

QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 March 2019

30 APRIL 2019

CORPORATE DIRECTORY

Non-Executive Chairman

Geoff McNamara

Managing Director

Mark Calderwood

Executive Director - Operations

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Alliance Mineral Assets Limited (ASX: A40; SGX: 40F, **Alliance** or the **Company**) is pleased to report to shareholders its activities for the quarter ended 31 March 2019 (**Quarter**).

Highlights

Bald Hill Mine, Western Australia, Operations

Production

- **Record Quarterly Production of 38,291wmt** of lithium concentrate grading 6.1% Li₂O, up 68% from the December 2018 quarter as a result of improved throughput, recovery and grade.
- Grade for the Quarter averaged 0.89% Li₂O (0.73% Li₂O December 2018 quarter) while **gross recovery averaged 68%** (57% December 2018 quarter).
- **44,305dmt** lithium concentrate shipped during the Quarter to Jiangxi Bao Jiang Lithium Industrial Limited, and a trial parcel to a new customer.
- Stockpiles of 12,373wmt lithium concentrate at Quarter end.
- Recovery of 34,380lbs of saleable Ta₂O₅, up 5.1% from the December 2018 quarter.
- Parcels containing 25,230 Lbs Ta₂O₅ shipped during the Quarter.
- Continued Bald Hill production of high quality lithium (+6% Li₂O, <0.5% Fe, <0.5% mica) and tantalum (~30% Ta₂O₅) concentrates.
- Production Cash Costs¹ for the Quarter were approximately **A\$772 (US\$553)** per wmt lithium concentrate produced, a reduction of **33% on December 2018 quarter costs**.
- Average selling price for the Quarter was **A\$1,083 (US\$780)** per dmt lithium concentrate sold, based on 6% Li₂O.
- Production for 1 April to 28 April 2019 has totalled **13,315wmt** (unreconciled) at **6.29% Li₂O**.

Stage 2 Plant upgrade – Fines Circuit

- Engineering and purchasing continuing on the Fines Circuit.
- Improvements to the Fines Circuit design and proposed upgrades to the existing circuits has pushed commissioning to the fourth quarter CY2019, however components of the improvement to the existing circuits may be brought forward.
- Targeting increased combined throughput to 300tph and recovery of 72-80%.

Exploration update

- 60,000m exploration drill program commenced late in the Quarter; 1,102m completed at Quarter end.
- The drill programs focused on resource infill, extensional and exploration drilling.

June 2019 Quarter Outlook

- Production guidance of 65,000 to 80,000 tonnes of lithium concentrate (6% Li₂O) for the six months between January and July 2019 remains on track.
- Progress Lithium Hydroxide downstream JV Agreement with Jiangxi Special Electric Motor Co., Ltd. Offtake negotiations for the remaining unallocated long-term production expected to be significantly progressed.

¹ Production cash costs per wmt of spodumene concentrate produced is a non-IFRS measure and includes all mining, processing, transport, port and site based general and administration costs, an allocation of corporate administration/overhead costs, but is net of tantalum by-product credits and waste deferral costs and excludes royalty costs.

Corporate

Changes to Long Term Offtake Agreements

- The Company's existing Lithium Offtake Agreements were amended effective 14 January 2019 to, amongst other things, provide for a market linked pricing mechanism, remove the exclusivity and pre-emptive rights, allowing Alliance to diversify its customer base and providing for a maximum and minimum tonnage commitment to Jiangxi Bao Jiang Lithium Industrial Limited for 2019 – 2022.

Funding

- During the Quarter, the Company completed the draw down of the remaining A\$20 million of its A\$40 million secured funding package from a consortium of lenders led by Tribeca Investment Partners Pty Ltd, and repaid the Company's A\$13 million loan facility.

MOU executed for downstream JV to produce and sell Lithium Hydroxide

- Subsequent to the Quarter end, Alliance executed a non-binding memorandum of understanding (**MOU**) with Jiangxi Special Electric Motor Co., Ltd to develop the terms on which the parties will cooperate in a 50:50 joint venture to produce and sell battery-grade lithium hydroxide.
- The MOU provides a unique opportunity for Alliance to participate in the downstream lithium products market within the next 6 to 12 months, without incurring capital costs and exposure to the risk associated with the construction of a conversion facility.

Bald Hill Mine (Alliance 100%)

The Bald Hill Lithium and Tantalum Mine (**Bald Hill Mine**) is located 50km south east of Kambalda in the Eastern Goldfields region of Western Australia. The Bald Hill Mine comprises mining tenure totalling 774km².

Safety and Environment

Safety management continued to gain momentum with a site-based Health, Safety, Environment and Training Manager appointed. Workplace inspections and leadership walks were conducted in line with site schedules and successful DMIRS and DWER inspections were completed with actions implemented.

The 12-month moving average Total Recordable Injury Frequency Rate (**TRIFR**) for the Quarter was 1.46. This has increased as a result of 2 medically treated injuries which occurred in February 2019.

Mining

Mining during the Quarter continued in Stages 1, 2 and 3 of the pit with ore supply coming from Stages 1 and 2. Mining continued at a rate of approximately 720kbcm per month for a total of 2.15mbcm of material including 322,470 tonnes of lithium ore at 0.81 % Li₂O and 240 ppm Ta₂O₅. An additional 22,759wmt of low-grade tantalum ore grading 296 ppm Ta₂O₅ was also mined.

The implementation of 10-metre blasting in the ore zones along with other improvements to the drill and blast and mine dewatering procedures during the December 2018 quarter resulted in improved mining compliance to plan. The strip ratio for the Quarter was 15.5:1 which was higher than the average strip ratio of 11.5:1 planned for calendar year 2019.

Source	Units	March 2019 Quarter	December 2018 Quarter	Movement
Waste BCM's	<i>bcm</i>	2,025,449	2,110,659	-4%
Total Mined BCM's	<i>bcm</i>	2,155,725	2,242,629	-4%
Strip Ratio	<i>W:O</i>	15.5	16.0	-3%

Source	Units	March 2019 Quarter	December 2018 Quarter	Movement
Ore Tonnes (Lithium)	wmt	322,470	309,024	+4%
Ore Tonnes (Tantalum)	wmt	22,759	40,699	-44%
Mined Lithium Grade	%Li ₂ O	0.81%%	0.78%	+4%
Ore Grade (Tantalum)	ppm	296	235	+26%

Processing

Processing during the Quarter had a total of 387,139 tonnes of lithium and tantalum ore grading 0.89%Li₂O and 261ppm Ta₂O₅ being fed to the plant. 95,151 tonnes of sub-1mm fines were stockpiled after removal of 85 tonnes of tantalum concentrate containing 34,380lbs of saleable Ta₂O₅. The remaining 291,988 tonnes grading 1.02% Li₂O was processed through the DMS circuit for recovery of 38,291wmt of spodumene concentrate. Lithium recovery was 68% (net 78%, taking into account unprocessed fines).

	Units	March 2019 Quarter	December 2018 Quarter	Movement
Processed Tonnes (Gross) of Lithium & Tantalum ore	wmt	387,139	329,609	+17%
Lithium Feed Grade	%Li ₂ O	0.89	0.73	+22%
Processed Tonnes (Net of unprocessed stockpiled fines and middlings) of Lithium and Tantalum ore	wmt	291,988	261,385	+12%
Lithium DMS Feed Grade	%Li ₂ O	1.02	0.79	+29%
Lithium Concentrate Produced	wmt	38,291	22,724	+68%
Recovery (gross) (including stockpiled fines)	%	68	57	+19%
Recovery (net) (excluding stockpiled fines)	%	78	66	+18%
Tantalite Produced	Lbs	34,380	32,708	+5%
Throughput (Gross)	tph	230	207	+11%

The Bald Hill Mine currently produces a high quality spodumene concentrate containing **+6% Li₂O**, **<0.5% Fe**, **<0.5% mica**, **<3% H₂O**, **<1% K₂O** and >99% of concentrate greater than 1mm.

A total of 85wmt of tantalum pre-concentrate containing 34,380 lbs of Ta₂O₅ was recovered from fines through the spirals circuit. Commissioning of two tables to upgrade spiral concentrates resulted in the production of concentrates containing 15-40% Ta₂O₅ on site. Work continued to be undertaken at Nagrom Mineral Laboratory in Perth to upgrade pre-concentrates. During the Quarter, 2 shipments totalling 40dmt grading approximately 29% Ta₂O₅ have been exported to H.C. Starck Tantalum and Niobium GmbH (**H.C. Starck**) in Germany.

Stage 2 Plant Upgrade - Fines Circuit

The plant upgrade involves lowering the Dense Media Separation (**DMS**) bottom size from 1mm to 0.5mm and increasing plant processing throughput capacity from the current 220tph to 300tph.

Detailed engineering and equipment tendering and ordering has continued throughout the Quarter. After additional improvements, the flowsheet and equipment selection for the new fines plant has been finalised, and ordering of mechanical equipment items continues.

It is expected that commissioning of the fines circuit will commence during the fourth quarter of 2019, however components of the improvement to the existing circuits may commence sooner.

Sales and Marketing

During the Quarter, Alliance sold a total of 44,305 dmt of spodumene concentrate including a trial shipment to a potential offtake partner.

Alliance also shipped high-grade tantalum concentrate parcels (approximately 30% contained Ta₂O₅) containing 25,230 Lbs Ta₂O₅. It is anticipated that sales of tantalum concentrate will continue to be sold to H.C. Stark on an ad hoc basis while discussions with H.C. Stark in relation to a long-term offtake for the high-grade tantalum concentrate production from Bald Hill Mine progress.

Costs

Production Cash Costs² for the Quarter were approximately A\$772 (US\$553) per tonne of spodumene concentrate produced, 33% lower than the December 2018 quarter costs of A\$1,152 (US\$824) with establishment of the pit and access to higher grade ore, improved recovery and increased concentrate production.

Further information regarding costs and revenue will be included in the Company's Quarterly Financial Statements scheduled to be announced by 15 May 2019 in accordance with SGX Catalyst Rule 705(2).

Exploration

Drilling commenced on 18 March 2019 with a total seven holes completed by month end for a total of 1,102m. No assays have been received, four of the seven holes were for sterilization purposes for waste dump development.

The initial 350-hole, 60,000m program is expected to be completed utilising 3 rigs over the next six months.

The drilling will focus on the following key areas:

- Continuing infill drilling of areas that contain approximately 8.8Mt of Inferred Resources which have potential to add to Bald Hill Ore Reserves. 90 first-priority infill holes have been planned and others will be added as the program progresses. 60 infill drill holes were completed in 2018.
- Extensional drilling of known mineralised pegmatites including the Eastern Extension, where significant intercepts were made in 2018 after completion of the current Mineral Resource, including:
 - 33m at 1.33% Li₂O from 228m including 20m at 1.78% Li₂O;
 - 24m at 1.51% Li₂O from 200m;
 - 29m at 1.31% Li₂O from 174m; and
 - 28m at 1.28% Li₂O from 179m including 11m at 1.73% Li₂O.
- Exploratory drilling of the western outcropping lithium and tantalum pegmatites (Creekside-Fenceline) and the Northern target area, where an isolated water bore exploration hole intercepted 21m of pegmatite at 1.50% Li₂O from 169m, 600m north of the current pit.
- Sterilization drilling for waste dump development.

Corporate

Changes to Long Term Offtake Agreements

As announced on 15 January 2019, Alliance and its subsidiary Lithco No.2 Pty Ltd (**Lithco**) have each agreed with Burwill Lithium Company Limited (**BLCL**) and its parent company Burwill Holdings Limited (**Burwill Holdings**) that BLCL 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 BLCL and Jiangxi Special Electric Motor Co., Ltd (**Jiangte**).

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

² Production cash costs per wmt of spodumene concentrate produced is a non-IFRS measure and includes all mining, processing, transport, port and site based general and administration costs, an allocation of corporate administration/overhead costs, but is net of tantalum by-product credits and waste deferral costs and excludes royalty costs.

Changes and outcomes were:

- Transferring the Lithium Offtake Agreements to JBLIL 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.
- Providing for a market-linked pricing mechanism, with lower and upper limits of US\$680/tonne and US\$1080/tonne respectively (FOB 6% Li₂O), for the remaining term ending on 31 December 2022.
- Remaining 18,000dmt from 2018 production was sold to JBLIL at the 2018 fixed price of US\$880 per dmt FOB at 6% Li₂O.
- Exclusivity and pre-emptive right 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)³ 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.

Funding

As announced on 4 March 2019, Alliance completed the drawn down of the remaining A\$20 million of its A\$40 million secured funding package from a consortium of lenders led by Tribeca Investment Partners Pty Ltd (**Lithco Facility**).

- Funds drawn down under the Lithco Facility were used to repay the Company's existing A\$13 million loan facility (**AMAL Loan Facility**), which incurred a higher interest rate than the Lithco Facility.
- Repayment of the AMAL Loan Facility simplified the debt and security structure, such that the Alliance group now has a single debt facility with one consortium and with a single first ranking security.
- The funds remaining after repayment of the AMAL Loan Facility are being used for advancing the Company's capital and site optimisation projects and for general working capital purposes.

MOU executed for downstream JV to produce and sell Lithium Hydroxide

Subsequent to Quarter end and as announced on 29 April 2019, Alliance has executed a non-binding memorandum of understanding (**MOU**) with Jiangte to develop the terms on which the parties will cooperate in a 50:50 joint venture to produce and sell battery-grade lithium hydroxide (**Hydroxide JV or Joint Venture**).

The Hydroxide JV provides a unique opportunity for Alliance to participate in the downstream lithium products market within the next 6 to 12 months, without incurring capital costs and exposure to the risk associated with the construction of a conversion facility.

Key benefits include:

- Access to a nearly-completed lithium hydroxide circuit with an existing conversion facility (commissioning of hydroxide circuit to commence in September 2019). Alliance is not required to fund any of the capital cost of the Converter.
- Alliance will continue to own and operate the Bald Hill Mine with high-quality Bald Hill lithium concentrate spodumene processed at the Converter to produce lithium hydroxide which will be sold by the Joint Venture to third-parties.

³ As at the date of the Amended Lithium Offtake Agreement.

- Alliance and Jiangte will share equally in the margin from the sales of lithium hydroxide after recovering respective costs of spodumene production and conversion costs, with the specific terms of cost recovery to be formalised in a JV Agreement by 30 June 2019.
- Profit margin per tonne of spodumene concentrate expected to improve significantly when processed under the Joint Venture compared to selling raw spodumene concentrate.⁴
- The Joint Venture will work to develop long-term downstream partnerships for battery-grade lithium hydroxide and/or lithium carbonate.
- Concentrate requirements of the Joint Venture for 2019 and 2020 are expected to represent only 20% of Bald Hill production. However, once fully operational, the Converter will process approximately 100,000t of spodumene per annum, capable of producing up to 15,000tpa of lithium hydroxide.
- The Company's existing offtake arrangement with JBJLIL remains unaffected and Alliance will continue offtake negotiations with third-parties for the remaining, unallocated Bald Hill spodumene concentrate of up to 80,000tpa in 2019 and up to 90,000tpa in 2020.
- Further strengthens the relationship between Alliance and Jiangte, with both companies working together to build relationships with downstream customers and partners.

Cash Position and Movements

As at 31 March 2019, Alliance held A\$15.6 million in cash (31 December 2018: A\$13.1 million).

For further details in the movements in cash during the March 2019 Quarter, please refer to the Appendix 5B released separately today.

About the Bald Hill Mine

The Bald Hill Mine is 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 Project 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 from Widgiemooltha, a distance of 65km of unsealed shire road. The Bald Hill Mine is approximately 350km by road from the Port of Esperance.

The Bald Hill Mine currently consists of an open pit, a Dense Media Separation and Spiral Circuits, waste rock dumps, stores, a camp (including administrative and living quarters) and associated infrastructure. Lithium concentrate is hauled via Binneringie Road to the Port of Esperance. Tantalum concentrates are packed into bulka-bags and exported via Fremantle in standard shipping containers.

Alliance Mineral Assets Limited Mining Tenements (as at 31 March 2019)

Tenement	Location	Registered Owner	Structure and Ownership*
Bald Hill Mine			
M15/400	Western Australia	Alliance Mineral Assets Limited	100%
M15/1470	Western Australia	Alliance Mineral Assets Limited	100%
M15/1305	Western Australia	Alliance Mineral Assets Limited	100%
M15/1308	Western Australia	Alliance Mineral Assets Limited	100%
M15/1840 (application)	Western Australia	Alliance Mineral Assets Limited	100%
M15/1851 (application)	Western Australia	Alliance Mineral Assets Limited	100%
G15/28	Western Australia	Alliance Mineral Assets Limited	100%

⁴ Based on an estimated cost of production of US\$550/t, transport costs, Jiangte estimated conversion costs, import and sales taxes, a spodumene concentrate grade of 6.1% and 83% lithia recovery rate. The gross operating margin for Alliance, for tonnage processed by the Joint Venture, would increase from about 36% to 63% when compared to our current spodumene pricing formula based on market prices for lithium carbonate, excluding royalty and tax provisions.

Tenement	Location	Registered Owner	Structure and Ownership*
P15/5862	Western Australia	Alliance Mineral Assets Limited	100%
P15/5863	Western Australia	Alliance Mineral Assets Limited	100%
P15/5864	Western Australia	Alliance Mineral Assets Limited	100%
P15/5865	Western Australia	Alliance Mineral Assets Limited	100%
R15/1	Western Australia	Alliance Mineral Assets Limited	100%
E15/1058	Western Australia	Alliance Mineral Assets Limited	100%
E15/1212	Western Australia	Alliance Mineral Assets Limited	100%
E15/1161	Western Australia	Alliance Mineral Assets Limited	100%
E15/1162	Western Australia	Alliance Mineral Assets Limited	100%
E15/1166	Western Australia	Alliance Mineral Assets Limited	100%
E15/1353	Western Australia	Alliance Mineral Assets Limited	100%
E15/1066	Western Australia	Alliance Mineral Assets Limited	100%
E15/1067	Western Australia	Alliance Mineral Assets Limited	100%
E15/1492	Western Australia	Alliance Mineral Assets Limited	100%
E15/1493	Western Australia	Alliance Mineral Assets Limited	100%
E15/1555	Western Australia	Alliance Mineral Assets Limited	100%
E15/1556	Western Australia	Alliance Mineral Assets Limited	100%
P15/6353 (application)	Western Australia	Alliance Mineral Assets Limited	100%
P15/6354 (application)	Western Australia	Alliance Mineral Assets Limited	100%
P15/6355 (application)	Western Australia	Alliance Mineral Assets Limited	100%

* Lithco No.2 Pty Ltd, a wholly owned subsidiary of the Company, has a 50% beneficial interest in the tenements with the Company holding the other 50%.

Mining Tenements acquired: P15/6353, P15/6354 and P15/6355 (all applications)

Mining Tenements disposed: Nil

Beneficial percentage interest held in farm-in or farm-out agreements: Nil

Beneficial percentage interest in farm-in or farm-out agreements acquired or disposed: Nil

Competent Persons Statement

The Mineral Resource and exploration results referred to in this announcement were reported by the Company in accordance with the 2012 edition of the JORC Code in an SGX announcement titled "Lithium Ore Reserve Increase of 105% at Bald Hill" dated 6 June 2018 which is available at www.allianceminerals.com.au and www.sgx.com. Alliance confirms that it is not aware of any new information or data that materially affects the Mineral Resource and exploration results included in the said announcement and, in the case of the Mineral Resource, that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the said 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

The following abbreviations and defined terms are used in this announcement.

bcm	bank cubic meters	Mt	million tonnes
CY	calendar year	ppm	parts per million
DMIRS	Western Australian Department of Mines, Industry Regulation and Safety	SC6%	6% Li ₂ O spodumene concentrate
DMS	dense media separation	Sustaining Capital	periodical investment of capital into the business to maintain current level of operations
dmt	dry metric tonnes	Ta₂O₅	tantalum pentoxide
DWER	Western Australian Department of Water and Environmental Regulation	tpa	tonnes per annum
FOB	Free on Board	tpd	tonnes per day
kbcm	thousand bench cubic metres	tph	tonnes per hour
Li₂O	lithium oxide	wmt	wet metric tonnes
mbcm	million bank cubic metres	W:O	waste to ore ratio