



25 July 2018

ASX Compliance Pty Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Attention: Ms Anjuli Sinniah
Senior Adviser, Listings Compliance (Perth)

Dear Anjuli

RESPONSE TO QUERY

Altura Mining Limited ("**Altura**" or the "**Company**") (AJM: ASX) refers to the letter from the ASX dated 19 July 2018 ("**ASX Letter**") and together with subsequent discussions, responds as follows:

Except to the extent otherwise stated, defined terms have the same meaning as in the ASX Letter.

Shaanxi

1. **Is AJM aware that on 2 April 2018 Shaanxi disclosed that 13 of its Optimum Nano's bank accounts had been frozen by a Wuhan court?**

Yes. AJM first became aware of this information on 3 April 2018. AJM notes that it understands only some and not all of its bank accounts had been frozen.

2. **Is AJM aware that on 26 April 2018 Shaanxi reported a 3.7 billion Chinese Yuan Renminbi annual loss and expects a 317-322 million Chinese Yuan Renminbi net loss in the first quarter of 2018?**

Yes. AJM first became aware of this information on 10 April 2018.

3. **Is AJM aware that Shaanxi has suspended its battery production for the next 6 months as a result of a sharp decline in orders for batteries?**

Yes. AJM first became aware of this information on 2 July 2018.

4. **In light of the Production and Financial Information, is AJM confident that Shaanxi is able to complete its obligations in relation to the Offtake Agreement with AJM?**

AJM notes that the sale and purchase of spodumene concentrate under the Offtake Agreement has not yet commenced. The timing of delivery will be the subject of discussions between AJM and Shaanxi in accordance with the Offtake Agreement.

As with all commercial arrangements, AJM reviews the obligations under such arrangements and at all times considers possible options and alternatives to manage counter-party risk should this become necessary.

Altura Mining Limited ABN 39 093 391 774

In this context, in considering and commenting on the ability of Shaanxi to complete its obligations under the Offtake Agreement AJM needs to take into account the reliability and accuracy of the information sources. The Production and Financial Information comprise “secondary source” information from various media sources and may or may not necessarily be accurately reflective of the totality of the circumstances surrounding Shaanxi.

Furthermore, AJM notes that in response to a specific query from the Shenzhen Stock Exchange, on 4 June 2018 Shaanxi advised the Shenzhen Stock Exchange that the performance of the Offtake Agreement will not be affected by Shaanxi’s decreased battery production, and that in Shaanxi’s view there would be no circumstances in which it could not on-sell ALO produced spodumene concentrate to domestic Chinese battery processing plants.

Under the ASX announcement dated 18 June 2018, AJM advised the ASX that Shaanxi is currently undergoing a re-structure plan, and that has been no change to any of the agreements that Altura has with Shaanxi. AJM also disclosed that it is in discussion with Shaanxi and that such discussions are ongoing.

AJM will continue discussions with Shaanxi and monitor information concerning Shaanxi and will provide further updates to ASX in accordance with its continuous disclosure obligations.

5. If so, on what basis is AJM confident in Shaanxi’s ability to complete its obligations pursuant to the Offtake Agreement?

Please see the response to question 4 above.

6. If not, what steps does AJM have in place to mitigate any potential losses or consequences from Shaanxi’s inability to complete its obligations under the Offtake Agreement?

Please see the response to question 4 above.

2020 Peer Comparison Forecasts

7. Have PLS, NMX, GXY, ORE, TAW, KDR, BCN, LAC and NMT publicly released the financial forecasts for the year 2020 as described on page 19 of AJM’s Investor Announcement? If so, please detail where.

No.

8. Noting the guidance prescribed in ASIC’s Regulatory Guide 170: Prospective financial information, does AJM have a reasonable basis to release the 2020 Peer Comparison Forecasts?

The Company acknowledges that it does not have a “reasonable basis” consistent with the requirements of ASIC Regulatory Guide 170 for the 2020 Peer Comparison Forecasts and the Company retracts that information. Investors should not rely on the retracted information as a basis for an investment decision concerning the Company.

9. If so, what is the reasonable basis upon which AJM based its decision to release the 2020 Peer Comparison Forecasts in its Investor Announcement?

Not applicable.

10. Where is the reasonable basis and supporting information upon which the 2020 Peer Comparison Forecast is based on disclosed in the Investor Announcement?

Not applicable.

General Compliance

11. Please confirm that AJM is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

Yes.

12. Please confirm that AJM's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AJM with delegated authority from the board to respond to ASX on disclosure matters.

Yes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Cox', with a horizontal line drawn through the middle of the letters.

Damon Cox
Company Secretary

19 July 2018

Mr Damon Cox
Company Secretary
Altura Mining Limited
Level 2, 23 Barrack Street
PERTH WA 6000

By Email: dcox@alturamining.com

Dear Mr Cox

Altura Mining Limited ("AJM")

ASX Limited ("ASX") refers to the following:

- A. The announcement by AJM released on ASX's Market Announcement Platform ("MAP") on 10 July 2017 at 09:30am AEDT titled "Altura Completes Binding Offtake Agreements with leading Chinese Battery Manufacturer and Lithium Converter" ("Offtake Agreement Announcement"). The Announcement disclosed the following:
- *AJM has executed a binding offtake agreement with Shaanxi J&R Optimum Energy Co Ltd ("Shaanxi") ("Offtake Agreement") whereby Shaanxi and AJM agreed the following terms:*
 - *Minimum of 100,000 dry metric tonnes (dmt) per annum of 6% grade spodumene concentrate (pro-rated) – first product sales to commence before 30 June 2018*
 - *Term of BOA of 5 years minimum*
 - *Conditional on AJM obtaining financing for the development of the project on or before 31 August 2017 (or such later date as may be notified by Altura to J&R Optimum Energy)*
 - *Minimum price of US\$550 dmt (FOB) for first three (3) years of BOA (based on Li20 content per dmt on 6% Li20)*
 - *Maximum price of US\$950 dmt (FOB) for first three (3) years of BOA*
 - *Annual pricing to be agreed via consideration of current market pricing information, including but not limited to indices for spodumene (if available); prices published or announced by other companies and movement in lithium carbonate prices, subject to the floor and ceiling price for first three (3) years*
 - *Any additional spodumene concentrate will be available for purchase by J&R Optimum Energy, and any shortfall of sales to Lionergy will be purchased by J&R Optimum Energy.*

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- B. The announcement made by AJM released on MAP on 15 March 2018 at 09:43am AEDT titled “Response to Speculation” (“Speculation Announcement”). The Speculation Announcement disclosed that AJM had become aware of speculation concerning a proposed control transaction. In the Speculation Announcement AJM confirmed it had been in discussions with Shaanxi regarding a potential control transaction which, at the date of the Speculation Announcement, was incomplete, indicative and non-binding and AJM would update the market accordingly.
- C. The announcement made by AJM released on MAP on 18 June 2018 at 10:26am (AEDT) titled “Commissioning and First Shipment Update” (“Update Announcement”). The Update Announcement disclosed that AJM had conducted discussions with Shaanxi, which at the time of the Update Announcement was undergoing a re-structure plan.
- D. The following publicly available articles disclosing the following:
- Shaanxi has currently suspended production of its batteries for 6 months and have terminated staff pending further notice:
 - 2 April 2018, Shaanxi disclosed that 13 of its Optimum Nano’s bank accounts had been frozen by a Wuhan court:
 - Shaanxi reported a 3.7 billion Chinese Yuan Renminbi annual loss on 26 April 2018 and expects a 317-322 million Chinese Yuan Renminbi net loss in the first quarter of 2018
- (collectively referred to as “Production and Financial Information”)

Articles

- “World’s No. 4 battery maker halts output for 6 months”
- <https://asia.nikkei.com/Spotlight/Electric-cars-in-China/World-s-No.-4-battery-maker-halts-output-for-6-months>
 - “Chinese EV battery maker forced to stop output”
- <https://automotive.logistics.media/news/chinese-ev-battery-maker-forced-stop-output>
 - “Chinese EV battery maker Optimum Nano slashes output due to debt”
- <https://www.nasdaq.com/article/china-ev-battery-maker-optimum-nano-slashes-output-due-to-debt-spokesman-20180511-00146>
 - “Chinese EV battery maker Optimum Nano slashes output amid debt woes”
- <https://www.reuters.com/article/china-electricvehicles-batteries/update-2-china-ev-battery-maker-optimum-nano-slashes-output-amid-debt-woes-idUSL3N1SI2ZI>
- E. The announcement made by AJM released on MAP on 27 June 2018 at 2:12pm (AEDT) titled “Investor Presentation – June 2018” (“Investor Announcement”). On slide 19 of the Investor Announcement AJM disclosed a comparable analysis of AJM to the following entities Pilbara Minerals Limited (ASX:PLS), NMX, Galaxy Resources Limited (ASX:GXY), Orocobre Limited (ASX:ORE), Tawana Resources Limited (ASX: TAW), Kidman Resources Limited (ASX:KDR), Beacon Minerals Limited (ASX:BCN), LAC and Neometals Limited (ASX:NMT) regarding the following:
- Forecast 2020 Run Rate Production (ktpa LCE);
 - Capital Intensity (US\$’000/t Li2O);

- EV/2020 Run Rate Production (US\$'000/t LCE);
 - EV/CY 2020E EBITDA:
- (collectively referred to as “2020 Peer Comparison Forecasts”).

F. ASIC’s Regulatory Guide 170: *Prospective financial information*, in particular:

- a. RG 170.11 - *We believe the general test of whether prospective financial information must be disclosed is whether it is:*
 - (a) *relevant to its audience; and*
 - (b) *reliable (i.e. there must be a reasonable basis for it: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584).*
- b. RG 170.17 - *The making of a statement that contains prospective financial information (i.e. a forward-looking statement) must have reasonable grounds or it will be taken to be misleading under s728(2) or 769C of the Corporations Act. What are ‘reasonable grounds’ should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement.*
- c. RG 170.18 - *We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS.*
- d. RG 170.41 - *We generally consider that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, we will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to make the statement. Directors should state why they believe the information is objectively reasonable. We may still take action on a statement on estimates for up to two years if we believe there are no reasonable grounds to provide it.*
- e. RG 170.42- *The reasonable grounds requirement means that there should be a relevant factual foundation for the prospective financial information and that the information is not contrived: see George v. Rockett (1990) 170 CLR 104 and Re Aldred & Dept of the Treasury (1994) 35 ALD 685.*
- f. RG 170.50 - ***The general principles in this regulatory guide also apply to advertising because of the interaction of s769C and 1041H.*** [emphasis added]

Section 769C states:

For the purposes of this Chapter, or of a proceeding under this Chapter, if:

- (a) *a person makes a representation with respect to any future matter (including the doing of, or refusing to do, any act); and*
- (b) *the person does not have reasonable grounds for making the representation; the representation is taken to be misleading.*

Section 1041H states:

A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service, that is misleading or deceptive or is likely to mislead or deceive.

- g. RG 170.59 - *Investors should be given enough information to enable them to:*
 - (a) *assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and*
 - (b) *identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable.*
- h. RG 170.61 - *A disclosure document or PDS must specifically disclose any assumptions used in compiling prospective financial information that materially affect the forecast outcome. The assumptions should be detailed and specific enough to enable the investor to work through all of the prospective financial information. This may require details about how returns are calculated during each year that the information covers. Among other things, assumptions about expenditures, revenues, inflation rates and other such variables should be clearly disclosed and highlighted if different assumptions have been used for different parts of the term that the prospective financial information covers.*
- i. RG 170.62 *Investors must be able to assess:*
 - (a) *the validity of the assumptions on which the prospective financial information is based;*
 - (b) *the likelihood of the assumptions actually occurring; and*
 - (c) *the effect on the prospective financial information if the assumptions vary.*
- j. RG 170.63 - *We expect a disclosure document or PDS to disclose material assumptions about:*
 - (a) *specific future economic conditions; and*
 - (b) *particular circumstances affecting a company or financial product and the industries relevant to that company or financial product.*
- k. RG 170.64 - *Disclosure of the material assumptions allows an investor or adviser to make an informed assessment of an issuer's prospects, or a person as a retail client to make an informed decision whether to acquire the product.*
- l. RG 170.65 - *An assessment of the impact of these assumptions on prospective financial information should also be included. However, a disclosure document or PDS does not have to:*
 - (a) *state general assumptions, such as the absence of war or natural disasters, unless the forecast takes these events into account; or*
 - (b) *disclose assumptions that would not materially affect the prospective financial information.*
- m. RG 170.66 - *It is not sufficient to state the general nature of an assumption. Specific quantities or amounts should be set out. For example, it may not be sufficient to state that prospective financial information is based on an anticipated recovery in equity markets, without setting out the amount of the required recovery: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584.*
- n. RG 170.67 - *We consider that because the presence or absence of reasonable assumptions is a factor in any determination of whether an issuer has satisfied the relevant disclosure obligation, the basis for the assumptions underlying the prospective financial information should be stated in the disclosure document or PDS in order that an investor has some means of assessing that*

information: see *Miba Pty Ltd v. Nescor Industries* (1996) 141 ALR 525 and *Wesfi Ltd v. Blend Investments Pty Ltd* (1999) 31 ACSR 69.

- o. RG 170.68 - *Disclosure of the basis for prospective financial information may reduce the capacity of the information to mislead because such disclosure assists the assessment/decision of an investor or retail client.*
- p. RG 170.78 - *Investors must be able to assess the reliability of prospective financial information. To do this, they should be able to assess whether the key assumptions are likely to occur. Therefore, a disclosure document or PDS must disclose material details about the enquiries and research undertaken and the process followed in preparing the information.*

A complete copy of the Regulatory Guide is available at:

<http://download.asic.gov.au/media/1240943/rg170-010411.pdf>

- G. Section 7.5 of ASX's Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "Publishing analyst forecasts or consensus estimates generally"* which states, amongst other things that:

"From time to time, ASX is asked for its view on whether an entity should publish information about analyst forecasts or consensus estimates so that investors have better access to that information and a better understanding of the market's expectations for its earnings.

In ASX's view, with very few exceptions, a single analyst's forecast or a single consensus estimate is not information that is required to be, or that should be, published on the ASX Market Announcements Platform under Listing Rule 3.1. Publishing this information on the ASX Market Announcements Platform implies that the entity considers it to be market sensitive. It could only be market sensitive if it reflects or approximates the entity's own view of its likely earnings. Hence, the very act of publishing an analyst's forecast or consensus estimate on the ASX Market Announcements Platform constitutes an implied endorsement of the forecast or estimate. It therefore amounts to de facto earnings guidance, with the potential consequences described in '7.2 De facto earnings guidance'.

For these reasons, ASX will not generally allow an entity to publish a single analyst's forecast or a single consensus estimate on the ASX Market Announcements Platform without a detailed and acceptable explanation as to why the entity considers this information to be market sensitive."

Request for Information

Having regard to the above, ASX asks AJM to respond separately to each of the following questions and requests for information in a form suitable for release to the market:

Shaanxi

- 1 Is AJM aware that on 2 April 2018 Shaanxi disclosed that 13 of its Optimum Nano's bank accounts had been frozen by a Wuhan court?
- 2 Is AJM aware that on 26 April 2018 Shaanxi reported a 3.7 billion Chinese Yuan Renminbi annual loss on 2 and expects a 317-322 million Chinese Yuan Renminbi net loss in the first quarter of 2018?
- 3 Is AJM aware that Shaanxi has suspended its battery production for the next 6 months as a result of a sharp decline in orders for batteries?
- 4 In light of the Production and Financial Information, is AJM confident that Shaanxi is able to complete its obligations in relation to the Offtake Agreement with AJM?

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- 5 If so, on what basis is AJM confident in Shaanxi's ability to complete its obligations pursuant to the Offtake Agreement?
- 6 If not, what steps does AJM have in place to mitigate any potential losses or consequences from Shaanxi's inability to complete its obligations under the Offtake Agreement?

2020 Peer Comparison Forecasts

- 7 Have PLS, NMX, GXY, ORE, TAW, KDR, BCN, LAC and NMT publicly released the financial forecasts for the year 2020 as described on page 19 of AJM's Investor Announcement? If so, please detail where.
- 8 Noting the guidance prescribed in ASIC's Regulatory Guide 170: *Prospective financial information*, does AJM have a reasonable basis to release the 2020 Peer Comparison Forecasts?
- 9 If so, what is the reasonable basis upon which AJM based its decision to release the 2020 Peer Comparison Forecasts in its Investor Announcement?
- 10 Where is the reasonable basis and supporting information upon which the 2020 Peer Comparison Forecast is based on disclosed in the Investor Announcement?

General Compliance

- 11 Please confirm that AJM is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.
- 12 Please confirm that AJM's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AJM with delegated authority from the board to respond to ASX on disclosure matters.

Once ASX has received and analysed the information above, it is likely to make further enquiries of AJM.

In providing the information above, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **7.00 a.m. WST on Tuesday 24 July 2018**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at anjuli.sinniah@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AJM's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that AJM's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AJM's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in this letter and may require AJM to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We will require the request for the trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you do not respond to this letter by the deadline set out above or if ASX does not consider your response to be satisfactory, ASX is likely to suspend trading in AJM's securities under Listing Rule 17.3.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Anjuli Sinniah

Senior Adviser, Listings Compliance (Perth)