



Shareholder Update

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

1 Introduction and background

Robert Michael Kirman, Robert Conry Brauer and Matthew Wayne Caddy of McGrathNicol were appointed joint and several liquidators (**Liquidators**) of Alita Resources Limited (In Liquidation) (**Company** or **Alita**) on 27 September 2023.

As Alita is incorporated in Australia, the statutory powers of the Liquidators are governed by the Corporations Act 2001 of Australia, which include powers and discretions to dispose and realise any assets or undertakings of Alita. Proceeds after costs will be applied to satisfy any creditor liabilities (including tax liabilities) as required in a liquidation under the Australian Corporations Act before any residual amounts are distributed to the Company's shareholders (**Shareholders**).

As Shareholders would recall, Robert Michael Kirman and Robert Conry Brauer of McGrathNicol were the Deed Administrators of the Company since December 2020, following approval of the sole creditor of Alita for the Deed of Company Arrangement (**DOCA**) proposal received from Austroid Corporation (**Austroid**). The DOCA contemplated the compulsory transfer of all the shares in Alita under Section 444GA of the Australian Corporations Act. Under the DOCA, Shareholders would not have received any consideration for their transfer of shares.

The sunset date for satisfaction of the conditions precedent to implementation of the DOCA expired on 31 August 2023. The DOCA did not complete after Austroid was prohibited by the Australian Foreign Investment Review Board (**FIRB**) under section 67 of the Foreign Acquisitions and Takeovers Act 1975 (Cth) from acquiring 100% interest in Alita or otherwise increasing its interest in Alita.

Alita and the Deed Administrators entered into a conditional implementation deed on 30 August 2023 (**Implementation Agreement**) with another interested party, Mineral Resources Limited (**MinRes**), which provided for, amongst other things, Alita to be placed into liquidation and for Alita to enter into a conditional share sale agreement (**SSA**) for the disposal of its assets.

Austroid has confirmed it is supportive of, and consented to, the Liquidators entering into and performing the transactions contemplated in the SSA.

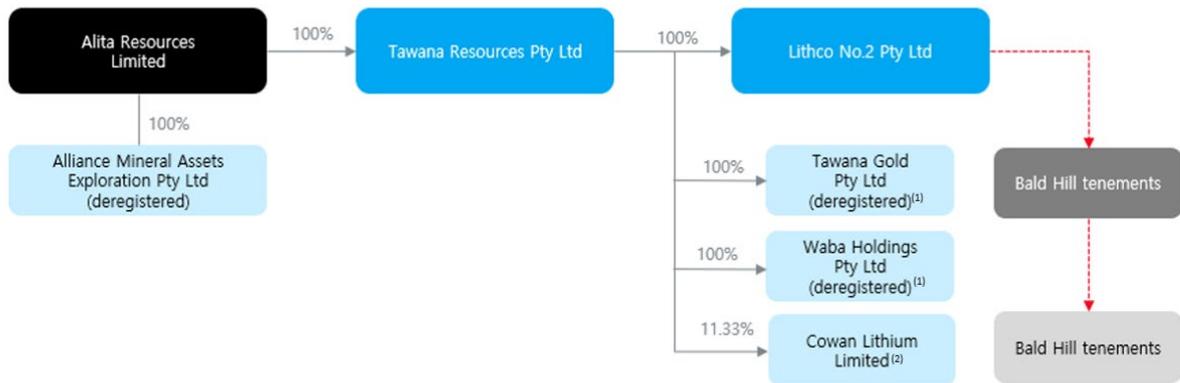
Following the appointment of the Liquidators, Alita has now entered into the SSA with MinRes (as guarantor) and its wholly-owned subsidiary ACN 669 538 809 Pty Ltd (as purchaser) (**Purchaser**) on 27 September 2023 for the proposed disposal (**Disposal**) by Alita of the following assets (**Relevant Assets**):

- a. all of the issued share capital in Tawana Resources Pty Ltd (**Tawana**);
- b. all the trade debts and other receivables owing to Alita as at completion of the Disposal; and
- c. all claims, suits and causes of action and any other rights of Alita arising out of, or related to (a) and (b) above, to the extent such rights are capable of being or permitted to be assigned on completion of the Disposal.



2 Information on the Relevant Assets

2.1 The group structure is as follows with Alita, Tawana and Lithco No.2 Pty Ltd collectively referred to as the Group:



Notes:

Note 1: Alliance Mineral Assets Exploration Pty Ltd, Tawana Gold Pty Ltd and Waba Holdings Pty Ltd (which were dormant entities) have since been deregistered.

Note 2: Tawana is the wholly-owned subsidiary of Alita and owns 100% of the shares in Lithco which is the owner and operator of the Bald Hill mine.

Note 3: Tawana held an interest of approximately 11.33% in Cowan Lithium Ltd in December 2020. Cowan Lithium Ltd has changed its name to Midas Minerals Ltd (**Midas**) and has since listed on the Australian Securities Exchange. The value of Tawana's stake in Midas (if any) will be taken into consideration by the expert preparing the independent expert's report (**IER**) on the residual value of equity in Alita (**Valuation**). This Valuation is being commissioned by the Liquidators and is separate to the IER the Deed Administrators previously sought to obtain in connection with the previous DOCA proposal.

2.2 Information on the Purchaser and MinRes

The information on the Purchaser and MinRes provided below was provided by the Purchaser and MinRes to the Liquidators. The Liquidators have not independently verified the accuracy and correctness of such information.

The Purchaser is incorporated in Australia and is a wholly-owned subsidiary of MinRes. MinRes is listed on the ASX and is a leading diversified resources company, with extensive operations in lithium, iron ore, energy and mining services across Western Australia.

MinRes and the Purchaser are independent third parties and neither of them is a Shareholder or an associate of any director of the Company or controlling Shareholder. MinRes and the Purchaser also do not directly or indirectly have any prior business dealings or contractual arrangements with the Group, any directors or controlling Shareholders of the Company or the Liquidators, save as expressly mentioned herein.



3 Disposal

3.1 Basis

The Relevant Assets will be sold to the Purchaser, free from encumbrances, subject to the terms and conditions of the SSA.

The terms of the Implementation Deed (including the SSA) were negotiated entirely on an arm's length and commercial basis between the Liquidators (previously Deed Administrators), MinRes and the Purchaser, taking into consideration factors deemed fit by the Liquidators (previously Deed Administrators) in the interests of the Group, amongst others, the existing conditions of the Bald Hill mine and Alita being in liquidation.

3.2 Consideration

The consideration for the Disposal under the SSA (**Purchase Price**) will comprise:

- a. an amount equal to the amount required to repay all of the secured debt owing by Alita;
- b. a minimum equity payment to Alita in consideration for the Tawana shares acquired under the SSA;
- c. a further amount equal to the amount by which the value of the residual equity in Alita exceeds the minimum amount payable by the Purchaser under paragraph (b) above;
- d. a mechanism for calculating a further amount payable depending upon whether the existing offtake agreement remains in place; and
- e. provision for further adjustments depending on the tax liabilities of Alita in connection with the transaction.

To assist with determining the residual value of shareholders' equity in Alita, the Liquidators have engaged Deloitte as an expert to prepare an IER on the residual value of equity in Alita (if any), including the assumptions and bases of their report.

Other than the portion of the consideration relating to the repayment of the secured debt owing by Alita after costs, the remaining consideration is expected to be made available to satisfy any creditor liabilities (including tax liabilities) and other priorities as required in a liquidation under the Corporations Act before any residual amounts are distributed to Shareholders.

As Shareholders would appreciate, pending the completion of the IER and calculation of any tax liabilities outstanding, the Liquidators are not in any position to comment on the likelihood or quantum of any residual payment to the Shareholders. The Liquidators will update Shareholders appropriately when there are material updates.

3.3 Conditions

The Disposal is conditional upon the fulfilment or waiver (in accordance with the SSA) of the following:

- a. the Singapore Exchange Securities Trading Limited ("SGX-ST") having waived compliance by Alita to obtain Shareholders' approval for the Disposal in accordance with Section B: Rules of Catalist of the Listing Manual of the SGX-ST (**Catalist Rules**); or
- b. Alita having been delisted from the Catalist,

in each case on terms satisfactory to the Purchaser (acting reasonably).



Completion under the SSA must take place by 1 November 2023 or 2 business days after fulfilment or waiver of the conditions set out above (whichever is the later). If completion of the Disposal does not take place in accordance with the SSA, either party may terminate the SSA with prior written notice of 5 business days.

4 **Use of proceeds and rationale for the disposal**

The Liquidators are responsible for the control and management of Alita as part of the winding up proceedings. The Disposal is in line with the objectives of the Liquidators which is to wind up the affairs of Alita so that Alita can eventually be dissolved.

Other than the portion of the Purchase Price relating to the repayment of the secured debt owing by Alita, the balance of the Purchase Price is expected to be available to satisfy any creditor liabilities (including tax liabilities) as required in a liquidation under the Corporations Act before any residual amounts are distributed to Shareholders.

5 **Application for Waiver**

As the Disposal is made pursuant to the liquidation of Alita, the Liquidators will submit an application to the SGX-ST for the Waiver from Shareholders' approval in relation to the Disposal (**Waiver**) for the following reasons:

- a. Alita is in liquidation. The Liquidators have taken over control of the management of Alita as part of the winding up proceedings to be undertaken in accordance with the Australian Corporations Act. The role of the liquidators is to wind up the affairs of Alita so that the Company can eventually be dissolved. As part of their duties, the Liquidators will take into their custody and control all of the Company's property, including the Relevant Assets.

Under Australian law, the Liquidators have full statutory powers to do all things as are necessary for winding up the affairs of the Company, and for distributing its assets in accordance with statutory priorities. These include selling the immovable and movable property and chose in action of the Group (which includes their shares in subsidiaries).

The Liquidators have on 27 September 2023 already obtained the consent of the Company's secured creditor, Austroid, to the execution and performance of the transactions the subject of the SSA. The Liquidators do not require any other consent of any third party (including Shareholders) to perform their duties.

- b. Interest of Shareholders not prejudiced. The interests of Shareholders are not prejudiced by the Disposal. Under the terms of the terminated Parent DOCA, Shareholders would not have received any consideration for the transfer of their shares in Alita to Austroid or its nominee.

Under the current Disposal, there is a minimum payment to Alita (after repaying all of Alita's secured debt) in consideration for the Tawana shares acquired under the SSA, and a further amount equal to the amount by which the value of the residual equity in Alita exceeds the foregoing minimum amount payable by the Purchaser, subject to the conclusion of the IER. After satisfying any creditor liabilities (including tax liabilities) as required in a liquidation under the Australian Corporations Act, residual funds (if any) will be available for distribution to Shareholders.

The Disposal offers the most beneficial proposal available for Shareholders in the circumstances. Other indicative approaches received by the Deed Administrators had not been considered as they



offered much less favourable terms, were not practicable in terms of implementation and/or lacked execution certainty.

Shareholder interests are not prejudiced because Shareholders will have the residual right to the proceeds of the Disposal (if any) after the Liquidators have satisfied any creditor liabilities (including tax liabilities) ranking ahead of Shareholders.

The Liquidators are also required under Australian laws to maintain proper accounting records documenting how the winding up has been conducted and how the property of Alita is disposed of. As part of their reporting obligations, these records are reported to, and are subject to the scrutiny of the Australian Securities and Investments Commissions (**ASIC**) (which is Australia's integrated corporate, markets, financial services and consumer credit regulator).

Through the process, the Liquidators will update Shareholders via SGXNET as and when required.

- c. No material change in risk profile of the Group. In view of the liquidation status of Alita, there is no material change in the risk profile arising from the Disposal. Alita is already in liquidation, and any delay to completion of the Disposal, exposes the Relevant Assets to the risk of having their value eroded.

The Liquidators will be winding up the affairs of Alita so the Company can eventually be dissolved with surplus equity (if any) returned to Shareholders.

- d. Time-sensitivity of the Disposal. Pursuant to the SSA, the Liquidators must use best endeavours to obtain the Waiver from SGX-ST by 27 October 2023, failing which Alita risks losing the Disposal realisation opportunity with the Purchaser and MinRes altogether.
- e. Any further delay will only result in erosion of Alita's net equity position and possibly, reduce funds available for distribution to Shareholders.
- f. Cost Effectiveness. The Waiver will save considerable costs for Alita in terms of having to convene an extraordinary general meeting of Shareholders under the current circumstances where Alita has been placed into liquidation and is being wound up.

It is in the interests of Alita and its Shareholders to avoid incurring unnecessary costs and expenses, especially given the current financial position of the Company.

- g. Recognition of Statutory Priority of Creditors in Liquidation. The Waiver necessarily recognises that in a liquidation context, creditors' interest prevails over the interest of equity holders.

Creditors' interest in realising Alita's assets to repay their debts should not be subordinated to Shareholders.

6 **Relative figures computed on the bases set out in rule 1006 in relation to the Disposal**

The Liquidators are currently not in a position to set out the relative figures for the Disposal computed based on Rule 1006 of the Catalist Rules.

The last audited financial statements for Alita or the Group were prepared for the period ended 31 December 2018, prior to the Company being placed into administration. Alita has been the subject of Administration since August 2019 when Voluntary Administrators were first appointed. Since then, Alita was not required to (and did not) prepare audited financial statements during the intervening period.



The Net Assets of the Group as stated in the audited financial statements at 31 December 2018 totalled \$209.1 million, which is no longer representative of the current circumstances. In fact, applying historical and outdated figures to compute the relative figures under Rule 1006 of the Catalist Rules may be misleading.

Since the appointment of Administrators in August 2019, two separate Independent Expert Reports have been prepared for the Group, most recently by Matthew Donnelly of Deloitte in August 2021. Mr Donnelly's Independent Expert Report ascribed Alita's shares a negative value as summarised below. Mr Donnelly's IER was prepared based on Valuation Resource Management Pty Ltd's technical valuation of the mining assets. : Shareholders should note that the below may not be reflective of the current value of Alita's shares.

| | |
|-------------------|------------------|
| <u>Low:</u> | (\$37.9 million) |
| <u>Preferred:</u> | (\$20.4 million) |
| <u>High:</u> | (\$2.4 million) |

7 **Financial effects of the disposal**

The Liquidators are currently not in a position to set out the financial effects of the Disposal for the same reasons detailed in section 6 of this announcement.

8 **Interest of the Liquidators and controlling shareholders**

None of the Liquidators, and, to the best of the knowledge of the Liquidators, none of the controlling Shareholders have any direct or indirect interest in the Disposal, other than through their respective shareholdings in Alita.

9 **Service contract**

No person is proposed to be appointed as a director of Alita in connection with the Disposal. Accordingly, no service contract for such appointment is proposed to be entered into between Alita and any such person.

10 **Confidentiality of SSA**

The Australian Court on 27 September 2023 made orders which facilitated Alita being placed in Liquidation following termination of the Parent DOCA. Entry into the SSA followed this. For the protection of the sale process, the remaining terms of the SSA are to remain confidential between the Company, the Liquidators and MinRes until such time when the transaction becomes unconditional. Revealing further information now may jeopardise the sale process.

The Liquidators will provide further updates to Shareholders as and when these can be shared by the Liquidators.

Dated: 2 October 2023

Yours faithfully

Alita Resources Ltd (In Liquidation)

Rob Kirman
Liquidator