

4 February 2020

Richard Tucker and John Bumbak  
KordaMentha Pty Ltd  
Level 10, 40 St Georges Terrace  
Perth WA 6000  
Australia

Dear Richard and John

## **SRK's Valuation of the mineral assets of Alita Resources Limited - Differences between SRK's 2018 and 2019 Reports**

After the issue of its final Independent Specialist Report (**ISR**), SRK Consulting (Australasia) Pty Ltd (**SRK**) received a request from KordaMentha Pty Ltd (**KordaMentha**) to prepare a summary letter describing the material differences between SRK's 2018 valuation dated <20 October 2018> (**2018 Report**), and SRK's 2019 valuation dated <20 October 2019> (**2019 Report**), which both comment on the mineral assets ultimately held by Alita Resources Limited (**Alita**)

This letter summarises the differences between SRK's 2018 and 2019 reports.

### **2018 Report Context**

SRK's 2018 Report was requested by BDO Corporate Finance (WA) Pty Ltd (**BDO**) in support of BDO's Independent Expert Report (**BDO IER**), which opined upon the fairness and reasonableness of a Scheme Implementation Agreement between Tawana Resources NL (Tawana) and Alliance Mineral Assets Limited (Alliance), pursuant to which Tawana proposed a scheme of arrangement (**Scheme**) to its shareholders. Under the Scheme, which was implemented on 14 December 2018, Alliance acquired all of the issued share capital in Tawana.

The BDO IER contained an assessment of the value of the shares of Tawana and opined upon the fairness and reasonableness of the Scheme for the shareholders of Tawana. SRK's role was to comment on the technical aspects and assist BDO value the mineral assets of both Alliance and Tawana on a going concern/operational basis.

### **2019 Report Context**

The 2019 Report was requested by Deloitte Financial Advisory Pty Ltd (Deloitte) in support of Deloitte's Independent Valuation Report (**Deloitte IVR**), which provided a valuation of the mineral assets of Alita on an 'as is' basis.

The Deloitte IVR did not contain an assessment of the value of the shares of Alita, nor did it opine upon the fairness or reasonableness of any corporate transaction involving the mineral assets of Alita.

The table below presents the material factual differences between SRK's 2018 Report and 2019 Report.

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Australia  
Europe  
North America  
South America

Item	2018 Report	2019 Report																																												
Valuation Date	20 October 2018	20 October 2019																																												
Bald Hill Mine Operating Status	Producing On 14 March 2018 the production of lithium concentrate commenced.	Care and maintenance On 28 August 2019, Richard Tucker and John Bumbak of KordaMentha were appointed as Voluntary Administrators of Alita, and Galaxy Resources Limited 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.  On 9 October 2019 SRK made a site inspection. At the site inspection, SRK noted that one project manager and three maintenance personnel were working on site in a plant care and maintenance capacity. Additionally, the accommodation village and kitchen were staffed under the catering contract. All other personnel and contractors had demobilised, and no mining or processing was taking place.																																												
Summary Valuation (100% equity basis)	<table border="1"> <thead> <tr> <th>Stage (100% basis)</th> <th>Low (A\$M)</th> <th>High (A\$M)</th> <th>Preferred (A\$M)</th> </tr> </thead> <tbody> <tr> <td>Resources not considered in the cashflow model</td> <td>113.4</td> <td>183.1</td> <td>148.3</td> </tr> <tr> <td>Advanced Exploration</td> <td>0.18</td> <td>0.43</td> <td>0.31</td> </tr> <tr> <td>Early Stage Exploration</td> <td>1.8</td> <td>6.0</td> <td>6.0</td> </tr> </tbody> </table> <p>*BDO valued the Ore Reserve considered in the cashflow model. SRK provided comment to the reasonableness of the technical inputs to the cashflow model. SRK did not value the Ore Reserve considered in the cashflow model.</p> <p>*BDO estimated the equity value of Tawana's 50% interest in the Bald Hill Production project (discounted cashflow model basis) to be in the range of \$104 million and \$124 million, with a midpoint value of \$114 million.</p>	Stage (100% basis)	Low (A\$M)	High (A\$M)	Preferred (A\$M)	Resources not considered in the cashflow model	113.4	183.1	148.3	Advanced Exploration	0.18	0.43	0.31	Early Stage Exploration	1.8	6.0	6.0	<table border="1"> <thead> <tr> <th>Stage (100% basis)</th> <th>Low (A\$M)</th> <th>High (A\$M)</th> <th>Preferred (A\$M)</th> </tr> </thead> <tbody> <tr> <td>Ore Reserves considered in the cashflow model</td> <td>11.2</td> <td>18.9</td> <td>15.0</td> </tr> <tr> <td>Mineral Resources not considered in the cashflow model (residual resources)</td> <td>11.1</td> <td>18.7</td> <td>14.9</td> </tr> <tr> <td>Restart Cost estimate to allow production to recommence</td> <td colspan="2">+/- 35% estimate</td> <td>21.0</td> </tr> <tr> <td>Salvage Value</td> <td>7.5</td> <td colspan="2">8.5</td> </tr> <tr> <td>Advanced Exploration tenure</td> <td>1.1</td> <td colspan="2">4.8</td> </tr> <tr> <td>Cowan Project</td> <td>1.4</td> <td colspan="2">6.5</td> </tr> </tbody> </table>	Stage (100% basis)	Low (A\$M)	High (A\$M)	Preferred (A\$M)	Ore Reserves considered in the cashflow model	11.2	18.9	15.0	Mineral Resources not considered in the cashflow model (residual resources)	11.1	18.7	14.9	Restart Cost estimate to allow production to recommence	+/- 35% estimate		21.0	Salvage Value	7.5	8.5		Advanced Exploration tenure	1.1	4.8		Cowan Project	1.4	6.5	
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Cowan Project	Not included in SRK scope	Included in SRK scope																																												
SRK Classified Advanced Exploration Tenure	973 hectares	52,962 hectares																																												
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Item	2018 Report	2019 Report
SRK Assessment of Ore Reserve estimates	Reasonable	Not Reasonable <ul style="list-style-type: none"> <li>- There has been a material change to the lithium price and accordingly relevant offtake agreements. The current Ore Reserve is based on the following offtake price assumptions: US\$880/t (FOB Esperance) for 6% Li<sub>2</sub>O and US\$60/lb (FOB Esperance) for +25% Ta<sub>2</sub>O<sub>5</sub>.</li> <li>- Production reconciliation prior to the transition to care and maintenance indicated a lithium grade variance of approximately - 26% (estimated versus actual lithium grade). Re-optimisation and reporting of a revised Ore Reserve estimate are required.</li> <li>- The current Ore Reserve is based on the assumption that the DMS fines circuit is added from Year 2.</li> </ul>

The SRK 2018 Report and the SRK 2019 Report (**Reports**) provide our estimate of the Market Value of the mineral assets included in SRK’s scope at the respective Valuation Dates.

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 Reports do not contain any estimates of the investment value of the mineral assets, which is the value of an asset to an individual (or prospective owner), group of individuals or a particular company or related party for individual investment or operational objectives. This is an entity-specific basis of value.

Yours faithfully

  
 Karen Lloyd

**SRK Consulting (Australasia) Pty Ltd**