

15 JANUARY 2019

**CORPORATE DIRECTORY**

**Non-Executive Chairman**

Geoff McNamara

**Managing Director**

Mark Calderwood

**Executive Director - Operations**

Mark Turner

**Non-Executive Directors**

Robert Vassie

Wei (Vicki) Xie

Joshua Ong

Arnold Chan

**Joint Company Secretaries**

Alexei Fedotov

Joanna Kiernan

**Media contact:** Nathan Ryan

NWR Communications

+61 (0) 420 582 887

## RESTRUCTURE OF LITHIUM OFFTAKE AGREEMENTS

*Restructure provides certainty in relation to offtake arrangements and importantly allows Alliance to pursue additional offtake partners and other opportunities for projected increases in lithium concentrate production at the Bald Hill Mine.*

Alliance Mineral Assets Limited (**Alliance** or the **Company**) (ASX: A40; SGX: 40F) is pleased to announce that Alliance and its subsidiary Lithco No.2 Pty Ltd (**Lithco**) have each agreed with Burwill Lithium Company Limited (**BCLC**) and its parent company Burwill Holdings Limited (**Burwill Holdings**) that BCLC will transfer its rights and obligations as the buyer under their respective long-term offtake agreements (**Lithium Offtake Agreements**) to Jiangxi Bao Jiang Lithium Industrial Limited (**JBIL**). JBIL is owned 50:50 by BCLC and Jiangte Special Electric Motor Co., Ltd (**Jiangte**).

The Lithium Offtake Agreements will also be amended effective 14 January 2019 (**Amended Lithium Offtake Agreements**).

### Highlights

- Transferring the Lithium Offtake Agreements to JBIL indicates strong support for the Bald Hill Mine from Jiangte which is increasing its lithium concentrate conversion capacity as it moves towards becoming a significant player in the downstream processing market in China
- Amended Lithium Offtake Agreements provide for a market-linked pricing mechanism, with lower and upper limits of US\$680/tonne and US\$1080/tonne respectively (FOB 6% Li<sub>2</sub>O), for the remaining term ending on 31 December 2022.
- Remaining 18,000dmt from 2018 production will be purchased by JBIL at the 2018 fixed price of US\$880 per dmt FOB at 6% Li<sub>2</sub>O. ETA for shipping is end of January 2019.
- Exclusivity and pre-emptive right have been removed from the Lithium Offtake Agreements, allowing Alliance to diversify its customer base.
- Maximum commitment for concentrate supply under the Amended Lithium Offtake Agreements is 100,000 tonnes in 2019 (minimum 80,000 tonnes) and 140,000 tonnes for each year between 2020 and 2022 (minimum 100,000 tonnes).

- Alliance is seeking new offtake partners to purchase remaining Stage 1 lithium and Stage 2 lithium concentrate production. Offtake interest has been strong as there is limited uncommitted, high quality, spodumene available from producers for 2019.
- Repayments of outstanding interest free offtake prepayments (US\$8.8million)<sup>1</sup> frozen until 2021. Offtake prepayments remain interest free and repaid at the rate of 15% of the value of each lithium concentrate shipment from 1 January 2021 until repaid.
- Revised mine schedule for 2019 and 2020 to accommodate increased ore processing rates expected in the third quarter of 2019.
- Production guidance for the period January to June 2019 increased to between 65,000dmt to 80,000dmt lithium concentrate from 55,000dmt to 60,000dmt for the six months between July and December 2018.

**Mark Calderwood, Managing Director said:**

*“The offtake agreement transfer from Burwill to JBJLIL is a good outcome for Alliance as it provides certainty for the demand of our premium quality spodumene concentrate while simultaneously freeing us up to sell approximately 50% of our annual production to other customers. We continue to see a high level of interest in the premium spodumene concentrate which Bald Hill produces and this demand coincides well with our projected increases in lithium concentrate production from Q3 2019 onwards.”*

**Terms of the Amended Lithium Offtake Agreements**

Key terms of the amended Lithium Offtake Agreements are outlined below:

- Price revised from US\$880/dmt (FOB on 6% Li<sub>2</sub>O) (in 2018 to a market-linked pricing mechanism with a minimum price of US\$680/dmt FOB and a maximum price of US\$1,080/dmt (FOB on 6% Li<sub>2</sub>O) from February 2019 until 31 December 2022.
- Pricing formula agreed with pricing for February to June 2019 to be based on the average October to December 2018 lithium carbonate pricing. Pricing formula for July to September 2019 will be based on the average of May to June 2019 lithium carbonate pricing. For October to December 2019, the pricing formula will be referenced from both lithium carbonate and lithium hydroxide prices. If not agreed, the higher of US\$880 per dmt or the floating price will apply.
- Price for each of the years 2020 to 2022 will be set by a formula with reference to market prices for comparable spodumene.
- Outstanding prepayments of US\$8.8 million from BCLC frozen until 2021. Offtake prepayments remain interest free and repaid at the rate of 15% of the value of each lithium concentrate shipment from 1 January 2021 until repaid.

---

<sup>1</sup> As at the date of the Amended Lithium Offtake Agreement.

- JBJLIL committed to take the first 10,000dmt shipment under the Amended Lithium Offtake Agreements in February 2019.
- Exclusivity for all Bald Hill product sales removed with Amended Lithium Offtake Agreements now providing for a minimum and maximum tonnage.
  - 2019 lithium concentrate quantity committed to JBJLIL is between a minimum of 80,000dmt and a maximum of 100,000dmt (at Alliance's election) to match the conversion capacity of the JBJLIL lithium carbonate conversion facility.
  - 2020 to 2022 lithium concentrate committed to JBJLIL is between 100,000dmt and 140,000dmt (at Alliance's election) to match intended increased lithium concentrate production at the Bald Hill Mine and conversion capacity at the JBJLIL lithium carbonate conversion facility.
- Exclusivity and pre-emptive right have been removed allowing Alliance to diversify its customer base.
- Jiangte<sup>2</sup> and Burwill Holdings will guarantee the obligations of JBJLIL severally in equal proportions.

#### **Additional Offtake**

As a result of the removal of the pre-emptive right and exclusivity, Alliance has commenced discussions with other parties for the balance of Stage 1 and Stage 2 lithium concentrate production from the Bald Hill Mine.

#### **About Jiangxi Bao Jiang Lithium Industrial Limited**

JBJLIL is an incorporated joint venture between Jiangte and Burwill Holdings. JBJLIL operates one of the three large lithium concentrate converters at the 30 hectare Jiangte owned facility in Yuan Zhou District, Yichun, Jiangxi. When fully operational, the single JBJLIL joint venture converter should be capable of processing about 10,000tonnes of spodumene concentrate per month. The lithium concentrate converter was constructed in June 2018 and includes advanced technologies in the area of the kiln and evaporation processes to achieve industry minimum standard emissions of H<sub>2</sub>S and CO<sub>2</sub> from tail gas.

Jiangte, through its wholly-owned subsidiaries in China, Europe and Japan, is engaged in the R&D, production and sales of specialised electric motors and the production of lithium battery cathode material, electric automobile drive motor and control systems, and electric vehicles. Jiangte owns two conversion plants (including JBJLIL) in Yichun with total nameplate capacity of 45,000tpa of lithium salts from spodumene and lepidolite. It is listed on Shenzhen Stock Exchange and has a market capitalisation of approximately 10B RMB (A\$2.0B).

Burwill Holdings is a Hong Kong-based investment holding company principally engaged in commodities trading. It has been listed on the Hong Kong stock exchange since 1983.

#### **December Quarter Production and Guidance**

Production for the December 2018 quarter was impacted by the combination of slower than anticipated turnover of mining benches resulting in low grade feed to the plant and a shortage of water in late November and early December 2018.

---

<sup>2</sup> Jiangte's guarantee is subject to Jiangte shareholder approval to be obtained within 30 days.

Lithium concentrate production was approximately 22,570 wmt resulting in a 7% shortfall on July to December 2018 guidance<sup>3</sup> and a 20% reduction in production compared to the September 2018 quarter.

During the last three weeks of December 2018, improved water management, lower strip ratio and improved grade from the pit resulted in a significant lift in the production rate to an average of approximately 420 tonnes of lithium concentrate per day which is consistent with the production target for the March 2019 quarter. Production for the first thirteen days of January 2019 has averaged 410tph with a concentrate grade of 6.2% Li<sub>2</sub>O.

Lithium concentrate production guidance for the period January to June 2019 is between 65,000dmt to 80,000 dmt.

### Stage 2 Plant Upgrade – Fines Circuit

Work on the Front End Engineering Design (FEED) works for Stage 2 of the plant upgrade, which involves lowering the Dense Media Separation (DMS) bottom size from 1mm to 0.5mm, is continuing to schedule. The overall effect of this expansion phase will be an increase in plant processing capacity from the current 220tph to 300tph.

The flowsheet and equipment selection for the new fines plant has been finalised, and ordering of long lead mechanical equipment items has commenced. It is expected that commissioning of the fines circuit will commence in the first half of the third quarter of 2019.

### Revised Mining Schedule for 2019 and 2020

A revised medium-term mining schedule for 2019 and 2020 has been completed to accommodate increased ore processing rates expected in the third quarter of 2019 as a result of the completion of the Stage 2 plant upgrade. The key metrics detailed below for 2019 and 2020 represent the current medium-term forecast based on the current mining and processing schedules, which may be subject to change during the period.

	2019	2020	Total/Avg
Waste Mined	27.5Mt	13.1Mt	40.6Mt
Strip Ratio W:O	11.5	4.4	7.5
Ore Mined	2.4Mt	3.0Mt	5.4Mt
Ore Processed	1.8Mt	2.1Mt	3.9Mt
SC6% Produced (6% Li <sub>2</sub> O), tonnes	180,000	240,000	420,000
Concentrate Produced (Ta <sub>2</sub> O <sub>5</sub> ), Lb	330,000	470,000	800,000
Operating cost/tonne SC6% AUD <sup>(1)</sup>	800	550	657
Operating cost/tonne SC6% USD <sup>(2)</sup>	585	400	480

- 1) Estimated total operating costs per tonne of spodumene concentrate (SC6%). All mining, processing, haulage, port and administrative costs after tantalum by-product credits. No allowances made for stockpiles or pre-strip capital adjustments. These are a non-IFRS measure of the direct costs incurred.
- 2) USD:AUD exchange rate of 0.73:1.0 assumed.
- 3) Sustaining capital expenditure not included, however this is estimated as a total of A\$8.3million over the two years.

<sup>3</sup> Refer September 2018 Quarterly Activities Report lodged by Tawana Resources NL on the ASX on 31 October 2018 and the Announcement titled *Bald Hill Mine Operational Update* lodged on SGX on 5 November 2018.

Alliance intends to release six monthly production guidance moving forward.

Total Lithium Ore Reserves as stated at 6 June 2018 are 11.3Mt of lithium ore at 1.01% Li<sub>2</sub>O and 160ppm Ta<sub>2</sub>O<sub>5</sub>. Tantalum Ore Reserves stated at 6 June 2018 are 2.0Mt at 313ppm Ta<sub>2</sub>O<sub>5</sub>.

**Mark Calderwood**  
**Managing Director**

#### **Interests of Directors, Managing Director and Chief Executive Officer, and Controlling Shareholders**

None of the Directors and the Managing Director and Chief Executive Officer of the Company or their associates has any interest, direct or indirect, in the Amended Lithium Offtake Agreements, save for their respective shareholding interests (if any) in the Company. The Company has no controlling shareholders as at the date of this announcement.

#### **Competent Persons Statement**

The Ore Reserves underpinning the Mine Schedule has been prepared by a Competent Person in accordance with the JORC Code (2012) edition and was released by the Company on SGX and by Tawana Resources NL on ASX on 6 June 2018 in an announcement titled "Lithium Ore Reserve Increase of 105% at Bald Hill" and further released in the Company's Independent Qualified Person's Report on SGX on 10 August 2018 and updated on 16 August 2018 and is available at [www.allianceminerals.com.au](http://www.allianceminerals.com.au) and [www.asx.com.au](http://www.asx.com.au) and <http://www.sgx.com>. Alliance confirms that it is not aware of any new information or data that materially affects the information included in the original announcements and, in the case of the Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

#### **Forward-Looking Statements**

This announcement contains certain forward-looking statements and projections including regarding estimated resources and reserves, production and operating costs profiles, capital requirements and strategies and corporate objectives. Such forward-looking statements/projections are estimates and should not be relied upon as a representation or warranty, express or implied, of Alliance. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of Alliance. The forward-looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

While the information contained in this announcement has been prepared in good faith, neither Alliance nor any of its directors, officers, agents, employees or advisors make any representation or given any warranty, express or implied as to the fairness, accuracy or completeness of the information or for any of the opinions contained in this presentation or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of the information in this announcement. Alliance disclaims any obligation to update or revise any forward-looking statements based on new information, future events or otherwise except to the extent required by applicable laws.

## Glossary

These definitions are provided to assist persons in understanding some of the expressions used in this announcement.

CO <sub>2</sub>	Carbon dioxide
Dmt	Dry metric tonnes
ETA	Estimated time of arrival
FOB	Free on Board
H <sub>2</sub> S	Hydrogen sulphide
Li <sub>2</sub> O	Lithium oxide
Mt	Million tonnes
ppm	Parts per million
SC6%	6% Li <sub>2</sub> O spodumene concentrate
Sustaining Capital	Periodical investment of capital into the business to maintain current level of operations
Ta <sub>2</sub> O <sub>5</sub>	Tantalum pentoxide
Tpa	Tonnes per annum
Tpd	Tonnes per day
Tph	Tonnes per hour
Wmt	Wet metric tonnes
W:O	Waste to Ore ratio