Code and relevant law.

3.2 Members in Public Practice shall comply with Section 220 *Conflicts of Interest* and Section 280 *Objectivity – All Services* of the Code.

Public interest

3.3 In accordance with Section 100 *Introduction and Fundamental Principles* of the Code, a Member shall observe and comply with the Member's public interest obligations when providing a Valuation Service.

Professional Independence

3.4 When engaged to perform a Valuation Service which requires Independence or purports to be independent, the Member in Public Practice shall comply with Independence as defined in this Standard.

3.5 A Member in Public Practice shall not act as an advocate in respect of a Valuation Service which requires Independence or purports to be independent.

Professional competence and due care

3.6 A Member providing a Valuation Service shall maintain professional competence and take due care in the performance of the Member's work in accordance with Section 130 *Professional Competence and Due Care* of the Code.

3.7 Where a Valuation Service requires the consideration of matters that are outside a Member's professional expertise, the Member shall seek expert assistance or advice from a suitably qualified third party on those matters outside of the Member's professional expertise or decline the Valuation Service. The Member shall disclose in any Valuation Report or other relevant

communications the extent of the reliance upon the advice of such a third party.

3.8 When planning to use the work of a suitably qualified third party, a Member shall assess the professional competence and objectivity of the third party, the engagement terms of the third party and on completion the appropriateness and reasonableness of the work performed.

3.9 In undertaking a Valuation Service, a Member should consider the contents of any guidance in respect of Valuation matters issued by the Professional Bodies and appropriate regulatory authorities.

Confidentiality

3.10 In accordance with Section 140 *Confidentiality* of the Code, a Member who acquires confidential information in the course of performing a Valuation Service for a Client or Employer shall not use that information for any purpose other than the proper performance of the Valuation Service for that Client or Employer.

3.11 Unless the Member has a legal obligation of disclosure, a Member shall not convey any information relating to a Client's or Employer's affairs to a third party without the Client's or Employer's permission.

3.12 Where a Client has given a Member in Public Practice permission to disclose confidential information to a third party, it is preferable that this permission is in writing. Where oral permission is obtained, a contemporaneous note should be made and kept on file by the Member recording the relevant details of the Client's approval.

3.13 Where a Member provides confidential information in accordance with a legal obligation of disclosure, the Member shall notify the Client, Employer or relevant third party as soon as practicable, provided that there is no legal prohibition against such notification.

4. Professional Engagement and other matters

4.1 A Member in Public Practice shall document and communicate to the Client in an Engagement Document the Terms of Engagement to provide the Valuation Service in accordance with APES 305 *Terms of Engagement*.

4.2 A Member in Public Practice shall include the following in the Engagement Document:

- **(a) a statement as to which type of Engagement the Member has been engaged to perform (if that has been determined at the date of the Engagement Document);**
- **(b) the definitions of a Valuation Engagement, a Limited Scope Valuation Engagement and a Calculation Engagement;**
- **(c) for a Valuation Engagement, a statement that if the Member becomes aware during the course of performing the Valuation of a limitation or restriction that could have a material impact on the estimate of value, then the Engagement will become a Limited Scope Valuation Engagement;**
- **(d) for a Calculation Engagement, a statement as to which Valuation Approaches, Valuation Methods and Valuation Procedures the Member has been engaged to perform;**

(e) for a Valuation Service which requires Independence or purports to be independent, a statement confirming the Member's Independence and the Member's compliance with the Independence requirements of this Standard; and

(f) a statement that the Valuation Service will be conducted in accordance with this Standard.

4.3 A Member in Public Practice who is approached by a potential Client to undertake a Valuation Service shall comply with the requirements of Section 210 *Professional Appointment* of the Code.

4.4 A Member in Public Practice who has engaged the services of a third party in connection with the performance of a Valuation Service, such as a valuer of property, plant and equipment, shall not disclose the opinion or the name of that third party without the prior consent of that party unless the Member has a legal obligation of disclosure.

4.5 A Member shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that the Valuation Report and the conclusions therein are properly supported. When determining the extent and quality of evidence necessary the Member shall exercise professional judgement, considering the nature of the Valuation, the type of Valuation Service and the use to which the Valuation Report will be put.

4.6 Subject to the Terms of Engagement and paragraph 3.11, a Member in Public Practice who has relied on information provided by the Client, its management, or a third party, should consider requesting a written representation from the relevant party that:

(a) the relevant party has reviewed the draft Valuation Report or extract thereof;

(b) the facts upon which the draft Valuation Report or extract thereof is based are correct and no material, relevant facts have been omitted;

(c) the historical financial information upon which the draft Valuation Report or extract thereof is based is complete, accurate, and reliable;

(d) the assumptions upon which the draft Valuation Report or extract thereof is based are reasonable; and

(e) there are no other matters, in the opinion of the Client, its management or a third party, which should be brought to the Member's attention.

4.7 Where a Member relies on a representation made by a relevant party, the Member is making an assumption that the matter represented is true, unless the Member has independently gathered sufficient and appropriate evidence to provide reasonable grounds that the matter represented is supported.

5. Reporting

5.1 Generally when a Member in Public Practice provides a Valuation Service, the Member should prepare a written Valuation Report. However, this Standard recognises that a Member may issue a Valuation Report orally where instructed to do so by the Member's Client or where there are circumstances that would justify issuing a Valuation Report orally rather than in writing.

5.2 Where a Member in Public Practice prepares a written Valuation Report in respect of a Valuation Service, the Valuation Report shall clearly communicate:

(a) The name of the party engaging the Member;

(b) A description of the business, business ownership interest, security or intangible asset being valued;

(c) The date at which the value has been determined;

(d) The date on which the Valuation Report has been issued;

(e) The purpose for which the Valuation Report has been prepared;

(f) The name and qualifications of the Member(s) responsible for the Valuation;

(g) The scope of the Valuation, including any limitations or restrictions;

(h) The standard of value used in the Valuation and its definition;

(i) The Premise of Value adopted in the Valuation (e.g. going concern premise or liquidation premise);

(j) Whether the Valuation was undertaken by the Member acting independently or not;

(k) The Valuation Approach(es), Valuation Method(s) and Valuation Procedures adopted in determining the estimate of value and a description of how they were applied;

(l) The specific information on which the Member has relied and the extent to which it has been reviewed (e.g. the documents reviewed, the individuals interviewed, the facilities visited, the reports of other experts relied upon, and management representations);

(m) A description of the material assumptions applied in the Valuation and the basis for those assumptions;

(n) A Conclusion of Value for a Valuation Engagement or a Limited Scope Valuation Engagement, or a Calculated Value for a Calculation Engagement;

(o) All qualifications that materially affect the Conclusion of Value or Calculated Value;

(p) For a Limited Scope Valuation Engagement, that if a Valuation Engagement had been performed the results may have been different;

(q) For a Calculation Engagement, that if a Valuation Engagement had been performed the results may have been different;

(r) Where a Member has prepared a Valuation Report requiring Independence or purporting to be independent, that the compensation to be paid to the Member is not contingent on the conclusion, content or future use of the Valuation Report; and

(s) That the Valuation Service was conducted in accordance with this Standard.

5.3 Where a Member in Public Practice communicates the Valuation Report orally, the Member shall communicate the elements noted in paragraph 5.2, as appropriate in the circumstances, and document the oral communication, the reasons for issuing an oral report and the work performed in accordance with this Standard and the Firm's policies and procedures established under *Documentation of the system of quality control* of APES 320 *Quality Control for Firms*.

5.4 In addition to the minimum requirements of a Valuation Report set out in paragraph 5.2, the Member in Public Practice shall consider including the following information in a Valuation Report, as appropriate:

(a) A description of other Valuation Approaches or Valuation Methods considered and the reasons why they were not considered relevant for the Valuation;

(b) Sufficient details of the Valuation calculations to allow a reader to understand how the Member determined the Conclusion of Value or Calculated Value;

(c) A summary of relevant financial information; and

(d) A summary of the relevant industry.

5.5 A Member in Business who undertakes a Valuation Service should prepare a Valuation Report taking into consideration the requirements and guidance of paragraphs 5.1 to 5.4 of this Standard, as appropriate, and to the extent practicable.

6. Documentation

6.1 A Member performing a Valuation Service shall prepare working papers that appropriately document the work performed, including the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the Valuation Service have been made.

7. Use of a glossary of business valuation terms

7.1 When issuing a Valuation Report, a Member shall clearly define the Valuation terms used.

7.2 Members are encouraged to use as far as practicable terms that are in general use for Valuation Services. Members are referred to the *International Glossary of Business Valuation Terms* which are included in the valuation standards of the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Business Valuators.

8. Professional fees

8.1 A Member in Public Practice providing Valuation Services shall be remunerated for such Professional Services by way of professional fees computed in accordance with Section 240 *Fees and Other Types of Remuneration* of the Code.

8.2 A Member in Public Practice shall not enter into a Contingent Fee arrangement or receive a Contingent Fee for a Valuation Service which requires Independence or purports to be independent.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 225.

Appendix 1

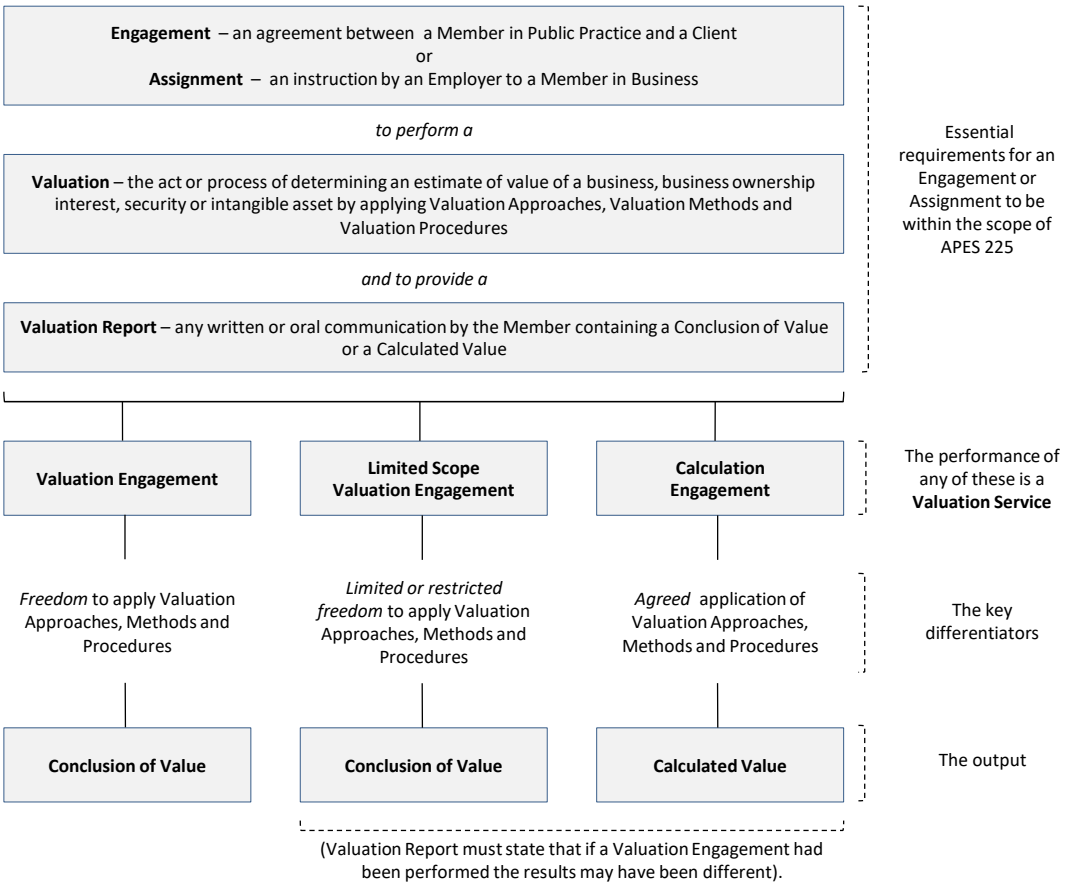
Schematic and Examples

This Appendix contains a schematic and some examples to assist or determine whether a particular service is a Valuation Service for the purposes of APES 225 and, if so, whether the Engagement or Assignment is a Valuation Engagement, Limited Scope Valuation Engagement, or Calculation Engagement.

Members are cautioned that the determination of whether a particular service is a Valuation Service under this Standard is a matter to be judged based on the particular facts and circumstances. The examples contained in this Appendix are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. The examples are not a substitute for reading the full text of APES 225 and applying the Standard to the particular circumstances to determine whether the Member is providing a Valuation Service. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration as to whether the service provided is a Valuation Service.

Schematic

The following schematic provides an overview of what constitutes a Valuation Service and what differentiates the three types of Engagement or Assignment.



Examples

No	Title	Conclusion
1	Valuation of equity for capital gains tax	Valuation Engagement
2	Valuation of equity where industry not analysed	Limited Scope Valuation Engagement
3	Valuation Engagement becomes Limited Scope Valuation Engagement	Limited Scope Valuation Engagement
4	Valuation of equity for capital gains tax where Valuation date is eight years ago and information lost	Limited Scope Valuation Engagement
5	Valuation of equity for capital gains tax where records are sparse	Valuation Engagement
6	Valuation of equity for capital gains tax with limited time	Limited Scope Valuation Engagement
7	Valuation of shareholding for capital gains tax with assumption on the value of all equity	Limited Scope Valuation Engagement
8	Valuation of shareholding for capital gains tax with assumptions on the value of all equity and percentage discounts for the lack of control and marketability	Calculation Engagement
9	Valuation of Employer's intangible assets for tax consolidation	Valuation Engagement
10	Valuation of intellectual property for a Client	Valuation Engagement
11	Limited scope Valuation for mergers and acquisitions advice	Limited Scope Valuation Engagement
12	Estimate of price for advice on sale of a company	Not a Valuation Service
13	Limited scope Valuation of Employer's business for potential sale	Limited Scope Valuation Engagement
14	Limited scope Valuation for estate planning advice	Limited Scope Valuation Engagement
15	Valuation assumptions for estate planning advice	Not a Valuation Service
16	Independent expert report for takeover offer	Valuation Engagement
17	Independent expert report for scheme of arrangement	Valuation Engagement
18	Independent expert report for the compulsory acquisition of securities	Valuation Engagement
19	Audit procedures on Valuation assertions	Not a Valuation Service
20	Audit procedures on Client's Valuations	Not a Valuation Service
21	Limited scope Valuation of Employer's business	Limited Scope Valuation Engagement
22	Opinion as receiver and manager on realisable value of business	Not a Valuation Service
23	Opinion as expert witness on lost profits	Not a Valuation Service
24	Opinion as expert witness on value of business	Valuation Engagement

Example 1 Valuation of equity for capital gains tax

Facts: A Member in Public Practice is engaged to perform a Valuation as at today's date of the issued share capital of a company for the purpose of capital gains tax and to provide a written report to the Client. There is no restriction or limitation placed on the Member in choosing the appropriate procedures or approach to use.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and to provide a Valuation Report, which constitutes a Valuation Engagement.

Example 2 Valuation of equity where industry not analysed

Facts: The facts are the same as for Example 1 except that the scope of work is limited in that the Member is instructed not to perform any analysis of the industry within which the business of the company operates. In the absence of this instruction the Member would have considered it appropriate to perform an analysis of the industry. The lack of analysis on the industry would reasonably be considered to have a material impact on the estimate of value.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation where the scope of work is limited or restricted, and to provide a Valuation Report, which constitutes a Limited Scope Valuation Engagement.

Example 3 Valuation Engagement becomes Limited Scope Valuation Engagement

Facts: The facts are the same as for Example 1 except that after agreeing the Terms of Engagement, which provides for a Valuation Engagement, during the course of performing the Valuation the Member becomes aware of a limitation. The Member intended to value the equity in the company using the income approach and for that purpose intended to estimate the company's expected future cash flows. The Member made relevant enquiries of the Client for the purpose of estimating the expected future cash flows. However, the Client decided not to respond to the Member's enquiries but instead instructed the Member to adopt the Client's existing forecast of cash flows so as to contain professional costs.

Analysis: This is a Valuation Service. The Member was initially engaged to perform a Valuation and to provide a Valuation Report, which constitutes a Valuation Engagement. The Client's subsequent instruction to adopt the Client's existing forecast of cash flows amounts to a limitation on the scope of work because it restricts the Member's freedom to employ the Valuation Procedures that are reasonable and appropriate taking into consideration all relevant facts and circumstances of the Engagement and the instruction could have a material impact on the estimate of value. Accordingly, from that moment the Engagement ceased to be a Valuation Engagement and became a Limited Scope Valuation Engagement.

Example 4 Valuation of equity for capital gains tax where Valuation date is eight years ago and information lost

Facts: The facts are the same as for Example 1 except that the valuation date is eight years ago and there is less information available now due to the subsequent destruction of many documents in accordance with the company's document retention policy and the departure of key staff. Despite this, there are some relevant documents, including financial statements for the three years up to the valuation date. The relative lack of information means that the Member is not able to choose the Valuation Approaches and Valuation Methods that the Member would otherwise consider appropriate, and is not able to apply Valuation Procedures to the extent to which the Member would otherwise consider appropriate.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report. A hypothetical seller and a hypothetical buyer standing at the valuation date eight years ago would have had more information available to them then than the Member has now for the purpose of performing a Valuation at a date eight years ago. The

scope of work is limited or restricted because the relative lack of information restricts the Member's freedom to choose and apply Valuation Approaches, Valuation Methods and Valuation Procedures. Accordingly, the Engagement is a Limited Scope Valuation Engagement.

Example 5 Valuation of equity for capital gains tax where records are sparse

Facts: The facts are the same as for Example 1 except that the company maintains records that are very sparse (albeit compliant with legal requirements).

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report. The sparse nature of the company's records does not amount to a limitation or restriction on scope because a hypothetical seller and a hypothetical buyer do not have any better information available to them. The fact of the sparse records is a characteristic of the company being valued and, therefore, is something that will be reflected in the estimate of value. The Engagement is a Valuation Engagement.

Example 6 Valuation of equity for capital gains tax with limited time

Facts: The facts are the same as for Example 1 except that the Member is required to deliver a Valuation Report within a period of time that is too short to allow the Member to perform all of the Valuation Procedures that the Member otherwise considers appropriate.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report. The scope of work is limited or restricted because the short timeframe restricts the Member's freedom to choose and apply Valuation Procedures. Hence the Engagement is a Limited Scope Valuation Engagement.

Example 7 Valuation of shareholding for capital gains tax with assumption on the value of all equity

Facts: A Member in Public Practice is engaged to perform a Valuation of a shareholding in a company for the purpose of capital gains tax and to provide a written report to the Client. The Member is instructed to assume a particular figure for the value of all of the issued share capital of the company.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted in that the Member is instructed to assume the value of all of the issued share capital. Otherwise the Member is free to apply the Valuation Approaches, Valuation Methods and Valuation Procedures the Member considers appropriate in determining an estimate of value of the shareholding. This freedom means the engagement is not a Calculation Engagement. The Engagement is a Limited Scope Valuation Engagement because the scope of work is limited or restricted.

Example 8 Valuation of shareholding for capital gains tax with assumptions on the value of all equity and percentage discounts for the lack of control and marketability

Facts: The facts are the same as for Example 7 except that in addition to being instructed to assume a particular figure for the value of all of the issued share capital of the company, the Member is instructed to assume particular percentage discounts for the lack of control and marketability associated with the shareholding.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted in that the Member is instructed to assume the value of all of the issued share capital and to assume

certain percentage discounts for the lack of control and marketability associated with the shareholding. The Engagement is a Calculation Engagement because the Member and the Client have agreed the Valuation Approaches, Valuation Methods and Valuation Procedures the Member will apply, thereby eliminating the Member's freedom to choose. The performance of the Calculation Engagement is a Valuation Service.

Example 9 Valuation of Employer's intangible assets for tax consolidation

Facts: A Member in Business is assigned by the Member's Employer to perform a Valuation of the intangible assets of a company acquired by the Employer for the purpose of tax consolidation and to provide a written report to the Employer.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and to provide a Valuation Report, which constitutes a Valuation Engagement.

Example 10 Valuation of intellectual property for a Client

Facts: A Member in Public Practice is engaged to perform a Valuation of the intellectual property of a Client, which the Client uses internationally. There is no restriction or limitation placed on the Member in terms of choosing the appropriate Valuation Approaches, Valuation Methods, and Valuation Procedures to perform the Valuation. The Member considers that the extent to which the intellectual property is protected by law in the countries in which it is used is material to the Valuation. The Client has informed the Member that it has not obtained legal advice to determine the strength of its legal rights over the intellectual property in each jurisdiction. The Client has instructed the Member to assume that the Client has legally enforceable rights in each jurisdiction.

Analysis: This is a Valuation Service. The Member in Public Practice has been engaged to perform a Valuation and to provide a Valuation Report. The Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures the Member deems appropriate. Accordingly, this is a Valuation Engagement. However, the Valuation Report must disclose the material assumption the Member is instructed to make regarding the status of the legal rights over the intellectual property.

Example 11 Limited scope Valuation for mergers and acquisitions advice

Facts: A Member in Public Practice is engaged to provide mergers and acquisitions advice to a Client contemplating a potential acquisition of a business. Part of the instructions includes performing an indicative Valuation of the target business and providing an oral Valuation Report.

Analysis: This is a Valuation Service to the extent of the indicative Valuation. The Member has been engaged to perform an indicative Valuation and to provide a Valuation Report, which constitutes a Limited Scope Valuation Engagement.

Example 12 Estimate of price for advice on sale of a company

Facts: A Member in Public Practice is engaged to provide advice and assistance with respect to the sale of a company. As part of the sale process the Member is asked to provide generic valuation statistics and parameters relevant to the industry in which the company operates.

Analysis: This is not a Valuation Service. Even if some Valuation Procedures are conducted the Member has not been engaged to perform a Valuation or to provide a Valuation Report. The Member has been engaged to provide ancillary services related to the sale of a company.

Example 13 Limited scope Valuation of Employer's business for potential sale

Facts: A Member in Business is assigned by the Member's Employer to perform an indicative Valuation of a business owned by the Employer for the purpose of its potential sale and to provide an oral report to the Employer.

Analysis: This is a Valuation Service. The Member has been assigned to perform a Limited Scope Valuation and to provide a Valuation Report to the Member's Employer, which constitutes a Limited Scope Valuation Engagement.

Example 14 Limited scope Valuation for estate planning advice

Facts: A Member in Public Practice is engaged to provide estate planning advice. As a required input to providing that advice, the Member performs an indicative Valuation of a business and provides an oral Valuation Report to the Client.

Analysis: This is a Valuation Service to the extent of performing the indicative Valuation of the business and providing the Valuation Report, which constitutes a Limited Scope Valuation Engagement.

Example 15 Valuation assumptions for estate planning advice

Facts: A Member in Public Practice is engaged to provide tax advice in respect of an estate planning Engagement. As part of the estate planning process, the Member provides assumptions of values of the assets to assess the potential tax consequences. The Member is not involved in determining the value of the estate.

Analysis: This is not a Valuation Service. Even if some Valuation Procedures are conducted the Member has not been engaged to perform a Valuation or to provide a Valuation Report. The Member has been engaged to provide tax advice in respect of estate planning.

Example 16 Independent expert report for takeover offer

Facts: A Member in Public Practice is engaged by a Client who is the target of a takeover offer to prepare an independent expert report on whether the takeover offer is "fair and reasonable". As noted in paragraph RG 111.11 of ASIC's Regulatory Guide 111 "Content of Expert Reports", an offer is "fair" if "the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer". The Member will perform a Valuation of the securities for the purpose of assessing if the offer is "fair". In accordance with section 640 of the *Corporations Act 2001*, the independent expert's report will accompany the target's statement that will be sent to the shareholders of the Client.

Analysis: This is a Valuation Service to the extent of performing the Valuation of the securities and providing the Valuation Report. Although the Member has been engaged to express an opinion on whether the takeover offer is "fair and reasonable", the accepted meaning of "fair" (as stated in ASIC's Regulatory Guide 111) clearly implies that a Valuation is to be performed. Thus the Member has been engaged, in part, to perform a Valuation and to provide a Valuation Report, which constitutes a Valuation Engagement.

Example 17 Independent expert report for scheme of arrangement

Facts: A Member in Public Practice is engaged by a Client who is the target of a friendly takeover to be achieved by way of a scheme of arrangement, to prepare an expert's report on whether a scheme of arrangement is "in the best interest of the members of the company" in accordance with clause 8303 of Schedule 8 of the Corporations Regulations 2001. As noted in paragraph RG 111.19 of ASIC's Regulatory Guide 111 "Content of Expert Reports", in such a case the expert is expected to provide an opinion as to whether the proposal is "fair and reasonable" as that phrase is understood for the purpose of section 640 of the *Corporations Act 2001*. The Member will perform a Valuation of the securities for the purpose of assessing if the offer is "fair". The expert's report will, if the court directs, accompany the explanatory statement and notice of meeting sent to shareholders of the company.

Analysis: This is a Valuation Service to the extent of performing the Valuation of the securities and providing the Valuation Report. Although the Member has been engaged to express an opinion on whether the proposal is "in the best interests of the members of the company", accepted practice (as stated in ASIC's Regulatory Guide 111) implies that a Valuation is to be performed. Thus the Member has been engaged, in part, to perform a Valuation and to provide a Valuation Report, which constitutes a Valuation Engagement.

Example 18 Independent expert report for the compulsory acquisition of securities

Facts: A Member in Public Practice is engaged by a Client who has acquired 90% of the securities of a particular class of a company and wishes to issue a notice to acquire compulsorily the balance of the securities. The Member is engaged to provide an expert's report under section 667A of the *Corporations Act 2001* on whether "the terms proposed in the notice give a fair value for the securities concerned". In accordance with section 664C, a copy of the expert's report will be sent to each holder of securities.

Analysis: This is a Valuation Service. The Member has been engaged to perform a Valuation and to provide a Valuation Report, which constitutes a Valuation Engagement.

Example 19 Audit procedures on Valuation assertions

Facts: A Member in Public Practice is engaged to perform an audit. The Member will perform procedures to test the valuation assertions (as defined in Australian Auditing Standard ASA 500 *Audit Evidence)* of the financial statement balances as part of the audit Engagement. The results of these procedures will be documented in the Member's working papers and will not be communicated to the Client.

Analysis: This is not a Valuation Service. The Member has not been engaged to perform a Valuation or to provide a Valuation Report. The Member has been engaged to perform an audit and the procedures to test the valuation assertions (as defined in the Auditing Standards) are only performed as part of the audit Engagement.

Example 20 Audit procedures on Client's Valuations

Facts: A Member in Public Practice is engaged to perform an audit. The Member will audit/review the valuation models or calculations prepared by the Client to test assets (including goodwill) for impairment as part of the Member's audit procedures in accordance with Auditing Standards. The procedures performed will be documented in the Member's working papers and will not be communicated to the Client.

Analysis: This is not a Valuation Service. The Member has not been engaged to perform a Valuation or to provide a Valuation Report. The Member has been engaged to perform an audit and the procedures to test impairment are only performed as part of the audit Engagement.

Example 21 Limited scope Valuation of Employer's business

Facts: A Member in Business is assigned to perform an indicative Valuation of the business of the Employer as part of the Employer's procedures in respect of testing assets (including goodwill) for impairment for financial reporting purposes.

Analysis: This is a Valuation Service. The Member has been assigned to perform an indicative Valuation and to provide a Valuation Report which constitutes a Limited Scope Valuation Engagement.

Example 22 Opinion as receiver and manager on realisable value of business

Facts: A Member in Public Practice is engaged by a secured creditor as a receiver and manager of the assets and undertaking of a company. In reporting to the Client the Member expresses an opinion on the amount that might be realised from the sale of the company's business.

Analysis: This is not a Valuation Service. Even if some Valuation Procedures are conducted the Member does not perform a Valuation and is not engaged to provide a Valuation Report. The Member has been engaged to perform an insolvency service and the opinion was expressed as part of performing that service.

Example 23 Opinion as expert witness on lost profits

Facts: A Member in Public Practice is engaged to act as an expert witness in litigation and to express an opinion on the quantum of damages suffered by the plaintiff as a result of an alleged wrong-doing by the defendant. The Member is instructed that the damages are to be determined by reference to lost profits and that the court must award damages as a once-off lump sum. In performing this task, the Member:

(a) will calculate the lost profits caused by the alleged wrong-doing by comparing the profits that the plaintiff would have earned but for the alleged wrong-doing with the profits that the plaintiff will earn given the alleged wrong-doing; and
(b) will calculate the present value of those lost profits.

The Member will provide a written report and may later give oral evidence at the court hearing.

Analysis: This is not a Valuation Service because the Member has not been engaged to perform a Valuation (i.e. the Member has not been engaged to determine an estimate of value of a business, business ownership interest, security or intangible asset).

Example 24 Opinion as expert witness on value of business

Facts: A Member in Public Practice is engaged to act as an expert witness in litigation and to express an opinion on the quantum of damages suffered by the plaintiff as a result of an alleged breach of contract by the defendant. The Member is instructed that the damages are to be determined by reference to the value of the plaintiff's business before the alleged breach of contract and the Member is instructed to express an opinion on that value. The Member will provide a written report and may later give oral evidence at the court hearing.

Analysis: This is a Valuation Service because the Member has been engaged to perform a Valuation and to provide a Valuation Report which constitutes a Valuation Engagement. It is a Valuation because the Member has been engaged to determine an estimate of value of a business by applying Valuation Approaches, Valuation Methods and Valuation Procedures.

Appendix 2

Summary of revisions to the previous APES 225 (Issued in December 2015)

APES 225 *Valuation Services* originally issued in July 2008 and revised in May 2012 and December 2015. APESB has revised APES 225 in March 2018 and a summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Premise of Value	Amended
5.2	Amended
Appendix 1 (Addition of Example 10)	Amended

* *Refer Technical Update 2018/1*

Appendix 12 – Schedule of Option Holders in the Company

Details	No of options	Listed	Strike Price	Expiry
ASX Options				
Adrinat Investments Pty Ltd	1,200,000	No	$0.4875	1 April 2020
Crofton Park Developments Pty Ltd	1,200,000	No	$0.4875	1 April 2020
M.Alter Super Fund Pty Ltd	1,200,000	No	$0.4875	1 April 2020
Tribeca Investment Partners Pty Ltd	10,800,000	No	$0.4875	1 April 2020
Precision Opportunities Fund Ltd	1,200	No	$0.4875	1 April 2020
CG Nominees (Australia) Pty Ltd	3,800,000	No	$0.24	24 May 2020
CG Nominees (Australia) Pty Ltd	3,800,000	No	$0.30	24 May 2020
CG Nominees (Australia) Pty Ltd	3,800,000	No	$0.36	24 May 2020
Ms Melissa Wren	464,529	No	$0.18	5 April 2022
Mr Timothy David Thomas	232,264	No	$0.18	5 April 2022
Mr Craig Hasson	464,529	No	$0.18	5 April 2022
Mr Alexei Fedotov	464,529	No	$0.18	5 April 2022
Mr Noel O'Brien	232,264	No	$0.18	5 April 2022
Mr Mark Turner	9,000,000	No	$0.3148	17 December 2022
Total	**37,858,115**			
ASX – Performance Rights				
Mr Mark Turner	964,915	No		6 August 2023
Mr Mark Claderwood	2,358,681	No		6 August 2023