

CORPORATE AND OPERATIONS UPDATE

Alita Resources Limited (formerly Alliance Mineral Assets Limited) (ASX: A40; SGX: 40F) (**Company** or **Alita**), provides the following update on its corporate and operational activities at its 100% owned Bald Hill Lithium & Tantalum Mine in Western Australia (**Bald Hill Mine**).

Highlights:

- **Completion of A\$10m Conditional Placement to strategic investor**
- **Entry into term sheet to advance Hydroxide JV with Jiangte**
- **Strategic review initiated in response to the challenging market conditions**

Conditional Placement completed

Further to its announcements on 16 May 2019 (**Placement Announcement**) and 24 May 2019, Alita is pleased to advise it today has completed the issue of 50,000,000 new fully paid ordinary shares (**Conditional Placement Shares**) at the issue price of A\$0.20 per share for gross proceeds of A\$10.0 million to Weier Antriebe und Energietechnik GmbH, a wholly owned subsidiary of Jiangxi Special Electric Motor Co., Ltd (**Jiangte**) pursuant to the Conditional Placement, and 500,000 Shares as Placement Fee Shares in respect of the Conditional Placement (both as defined and further detailed in the Placement Announcement).

The Conditional Placement Shares were issued pursuant to shareholder approval under ASX Listing Rule 7.1 and Catalist Rules 805(1) and 812(2) obtained on 11 July 2019. The Placement Fee Shares were issued pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1 and the general share mandate of the Company approved by shareholders at the annual general meeting held on 31 October 2018 under Catalist Rule 806.

The Company's issued share capital has increased from 1,425,922,411 Shares to 1,476,422,411 Shares following the issue of the Shares referred to in this announcement. Following the Conditional Placement, Jiangte's interest in the Company is 9.06% of the total issued capital.

Term Sheet signed for Hydroxide Joint Venture

Further to a memorandum of understanding entered into on 26 April 2019 (refer to the announcement on 29 April 2019) Alita and Jiangte have signed a term sheet (**Term Sheet**) to progress the formal terms of the 50:50 joint venture to produce and sell battery-grade lithium hydroxide and other lithium products (**Hydroxide JV** or **Joint Venture**).

The Hydroxide JV provides a unique opportunity for Alita to participate in the downstream lithium products market, without incurring capital costs and exposure to the risk associated with the construction of a conversion facility.

The Term Sheet sets out the key commercial principles of the Joint Venture, and legally commits the parties to continue working on the structure of the Joint Venture, logistics, accounting and marketing arrangements to give effect to those agreed key commercial principles.



The key commercial terms include:

- Decisions determining the production budgets and marketing will be made jointly through a decision-making body comprising equal representation from each party
- Alita will deliver spodumene FOB Port of Esperance: approximately 10,000t/month
- Jiangte will ship and import the product into China and transport it to its facility
- Jiangte will then convert spodumene to battery-grade lithium hydroxide or other agreed products to agreed specifications (JV Products)
- Jiangte will sell the JV Products as instructed by the Joint Venture. The Joint Venture will work to develop long-term downstream partnerships for the JV Products
- Alita will receive 50% of the margin from the sale of the JV Products plus reimbursement of the cost of the spodumene used in production
- Jiangte will receive 50% of the margin from the sale of the JV Products plus reimbursement of the cost of shipping and conversion of spodumene to JV Products
- Costs of spodumene and costs of conversion are 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 Joint Venture if it fails to deliver a minimum agreed financial outcome to that party

The Joint Venture is conditional upon formal documentation being agreed and executed, regulatory and other consents (including from the Company's lenders), output from the Bald Hill Mine being sufficient for the Joint Venture, and the converter being able to produce JV Products to agreed specifications.

Initiation of Strategic Review

Lithium market update

The demand for lithium from the battery sector is generally expected to increase in the next decade, stimulated by governmental policy changes around the world towards stricter emission standards and by accelerated plans from major car manufacturers to produce more hybrid and electric vehicles (EV).

In response to this expectation, there has been a significant increase in spodumene concentrate production levels in the past year. Compounded by slower than expected ramp up of new spodumene conversion facilities and the apparent short-term excess volume of lithium concentrate stocks held by the converters and spodumene producers, this has led to softened spodumene prices and in CY2019.

However, industry experts believe that while current growth in demand is being met by increased production, there remains upside in the EV market that is expected to generate increased demand for lithium concentrate. Lithium carbonate prices have somewhat stabilised in CY2019 while lithium hydroxide prices have continued to soften from their peak in CY2018.

Product Sales Update

Despite the delayed ramp up in production rates experienced during the June 2019 Quarter at the Jiangxi Bao Jiang Lithium Industrial Limited (JBIL) conversion facility, JBIL has taken delivery of 58,063dmt during the half year ended 30 June 2019. The quantity delivered represents approximately 50% of the maximum amount provided for under the JBIL – Alita offtake of 118,000dmt for CY2019, inclusive of CY2018 product shipped in February 2019. The remaining product to be delivered in CY2019 under the offtake contract is between approximately 39,000dmt to 59,000dmt, with the next delivery of approximately 10,000dmt scheduled for early August 2019 pending the issue of the letter of credit by JBIL.



The Company continues negotiations with various other parties for the supply of spodumene, including advanced negotiations with a large Asian corporation for the supply of spodumene concentrate (initially in the range of 20,000t to 40,000t per annum commencing in late 2019 or early 2020) and a trial shipment to a Japanese trading company.

The Company is currently also receiving strong interest from smaller producers of premium cathode and electrolyte producers in China that are seeking high quality spodumene concentrate with low levels of deleterious elements such as Bald Hill lithium concentrate.

Alita has also received several inquiries for supply of limited tonnages (less than 20,000tpa) of premium low iron spodumene for the European ceramics industry. This product typically attracts higher prices than what is paid by converters for the battery cathode sector. The Company is conducting low cost trial test work on further upgrading the Bald Hill spodumene for the ceramics market.

Current Cash Position

Following completion of the Conditional Placement the Company has cash and cash equivalents of A\$16.6 million on 25 July 2019.

The Company's cash flow position is directly impacted by the timing and frequency of scheduled shipments of product in order to generate sales revenue and manage its short-term capital requirements. No sales of spodumene concentrate have been completed in June and July 2019 and, as steady production has continued at the Bald Hill Mine, this has resulted in the build-up of spodumene concentrate finished goods inventory. At 23 July 2019 the Company had approximately 38,612wmt of spodumene concentrate stored at the Port of Esperance and a further 2,195wmt at the Mine. The requirement for ongoing corporate and operating expenditure, in the absence of recent spodumene concentrate shipments, has resulted in the Company's cash balance reducing to A\$6.6 million prior to the settlement of the Conditional Placement. The Company has maintained the minimum cash balance of A\$5 million required under the secured A\$40 million loan facility with a consortium of lenders led by Tribeca Investment Partners which matures on 1 July 2020 (**Lithco Facility**). The Company continues to closely monitor scheduled shipments as part of its ongoing cashflow management process. In addition, Alita is working towards monetising its stock of high-quality product and is pursuing additional sales opportunities.

As noted above, the next JBJLIL delivery of approximately 10,000dmt is scheduled for early August 2019 pending the issue of the letter of credit.

If the Company is unable to finalise the JBJLIL delivery as planned or schedule a replacement shipment to the same timing, the Company will implement alternative measures to seek to manage its cash flow position, including other shipments and sales revenue generative options.

Strategic Review Scope

In recognition of the difficult market conditions for lithium concentrates and the longer term view the Company has on the lithium industry, the Board has commenced a strategic review of its business which will consider a number of initiatives including:

- A review of its existing offtake arrangements with JBJLIL, which includes an interest-free prepayment of US\$8.8 million, repayments of which have been frozen until 2021
- Temporary postponement of the construction of the fines circuit and other capital expenditure until the strategic review is completed and the additional production capacity is allocated to new offtake partners. In the interim, current production levels are expected to be maintained and the Company currently expects to supply the increased contractual demand for 2020 (including to the Hydroxide Joint Venture).



- A more comprehensive exploration program to unlock the potential of the Bald Hill tenure in the medium to long term. In the interim, with the majority of infill drilling completed on the eastern and southern portions of the Inferred Mineral Resource, the exploration drilling program (as announced on 18 March 2019) will continue with extensional and exploratory programs with a reduced number of drill rigs.
- Diversification through more value-add activities for the premium Bald Hill Mine concentrate such as: production of lithium hydroxide or lithium carbonate under the Joint Venture, tolling or production of intermediate lithium products, and producing technical grade spodumene.
- A review of the longer-term capital management options to support Company's longer-term strategy, including a review of the Lithco Facility (see further below).
- Evaluation of other strategic investment options at the corporate or project level in the Bald Hill Mine with parties that take a longer term view on exposure to the Bald Hill Mine and the exceptional opportunities it provides through its extensive but underexplored tenure, high quality spodumene concentrates and the ability to scale up processing.

Loan Facility

As part of the strategic review outlined above and in light of the postponement of the fines circuit construction and the softer market for lithium concentrate, the Company is working with its lenders on a review of the Lithco Facility. The lenders have been supportive of the Company since the Lithco Facility was established in late 2018 and have recently waived events of review relating to certain mining covenants and long-lead future mine development permitting requirements. These events of review have resulted from dynamic changes to mining plans adopted by the Company in response to market conditions and delays experienced with regulatory body approvals that were outside the control of the Company.

As a condition to the waivers, the loan facility has been amended to bring forward to 1 October 2019 (from 1 April 2020) the requirement for the Company to have a minimum cash balance of \$15 million (including value of the letters of credit issued to the Company in respect of product shipments).

Use of Proceeds from Placement to Galaxy Resources Limited

On 31 May 2019 the Company completed a placement to Galaxy Resources Limited to raise gross proceeds of A\$22.5 million. The net proceeds from the placement were approximately A\$22.4 million (after deducting associated listing expenses and professional fees of approximately A\$0.1 million). For the purposes of Catalyst Rule 704(30), the Company confirms that the net proceeds have been materially utilised as at the date of this announcement as follows:

Intended Purposes	Amount allocated A\$'000	Amount reallocated A\$'000	Amount utilised A\$'000	Amount unutilised A\$'000
Capital expenditure – Bald Hill Mine	8,288	(2,267)	3,121	2,900
Working capital – Bald Hill Mine	7,616	5,203	10,819	2,000
Exploration, other business initiatives and other working capital	6,496	(2,936)	1,860	1,700
Total	22,400	-	15,800	6,600

More of the proceeds have been utilised in working capital – Bald Hill Mine in the form of spodumene concentrate finished goods inventory pending completion of sales. This has resulted in less funds available for other allocated intended purposes.



About Bald Hill Mine

The Bald Hill Mine produces premium coarse lithium concentrate with very low levels of Fe, K, Mica, H₂O and less than 2% ultra-fines (<500 microns).

The Bald Hill Mine also produces high quality tantalum (~30% Ta₂O₅) concentrates with low levels of deleterious materials, including low specific activity.

The Bald Hill Mine is located in the southeast of the Goldfields-Esperance Region of Western Australia, approximately 105km south-southeast of Kalgoorlie. Kalgoorlie is the main hub in the region providing access to the Bald Hill Mine which can be accessed from Perth by air, rail and road.

The principal road access to the Bald Hill Mine is via the (sealed) Coolgardie-Esperance Highway (National Highway 94), and then the Binneringie Road, a distance of 65km of unsealed shire road. The Bald Hill Mine is approximately 350km by road from the Port of Esperance, via which lithium concentrate is shipped to overseas customers.

For more Information

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Glossary

The following abbreviations and terms are used in this announcement.

CY	calendar year
dmt	dry metric tonne
FOB	Free on Board, which is an Incoterm shipping term
Li ₂ O	lithium oxide
Lbs	pound
t	tonnes
Ta ₂ O ₅	tantalum pentoxide
wmt	wet metric tonne

Forward Looking Statements

This announcement may contain 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 for discussion purposes only and should not be relied upon as representation or warranty, express or implied, of the Company. 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 the Company. 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 the Company, nor any of its directors, officers, agents, employees or advisors make any representation or give any warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, forward looking statement, opinions and conclusions contained in this announcement. Accordingly, to the maximum extent permitted by law, none of the Company, nor any of its directors, officers, employees, agents or advisers, nor any other person accepts any liability whether direct or indirect, express or limited, contractual, tortious, statutory or otherwise, in respect of the 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 this presentation. The Company 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.