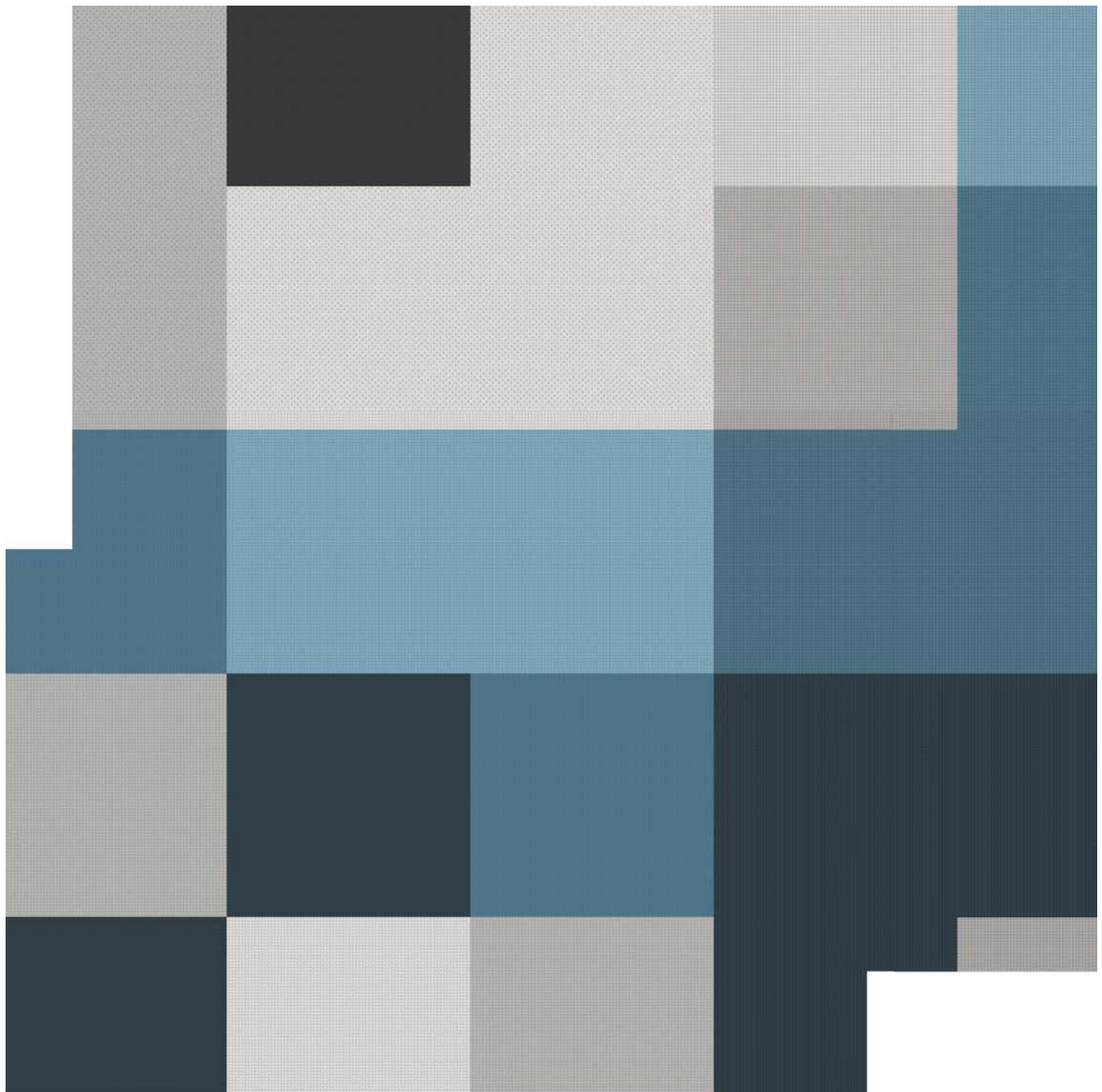




Alita Group of Companies

Alita Resources Limited (formerly Alliance Mineral Assets Limited) ACN 147 393 735

Lithco No. 2 Pty Ltd ACN 612 726 922

Tawana Resources Pty Ltd (formerly Tawana Resources NL) ACN 085 166 721

(all Administrators Appointed) ('the Group')

Report by Administrators

9 December 2019

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Glossary

Terms	Definition
\$	Australian Dollars
Act	Corporations Act 2001 (Cth)
Administration	Voluntary Administration pursuant to the Act
Administrators	Richard Tucker and John Bumbak of KordaMentha
Alita	Alita Resources Limited
Alita Col	Committee of Inspection for Alita as appointed at the First Meetings of Creditors of the Group
AIIPAAP	All present and after acquired property
Appointment Date	28 August 2019
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AUD	Australian Dollars
Bald Hill mine	the Bald Hill Lithium and Tantalum Mine
Burwill	Burwill Lithium Company Limited (formerly known as Burwill Commodity Ltd) (a wholly owned subsidiary of Burwill Holdings)
Burwill Holdings	Burwill Holdings Limited
Cape	Cape Crushing and Earthmoving Contractors Pty Ltd
Cash Trust	The Creditors' Trust to be established for Class A, B, D, and E creditors.
Chairperson	Chairperson of the Second Meetings of Creditors
CHEL	China Hydrogen Energy Ltd, party to the DoCA
CHEL/Liatam DoCA	The DoCA proposed by CHEL and Liatam
Class A Creditors	Those creditors with claims in respect of outstanding employee entitlements (excluding the Continuing Employees) and who would be priority creditors pursuant to sections 556 and 560 of the Act if the Companies were placed into liquidation
Class B Creditors	Shire of Coolgardie
Class C Creditors	SMS Innovative Mining Pty Ltd, Primero Group Pty Ltd, Cape Crushing and Earthmoving Contractors Pty Ltd, and Qube Bulk Pty Ltd.
Class C Creditors Side Deed	Any agreements between CHEL/Liatam and the Class C Creditors around sale of the stockpile
Class D Creditors	Creditors with admitted claims not exceeding \$10,000 in aggregate each
Class E Creditors	Creditors of the Group other than Class A, B, C, and D creditors
Col	Committee of Inspection
Cowan Lithium	Cowan Lithium Limited
Criminal Code	Criminal Code 1995 (Cth)
Deed Administrators	Administrators of the DoCA
Directors	Directors of each of the companies in the Group, as outlined in Table 3.6.1
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DoCA	Deed of Company Arrangement for each company in the Group
DXG	Deed of Cross Guarantee
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
Excluded creditors	CHEL and Continuing Employees
FEG	Fair Entitlements Guarantee

Terms	Definition
First Meetings of Creditors	Meetings convened pursuant to Section 436E of the Act and held on 9 September 2019
FYXX	Financial year 20XX
Galaxy	Galaxy Resources Limited, the former secured creditor of the Group
Group	Alita, Lithco No. 2 and Tawana Resources collectively
H1	Half year ended 31 December 20XX
H2	Half year ended 30 June 20XX
ILRA	Insolvency Law Reform Act 2016
IPS	Schedule 2 to the Corporations Act 2001, Insolvency Practice Schedule (Corporations)
JBJ	Jiangxi Bao Jiang Lithium Industrial Limited
Jiangxi	Jiangxi Special Electric Motor Co., Ltd
KordaMentha	KordaMentha Pty Ltd ACN 100 169 391
Liatam	Liatam Mining Ltd ACN 637 907 503, the DoCA proponent
Liquidation	The potential liquidation of any of the Companies within the Group whereby all assets of the companies in liquidation will be realised prior to the companies being deregistered by ASIC
Lithco No. 2	Lithco No. 2 Pty Ltd
Lithco No. 2 Col	Committee of Inspection for Alita as appointed for at the First Meetings of Creditors of the Group
Non-receivership Entities	Alliance Mineral Assets Exploration Pty Ltd Tawana Gold Pty Ltd Waba Holdings Pty Ltd
OSR	Government of Western Australia Department of Finance Office of State Revenue
Offtake Agreements	Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contracts originally signed with Lithco No. 2, Tawana Resources, Alita, Burwill and Burwill Holdings and most recently amended and restated on 14 January 2019
PPE	Property, Plant and Equipment
PPSR	Personal Property and Securities Register
Primero Group	Primero Group Pty Ltd
Proof of Debt or POD	Form 535 – Formal Proof of Debt or Claim
Proxy Form	Form 532 – Appointment of Proxy Form
Qube	Qube Bulk Pty Ltd
RoCAP	Report on Company Activities and Property
Receivers and/or Receivers and Managers	Martin Jones, Matthew Woods and Andrew Smith of KPMG in their capacity as Receivers and Managers of each of the entities in the Group from 29 August 2019 to 29 November 2019
Receivership	Receivership process which commenced on 29 August 2019 and ended on 29 November 2019
Regulations	Corporations Regulations 2001 (Cth)
Report	This report
Rules	Insolvency Practice Rules (Corporations) 2016
Second Meetings of Creditors	Meetings of Creditors to be convened pursuant to Section 439A of the Act
Security Trustee	EQT Australia Pty Ltd
SGX	Singapore Exchange
SMS	SMS Innovative Mining Pty Ltd
Stockpile Trust	The Creditors' Trust to be established for Class C creditors
Subsidiaries	All the companies controlled by Alita Resources Limited as shown in Figure 3.1.1

Terms	Definition
Supreme Court	The Supreme Court of Western Australia
Tribeca	Consortium of secured lenders led by Tribeca from whom Galaxy acquired the senior secured loan facility pursuant to a Sale and Purchase Agreement and a Transfer Certificate dated 27 August 2019
Tawana Resources	Tawana Resources Pty Ltd
Tawana Resources SA	Tawana Resources SA Pty Ltd
Turner Share Disposal	Mark Turner's spouse, Joanne Turner, disposed of 500,000 shares for \$81,250 on 14 June 2019
USD	United States Dollars
WST	Western Standard Time (GMT + 8 hours)
ZAR	South African Rand



1 Executive Summary

1.1 Appointment

We, Richard Tucker and John Bumbak, were appointed as Administrators of Alita Resources Limited, Lithco No. 2 Pty Ltd and Tawana Resources Pty Ltd (collectively referred to as 'the Group') on 28 August 2019 pursuant to Section 436A of the Act.

1.1.1 Appointment of Receivers and Managers

Martin Jones, Matthew Woods and Andrew Smith of KPMG were subsequently appointed by Galaxy Resources Ltd, a creditor holding security over the assets of the Group, as Receivers and Managers of each company in the Group on 29 August 2019. The Receivers and Managers subsequently retired on 29 November 2019. For the limited period of their appointment, the Receivers and Managers controlled the Group's operations and assets.

1.1.2 Other Voluntary Administration appointments

We were also appointed as Administrators of Waba Holdings Pty Ltd, Tawana Gold Pty Ltd, and Alliance Mineral Assets Exploration Pty Ltd on 28 August 2019. These companies were not trading prior to our appointment and were essentially dormant subsidiaries of the Group. Our appointment as Administrators was made by the directors to address potential contingent creditor claims and potential intercompany claims within the broader Group.

We did not identify any creditors of these entities, no quorum was present at the second meetings of creditors, and control of these entities returned to the directors on 10 October 2019.

1.2 Report purpose

We are required to convene the Second Meetings of Creditors of each of the companies in the Group pursuant to Section 439A of the Act to consider their future.

Before the Second Meetings of Creditors we must prepare a report on the Group's business, property, affairs and financial circumstances and provide opinions on certain matters which is the purpose of this report. This allows creditors to be in an informed position to vote at the Second Meetings of Creditors on the options available to them.

The creditors are able to vote as to whether it would be in their interests for one or more of the:

- Companies to execute a DoCA, or
- Administrations should end, or
- Companies be wound up.

Two DoCA proposals were received by the Administrators over the course of the administrations - one from Galaxy and one from CHEL/Liatam. The DoCA proposal from Galaxy provided for a materially inferior return to unsecured creditors and is no longer capable of performance given the refinancing of Galaxy by CHEL.

Consequently, there is one proposal capable of consideration by creditors and which involves a DoCA for each entity of the Group. The proposal is set out in section 6 of this report.

1.3 Purpose of voluntary administration

Section 435A of the Act states that the objective of the administration provisions of the Act are to provide for the business, property and affairs of an insolvent company to be administered in a way that:

- Maximises the chance of the company, or as much as possible of its business, continuing in existence, or
- If it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

1.4 Extension of convening period

In the ordinary course, a voluntary administration is conducted on a time-constrained statutory timeframe designed to expedite an outcome and limit the period for which the outcome is uncertain. As previously communicated to creditors, we sought and

obtained orders from the Supreme Court of Western Australia to extend the timeframe within which we were required to issue this report and convene the Second Meetings of Creditors of the Group, from 25 September 2019 to 11 December 2019. This extension was sought to allow additional time for DoCA proposals to be formed which reflected the size and complexity of the Group.

1.5 Second Meetings of Creditors

The Second Meetings of Creditors for the companies comprising the Group will be held on **Tuesday, 17 December 2019**. The Second Meetings of Creditors will be held at the Duxton Hotel, 1 St Georges Terrace, Perth WA 6000 at 10.00 am WST. Registration for the meetings will commence at 9.30 am WST. A Notice of Meetings is attached with this report.

1.6 Background

Alita Resources Limited is a dual-listed (ASX and SGX) company which owns the Bald Hill Mine, which produced lithium concentrate (spodumene) with tantalum as a by-product.

The Bald Hill Mine was developed through a joint venture between Alita (then Alliance Mineral Assets Ltd) and the then-ASX-listed Tawana Resources, producing its first concentrate in March 2018, and entering commercial production in July 2018. Through a Scheme of Arrangement completed in December 2018, discussed further below, Alita acquired 100% of the shares in Tawana Resources.

Tribeca was the secured creditor of the Group until around 25 August 2019, when Galaxy purchased their debt.

1.7 Background to our appointment

The Group had entered into two offtake agreements with JBJ. JBJ is an incorporated joint venture between Jiangxi and Burwill Holdings indirectly by their respective subsidiaries. Jiangxi has a conversion facility in Jiangxi Province, China for the production of lithium carbonate.

The offtake agreements comprised :

- The Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contract initially between Alita, Burwill Holdings and Burwill (a wholly owned subsidiary of Burwill Holdings) dated 20 April 2017 as varied, amended and restated in October 2017 and again on 14 January 2019.
- The Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contract initially between Lithco No. 2, Tawana Resources, Burwill and Burwill Holdings dated 20 April 2017 as amended and restated in October 2017 and again on 14 January 2019.

The Offtake Agreements were assigned from Burwill to JBJ and made non-exclusive on 14 January 2019, among other amendments as announced on 15 January 2019. Under the Offtake Agreements, JBJ had prepaid for shipments and has submitted a proof of debt for c. USD 9.6 million for the outstanding balance of the prepayment at appointment.

Throughout calendar year 2019 Alita negotiated with various alternative parties to whom it could supply product, including a trial shipment to a Japanese trading company, a long-term offtake agreement with another trading company and offtake arrangements with a large Asian corporation. These negotiations did not secure any firm forward contracts for sale of product.

The Group's Offtake Agreements with JBJ were the source of substantially all its revenue, save for some sales of tantalum by-product. As varied on 14 January 2019, the Offtake Agreements provided for:

- Non-exclusive supply
- Concentrate supply of between 80,000 and 100,000 tonnes in 2019
- Further supply in 2020, 2021, and 2022
- 2019 production amounts to be purchased at a market-linked price with lower and upper limits of USD680/tonne and USD1080/tonne respectively (FOB 6% Li₂O).

1.7.1 Alleged force majeure claim

In May 2019, JBJ claimed a force majeure event, following which JBJ did not take shipments in accordance with the conditions outlined in the Offtake Agreements.



Without JBJ taking shipments the Group's failure was inevitable for the following reasons:

- Against the background of the Offtake Agreements, the Group had entered into long-term contracts for mining, crushing, processing and materials handling. These contracts were all for an extended term and included termination provisions.
- At a high level, the cash costs for the contracts, together with related costs including head office overhead, fuel costs, accommodation services and related costs, were c. \$20 million per month. While there were opportunities for the Group to reduce its cost structure over the longer term, a significant portion of the Group's cost base was largely fixed for ongoing operations.
- The spot market between (relevantly) May 2019 and August 2019 was challenging and did not provide a ready immediate alternative market for the Group's product.
- The above contracts included significant termination and demobilisation costs of c. \$11.7 million (as estimated by management in August 2019).

Due to the above, without JBJ taking shipments, the Group was placed into a position where it could not:

- Afford to keep producing under the existing cost structure for any material period
- Adjust its cost structure readily or quickly
- Sell product into an alternative market at a price and volume sufficient to maintain operations
- Terminate contracts and pay termination/demobilisation costs as well as the secured debt.

1.8 Sale and recapitalisation process

After conducting a review of the options available to us, we commenced a process seeking expressions of interest to either purchase the assets of the Group or to recapitalise the Group via a DoCA.

Detailed below is the timeline of key events:

Table 1.8.1 – sale process timeline

Event	Date
Expressions of interest sought	8 October 2019
Confidentiality agreements issued	9 October 2019
Flyer available for distribution	9 October 2019
Data room opened	10 October 2019
First and final offers due	7 November 2019
Preferred bidder selected	15 November 2019
Finalise DoCA with preferred bidder	15 November 2019 to 29 November 2019
Second meeting of creditors	Week commencing 16 December 2019

We received over 20 expressions of interest, entered into 14 confidentiality agreements and provided access to an online data room to all parties who signed confidentiality agreements.

The online data room facility provided a secure central hub to store and display all pertinent information relating to the sale of the business. It also enabled us to track which interested parties were utilising the data room to obtain specific due diligence information.

We subsequently facilitated full day site tours with three interested parties to allow them to inspect the mine, processing facilities, camp and other infrastructure.

Finally, we received two DoCA proposals from interested parties, as detailed in Sections 5.1.7 and 6.

1.9 DoCA proposal and repayment of Galaxy

As discussed in detail at Section 5, we sought expressions of interest from parties to recapitalise the Group by way of a DoCA. We received two proposals, discussed in detail at Sections 5.1.7 and 6, and summarised as follows:

Table 1.9.1 – high level summary of DoCA proposals received

Proponent	Galaxy	CHEL/Liatam
Outcome to employees (Class A)	100c/\$	100c/\$
Outcome to creditors owed <\$10,000 (Class D)	69c/\$	Up to 100c/\$
Outcome to creditors owed \$10,000 to \$49,999 (Class E)	69c/\$	Up to 10c/\$
Outcome to creditors owed >\$50,000 (Class E)	2–3c/\$	Up to 10c/\$
Outcome to supporting creditors (Class C)	2–3c/\$	Estimated c. 10c/\$ to 37c/\$

The Galaxy proposal did not provide for a meaningful return for the majority (in value) of creditors, and on some scenarios would have resulted in an estimated lower return to certain classes of creditors than a liquidation of the Group.

In comparison, the CHEL/Liatam (a related entity of CHEL) proposal provides for a superior return to most classes of creditors. This proposal required the repayment of Galaxy's secured debt and for the Group to redeem its security.

We facilitated this repayment by way of a loan to the Group from CHEL, the proceeds of which were applied to payout Galaxy in full on 29 November 2019. Following repayment of Galaxy, the Receivers and Managers were retired. In addition to enabling the CHEL/Liatam proposal to be put to creditors, we formed the view that repaying Galaxy was in the interests of creditors given:

- the new facility has a materially lower interest rate
- the Receivers and Managers were retired, removing a layer of priority costs which would improve potential creditor returns.

The CHEL/Liatam DoCA proposal has been revised to provide the following estimated outcomes below.

Table 1.9.2 – CHEL/Liatam DoCA estimated outcome

Class	Comprises	Amount (\$)	Count	Available funds (\$)	Est. return (c/\$)
A	Employee creditors	-	-	-	-
B	Shire of Coolgardie	200,000	1	200,000	100
C	Participating creditors	31,184,875	4	11,538,404 ¹	c. 10 to 37
D	<\$10k creditors	336,879	120	336,879	100
E	Others (>\$10k not class C)	21,742,081	93	2,174,208	10
Total		53,463,835	218	14,249,491	

Note:

1. Estimated subject to sale price of spodumene stockpiles

The key features of the CHEL/Liatam DoCA proposal are:

- The structure is a single pooled DoCA across the Group entities
- An application pursuant to Section 444GA of the Act will be made to transfer the shares in Alita to Liatam
- Two creditors' trusts will be established:
 - the Cash Trust
 - the Stockpile Trust
- Establishment and payment of funds into the Cash Trust is unconditional, save for creditor approval of the DoCA Proposal at the Second Meetings of Creditors
- Establishment of the Stockpile Trust is conditional upon, among other things:
 - Receipt of approval from FIRB
 - Approval of the Section 444GA application.
- The Administrators of the Group will be the Deed Administrators of the DoCA, and thereafter trustees of the creditors' trusts ('Trustees'). The Trustees' fees and expenses will be paid from the creditors trusts and they will be responsible for assessing and admitting the claims of the beneficiaries.
- The total consideration to be paid by CHEL/Liatam, by a combination of cash contributions and provision of Group assets on the basis of secured creditor consent, is as follows:

- the discharge of the Group's indebtedness under the loan facility agreement between the Group and CHEL, the estimated value of which is approximately \$48,112,290 (calculated at 13 February 2020, using 0.6774 AUD/USD, early repayment fee does not apply)
- payment of Administrators, Deed Administrators and Trustees fees, costs and expenses of maintaining the Bald Hill Mine through to effectuation of the DoCA (separate to the funding to the creditors' trusts)
- recognition and preservation of the Continuing Employees' entitlements
- To form the Stockpile Trust, either a portion of the proceeds of the sale of the Group's spodumene stockpile, or the stockpile itself, as determined by the Class C Creditors' Side Deed
- To form the Cash Trust, a cash contribution estimated at \$2,711,087 sufficient to:
 - Pay creditors with claims in respect of employee entitlements in full (estimated at zero) (Class A Creditors)
 - Pay the Shire of Coolgardie in full (estimated as \$200,000) (Class B Creditors)
 - Pay those creditors with admitted claims not exceeding \$10,000 up to 100c/\$ (estimated at \$336,879) (Class D Creditors)
 - Pay those creditors with admitted claims greater than \$10,000 up to 10c/\$ (estimated at \$2,174,208) (Class E Creditors)
- Unsecured creditors accept the terms of the DoCA in full and final satisfaction of their debts against the Group.

1.10 Summary of estimated claims

Between the Group's records, proofs of debt lodged, and our initial assessment, we estimate the Group owes c. \$53.5 million to unsecured creditors as at the date of appointment of administrators.

The claims of terminated employees were paid in full by the Receivers and Managers on 31 October 2019, and on termination thereafter.

1.11 Deed of Cross Guarantee and implications for voting

In or around June 2019, each of the companies in the Group executed a Deed of Cross Guarantee which renders each member of the Group jointly liable to each creditor in a liquidation scenario. Accordingly, there is at least a contingent claim for each creditor in each of the Group entities, and all creditors would receive the same outcome in a liquidation subject to the priorities afforded by Section 556 of the Act. Further, all creditors will receive the same outcome (within their class) in the proposed DoCA.

Under the Act, an administrator must determine the right of a person to vote at a meeting of creditors and make a 'just estimate' in relation to any contingent claims. In these circumstances, the Administrators have determined that a 'just estimate' requires that each creditor be admitted to vote the full balance of their claim with respect to each company in the Group.

1.12 Investigations

Under the Act, we are required to investigate the Group's business, property, affairs and financial circumstances.

Our preliminary investigations to date have focused on the following matters:

- Any possible recovery actions that would be available to a liquidator, if creditors resolve to place any or all of the companies in the Group into liquidation.
- Breaches of duty or other offences under the Act by the Directors.
- The impact of the Offtake Agreements, JBJ taking shipments in accordance with those Offtake Agreements, and the force majeure notice.

We have not identified any material (in the context of the administration) recovery actions that may be available in a liquidation scenario, and detail limited potential offences in Section 4 of this report.

1.13 Liquidation summary

If appointed a liquidator will conduct further investigations into the affairs of the Group and be in a position to pursue recovery actions as set out in Section 4 of this Report.

Placing the companies in the Group into liquidation will result in a forced sale of the Group's operations, where it appears likely realisable values will be lower than under the proposed DoCA. In addition, the timeframe to pursue claims in liquidation will result in a time delay for any return to creditors and there will be material costs involved in the pursuit of various recoveries.

We estimate that unsecured creditors may receive a dividend of nil under the 'low' and 'mid' case scenario and a return of 29 cents is forecast under the 'high' scenario outcome only.

Accordingly, the Administrators are of the opinion that liquidation is not in the best interests of creditors of the Group.

1.14 Administrators' opinion

It is our opinion that it would be in creditors' interests for each of the companies in the Group to execute the CHEL/Liatam DoCA. It is not in creditors' interests to wind up the companies nor to bring the Administrations to an end.

As set out in the financial analysis of the alternatives (refer Section 7.4), the CHEL/Liatam DoCA will result in a better return to creditors than if the companies in the Group were to be liquidated.



2 Appointment of Administrators

2.1 Object of Administration

Section 435A of the Act states that the objects of the administration provisions of the Act are to provide for the business, property and affairs of an insolvent company to be administered in a way that:

1. maximises the chance of the company, or as much as possible of its business, continuing in existence, or
2. if it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

This report has been prepared in accordance with Section 75-225 of the Rules.

This report has been prepared from information obtained from the Group's records, the directors and management of the Group and from our own enquiries.

Our investigations into the Group's affairs have been limited due to the short time period within which we must issue a report about the Group's business, property, affairs and financial circumstances for the Second Meetings of Creditors.

We have no reason to doubt the information contained in this report. The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the date of the Second Meetings of Creditors.

Neither KordaMentha nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.

2.2 Prior involvement with the Group

We advise creditors that we have had no prior involvement with the Group, its Directors or any related party which would preclude us from accepting the appointment. Our involvement with the Group commenced on 25 July 2019 when we were engaged by King & Wood Malletsons on behalf of the Group to provide assistance in assessing the short-term cash flow forecast and to undertake contingency planning for a potential appointment of Voluntary Administrators to the Group. We have not provided any other information or advice to the Group, its directors or its advisors prior to our appointment beyond that outlined in our Declaration of Independence, Relevant Relationships and Indemnities included with the Circular to Creditors dated 2 September 2019.

There has been no change to the position as stated in the DIRRI.

2.3 First meetings of creditors

Section 436E of the Act requires us to conduct a meeting of the creditors of each company in administration within eight business days of being appointed.

The First Meetings of Creditors for each company in the Group were held concurrently on 9 September 2019.

At the first meetings of creditors, we advised that a Committee of Inspection may be formed for any company within the Group. Resolutions were passed by the creditors of Alita and Lithco No. 2 who were present at the meetings to appoint a Committee of Inspection for each of Alita and Lithco No. 2 respectively.

2.4 Committees of Inspection

2.4.1 Composition of the Committees of Inspection

Creditors resolved at the First Meetings of Creditors that Committees of Inspection be formed for Alita and Lithco No.2.

The following people were appointed to the Committee of Inspection of Lithco No. 2:

- Mr Martin Jones, Receiver and Manager (KPMG), representing Galaxy
- Ms Lisa Carey, representing SMS



- Mr Greg Hutchinson, representing Cape.

The following people were appointed to the Committee of Inspection of Alita:

- Mr Martin Jones (KPMG), representing Galaxy
- Ms Lisa Carey, representing SMS
- Mr Craig Hasson, representing himself as an employee
- Ms Catarina Cabrera (Dentons), representing JBJ.

Since the First Meetings of Creditors, the following changes were made to the respective CoIs:

- Mr Jones ceased to be a committee member of each CoI on upon repayment of the previous secured creditor in full on 29 November 2019
- Craig Hasson resigned as a member of the Alita CoI as at 6 November 2019 as he was no longer a creditor of Alita
- JBJ removed Catarina Cabrera as its representative and appointed John Mollard, also from Dentons, as JBJ's representative on the Alita CoI
- JBJ appointed John Mollard from Dentons as its representative in the Lithco No. 2 CoI. The appointment was made pursuant to section 80-20 of Schedule 2 of the IPS as JBJ represented at least 10% of the value of creditors of Lithco No. 2.

2.4.2 Committee of Inspection meetings

We have held two meetings for each CoI. The first CoI meetings were held on 7 November 2019 and the second CoI meetings were held on 5 December 2019. The purpose of these meetings was to:

- Update the Committees of Inspection on the Administration
- Provide an overview of the Administrators' investigations
- Provide an overview of the recapitalisation process and resulting DoCA proposals
- Consider and approve the Administrators' remuneration from 28 August 2019 to the execution of the DoCA.

2.5 Second meetings of creditors

We are required to convene a second meeting of creditors of each company in administration pursuant to Section 439A of the Act to consider the future of each company.

Before the Second Meetings of Creditors, we must prepare a report on the Group's business, property, affairs and financial circumstances and provide opinions on certain matters, which is the purpose of this report. This allows creditors to be in a position to vote at the Second Meetings of Creditors on the options available to them, as to whether it would be in the creditors' interests, in relation to each respective company in the Group, for:

- the company to execute a DoCA
- the Administrations to end, or
- the companies to be wound up.

A DoCA has been proposed by CHEL/Liatam for consideration by the creditors of each company in the Group, which is discussed in detail in this report.

2.5.1 Notice of Meetings

The Second Meetings of Creditors will be held at the Duxton Hotel, 1 St Georges Terrace, Perth WA 6000, on Tuesday, 17 December 2019 at 10.00 am WST. Registration for the meetings will commence at 9.30 am WST. A Notice of Meetings is attached with this report.

For creditors who are unable to attend the meetings, conference call facilities have been arranged. Creditors intending to use the conference call facilities are required to notify us of their intention and collect conference call details at least two business days prior to the meetings.



Please note that due to the number of creditors who may dial into the meetings, it will not be possible to consider those creditors as attendees of the meeting and they will not be able to vote or participate in the meetings. If you wish to vote or participate, you must attend in person or by proxy.

2.5.2 Proxies and Proofs of Debt

To participate in the meeting for each company, you will need to:

- Submit a Proof of Debt Form and information to substantiate your claim in that company - those creditors who have already lodged a Proof of Debt are not required to lodge a further proof (unless they wish to amend their claim).
- Appoint a person – a ‘proxy’ or person authorised under a power of attorney – to vote on your behalf at one or more of the meeting. This will be necessary if you are unable to attend in person or if the creditor is a company.
- If you are a creditor of multiple companies, you will need to submit individual forms for each company.

A Proof of Debt or Claim Form has been sent to all known creditors. We have also enclosed an Appointment of Proxy Form and a Proof of Debt Form with this report.

If you are representing a company, please ensure that your Proxy Form is executed pursuant to Section 127 of the Act or your representative is appointed pursuant to Section 250D of the Act, otherwise you will not be entitled to vote at the Second Meetings of Creditors.

You can appoint the chairperson of the respective meeting or another person as your proxy and direct the chairperson or that person as to how you wish your vote to be cast. If you choose to do this, the chairperson or that person must cast your vote as directed.

Creditors should note that Proof of Debt Forms lodged for these meetings are for voting purposes only but may be used for voting on resolution proposals without a meeting and distribution purposes.

Proxy Forms and Proof of Debt Forms must be received no later than 4.00 pm WST on the last business day prior to the meeting, failing which creditors or their proxies may be excluded from voting at the meeting. They may be mailed to PO Box 3185, East Perth WA 6892, faxed to (08) 9220 9399 or scanned and emailed to alita@kordamentha.com.

Information relating to this meeting, including the proposed CHEL/Liatam DoCA, can be found on our website www.kordamentha.com in the [Creditors section](#), as can general information regarding the conduct of meetings of creditors and the completion of Proxy Forms and Proof of Debt Forms. Also available there is a form to update your contact details or bank account details.

Section 600G of the Act permits electronic notification to creditors of certain notices or documents. If you would like to nominate to receive electronic notification, please complete the relevant section on the Proof of Debt Form or return the Nomination of Electronic Notification Form previously provided.

2.6 Deed of Cross Guarantee and implications for voting

Ordinarily in a liquidation scenario, creditors of a company may only be paid out of the asset realisations of that company. If assets used by that company were held by a related party, creditors would not have access to those related party assets. A DXG allows creditors of any DXG party to claim against all DXG parties. As a result, creditors of a DXG party may receive a higher or lower return than they otherwise would in the absence of DXG, dependant on the net asset positions of other DXG parties and total claims.

On 27 June 2019, each of the companies in the Group executed a Deed of Cross Guarantee which in essence renders each member of the Group jointly liable to each creditor in a liquidation scenario, with the exception of intercompany debts owing between DXG parties.

Accordingly, there is at least a contingent claim for each creditor in each of the Group entities, and all creditors would receive the same outcome in a liquidation subject to the priorities afforded by Section 556 of the Act. Further, all creditors will receive the same outcome (within their class) in the CHEL/Liatam DoCA.

Under the Act, an administrator must determine the right of a person to vote at a meeting of creditors. In these circumstances, it is equitable that each creditor may vote the full balance of their claim in each meeting.



2.7 Conduct of Administration

Since our appointment on 28 August 2019 we have completed the following tasks:

Stakeholder management

- Notified suppliers, creditors and employees of our appointment
- Corresponded with each of the Directors of the Group
- Communicated with key management personnel by email, phone and in-person meetings
- Notified and corresponded with the various statutory bodies including ASIC and the ATO
- Attended the head office and site and liaised with management, provided briefings to employees.

Statutory compliance

- Established administration bank accounts
- Reviewed the books and records of the Group
- Received, reviewed and lodged with ASIC the RoCAPs provided by the Directors of each company in the Group
- Convened and held the First Meetings of Creditors for the Group, prepared and lodged minutes with ASIC following the meetings
- Made an application to the Court to extend the convening periods
- Obtained statutory searches
- Investigated the affairs of the Group
- Investigated the conduct of the Directors
- Investigated any potential voidable transactions
- Investigated the events leading up to the appointment of Administrators and Receivers
- Prepared this report to creditors pursuant to the Act.

DoCA proposal process

- Retained and briefed solicitors and advisers to assist in the conduct of the Administrations and any proposed recapitalisation
- Prepared a data room of information for the sale process
- Attended meetings with interested parties
- Responded to queries from interested parties
- Liaised with the Receivers in relation to operations and the sale/recapitalisation process
- Engaged Deloitte and SRK (technical experts) to prepare an Independent Expert Report on liquidation values of the Group's assets
- Reviewed valuations
- Received and reviewed proposals
- Negotiated with interested parties
- Undertaken repayment of the previous secured creditor, Galaxy
- Negotiated a DoCA proposal from Liatam.

Operations

- Took control of all operations upon the retirement of the Receivers and Managers
- Liaised with suppliers, management and employees
- Attended site
- Implemented appropriate controls and insurance
- Planned the ongoing care and maintenance strategy.



2.8 Receipts and payments of Administration

There were no receipts nor payments in any of the administration bank accounts in the Group until after the retirement of Receivers and Managers on 29 November 2019.

A summary of receipts and payments for each company in the Group to 4 December 2019 is provided in Appendix 1.

3 Background

3.1 History of the Group

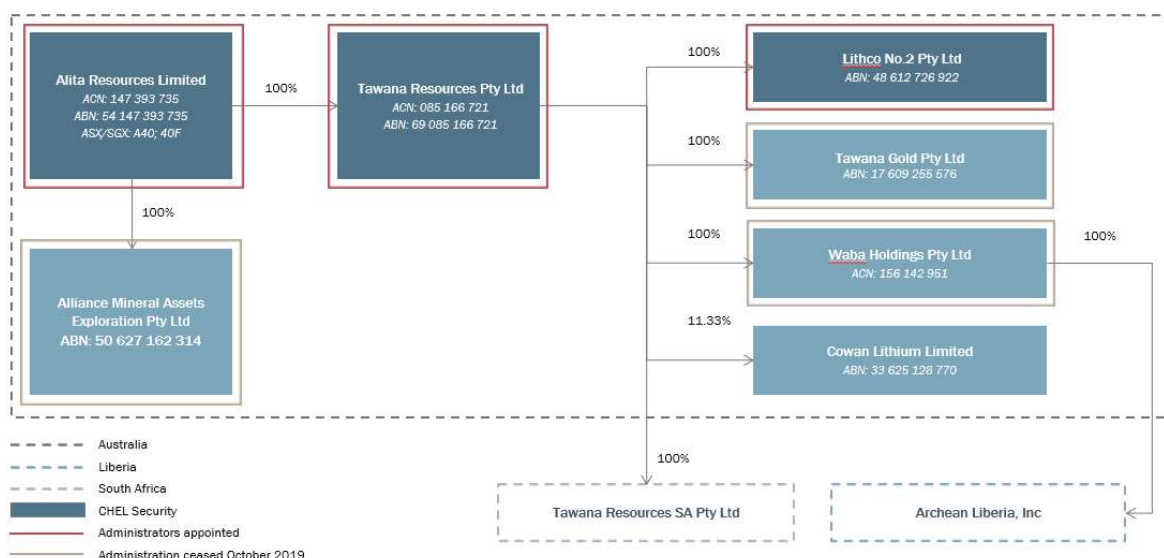
Alita Resources Limited is a dual-listed (ASX and SGX) company which owns the Bald Hill Mine.

The Bald Hill Mine was developed through a joint venture between Alita (then Alliance Mineral Assets Ltd) and the then-ASX-listed Tawana Resources, producing its first concentrate in March 2018, and entering commercial production in July 2018. Through a Scheme of Arrangement completed in December 2018, discussed further below, Alita acquired 100% of the shares in Tawana Resources.

Tawana Resources also owns a 11.33% interest in Cowan Lithium which owns the Cowan Lithium Project, adjacent to the Bald Hill Mine.

The organisational structure of the Group as at the date of our appointment is shown below at Figure 3.1.1, noting the security interest originally registered by EQT Australia as security trustee for Galaxy has since been discharged.

Figure 3.1.1 – Ownership Structure



Detailed below is information regarding the Group obtained from searches obtained from ASIC as at the date of appointment.

Table 3.1.1 – summary of ASIC searches

	Alita Resources Limited	Lithco No. 2 Pty Ltd	Tawana Resources Pty Ltd
Former names	Alliance Mineral Assets Limited (13 March 2014 to 15 July 2019) HRM Resources Australia Ltd (6 December 2010 to 12 March 2014)		Tawana Resources NL (16 November 1998 to 8 August 2019)
Commencement date	6 December 2010	31 May 2016	16 November 1998

The registered offices and principal places of business for each company in the Group are listed as Level 3, 20 Parkland Road, Osborne Park WA 6017.

Alita is listed on the ASX and SGX. The following companies of the group are wholly owned subsidiaries of Alita.

Table 3.1.2 – subsidiaries

Company name	Holding	Held by	Assets / operations
Lithco No. 2 Pty Ltd	100%	Tawana Resources Pty Ltd	Owner of the Bald Hill project with Alita
Tawana Resources Pty Ltd	100%	Alita Resources Limited	Holding company of Lithco No. 2
Alliance Mineral Assets Exploration Pty Ltd	100%	Alita Resources Limited	The company does not have any realisable value and is a dormant corporate shell
Tawana Gold Pty Ltd	100%	Tawana Resources Pty Ltd	The company does not have any realisable value and is a dormant corporate shell
Waba Holdings Pty Ltd	100%	Tawana Resources Pty Ltd	Holding company for Archean Liberia, Inc (otherwise dormant)
Tawana Resources SA Pty Ltd	100%	Tawana Resources Pty Ltd	Dormant. Formerly a diamond miner in South Africa. Directors advised there is little realisable value
Archean Liberia Inc	100%	Waba Holdings Pty Ltd	Dormant. Director of Waba Holdings advised that the company has no realisable value

We are not aware of any winding up petitions having been made against any of the companies in the Group.

Cowan Lithium owns the Cowan Lithium Project, and Alita owns 11.33% of Cowan Lithium.

3.1.1 Merger history

On 5 April 2018, Tawana Resources NL released a proposed merger between it and Alliance Mineral Assets Limited. At this time, the Bald Hill project was owned 50:50 by the ASX-listed Tawana Resources NL (via its wholly owned subsidiary, Lithco No. 2 Pty Ltd) and the SGX-listed Alliance, via a joint venture agreement.

A summarised timeline of the joint venture is below.

Table 3.1.3 – joint venture timeline

Date	Event
February 2017	Tawana entered into a farm-in agreement with Alliance
June 2017	Maiden lithium mineral resource announced
October 2017	Tawana completion of 50% interest earn-in; Bald Hill joint venture formed
January 2018	Term sheet executed for Bald Hill tantalum offtake
February 2018	Commissioning commenced at Bald Hill Lithium Plant
April 2018	Merger proposal provided to shareholders
December 2018	Merger completed via scheme of arrangement

The scheme of arrangement was approved by Tawana Resources NL shareholders on 27 November 2018 and the Federal Court of Australia on 3 December 2018. The scheme of arrangement was subsequently implemented on 14 December 2018.

3.1.2 Non-receivership Entities

We were appointed as Voluntary Administrators of Tawana Gold Pty Ltd, Waba Holdings Pty Ltd and Alliance Mineral Assets Exploration Pty Ltd (the 'Non-receivership Entities') along with the companies comprising the Group on 28 August 2019. Our appointment as Administrators was made by the Directors to address potential contingent creditor claims and potential intercompany claims within the broader Group.

We issued our report to creditors for the Non-Receivership Entities on 25 September 2019 and confirmed our understanding of the Non-receivership Entities was consistent with the RoCAPs provided by Mr Calderwood, the director of each entity, that is:

- The Non-receivership Entities had no assets besides Waba Holdings' ownership of Archean Liberia, Inc. Mr Calderwood indicated that he considered Archean Liberia, Inc to have no realisable value
- None of the Non-receivership Entities had creditors
- None of the Non-receivership Entities were insolvent.

We held the second meetings of creditors for the Non-receivership Entities for which notice was posted on our website, uploaded to the ATO and published on ASIC's insolvency notices website.

As these entities did not have creditors, quora were not present at the meetings of creditors, and as a result the meetings were closed without any resolutions passed. Pursuant to section 435C(3)(e) of the Act, the Administration of each of the Non-receivership Entities ceased on 10 October 2019 and control of each company returned to Mr Calderwood as director.

3.1.3 Tawana Resources SA

Management has advised us that Tawana Resources SA is a dormant entity, but it was formerly a diamond mining company. It is wholly owned by Tawana Resources. Tawana Resources SA's ZAR denominated 31 July 2019 accounts indicate a net asset position of approximately \$8,804 including a \$42,500 provision for rehabilitation expenses. We do not consider shares in this entity to have any realisable value.

3.1.4 Archean Liberia Inc

Archean Liberia Inc is domiciled in Liberia and is a wholly owned subsidiary of Waba Holdings Pty Ltd, which itself is wholly owned by Tawana Resources. Management has advised that Archean Liberia Inc is dormant and currently has no assets nor liabilities. We understand that it was formerly a shell for local investments in Liberia. We do not consider shares in this entity to have any realisable value.

3.2 Bald Hill Mine

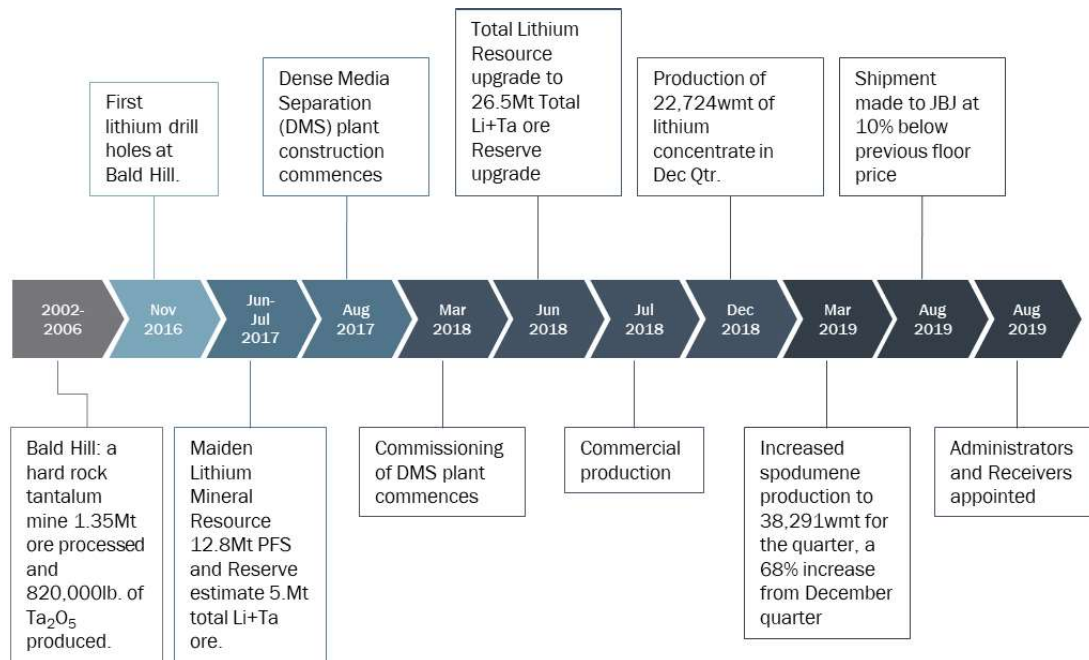
The Bald Hill Mine is located 50 km south east of Kambalda in the Eastern Goldfields region of Western Australia. It is located approximately 75 km south east of the Mt Marion Lithium project and approximately 350 km by road from the Port of Esperance. The mine comprises mineral tenure totalling 774 km². As previously stated, the Bald Hill Mine is wholly owned by the Group.

Following their appointment, the Receivers and Managers placed the Bald Hill mine into care and maintenance, and contractors demobilised from the site. The four remaining employees of Lithco are deployed to site (on a one and one swing) to maintain the plant and site.

While operational, lithium concentrate was transported via road to Esperance WA, before being shipped overseas. The Group's head office is in Osborne Park, Perth WA. A brief timeline of the history of the mine is shown below.



Figure 3.2.2 – Bald Hill Mine timeline



3.2.1 Employees

Employees of the Group were based at the Bald Hill Mine and the head office. There were 68 employees of the Group as at the date of appointment. Seven employees remain employed by the Group, with the majority of employees being terminated by the Receivers and Managers.

3.2.2 Contractors

The Group predominantly engaged contractors for various stages of the chain of production of both lithium and tantalum, as follows:

- SMS was engaged to excavate, load, haul and stockpile ore and waste. SMS provided labour, materials, equipment, maintenance and supervision. The agreement was signed with Lithco No. 2 on 1 May 2018 with a backdated commencement date of 1 November 2017, for a period of 38 months (to 31 December 2020) with an option for Lithco No 2 to extend a further 12 months.
- Cape was contracted to crush, screen, stockpile and feed ore into the processing plant. Cape provided labour, materials, equipment and maintenance. The agreement had a proposed commencement date of 1 February 2018 (and proposed termination date of 31 December 2020). The Group's management has advised that this agreement was finalised and approved by both the Group's and Cape Boards but was not signed due to a disagreement regarding whether to execute a deed of release. Cape therefore operated under a signed tender award letter incorporating terms that were substantially the same as the final version of the agreement.
- Primero Group was engaged to operate and maintain the processing facility, providing necessary labour, tooling and equipment to carry out the works. The agreement was signed with Lithco No. 2 on 21 February 2018 for an initial period of 2 years after the handover date (March Quarter 2018).
- Qube was engaged for haulage and material handling. The agreement was signed with Lithco No. 2 on 6 July 2018 with a backdated commencement date of 20 April 2018, for a period of 42 months (to 20 October 2021) with an option to extend a further 18 months. The scope of work included loading concentrate at site, haulage of concentrate from site to Esperance, loading and storage of the concentrate at Esperance, and ship loading at Esperance Port.

Following works required to prepare the Bald Hill Mine for care and maintenance, the contractors demobilised from site.

3.3 Customers

3.3.1 Lithium offtake partner

The Group had entered into two offtake agreements with JBJ. JBJ is an incorporated joint venture between Jiangxi and Burwill Holdings indirectly by their respective subsidiaries. Jiangxi has a conversion facility in Jiangxi Province, China for the production of lithium carbonate.

The Offtake Agreements comprised:

- The Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contract initially between Alita, Burwill Holdings and Burwill (a wholly owned subsidiary of Burwill Holdings) dated April 2017 as varied, amended and restated in October 2017 and again on 14 January 2019.
- The Bald Hill Project Long-term Exclusive Lithium Concentrate Offtake Contract initially between Lithco No. 2, Tawana Resources, Burwill and Burwill Holdings dated 20 April 2017 as amended and restated in October 2017 and again on 14 January 2019.

The Offtake Agreements were assigned from Burwill to JBJ and made non-exclusive on 14 January 2019, among other amendments as announced on 15 January 2019. Under the Offtake Agreements, JBJ prepaid for shipments. JBJ has submitted a proof of debt for c. USD 9.6 million for the outstanding balance of the prepayment at appointment.

Throughout calendar year 2019 the Group negotiated with various parties for the supply of spodumene, including a trial shipment to a Japanese trading company, a long-term offtake agreement with another trading company and offtake arrangements with a large Asian corporation. These negotiations did not secure any firm forward contracts for sale of product.

In the months leading to our appointment, the Group pursued various parties for spot sales of product. Despite this, JBJ remained the only offtake counterparty in the months prior to our appointment. Shortly prior to the date of appointment, the Group was in discussions with JBJ to restructure the Offtake Agreements.

The most recent offtake agreement provided for:

- Non-exclusive supply
- Concentrate supply of between 80,000 and 100,000 tonnes in 2019
- Further supply in 2020, 2021, and 2022
- 2019 production amounts to be purchased at a market-linked price with lower and upper limits of USD 680/tonne and USD 1,080/tonne respectively (FOB 6% Li₂O).

Tantalum sales

Tantalum concentrate was initially processed on site, and then further processed by Nagrom. Once processed, tantalum concentrate had historically been sold to various parties including H.C. Starck Tantalum and Niobium GmbH (HC Starck) and Global Advanced Metals Greenbushes.

3.4 Events leading up to Administration

The directors of the Group have advised us that the Group's financial position can be attributed to:

- Fall in commodity prices
- Delay of shipments to JBJ.

We concur with the directors' assessment (as we elaborate below), and in addition our investigations indicate that the Group's financial difficulties can also be attributed to:

- Fixed operating cost structure of the business model
- Complex listing requirements, limiting opportunities for sufficient additional capital raisings.

3.4.1 JBJ not taking shipments

An incident allegedly occurred at JBJ's processing facility on 18 May 2019. On 26 May 2019 JBJ notified Alita and claimed the incident was a 'Force Majeure' event and requested that next shipment in June be put on hold. The classification of the



incident as a 'Force Majeure' event under the Offtake Agreements was disputed between JBJ and Alita with senior management of Alita insistent that shipments continue on schedule. Discussions continued through June and July 2019 with the 'June' shipment of 11,000 tonnes of lithium concentrate dispatched on 1 August 2019, although payment of approximately 11% of the price was agreed to be deferred for approximately six months. Another shipment to JBJ of 10,500 tonnes was completed on 19 August 2019 at a price lower than that provided by the Offtake Agreements and 14% of the price was agreed to be deferred for approximately 6 months from the shipment date.

Without JBJ taking shipments the Group's failure was inevitable for the following reasons:

- Against the background of the JBJ offtake agreement, the Group had entered into long-term contracts as discussed at Section 3.2.2 for mining, crushing, processing and materials handling. These contracts were all for an extended term and included termination provisions.
- At a high level, the cash costs for the contracts, together with related costs including head office overhead, fuel costs, accommodation services and related costs, were c. \$20 million per month. While there were opportunities for the Group to reduce its cost structure over the longer term, a significant portion of the Group's cost base was largely fixed for ongoing operations.
- The spot market between (relevantly) May 2019 and August 2019 was challenging and did not provide a ready immediate alternative market for the Group's product.
- The above contracts included significant termination and demobilisation costs of c. \$11.7 million (as estimated by management in August 2019).

Due to the above, without JBJ taking shipments, the Group was placed into a position where it could not:

- Afford to keep producing under the existing cost structure for any material period
- Adjust its cost structure readily or quickly
- Sell product into an alternative market at a price and volume sufficient to maintain operations
- Terminate contracts and pay termination/demobilisation costs as well as the secured debt.

3.4.2 Negotiations prior to appointment of administrators

Concurrently with efforts to secure alternative sales channels, we understand that the directors took steps to source alternative finance, and negotiate with the Group's existing lender. Various proposals were explored with credible parties, and some significant progress was made towards a recapitalisation/convertible note proposal.

Ultimately however, the Group could not obtain the requisite comfort and standstill agreements required to progress the recapitalisation.

3.5 Security interests

At the time of our appointment there were numerous security interests registered on the Personal Property Securities Register against property in the Group's possession, which are summarised in the table below.

Table 3.5.1 – Security interests

Collateral class	Number of registrations		
	Alita	Lithco No. 2	Tawana Resources
All present and after acquired property (AIPAAP)	1	1	1
Motor vehicle	141	208	203
Chattel paper	0	2	1
Other goods	9	31	10
Total	151	242	215

Source: PPSR search

The AIPAAP registrations were previously held by EQT Australia as security trustee for Galaxy and have since been discharged. CHEL was granted security of the Group's assets following repayment of Galaxy.

The Group operated a contractor model for its mining/crushing/haulage operations, and had minimal plant and equipment assets of its own. The PPS register reflects predominantly contractors registering interests relative to their equipment on site, and hire items. Contractors have substantially removed equipment which was on site and subject to security interests.

3.6 Directors and officers

Set out below is a summary of the Directors and officers of the Group obtained from ASIC records as at the date of appointment.

Table 3.6.1 – Directors

Director name	Alita Resources Limited Appointment date	Lithco No. 2 Pty Ltd Appointment date	Tawana Resources Pty Ltd Appointment date	Date resigned from all relevant positions
Mark Andrew Calderwood	14 December 2018	31 May 2016	21 October 2016	TBC ²
Mark Barlow Turner	14 December 2018	31 January 2019	1 August 2017	17 December 2019 ²
Robert Scott Vassie	14 December 2018		1 August 2017	17 December 2019 ³
Wei Xie	14 December 2018		21 November 2017	17 December 2019 ³
Robert Benussi			4 December 2015	14 December 2018
Geoffrey William McNamara	14 December 2018			17 December 2019 ³
Kian Guan Ong	20 June 2014			17 December 2019 ³
Ming Fai Chan	14 December 2018			11 July 2019 ⁴
Pauline Gately	8 June 2011			14 December 2018
Mahtani Bhagwandas	11 April 2014			14 December 2018
Hung Chiu Eddy Chan	28 November 2017			14 December 2018
Shaun Menezes	25 July 2018			14 December 2018

Notes:

1. Ming Fai Chan resigned as director of Alita on 11 July 2019 as evidenced by board minutes and correspondence with the Group's management. ASIC records had not yet reflected this as at the date of our appointment.
2. Messrs Calderwood and Turner were terminated as directors by the Receivers and Managers. Mr Turner has given us notice that he wishes to resign from all relevant director roles within the Group with effect from 17 December 2019.
3. We have been notified that these directors wish to resign from all relevant director roles within the Group with effect from 17 December 2019.
4. If a DOCA is executed it is likely that these current directors will be replaced as part of the recapitalisation.

Table 3.6.2 – Secretaries

Secretary name	Alita Resources Limited Appointment date	Lithco No. 2 Pty Ltd Appointment date	Tawana Resources Pty Ltd Appointment date	Date resigned from all relevant positions
Alexei Fedotov	14 December 2018	22 May 2018	6 March 2018	
Beverley Nichols	20 June 2019	20 June 2019	20 June 2019	
Joanna Kiernan	14 December 2018		1 August 2018	28 March 2019
Craig Hasson		1 November 2017		

3.7 Related entities

Detailed below is a summary of loan balances within the Group (and subsidiaries) as well as with Mount Belches Pty Ltd, a known related entity. These net loan balances are as stated in the Group's records as at the date of appointment. Mr Calderwood is listed as a director of Mount Belches Pty Ltd as at the date of appointment.

Table 3.7.1 – Related entity loans

		Creditor (\$'000)					
		Alita	Lithco No.2	Mount Belches Pty Ltd	Tawana Liberia Inc	Tawana Resources	Tawana Resources SA Pty Ltd
Debtor (\$'000)	Alita	N/A	41,669	-	-	514	-
	Lithco No.2	39,883	N/A	-	-	-	-
	Mount Belches Pty Ltd			N/A			
	Tawana Liberia Inc	-	-	-	N/A	-	-
	Tawana Resources	-	44,419	1,386	8,229	N/A	-
	Tawana Resources SA Pty Ltd	-	-	-	-	-	N/A
	Total Payable	(39,883)	(86,088)	(1,386)	(8,229)	(514)	-
							Total Receivable

The above claims have not yet been adjudicated. However, if any company of the Group is placed in liquidation and there are sufficient funds realised for the liquidators to make a distribution to creditors, the relevant related entities will each be required to provide a proof of debt, which will then be adjudicated.

3.8 Report on Company Activities and Property

The Directors have each provided a RoCAP for each respective Company of which they are a director. A RoCAP provides information on the financial position of each company as at the date of our appointment.

All RoCAPs are consistent with one another for each respective company. A summary of the RoCAPs received for each company is detailed at Appendix 5.

We have compared the RoCAP to management accounts in section 3.9 of this report below.

3.9 Historical financial performance

The Group's financial statements were last prepared as at 31 March 2019 and released to the market on 10 May 2019. Monthly management accounts were prepared by the Group. The latest, finalised, management statement of financial position and profit and loss statement were both prepared as at 30 June 2019. In preparing management accounts at 30 June 2019, management was yet to finalise impairment of inventories and non-current assets or conclude on the going concern basis of preparation for the FY19 financial report.

The comparative balance sheets and profit and loss statements of the Group, extracted from the Group's books and records, for the previous eight months are summarised below with further detail provided in Appendix 4.

Consolidated Monthly Statement of Financial Position	31 Dec 2018	31 Jan 2019	28 Feb 2019	31 Mar 2019	30 Apr 2019	31 May 2019	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Current Assets	53,973	58,241	49,032	50,778	48,430	68,459	62,910
Total Non-Current Assets	244,459	246,481	248,172	249,329	251,851	256,179	255,136
Total Assets	298,432	304,722	297,204	300,107	300,280	324,638	318,046
Total Current Liabilities	(64,021)	(72,078)	(66,499)	(37,392)	(36,872)	(40,870)	(86,958)
Total Non-Current Liabilities	(25,353)	(24,191)	(24,296)	(64,575)	(64,460)	(65,299)	(23,868)
Total Liabilities	(89,374)	(96,269)	(90,794)	(101,967)	(101,332)	(106,169)	(110,826)
Net Assets	209,058	208,453	206,410	198,140	198,949	218,468	207,220

Consolidated Statement of Profit or Loss	31 Dec 2018	31 Jan 2019	28 Feb 2019	31 Mar 2019	30 Apr 2019	31 May 2019	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue from Operations	-	(323)	25,955	22,203	8,316	11,961	(170)
Total Cost of Goods Sold	1,821	1,028	(27,184)	(25,426)	(6,084)	(12,123)	(7,287)
Gross Profit/(Loss)	1,821	705	(1,228)	(3,222)	2,231	(162)	(7,457)
Total Other Income	(10)	8	21	31	18	6	19
Total Expenditure	(35,934)	(1,158)	(993)	(5,030)	(1,433)	(2,227)	(4,966)
Profit/(Loss) before tax	(34,123)	(445)	(2,200)	(8,221)	817	(2,384)	(12,404)
Income tax benefit/(expense)	4,939	-	-	(50)	-	-	-
Net Profit/(Loss)	(29,184)	(445)	(2,200)	(8,271)	817	(2,384)	(12,404)

The Group's management accounts disclose the following:

- The Group suffered a substantial Net Loss of \$29.2 million before tax in December 2018 due to Acquisition costs and Impairment costs (relating to the Alita-Tawana merger) which together total \$28.6 million.
- Expenses included in COGS were offset by revenue from Tantalum sales, which were also recognised in COGS and averaged \$1.3 million per month.
- A \$3.78 million expense was incurred in March 2019 due to the consolidation of financing arrangements.
- There was no revenue in December 2018 and January 2019. Contributing factors to this include:
 - Burwill, which was then the offtake counterparty, had requested to agree 2019-period pricing before accepting the 'December 2018' shipment. The pricing of 2019 offtakes was finalised in the restructured offtake agreements executed on 14 January 2019.
 - There was a shutdown of Esperance port in early January 2019.
- The Group had a working capital deficiency in December 2018, which increased to February 2019. Current liabilities were significantly lower between March and May 2019, resulting in a working capital surplus over this time, but returned to a deficiency of \$24 million in June 2019. A working capital deficiency indicates Alita did not have sufficient current assets to meet short-term liabilities. The working capital deficiencies related to classification of the Tribeca loan facility as a current liability due to existing events of review. This classification occurred despite the facility repayment date being more than 12 months from these balance dates. Subsequent to both December 2018 and June 2019 Tribeca granted waivers relating to the events of review.
- A business liquidity ratio compares its current assets to its current liabilities and is designed to examine a company's ability to access funds in the immediate short term to pay liabilities which are due and payable.

The delayed shipments in December 2018 through January 2019 meant cash was not received as expected, despite large trade creditor liabilities being incurred due to high mining activity levels to extract and stockpile ore. A similar scenario occurred through June and July 2019.

- Typically, a current ratio above 1.0 suggests a company can meet debts as they become due and payable. Alita's current ratio was less than 1.0 between December 2018 and February 2019 and again in June 2019. As with the working capital commentary above, the current ratio was less than 1.0 due to classification of the Tribeca loan facility as a current liability in June 2019 due to existing events of review which were subsequently waived. Alita remained compliant with the Lithco No.2 Subscription Agreement despite the existence of current ratio covenants, as the Tribeca facility and stamp duty payable were both excluded from the calculation by the agreement.
- Typically, a quick ratio above 1.0 suggests a company can meet debts as they become due and payable. The Group's quick ratio was below 1.0 in each month since December 2018.
- Quick and current ratios from April to June 2019 are shown below.

	April 2019	May 2019	June 2019
Current ratio	1.31	1.68	0.72
Quick ratio	0.52	0.91	0.26

- The net asset position of the Group has remained relatively constant in 2019, from a net asset position of \$209 million at 31 December 2018 to a net asset position of \$207 million at 30 June 2019. Although the Group was loss-making over this period, the net asset position was maintained due to capital raisings over this time and continual production without shipments, increasing inventory stockpiles. Impairment testing had not been completed, although at balance date the JBJ Offtake Agreement was still nominally being performed.
- The Group experienced a rapid growth of current liabilities prior to appointment, moving from \$36.9 million at 30 April 2019 to \$87 million at 30 June 2019 primarily due to the Tribeca financing facility becoming classified as a current liability.
- The Group had a weak gross margin in the early months of 2019, with gross losses experienced in each of February, March, May and June 2019.
- The lack of revenue in June 2019 due to no shipments being made to JBJ led to a significant net loss in June 2019 of \$12.4 million. This is compared to the average loss of \$2.5 million over the period from January 2019 to May 2019.

It is apparent from the Group's financial statements that only a substantial capital injection and turnaround in trading activities would have enabled the Group to continue in operation.

In comparison to the RoCAP, we make the following observations:

- The RoCAP financial information was provided on an individual company basis, whereas the historical management Group financials were prepared on a consolidated basis.
- A large proportion of assets and liabilities in the RoCAPs were attributed to related party investments, payables and receivables.
- Translating RoCAPs to be on a consolidated basis, the RoCAPs disclosed total asset values of \$139 million against the historical Group management accounts (\$318 million as at 30 June 2019).

We have outlined creditor amounts as reported by the various sources below:

Creditor class	RoCAP (\$)	30 June 2019 management accounts (\$)	Figures provided by Receivers and Managers (\$)	Claims received (\$)
Priority (employee) ¹	2,341,452	439,095	2,096,887	Claims of terminated employees paid, balance to be confirmed
Secured ²	43,425,031	41,832,226	51,402,544	Withheld
Unsecured ³	74,366,270	55,781,280	32,941,644	58,959,232

Notes:

1. Employee accrual in management accounts doesn't include employee entitlements triggered upon termination such as pay in lieu of notice and redundancy.
2. Secured balance in RoCAP and management accounts doesn't include early repayment fee, Receivers and Managers' costs incurred or interest accrued.
3. Unsecured balance provided by Receivers and Managers was taken directly from the Group's electronic records and were not verified by the Receivers and Managers prior to their retirement.

3.10 Searches

Motor vehicle and property searches have been carried out with a view to determine if any of the companies within the Group are the registered owner of any motor vehicles or property. These searches were undertaken in the state of Western Australia.

The property search revealed that at the date of appointment, Alita was the registered owner of property at 6/24 Parkland Road, Osborne Park WA. The sale of the property was settled by the Receivers and Managers on 21 August 2019 for \$605,000.

The property search revealed that Lithco No. 2 and Tawana Resources did not own any property at the date of appointment.

The motor vehicle search revealed that companies within the Group are the registered owner of the motor vehicles/assets in Western Australia listed at Appendix 2, the majority of which were handed back to financiers by the Receivers and Managers.

4 Investigations

4.1 Administrators' investigations

Under the Act, we are required to investigate the Group's business, property, affairs and financial circumstances.

Our investigations to date have focused on the following matters:

- Any possible recovery actions that would be available to a liquidator, if creditors resolve to place any or all of the companies in the Group into liquidation.
- Breaches of duty or other offences under the Act by the directors.

The Administrators are required to form an opinion about whether it would be in the best interests of the creditors of each company in the Group to execute a DoCA, for the respective administration to end, or for respective company to be wound up. Given the comparison required with a winding up (versus a DoCA), our investigations include the consideration of whether there are any potential actions (and recoveries) available to a liquidator if creditors resolve to place individual companies of Group into liquidation.

We are required to report to ASIC if we consider that past or present officers or shareholders of the Group may have committed an offence under the Act.

The timeframe associated with the administration process limits the extent of investigations that can be performed prior to the Second Meetings of Creditors. Our investigations are at a preliminary stage and we are not in a position to provide any final comments about potential offences that may have been committed or amounts of money that may be recoverable in the event of any of the companies in the Group being placed into liquidation. It should be noted that further detailed investigations will need to be undertaken by a Liquidator (if appointed), and independent legal advice sought in order to determine the likely success of any actions contemplated in respect to the matters detailed below.

It is normal in a voluntary administration to not be able to complete the investigations prior to the Second Meetings of Creditors. The potential recoveries discussed below are for the purposes of providing creditors with a sufficient understanding of what potential recoveries may exist if a liquidation occurs.

An information sheet provided by ARITA outlining offences, recoverable transactions and insolvent trading may be accessed at [https://www.arita.com.au/documents/Technical/Information-sheets/INFO-Offences-recoverable-transactions-and-insolvent-trading-\(VA\)-v1_2.pdf](https://www.arita.com.au/documents/Technical/Information-sheets/INFO-Offences-recoverable-transactions-and-insolvent-trading-(VA)-v1_2.pdf).

4.2 Approach to preliminary investigations

We have approached our investigations to date on the basis that the Group operated on a centralised finance, operating and reporting basis, and have therefore approached investigations on this basis.

Throughout our preliminary investigations, we:

- Analysed and, where required, maintained the integrity and security of the Group's IT systems. We were required to take immediate steps to preserve the integrity of the Group's IT systems.
- Undertook a computer forensic process that involved securing devices including computer servers and backups.
- Acquired the images and then indexed the servers to allow us to undertake electronic analysis of data and electronic files.
- Conducted a review of key employees' electronic mailboxes.

Further to the computer forensic aspects outlined above, we also:

- Held discussions with directors, key employees, including management of the Group
- Identified, reviewed, reconstructed where required and analysed financial information in both hard copy and electronic form.
- Undertook searches of various publicly available databases, including ASX, ASIC and Office of State Revenue records.
- Spoke with various external parties, including suppliers of goods and services and customers of the Group.

4.3 Offences by the directors under the Act

Section 438D of the Act requires an Administrator to lodge a report with ASIC if it appears that:

- A past or present officer, or member, of a company may have been guilty of an offence in relation to the Group, or
- A person who has taken part in the formation promotion, administration, management or winding up of a company may have misapplied money or property of a company or may have been guilty of negligence, default, breach of duty or trust in relation to the Group.

4.3.1 Reporting to ASIC

During our investigations, we have identified certain areas where there may be potential breaches of the Act although we have not yet formed a definitive view. If we identify a contravention of the Act, we will update creditors and report to ASIC as required.

4.4 Summary of potential offences

A summary of our investigations and potential offences are set out below, indicating whether, on the information available to us, further investigation may be warranted:

Section of the Act		Report reference	Further investigation warranted?
Liquidator actions (if appointed)			
588G,M	Insolvent trading	4.5.5	Yes
588FA	Unfair preferences	4.5.8	Yes
588FB	Uncommercial transactions	N/A	No
588FD	Unfair loans	N/A	No
588FDA	Unreasonable director related transactions	N/A	No
588FJ	Voidable circulating interests	N/A	No
Potential director offences			
180–184	Breaches of general directors' duties	4.6.1	Yes
191	Breach of duty to disclose material personal interest	N/A	No
286	Failure to keep proper accounting records	N/A	No
292/319	Failure to lodge annual reports with ASIC	N/A	No
314	Failure to comply with requirements for financial statement preparation	N/A	No
438B	Failure to assist Administrators	N/A	No
588G,K	Being a director when an insolvent incurs a debt and there are reasonable grounds for suspecting it to be insolvent	4.6.1	Yes
Part 5.8A	Arrangements to avoid employee entitlements	N/A	No
674	Breach of continuous disclosure requirements	4.6.1	Yes
1041H	Misleading or deceptive conduct	N/A	No
1307	Concealing, destroying or falsifying books and records	N/A	No
1309	Making a statement which is knowingly false or misleading in a material particular	N/A	No

4.5 Date of insolvency

Section 95 of the Act states:

- A person is solvent if, and only if, the person is able to pay all the person's debts, as and when they become due and payable.



- A person who is not solvent is insolvent

Solvency is therefore primarily a cash flow test; however, the Courts have used other key indicators in a balance sheet environment.

From our preliminary investigations, we have determined that the Group may have been insolvent from June 2019, being the date when JBJ ceased taking shipments in accordance with the Offtake Agreements.

We emphasise at this point that this view is formed with the benefit of hindsight, taking into account the events that subsequently transpired. The JBJ events remained fluid over the ensuing months, the timeframe for the alleged force majeure was unclear, and as late as 10 July 2019 it appeared a satisfactory outcome had been reached with JBJ. Had the Directors placed the Group into administration in early June 2019, without fully exploring options with JBJ and discussions with the Group's financiers, there would likely be questions raised whether the Directors would have acted prematurely in that scenario.

We have formed our preliminary view of the date of insolvency based on the following two propositions.

4.5.1 Position at 22 May 2019

At 22 May 2019, we consider the Group was solvent based on the following:

- Production was increasing and cash costs of production (on a unit level) were decreasing.
- JBJ was taking product, repayment of the prepayments required under the Offtake Agreements was placed on hold until 2021, and the offtake agreements had a floor price in place which at least covered production cash costs.
- The Tribeca funding agreement had been drawn down, and strategic institutional placements had recently been agreed to allow plant upgrades to take place.
- While the Tribeca facility was repayable in full on 1 July 2020, the Group expected that, with demonstrated steady state production and consistent financial performance, a renegotiation of terms was likely.
- The Group had not received notice from JBJ of its alleged force majeure claim.

4.5.2 Position following the alleged force majeure event

As noted above, JBJ gave notice of an alleged force majeure claim to the Group on 23 May 2019. By this claim, JBJ alleged it was unable to take shipments in accordance with the Offtake Agreements.

Options immediately available to the Group were limited, as follows:

- Had a new longer-term offtake contract been immediately available, which we do not believe was the case, it would have been premature to have repudiated the JBJ contract at that time. Accordingly, once JBJ stopped taking shipments in accordance with the conditions set out in the Offtake Agreements, the Group's only realistic option in the short term was to sell into the spot market to mitigate its losses.
- The spot market at that time was, as we understand it continues today, limited as to volume and price.
- Against the background of a limited spot market, the Group had an inflexible cost structure and significant termination and demobilisation costs for its long-term mining, crushing, processing, and haulage contracts. These contracts were entered into by the Group much earlier, when the Offtake Agreements were in good standing.
- Notwithstanding that JBJ was not taking shipments in accordance with the conditions set out in the Offtake Agreements, the Group was still incurring relatively fixed costs of c. \$20 million per month under the long-term contracts.

Accordingly, the Group did not have available liquidity to either:

- Continue operations, indefinitely selling into the spot market, or
- Immediately terminate and payout its long-term contractor contracts.

Against this background, the Tribeca/Galaxy debt was repayable on 1 July 2020.

4.5.3 Cash flow forecasts

The board received cashflow forecasts on a monthly basis. A summary of key cash flow forecasts provided to the Board in the months leading up to the appointment of the Administrators is presented below.



We have reviewed historical cash flow forecasts at a high level, and note that the Group appeared to have had qualified personnel and appropriate financial systems in place. Our review of the cash flow forecasts is to form a view on the directors' decision making based on the information available to them at the relevant time.

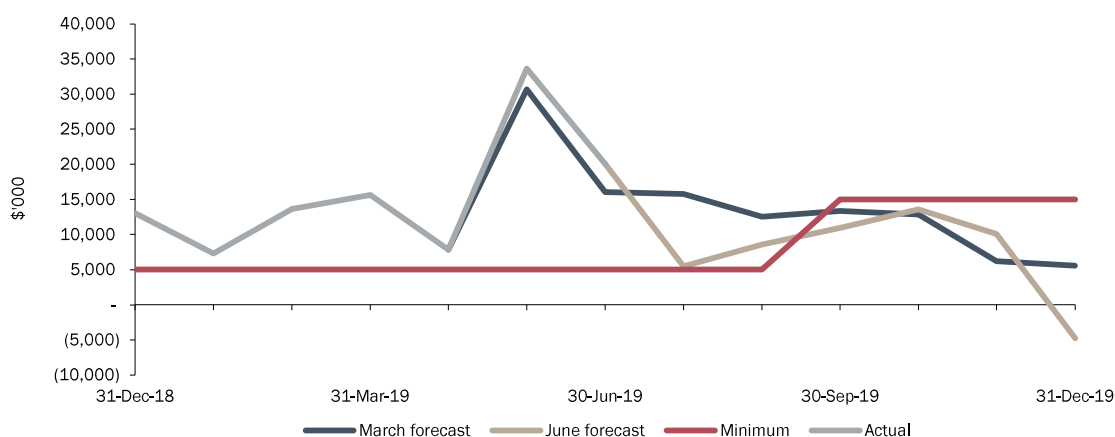
Figure 4.5.3.1– Cash flow forecast

	Cash balance at 2019 end-of-month (\$000)									
	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec
March 2019 forecast		7,845	30,679	16,049	15,758	12,555	13,352	12,838	6,202	5,560
June 2019 forecast				20,053	5,462	8,574	10,949	13,559	10,119	(4,789)
Actual	15,620	7,860	33,624	20,052	Accounts not finalised post-30 June 2019					
Minimum ¹	5,000	5,000	5,000	5,000	5,000	5,000	15,000	15,000	15,000	15,000

Note:

1. The Tribeca loan facility had a \$5 million minimum cash requirement. This minimum cash requirement was increased to \$15 million as of 1 October 2019 as part of its waiving of events of review and default

Closing cash balance



March 2019 cash flow forecast

The cash flow forecast prepared in March 2019 showed material net outflows through to December 2019. Key forecast outflows in this period included:

- Merger costs payable to professional advisers
- Provisions for outstanding historical liabilities
- Stamp duty payable for the merger transaction
- Capital costs for the fines circuit upgrade to the Bald Hill Mine processing plant.

At an operational cost level, the Group was forecast to have net cash outflows through to December 2019 of c. \$1.9 million (before payment of stamp duty, and without capital expenditure).

June 2019 cash flow forecast

The June 2019 updated forecast reflected changed trading conditions, particularly delays and cancellations of shipments by JBJ.

The June 2019 cash flow forecast indicated negative cash by December 2019, following significant cash outflows in June and July (being payment of stamp duty and capital costs), and an increase in the minimum cash requirement under the Tribeca Facility from \$5 million to \$15 million as a condition of Tribeca waiving events of review and default.

4.5.4 Other insolvency indicators

The case of ASIC v Plymin (2003) 46 ACSR 126 is often referenced in considering the time a person/company becomes insolvent. The case contains a list of common indicators of insolvency, which have been adopted to determine the solvency of the Group.

Table 4.5.4.1 – Insolvency indicators

Insolvency indicator	Present	Date Relevant to insolvency	Administrators' comments									
Balance sheet tests												
Working capital deficiency	Yes	June 2019	The Group had a working capital deficiency in December 2018, which increased to February 2019. Current liabilities were significantly lower between March and May 2019, resulting in a working capital surplus. A working capital deficiency returned in June 2019. A working capital deficiency suggests the Group did not have enough liquid assets to meet its short-term liabilities.									
Net asset deficiency	No	N/A	The Group's accounts indicate the Group had a net asset surplus up to the date of the appointment of Administrators. • \$218.5m at 31 May 2019 • \$207.2m at 30 June 2019 We note accounts for June 2019 were not yet finalised and had not been tested for impairment. It is apparent based on comparison of the valuations prepared for the purposes of the merger and for our purposes as administrators, that the value of the Group's mining assets have decreased materially to 30 June 2019.									
Liquidity ratios	Yes	July 2019	A liquidity ratio compares its current assets to its current liabilities and is designed to examine a company's ability to access funds in the immediate short term to pay liabilities which are due and payable. As at 31 May 2019 and 30 June 2019, liquidity ratios were as follows. <table><tr><td></td><td>31 May 2019</td><td>30 June 2019</td></tr><tr><td>Quick ratio</td><td>0.91</td><td>0.26</td></tr><tr><td>Current ratio</td><td>1.68</td><td>0.72</td></tr></table> Typically, a quick ratio above 1.0 suggests a company can meet debts as they become due and payable. The deterioration in June 2019 was principally due to the Tribeca loan facility being reclassified from a non-current liability to a current liability as a consequence of the existence of events of review under the facility.		31 May 2019	30 June 2019	Quick ratio	0.91	0.26	Current ratio	1.68	0.72
	31 May 2019	30 June 2019										
Quick ratio	0.91	0.26										
Current ratio	1.68	0.72										
Breaches of covenants	Yes	December 2018 and July 2019	The Group failed to meet mining production KPIs in December 2018 which constituted a non-financial event of review under the Tribeca loan agreement. A waiver letter was issued in February 2019. At 30 June 2019 some non-financial events of review occurred relating to mining KPIs and authorisations for future mine expansion. A waiver letter was received in July 2019, which required the minimum cash to increase to \$15 million from 1 October 2019. The Group engaged with Tribeca and other interested parties for a significant period with a view to agreeing a solvent recapitalisation. The events of review under the finance facilities are an indicator of insolvency; however, the Group obtained the necessary waivers in July 2019.									
Inability to raise capital	No	N/A	Alita completed a placement to Galaxy on 31 May 2019 to raise gross proceeds of \$22.5 million and a placement to Weier Antriebe und Energietechnik GmbH (wholly owned subsidiary of Jiangte) was completed on 25 July 2019 to raise gross proceeds of \$10 million.									
Availability of other cash resources – cash flow test												
Cash flow forecast	Yes	June 2019	See section 4.5.3 above.									

Insolvency indicator	Present	Date Relevant to insolvency	Administrators' comments
Profitability/trading losses	Yes	December 2018	The Group incurred net losses each month since December 2018, but a small net profit in April 2019. The losses are an indicator of insolvency but should not be taken in isolation.
Overdue Commonwealth and State taxes	No	N/A	The Group may have a stamp duty liability of up to \$8.8 million relating to the December 2018 merger. In November 2019 the Group filed its stamp duty submission and asset valuation reports with the WA State Revenue Office, but an assessment has not yet been issued.
Demands from creditors	Yes	August 2019	A statutory demand was received from Cape in August 2019, for services in July 2019 totalling c. \$1.9 million. The Group claimed some recharges to be offset against this invoice.
Payment arrangements	Yes	May 2019	During May 2019, the Group entered into an arrangement with Canaccord Genuity for payment of outstanding amounts for advisory services provided in relation to the merger in December 2018. Management has advised that Canaccord Genuity agreed to defer full repayment until the May 2019 placement proceeds were received by the Group.

4.5.5 Insolvent trading

Under the Act, a director is personally liable to the Group if the director fails to prevent the Group from incurring a debt when, at the time of incurring that debt, the Group is insolvent, or becomes insolvent by incurring the debt, and there existed reasonable grounds to suspect that the Group was or would become insolvent. This claim must be proven by the Liquidator against each individual director. Creditors should be aware that a successful claim for insolvent trading requires extensive analysis and would generally require legal action. Further, we would point out to creditors that such proceedings may often be drawn out and involve significant cost. Creditors should also be aware that any successful claim may be set-off by the directors against amounts due to that individual by way of unsecured advances or loan account.

It is crucial to note that, with the exception of unfair loans, in order for a Liquidator to be able to set aside a transaction or obtain compensation from a director for insolvent trading, the Liquidator must first be able to show that at a relevant point in time the Group was insolvent.

If a company is placed into liquidation, various provisions of the Act enable the liquidator to recover amounts from creditors (unfair preferences) or from directors of the company (for insolvent trading). Certain other transactions may be voidable if they occurred at a time the company was insolvent, or the company became insolvent because of entering into the transaction.

4.5.6 Results of investigations

As outlined in section 4.5, we have determined from our preliminary investigations that the Group may have been insolvent from June 2019.

Our preliminary calculations indicate that since early June 2019, the Group incurred further debts of circa \$43 million in unsecured trade creditors and employee entitlements, noting that certain of their debts related to pre-existing contractual arrangements.

Any claim for insolvent trading against the Directors of the Group, would need to be assessed on commercial grounds, including:

- Likelihood that pursuing a claim of insolvent trading would be successful, taking into account the defences likely available to directors
- Cost of litigation
- Likelihood of recovery against the directors of the Group.

4.5.7 Defences available to directors for insolvent trading

The Act provides a number of possible defences to directors to a claim for insolvent trading. These defences are:

- At the time the debt was incurred the directors had reasonable grounds to expect and did expect that the company was solvent and would remain solvent if it incurred that debt and any other debts that it had incurred at that time.

- At the time the debt was incurred the directors had reasonable grounds to believe and did believe that a competent and reliable person was responsible for providing information about the company's solvency and that person was fulfilling that responsibility.
- The Directors through illness or some other good reason were not taking part in the management of the company at the time the debt was incurred.
- The Directors took all reasonable steps to prevent the company from incurring the debt.

In our opinion, at the date of insolvency, the Directors may be able to rely on defences available under the Act. For the Directors to rely on defences, there should be reasonable grounds to expect the Group was solvent and would remain solvent if it incurred debts, subject to achieving support which included:

- Prospects of a change in trading conditions, including resolution of issues with the JBJ Offtake Agreements
- Prospects of securing additional financing facilities
- Prospects of completing a capital raising
- Exploration of solvent recapitalisation options for the Group which had a reasonable basis to expect proposals would be accepted and implemented, noting that there were continuing negotiations with a number of credible interested parties in proposing recapitalisation transactions which continued until shortly prior to our appointment as administrators.

4.5.8 Voidable transactions

Unfair preferences

If a company is placed into liquidation, various provisions of the Act enable the Liquidator to recover certain payments that were made by the Group to a creditor prior to the Group being placed into Voluntary Administration, referred to as unfair preferences. These are transactions where the payment results in a creditor receiving more than it would have received in the winding up of the Group. A liquidator is able to review transactions in the period six months prior to the appointment of administrators. A liquidator would therefore review the Group's transactions between 28 February 2019 and 28 August 2019 for unfair preferences.

In order to prove a creditor received an unfair preference payment, the liquidator must first show that the Group was insolvent at the time of the payment.

The creditor has a defence to an unfair preference claim by a liquidator if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the Group was insolvent or may become insolvent through entering into the transaction and valuable consideration was given, nor would a reasonable person in the creditor's position have suspected that the Group was insolvent or would become insolvent.

We are aware of the Group entering into one payment arrangement with Canaccord Genuity, for \$2,680,879 owed to Canaccord Genuity for advisory services relating to the merger in December 2018. Following negotiations with Canaccord Genuity, the Group made the following instalment payments:

- \$500,000 on 26 July 2019
- \$500,000 on 31 July 2019.

From our preliminary investigations, the above transactions were at a time when the Group may have been insolvent and it appears there would have been reasonable grounds for the creditor to suspect the Group was insolvent at the time of the transaction, given Canaccord Genuity was made aware of the Group's solvency issues when agreeing to receive payment via instalments.

Accordingly, our preliminary review of the Group's records indicates that there may be potential unfair preference payments in the amount of circa \$1.0 million, which may be recoverable under the Act.

Uncommercial transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a Liquidator:

- The transaction was entered into or given effect to within two years of the date of appointment of the Administrators.
- At the time the transaction was entered into, or when given effect to, the Group was insolvent or became insolvent as a result of the transaction.

- A reasonable person in the Group's circumstances would not have entered into the transaction having regard to the benefits and detriments to the Group in entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

From our preliminary investigations, we are not aware of any prospective uncommercial transactions entered into by the Group.

Unfair loans

Essentially, an unfair loan is a loan agreement where the interest or charges are considered to be extortionate. Unfair loans made to the Group any time prior to the appointment of the Administrators may potentially be overturned by a subsequently appointed Liquidator, whether or not the Group was insolvent at any time after the loan was entered into.

From our preliminary investigations, we are not aware of any prospective unfair loans entered into by the Group.

4.6 Offences by the directors under the Act

Section 438D of the Act requires an Administrator to lodge a report with ASIC if it appears that:

- a past or present officer, or member, of the Group may have been guilty of an offence in relation to the Group, or
- a person who has taken part in the formation, promotion, administration, management or winding up of the Group may have misapplied money or property of the Group or may have been guilty of negligence, default, breach of duty or trust in relation to the Group.

A summary of our investigations and potential offences are set out below, indicating whether, on the information available to us, further investigation may be warranted:

4.6.1 Care and diligence and duty to act in good faith

Sections 180 to 183 of the Act sets out the duties imposed on directors. These include:

- Section 180 – duty of care and diligence
- Section 181 – duty of good faith
- Section 182 – use of position, and
- Section 183 – use of information.

The duty to act in good faith includes the following:

- to act honestly
- to exercise powers in the interests of the company
- to avoid conflicts of interest
- to use their position properly
- to use information only for its proper purpose.

A summary of our preliminary investigations to date is as follows:

Table 4.6.1.1 – summary of potential offences

Allegation	Potential breach(es) of the Act	Substantiation
Breach of continuous disclosure requirements	s180-s183, s674, s1041H, s1308	We have not formed a definitive view on this point and make the following observations: • There were delays in shipments to JBJ due to an incident at its processing plant. As JBJ was Alita's primary offtake partner, a delay of shipments resulted in an immediate and significant reduction in revenue and working capital.

Allegation	Potential breach(es) of the Act	Substantiation
		• If not quickly resolved, the delay in shipments had the potential to impact Alita's ability to continue as a going concern. • The Group was notified of this incident by letter dated 23 May 2019. • On 25 July 2019 disclosure was made of the June 2019 quarter shipping volume and stockpile volumes. • In the period between 23 May 2019 and 25 July 2019 the Group engaged in ongoing discussions and negotiations with JBJ around the Offtake Agreement, the legitimacy of the Force Majeure claim, and alternative arrangements for acceptance of shipments. • To the extent inadequate disclosure constitutes misleading conduct, it may be a breach of section 1041H (civil) or section 1309 (criminal) of the Act.
Breach of directors' duties – Use of position – Use of information	s182 / s183	• Mark Turner's spouse, Joanne Turner, disposed of 500,000 shares for \$81,250 on 14 June 2019. The disposal of the shares was disclosed on 19 June 2019 by way of an ASX announcement. • The Turner Share Disposal took place after notice was given to Alita regarding the JBJ delays. • We are continuing to investigate the disposal.

4.6.2 Books and records

Failure to maintain adequate books and records may be relied upon by a liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Division 2 of Part 5.7B of the Act.

From our investigations to date, we consider that the Group has maintained books and records in accordance with the requirements of the Act.

4.7 Group directors' personal financial position

From our preliminary investigations of publicly available information, it appears that the Directors may have some assets that may be recovered if an insolvent trading claim was successfully pursued. However, given our view that the Directors may be entitled to rely on defences, we have not pursued this matter further.

4.8 Limitation of investigations

The preliminary opinion outlined above is based on investigations undertaken by our office into the Group's affairs, business and financial position. Our investigations have been based on the following information:

- Representations of directors of the Group including review of RoCAPs
- Representations of management, staff, suppliers, customers and other parties
- The details of the Group's assets and liabilities as established by our office
- The books and records of the Group, which have been written up to record transactions of the Group to 28 August 2019, which have been made available to us.

5 Recapitalisation process of the Group

After conducting a review of the options available to us, we commenced a process seeking expressions of interest to either purchase the assets of the Group or to recapitalise the Group via a DoCA.

5.1.1 Timeline

Detailed below is the timeline of key events:

Event	Date
Expressions of interest sought	8 October 2019
Confidentiality agreements issued	9 October 2019
Flyer available for distribution	9 October 2019
Data room opened	10 October 2019
First and final offers due	7 November 2019
Preferred bidder selected	15 November 2019
Finalise DoCA with preferred bidder	15 November 2019 to 29 November 2019
Second meeting of creditors	Week commencing 16 December 2019

5.1.2 Expressions of interest

On 8 October 2019 we issued a media release and announced to the ASX the commencement and details of the sale/recapitalisation process of the Group.

We had 14 inbound enquiries and conducted 9 outbound enquiries targeting a number of industry participants and other parties that we considered may be interested based on our experience and discussions with the Directors.

5.1.3 Interested parties' database

Parties who contacted us expressing interest in the business were provided with a sale process letter, a confidentiality deed, teaser documents and placed in an 'Interested Parties Database'. All registered parties were provided updates in relation to the sales process and on 10 October 2019, an online data room was made available.

We received over 20 Expressions of Interest, entered into 14 confidentiality agreements and provided access to an online data room to all parties who signed confidentiality agreements.

5.1.4 Online data room

An online data room facility was opened on 10 October 2019. This facility was essential due to the large number of interested parties (including domestic and international) and the volume of documentation interested parties would need to review. This facility provided a secure central hub to store and display all pertinent information relating to the sale of the business. In addition to providing due diligence information to interested parties, the data room also allowed us to track the number of interested parties utilising the data room to obtain specific due diligence information.

5.1.5 Site tours

We facilitated full day site tours with three interested party groups to allow them to inspect the mine, processing facilities, camp and other infrastructure.

5.1.6 Bids

We received two DoCA proposals from interested parties, as detailed in Section 5.1.7 of this report.

Parties who did not bid

We sought feedback from parties who elected not to continue in the process. Relevant comments included:

- Inability to secure financing to complete a transaction.
- Belief that the secured creditor wanted to own the asset and would block a competing DoCA.
- Concern for operations, uncertain outlook for the lithium industry and pricing.

5.1.7 Galaxy proposal

On 7 November 2019, we received an initial proposal from Galaxy for a DoCA with the following key provisions:

- The proposal was open for acceptance as the preferred DoCA proponent, until 14 November 2019



- Employee entitlements to be paid in full
- A fund of \$958,715 (estimated) from which creditors with admitted claims of less than \$50,000 would receive a distribution of up to 100c/\$
- No funds were available for creditors with admitted claims of more than \$50,000
- The funds were to be administered through a Creditors' Trust
- An application to be made pursuant to Section 444GA of the Act to transfer the shares in Alita to Galaxy.

Following negotiations with Galaxy, on 18 November 2019 we received a revised and final proposal from Galaxy for a DoCA with the following key provisions:

- The proposal was open for acceptance as preferred DoCA proponent, until 20 November 2019
- Employee entitlements to be paid in full
- A fund of up to \$1 million from which creditors with admitted claims of less than \$50,000 would receive a distribution of up to 100c/\$
- A fund of \$1.14 million (estimated) from which creditors with admitted claims of more than \$50,000 would receive a distribution. We calculate that this distribution would be in the order of 2 to 3 c/\$
- The funds were to be administered through a Creditors' Trust
- An application to be made pursuant to Section 444GA of the Act to transfer the shares in Alita to Galaxy.

The Galaxy proposal did not provide for a meaningful return for the majority (in value) of creditors, and on some scenarios would have resulted in an estimated lower return to certain classes of creditors than a liquidation of the Group.

We did not select Galaxy as the preferred DoCA proponent, and the proposal subsequently lapsed.



6 Proposed Deed of Company Arrangement

6.1 Overview

From the public recapitalisation process that was undertaken, we received two DoCA proposals:

- The Galaxy proposal as described above
- The CHEL/Liatam proposal.

6.2 DoCA/creditors' trust class structure

The DoCA/creditors' trust class structure was proposed by CHEL/Liatam. The class structure is set out below:

Class A Creditors	Those creditors with claims in respect of outstanding employee entitlements (excluding the Continuing Employees) and who would be priority creditors pursuant to sections 556 and 560 of the Act if the Companies were placed into liquidation. Employees are afforded priority under the Act for their entitlements.
Class B Creditors	Shire of Coolgardie – the Shire has lodged caveats over the Group's mining tenements, and requires payment in full to remove the caveats.
Class C Creditors	SMS Innovative Mining Pty Ltd, Primero Group Pty Ltd, Cape Crushing and Earthmoving Contractors Pty Ltd, and Qube Bulk Pty Ltd – these are the largest creditors of the Group, and are anticipated to be required in any restart of the operations.
Class D Creditors	Creditors with admitted claims not exceeding \$10,000 in aggregate each – these are the smallest creditors and expected to be least capable of absorbing a loss.
Class E Creditors	Creditors of the Group other than Class A, B, C, and D creditors – these are the balance of creditors, forming the middle strata of claims.

6.3 Key features of the CHEL/Liatam DoCA proposal

The proposal from Liatam is a result of negotiations between Liatam, CHEL and the Administrators of the Group. Key terms of the proposed DoCA are as follows:

- The structure is a single DoCA across the Group entities.
- An application pursuant to Section 444GA of the Act will be made to transfer the shares in Alita to Liatam.
- Two creditors' trusts will be established.
- The Administrators of the Group will be the Deed Administrators of the Deed of Company Arrangement, and thereafter trustees of the creditors trusts ('Trustees'). The Trustees' fees and expenses will be paid from the creditors trusts and they will be responsible for assessing and admitting the claims of the beneficiaries.
- The amount available to Creditors under the CHEL/Liatam DoCA, through a combination of cash contributions and provision of Group assets on the basis of secured creditor consent, is as follows:
 - payment of Administrators, Deed Administrators' fees and disbursements (excluding legal fees) to be capped at \$2,000,000
 - payment of the Administrators and Deed Administrators' legal fees (to be capped at \$600,000) and disbursements (to be capped at \$50,000) to be capped at \$650,000
 - Payment of the Administrators, Deed Administrators' costs and expenses of maintaining the Bald Hill Mine through to effectuation of the DoCA (separate to the funding to the creditors' trusts), estimated at \$1,765,024
 - recognition and preservation of the Continuing Employees' entitlements
 - To form the Stockpile Trust;
 - Payment of the Trustees' fees and costs, which are capped at \$100,000
 - either a portion of the proceeds of the sale of the Group's spodumene stockpile, or the stockpile itself, as determined by the Class C Creditors' Side Deed (discussed further below)
 - To form the Cash Trust, a cash contribution estimated at \$2,886,087 sufficient to:
 - Pay the Trustees' fees and costs, which are capped at \$175,000

- Pay creditors with claims in respect of employee entitlements in full (estimated at zero) (Class A Creditors)
- Pay the Shire of Coolgardie in full (estimated as \$200,000) (Class B Creditors)
- Pay those creditors with admitted claims not exceeding \$10,000 up to 100c/\$ (being an amount of \$336,879) (Class D Creditors)
- Pay those creditors with admitted claims greater than \$10,000 up to 10c/\$ (being an amount of \$2,174,208) (Class E Creditors)
- Unsecured creditors accept the terms of the DoCA in full and final satisfaction of their debts.
- The DoCA also incorporates the standard terms and provisions which are described in the Act and deal with the following:
 - Deed Administrators deemed agents of the Company
 - Powers of the Administrators
 - Termination of the DoCA where the arrangement fails
 - Priority of claims
 - Discharge of Debt
 - Claims extinguished
 - Bar to creditors' claims
 - Making claims
 - Meetings of creditors/beneficiaries
 - Committee of Inspection
 - Termination of DoCA where arrangement serves purpose.

6.4 Proposed Creditors' Trusts

6.4.1 Purpose of a creditors' trust

A creditors' trust is a mechanism for the distribution of a fund to creditors of a company or group of companies, which accelerates a company's exit from external administration. A trust is formed for the benefit of the relevant creditors, and the trust funds (usually contributed by the proponent of the DoCA) are paid to the trust for distribution to creditors in accordance with a trust deed.

A creditors' trust is an arrangement pursuant to the Trustees Act 1962 (WA) rather than the Act.

The CHEL/Liatam DoCA requires the use of creditors' trusts and the DoCA as proposed will not proceed without the creditors' trusts.

Under the DoCA, two creditors' trusts will be created:

- The Cash Trust will be created as soon as practicable (i.e. immediately) upon execution of the DoCA, is not subject to any conditions precedent and accordingly provides certainty as to likely returns being offered to Cash Trust Creditors.
- The Stockpile Trust, in respect of Class C creditors who will (subject to the Class C Creditors Side Agreement) receive an estimated return of c.10 - 37 c/\$ based on the sale of the Group's spodumene stockpiles. The Stockpile Trust is subject to a number of conditions, including completion of the DoCA. In addition to the conditions of the Stockpile Trust, the return to the Class C creditors is also subject to the sale of the Group's spodumene stockpiles, which will be impacted by market conditions. The terms of the Class C Creditors Side Agreement are still being negotiated between Liatam, the Administrators and the Class C creditors.

The reason for the Creditors' Trust structure will be to:

- provide for the creation of the Cash Trust, which allows for the Cash Trust Creditors' claims to be adjudicated immediately and the return to Cash Trust Creditors to be expedited
- allow the Group's business (with Liatam as the holding company) to exit insolvency and operate without the words 'Subject to Deed of Company Arrangement' after each companies' name.

We do not believe creditors will be prejudiced by using the Creditors' Trust. If anything, the creation of the Cash Trust as soon as practicable after the DoCA is executed gives increased certainty to Cash Trust Creditors, removes any credit or completion risk, and is likely to result in the dividends to Cash Trust Creditors being distributed much sooner.



In the case of the ongoing business, continued operation under 'Subject to Deed of Company Arrangement' may have the following impacts:

- Suppliers may have reservations about dealing with a company which is subject to a deed of company arrangement and this may impact the ability of the business to enter into long term agreements which are critical to ongoing operations
- International counterparties/customers may not understand the Australian insolvency regime and the implications of a deed of company arrangement
- There may be (as there often are) significant additional costs associated with compliance of a company subject to a deed of company arrangement.

There will not be any difference in the return to creditors or the timing of the distributions to creditors if the DoCA did not involve the Stockpile Trust, assuming the fund that would be available to pay creditors' claims was equivalent.

We consider that the work to be undertaken by the Trustees under the Trust Deeds, being to receive and adjudicate on creditor claims, and make payments in relation to creditor claims, would be equivalent under the DoCA.

We do not believe creditors will be prejudiced by the use of a creditors' trust, as:

- The DoCA and Creditors' Trusts result in a better return for creditors than would be possible under a liquidation.
- The terms of the DoCA and Creditors' Trusts protect the interests of creditors against the risk that can be associated with creditors' trusts. These risks are discussed in Section 6.4.4 of this report.

The involvement of a creditors' trust creates some complexity for the Administrators (who will be required to act in a trustee capacity) and for creditors. Although many of the operative provisions of the Act have been incorporated into the Trust Deed (so as to minimise the effect of the change in legal structure being utilised), creditors' rights under the Creditors' Trust will not be 'statutory rights' under the Act, but will instead be rights under the Trustees Act 1962 (WA) and in equity.

It is not anticipated that this will create any particular difficulties in this instance, as the objectives of the creditors' trusts are fairly straightforward, and it is not expected that the creditors' trusts will endure for an unduly long period of time. Further, the DoCA and creditors' trusts provide rights and processes that are at least as favourable to the beneficiaries as the processes and rights of creditors under the Act. However, creditors' rights are being fundamentally transformed and creditors should take this into account in assessing the merits of the DoCA proposal.

In Section 6.4.4 we have set out a list of the general risks the creditors' trusts may give rise to and our opinion on whether they are real risks in the context of the DoCA. Creditors should seek their own legal advice prior to the Second Meetings of Creditors if they are in any doubt as to what this means for them.

6.4.2 Creditors' Trusts overview

As noted above, the following two creditors' trusts will be created:

- The Cash Trust
- The Stockpile Trust.

Ongoing negotiations on the final terms of the Trust Deeds are continuing, and we do not expect changes to be material nor impact the estimated outcome for creditors. We expect to publish a draft of the Trust Deeds on or before Thursday, 12 December 2019 and in any event, before the Second Meetings of Creditors.

Creditors should seek legal advice prior to the Second Meetings of Creditors if they are in any doubt as to what the Creditors' Trust means for them.

Cash Trust creditors' trust

The DoCA proposes \$2,886,087 will be paid into the Cash Trust, for the benefit of the Cash Trust creditors (refer to section 6.6 and Appendix 7 for estimated outcomes). Distribution of funds from the Cash Trust is governed by the Cash Trust Creditors Trust Deed.

The cash contribution is not conditional and eliminates any credit or other risk to creditors around non-completion.

At the time the Cash Trust takes effect, the claims of Cash Trust creditors against the relevant Group companies will be extinguished in accordance with the terms of the DoCA, and Cash Trust creditors will instead have an equivalent claim against the Cash Trust Creditors' Trust as beneficiaries in accordance with the terms of the DoCA.

Stockpile Trust creditors' trust

The DoCA proposes that the Group's spodumene stockpiles be made available for sale, with the proceeds paid to the Stockpile Trust Creditors' Trust. The Stockpile Trust Creditors are estimated to receive return of c.10c/\$ - c. 37 c/\$.

The precise return to Stockpile Trust Creditors depends on a number of factors, including:

- When the spodumene stockpile is sold
- The price the spodumene stockpile is sold for
- Whether the DoCA completes.

If the stockpiles can't be sold within an agreed timeframe and the DoCA completes, the Stockpile Trust Creditors will receive a set quantity of spodumene stockpile in specie.

If the stockpiles can't be sold within an agreed timeframe and the DoCA does not complete, the Stockpile Trust Creditors will receive a dividend of c.10c/\$ funded by an additional cash contribution by CHEL/Liatam as required.

The arrangements with Class C creditors are also subject to the Class C Creditors Side Agreement, the terms of which are still being negotiated between the Administrators, Liatam and the Class C creditors.

Establishment of the Stockpile Trust is subject to the conditions precedent for the DoCA, including FIRB and Section 444GA approvals. At the time the Stockpile Trust Creditors' Trust takes effect, the claims of creditors against the relevant Group companies will be extinguished in accordance with the terms of the DoCA, and Stockpile Trust creditors will instead have an equivalent claim against the Stockpile Trust Creditors' Trust as beneficiaries in accordance with the terms of the DoCA.

6.4.3 Key aspects of the Creditors' Trust

We have set out below the key aspects and consideration for creditors relating to the Creditors' Trust. This information is consistent with the information required to be made available to creditors where a DoCA provides for the use of a creditors' trust, as detailed in ASIC Regulatory Guide 82, entitled 'External Administrations: Deeds of company arrangement involving a creditors' trust' (Reissued in December 2018). A copy of the guide can be downloaded from the ASIC website at www.asic.gov.au or is available from our office upon request.

As discussed, the creditors' trust structure does not in our view add any additional risk to creditors. In accordance with the ASIC guide, we set out below key information for creditors where a DoCA provides for the use of a creditors' trust.

Table 6.4.3.1 – Creditors' Trust information

Issue	Comments								
Reasons	The DoCA requires the use of creditors' trusts and that claims against the Group are extinguished and they become beneficiaries in one of the Creditors' Trusts. See also section 6.3.1 of this Report for further information regarding the reasons for and advantages of a creditors' trust.								
Key events – Cash Trust	Assuming approval by creditors of the CHEL/Liatam DoCA proposal, the following key events are expected (dates are estimates only):								
	<table> <tr> <th>Date (estimate)</th><th>Key event</th></tr> <tr> <td>17 December 2019</td><td>Execute the DoCA and Cash Trust Creditors' Trust Deed, open bank account for Cash Trust</td></tr> <tr> <td>18 December 2019</td><td>Transfer funds to Cash Trust, Cash Trust commences. Class A (not aware of any creditors), Class B, Class D and Class E claims against the Group will be extinguished and they will become beneficiaries of the Creditors' Trust.</td></tr> <tr> <td>Early 2020</td><td>Distribution made to Cash Trust beneficiaries, following adjudication by the Trustees on all claims submitted by creditors.</td></tr> </table>	Date (estimate)	Key event	17 December 2019	Execute the DoCA and Cash Trust Creditors' Trust Deed, open bank account for Cash Trust	18 December 2019	Transfer funds to Cash Trust, Cash Trust commences. Class A (not aware of any creditors), Class B, Class D and Class E claims against the Group will be extinguished and they will become beneficiaries of the Creditors' Trust.	Early 2020	Distribution made to Cash Trust beneficiaries, following adjudication by the Trustees on all claims submitted by creditors.
Date (estimate)	Key event								
17 December 2019	Execute the DoCA and Cash Trust Creditors' Trust Deed, open bank account for Cash Trust								
18 December 2019	Transfer funds to Cash Trust, Cash Trust commences. Class A (not aware of any creditors), Class B, Class D and Class E claims against the Group will be extinguished and they will become beneficiaries of the Creditors' Trust.								
Early 2020	Distribution made to Cash Trust beneficiaries, following adjudication by the Trustees on all claims submitted by creditors.								
	As the Cash Trust is not conditional on effectuation of the DOCA, any delay in the effectuation of the DoCA will not cause an equivalent delay in a distribution to Cash Trust creditors, as would be the case for the Stockpile Trust Creditors								

Issue	Comments
Key events – Stockpile Trust	Assuming approval by creditors of the CHEL/Liatam DoCA proposal, the following key events are expected. Given uncertainties around Court and ASIC availability over the Christmas/New Year period, we do not provide an estimate of timing: - Completion is to take place following satisfaction of FIRB approval any other conditions precedent, including the Section 444GA application being approved by the Court. At or around Completion: - The Deed Administrators receiving confirmation that the 444GA application has been approved by the court and Completion can proceed under the DoCA immediately followed by implementation of the 444GA process - Stockpile Trust Deed is executed - Deed Administrators transfer the Stockpile Trust Available Property, being cash or spodumene stockpile depending on the matters set out above 100% of the shares in Alita will be transferred to Liatam - Class C creditors' claims against the Group will be extinguished and they will become beneficiaries of the Stockpile Trust - Distribution made to Creditors' Trust beneficiaries, following adjudication by the Trustees on all claims submitted by creditors. Any delay in the effectuation of the DoCA and subsequently the receipt of stockpiles into the Stockpile Creditors' Trust by the Trustees will cause an equivalent delay in a distribution to creditors. In circumstances where completion cannot occur, either because: - The Court does not approve the 444GA application to transfer 100% of Alita shares to Liatam - FIRB approval not granted - Other conditions precedent unable to satisfied the DoCA provides that the Deed Administrators may convene a meeting of creditors and the creditors can vote on the future of the Group again.
Return to creditors	Refer to section 8 of this report.
Trustee particulars	The Trust Deeds provide that the Administrators/Deed Administrators will become the Trustees of each creditors' trust. The Administrators are registered liquidators and have the relevant skills and experience to perform the required duties and functions. The Administrators consider that there is no conflict of interest in them acting as trustees and that they have adequate civil liability insurance (including professional indemnity and fidelity) that will cover conduct by them in their capacity as trustee of the proposed trust. Full details of our experience, qualifications and credentials can be found at www.kordamentha.com or from this office upon request. ASIC will have certain supervisory powers (including the power to direct a registered liquidator to do certain things and disciplinary powers) under the IPS in relation to the conduct by the Trustees as they are registered liquidators.
Remuneration and expenses	The remuneration and expenses of the Deed Administrators and Trustees is discussed in Section 9.1 of this report and the Remuneration Report attached as Appendix 3. Remuneration and expenses are separately provided for by the DoCA, and our remuneration and legal costs are subject to a cap imposed by CHEL/Liatam. We do not consider that additional professional fees will be incurred because of the use of the Creditors' Trust, compared with the position if the Group remains subject to a DoCA. In a DoCA, the approval of the Deed Administrators' remuneration is subject to provisions of the IPS which require that the remuneration be agreed by the Committee of Inspection or approved by resolution of creditors or by the Court and which allow – where remuneration is agreed by the Committee of Inspection or approved by resolution of creditors – for a creditor (among other parties) to apply to the court to review the remuneration. On such an application, the Court must have regard to whether the Deed Administrators' remuneration is reasonable with regard to a list of specified criteria in IPS 60-12 and the Court can affirm, vary or set aside the Deed Administrators' remuneration. In a creditors' trust, there is no equivalent statutory procedure in the Trustees Act 1962 (WA) pursuant to which beneficiaries, the Committee of Inspection or the Court must agree or approve the Trustee's remuneration. A beneficiary can seek to review or challenge the Trustee's remuneration by application to the Supreme Court of Western Australia, including pursuant to Part 54 of the Uniform Civil Procedure Rules 2005.

Issue	Comments
Indemnities	The trust deeds provide that the Trustees are entitled to be indemnified out of the trust property for all actions, suits, proceedings, accounts, claims and demands arising out of or relating to the trust deeds which may be commenced, incurred by or made on the Trustees by any person and against all costs, charges and expenses incurred by the Trustees in respect of them, provided that the Trustees shall not be entitled to an indemnity in respect of any liabilities or demands to the extent that the indemnification contravenes the Act or the Trustee Act or if the Trustees, or any partner, employee, authorised agent or delegate of the Trustees have acted negligently, in breach of fiduciary duty or in breach of trust. Accordingly, fees and costs of the Trustees, and costs associated with any legal actions that are required to be defended or taken will be a cost of the respective Creditors' Trust. These fees and costs may diminish the return to creditors. Given the trustees' limited role (being to adjudicate claims and distribute the creditors' trusts) we do not envisage any material legal actions. The indemnity is continuing and takes effect from the commencement date of the DoCA. No other indemnity has been or is to be provided to the Trustees by any related or third party.
Powers	The Trustees will have all the powers of a natural person or a corporation in connection with the exercise of their rights and compliance with their obligations under the Creditors' Trusts. The Trustees may exercise their rights and comply with their obligations under the Creditors' Trusts in any manner they think fit. A deed administrator is governed by the Act whilst a trustee is governed by the Trust Deed and the Trustees Act 1962 (WA). The proposed role of the Trustees here is limited to calling for and adjudicating on claims and distributing the Creditors' Trust. The draft Trust Deed has incorporated powers in a similar form to those that are able to apply to a Deed Administrator of a DoCA. There are unlikely to be any deficiencies in the power of the Trustees to perform their limited functions, which may lead to applications to Court.
Claims	Refer to section 6.4.5
Other creditor/beneficiary differences	The Creditors' Trust means there are some differences for creditors compared to a DoCA, which include: • Any appeal to the Trustees' decision to reject a claim of a Participating Creditor must be made within 14 days of the Trustees giving notice of rejection, or such longer period as the Trustees permit. In a liquidation, the Act (Regulation 5.6.54(1)(b)(i)) stipulates that the appeal must be made within 14 days of the liquidator giving notice of rejection, or such longer period as the Court permits. • Beneficiaries of the Creditors' Trust do not have statutory powers to call creditor meetings like they do in a DoCA. However, the Trust Deed stipulates that the requirements of the Act, the IPS and the Rules relating to creditors' meetings, and the ability of the creditors to require a meeting to be held, will also apply to the Creditors' Trust. • Beneficiaries of the Creditors' Trust will have the same ability to complain about the conduct of the Trustees to ASIC as they would in a DoCA, as the Trustees are registered liquidators. We do not consider that these differences will have a material adverse effect on creditors.
Compliance opinion	Based on our own investigations, there is nothing to indicate that CHEL/Liatam will be unable to comply with their obligations under the DoCA. Importantly, creditors' claims against the Group are not extinguished until the funds/assets to satisfy claims are received by the respective creditors' trust.
Solvency statement	The terms of the proposed DoCA provide that, upon effectuation, all pre-appointment claims against the Group, other than the Excluded Creditors, will be extinguished in full.
Tax (company/trust)	The creation of a creditors' trust creates the potential for some taxation issues to arise, as compared to an ordinary DoCA proposal (where the claims of participating creditors are dealt with by the Group). These may mean that the funds available to creditors are reduced in order to account for any taxation liabilities associated with the administration of the distribution process under a trust structure. We do not expect that there will be any material changes to the funds available for distribution as a result of the Creditors' Trust structure, or that any taxation, capital gains or stamp duty liabilities will arise.
Tax (creditor/beneficiary)	There may be some implications for participating creditors as a result of receiving a distribution from a trust in respect of a bad or doubtful debt, rather than from the debtor company being administered under a DoCA. Creditors are advised to seek their own tax advice as to their particular tax position – the Administrators are unable to provide advice on this issue.
Other	No other material aspects or implications have been identified at this stage.

6.4.4 Risks of a Creditors' Trust

The potential risks and disadvantages of a creditors' trust compared to a company remaining subject to a DoCA are set out in the table below, along with the Administrators' views on their potential application for the Group. The Administrators note that the limited role of the Trustees under the Creditors' Trust is to adjudicate claims and distribute the Trust Funds. In those circumstances, and for the reasons set out below, the Administrators do not consider that any potential risks associated with the proposed Creditors' Trust will have a material adverse effect on creditors of the Group.

Risk	Administrators' comment
Creditors' claims against a company may be extinguished before the amount available for distribution to creditors has been ascertained.	The DoCA and Cash Trust stipulates a fixed amount to be made available for creditors of the Cash Trust, therefore this risk is not present in the proposal. For the Stockpile Trust, the assets available for creditors comprise assets of the Company to be contributed to the fund. The assets are in the control of the Deed Administrators.
Creditors' claims against a company may be extinguished before all or some of the trust funds are received by the trustee.	The DoCA provides that creditor claims are not extinguished and do not transfer to the respective trusts until the trust assets are transferred to the respective trust.
Creditors' claims against a company may be extinguished before creditors of the Group have received any payment in respect of outstanding debts.	Creditors' claims will be extinguished before any payment is made, however we do not believe this creates a significant risk for creditors given the total value of the Trust Funds will be fully paid before the DoCA is effectuated, and due to the terms of the Trust Deeds, which sets out the payment of funds from the Creditors' Trusts.
Creditors forgo their statutory rights to seek the assistance of the court including the right to seek orders to terminate or vary the DoCA and to appeal against the valuation of claim. The risks associated with this are greatest where the DoCA terminates and the creditors' trust commences immediately on execution of the DoCA.	In this case, the DoCA is likely to be on foot for at least three months whilst the conditions for completion are satisfied and any aggrieved creditor will have an opportunity to avail itself of these statutory rights during that period.
Creditors may agree to the DoCA proposal without being aware of the implications of a creditors' trust.	This report provides disclosure of material information about the DoCA and the Creditors' Trust, and copies of the draft DoCA and Trust Deeds will be published prior to the meeting.
The additional complexity of the legal and documentary arrangements needed to support the use of a creditors' trust under a DoCA.	The DoCA and Trust Deed have been prepared and reviewed by the Administrators and their advisers, and by the Purchaser and its advisers, all of whom have experience in dealing with DoCAs and creditors' trusts. We do not believe the complexity of documentary arrangements pose a risk to creditors.
The trustee's identity, skills, remuneration and insurance arrangements.	These factors are addressed in table 6.4.3.1 of this report. For the reasons set out, we do not believe the Trustees' identity, skills, remuneration and insurance arrangements pose a risk to creditors in this instance.
Non-uniformity of the State and Territory Trustee Acts governing trusts and trustees.	The Creditors' Trust will be governed by the Trustees Act 1962 (WA). We do not believe the application of this act poses any risk for creditors.
Differences in the ways trustees and registered liquidators are regulated and supervised which may cause potential difficulties for ASIC and creditors to monitor and enforce proper conduct of the trustee.	In a DoCA, creditors have the right to seek ASIC or court assistance under the Act. In a creditors' trust, the creditors (as beneficiaries) would not have those statutory rights and instead would have rights under the Trust Deeds, in law or in equity. However, as the proposed Trustees are registered liquidators, creditors will still be able to seek assistance from ASIC and the supervisory jurisdiction the court has over trustees. Accordingly, we do not believe this difference creates a material risk for creditors.

6.4.5 Claims in the Creditors' Trust

Participating creditors of the Creditors' Trusts will be those creditors who had a claim against one or more entities of the Group as at 28 August 2019, who seek to become beneficiaries under the Creditors' Trust, and whose proofs of debt have been admitted by the Trustees.

The Trust Deeds provide the Trustees will adjudicate upon proofs of debt received from creditors who seek to become beneficiaries under the respective Creditors' Trust. The Creditors' Trusts incorporate the relevant provisions of the Act to reflect the creditors' proof and dividend procedures under the Act, with certain modifications as are necessary, meaning proofs submitted by creditors will generally be adjudicated as if they were proofs submitted in a liquidation of the Group. The Trustees will also have access to the books and records of the Group necessary to determine claims.

6.5 Distribution of funds

We estimate that a distribution to beneficiaries of the Cash Trust may be made early in 2020, subject to adjudication of creditor claims received.

Timing for the distribution to beneficiaries of the Stockpile Trust is subject to completion of the conditions precedent of the DoCA, and sale of the stockpiles.

6.6 Estimated return to creditors from the DoCA proposal

The estimated return to creditors if the CHEL/Liatam DoCA is approved, is summarised below:

Class	Comprises	Amount (\$)	Count	Available funds (\$)	Est. return (c/\$)
A	Employees of the Group, other than Continuing Employees (no balance expected to be outstanding)	-	-	-	-
B	Shire of Coolgardie	200,000	1	200,000	100
C	Participating creditors	31,184,875	4	11,538,404	c. 10 to 37
D	<\$10k creditors	336,879	120	336,879	100
E	Others (>\$10k not class C)	21,742,081	93	2,174,208	10
Total		53,463,835	218	14,249,491	

7 Alternatives available to creditors

7.1 Explanation of alternatives available to creditors

It is our obligation to make a recommendation to creditors on which alternative is in the best interests of creditors. Our recommendation is based on what is in the best interests of creditors with regard to repaying their existing debts and must also ensure that those creditors who have an ongoing relationship with the Company are comfortable in their dealings with the Company.

We make the following general comments in respect to each option:

7.1.1 Deed of Company Arrangement

The DoCA proposed by CHEL/Liatam provides for a continuation of business and a superior return to creditors than liquidation.

The proposed DoCA will give a certain quantum of return to Cash Trust creditors in a limited timeframe, enabling an expedited return to creditors. The Stockpile Trust creditors are accepting a commercial risk in the structure however they also expect a superior return than liquidation. This return should also be expected in a shorter timeframe than liquidation.

7.1.2 Bringing the Administrations to an end

It is possible that creditors may consider ending the Administration and returning the Group to the existing directors. This is not a commercial proposition at this stage given the financial position of the Group and the professional assistance it requires to trade out of its difficulties. The Group's directors would resume control of the assets and be able to deal with them as they deem appropriate. This will not prevent creditors from initiating legal proceedings for the recovery of their debts or petitioning to the court to have the Company wound up at their own expense.

Should creditors resolve that the Administration be terminated, the Group will be placed in a similar position to that existing prior to our appointment as Administrators. It would still be insolvent.

7.1.3 Winding up the companies

At the Second Meeting of Creditors, creditors may resolve that any of the companies be wound up. Should they do so, that company will be placed into liquidation and the company is taken to have nominated us as the Administrators to be the liquidators, if the creditors do not nominate a person to be the liquidator. The liquidators are required to realise and distribute the assets in accordance with Section 556 of the Act (subject to Section 545 of the Act) and will also be required to complete a thorough investigation into the Company's past dealings and affairs, and the past actions of the directors.

The effects of the liquidation of the Group include:

1. the moratorium available under the Voluntary Administration process will cease
2. the Liquidators will be empowered to recover potential voidable transactions, as outlined in Section 4.5 of this report
3. the Liquidators will be required to conduct an investigation into the affairs of the Company pursuant to Section 533 of the Act and lodge a report with the ASIC in respect of the same.

Placing either company into liquidation will trigger repayment of the CHEL loan and will require the liquidators (or receivers if appointed) to sell the Group's assets. An asset sale, rather than a share sale, is a less satisfactory approach given certain licenses can't be transferred, and the tenements may be jeopardised by an extended sale timeframe. The estimated outcome to creditors in a liquidation scenario is, other than the 'high' scenario, less than under the Liatam DoCA proposal, and exposes creditors to market risk on sale of the asset. Therefore, we do not believe that it is in creditors' best interests to place the Group into liquidation.

7.2 Recommendation

It is our opinion that it would be in creditors interests for each company in the Group to execute the Liatam DoCA. It is not in creditors interests to wind up any company in the Group or to bring the Administration to an end. As detailed in the financial analysis of the alternatives (see Section 7.4), the DoCA will result in a better return to creditors than if any company in the Group was liquidated.

7.3 Reasons for recommendation

The reasons for our recommendation are as follows:

1. The return to creditors under the DoCA is higher and more certain in quantum and timing when compared to the likely outcome range in liquidation.
2. Liquidation recoveries are uncertain. The uncertainty of return, timing and costs in a liquidation will affect the estimated returns to creditors and may be lower than the position reflected in the analysis below. Investigations are at a preliminary stage and there can be no certainty that any of the potential actions and recoveries will be successful.
3. Liquidation will require a new funding line to repay the CHEL loan and fund the litigation for any potential recovery action. We have not investigated the funding options required to pursue any claim under a liquidation.
4. It is uncertain what value of realisations will be achieved in a liquidation, and based on the independent valuation received it will likely result in a lower return to unsecured creditors when compared to the proposed DoCA.
5. Bringing the administration to an end will return the companies to the control of the directors in circumstances which will not have materially changed from the point at which those same directors resolved to appoint voluntary administrators.

7.4 Financial analysis of alternatives

The range of estimated returns and timeframes for same are summarised below, and detailed in Appendix 7.



Table 7.4.1 – summary of estimated returns

Item	Outcome
Return – DoCA – Cash Trust beneficiaries	
Class A Employees of the Group, other than Continuing Employees (no balance expected to be outstanding)	100c/\$
Class B Shire of Coolgardie	100c/\$
Class D creditors (claims <\$10,000)	Up to 100c/\$
Class E creditors (claims >\$10,000)	Up to 10c/\$
Timing of distribution	April to June 2020
Return – DoCA – Stockpile Trust beneficiaries	
	c. 10 to 37c/\$
Timing of distribution	During 2020, subject to satisfaction of conditions precedent and sale of stockpile
Return – Liquidation high	29c/\$
Return – Liquidation mid	Nil
Return – Liquidation low	Nil
Timing of distribution	Q4 2020 plus

8 Estimated return to creditors

8.1 Amount

The estimated dividend to creditors under the proposed DoCA is set out below.

Table 8.1.1 – Estimated dividend

Class	Comprises	Amount (\$)	Count	Available funds (\$)	Est. return (c/\$)
A	Continuing Employees	-	-	-	-
B	Shire of Coolgardie	200,000	1	200,000	100
C	Participating creditors	31,184,875	4	11,538,404	c. 10 to 37
D	<\$10k creditors	336,879	120	336,879	100
E	Others (>\$10k not class C)	21,742,081	93	2,174,208	10
Total		53,688,168	218	14,249,491	

Further detail on the estimated return is set out in Section 6 and Appendix 7.

8.2 Timing

It is estimated that a first and final dividend to Cash Trust beneficiaries will be paid between April and June 2020.

9 Further matters for consideration at the meeting

9.1 Remuneration and disbursements

In accordance with Section 60-10 of Schedule 2 of the Act and Section 70-45 of the Rules, the remuneration report is attached as Appendix 3. The Alita Col and Lithco Col approved our actual and estimated remuneration for the period up to execution of the DoCA at meetings held on 5 December 2019.

For Tawana we are seeking approval of our actual and estimated remuneration for the period up to execution of the DoCA on a time basis in accordance with the schedule of KordaMentha rates provided in our remuneration report.

We are also seeking approval of our remuneration as Deed Administrators for each of the Group entities, if creditors approve the DoCA. Also included in the remuneration report are details in relation to disbursements. In accordance with Section 60-20 of Schedule 2 of the Act, as an Administrator is not entitled to a profit of advantage whether directly or indirectly, from the external administration unless approved by a resolution of the creditors or leave is given by the Court, approval of any internal disbursements will also be sought.

9.2 Committee of Inspection

The role of a Committee of Inspection is to consult with the deed administrators and receive reports on the conduct of the administration. A Committee of Inspection can also approve the deed administrators' fees.

Given the terms of the DoCA and Cash Trust provide that creditors' claims, other than Class C creditors, will be immediately transferred to the Cash Trust, realistically only Class C creditors could be a member of a Committee of Inspection for the DoCA.

It is our opinion that forming a Committee of Inspection would be useful to assist with the conduct of the DoCA. An information sheet on the role of a Committee of Inspection is enclosed at appendix 11. You should consider whether you would like to act as a member of the new Committee of Inspection.

10 Further information

ARITA provides information to assist creditors with understanding insolvency. This information is available from ARITA's website at www.arita.com.au.

ASIC provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at www.asic.gov.au/insolvencyinfosheets.

Creditors requiring further information regarding the administration can contact Matthew Thomson or Rance Clarke on +61 8 9220 9323 or by email at mthomson@kordamentha.com.

Dated: 9 December 2019



Richard Tucker
Administrator

Level 10
40 St Georges Terrace
Perth WA 6000



John Bumbak
Administrator

Enc.



Appendix 1 – Summary of receipts and payments

A summary of the receipts and payments for each company in the Group during the period 28 August 2019 to 4 December 2019 (inclusive of GST) is as follows.

Alita Resources Limited	\$
Opening Balance	-
Receipts	
Transfer from Receivers and Managers upon their retirement	102,301.00
Total receipts	102,301.00
Payments	
Petty cash	950.00
Total payments	950.00
Closing balance as at 4 December 2019	101,351.00

Lithco No.2 Pty Ltd	\$
Opening Balance	-
Receipts	
Transfer from Receivers and Managers upon their retirement	8,860,888.00
Total receipts	8,860,888.00
Closing balance as at 4 December 2019	8,860,888.00

Tawana Resources Pty Ltd	\$
Opening Balance	-
Receipts	
Transfer from Receivers and Managers upon their retirement	178,270
Total receipts	178,270
Closing balance as at 4 December 2019	178,270

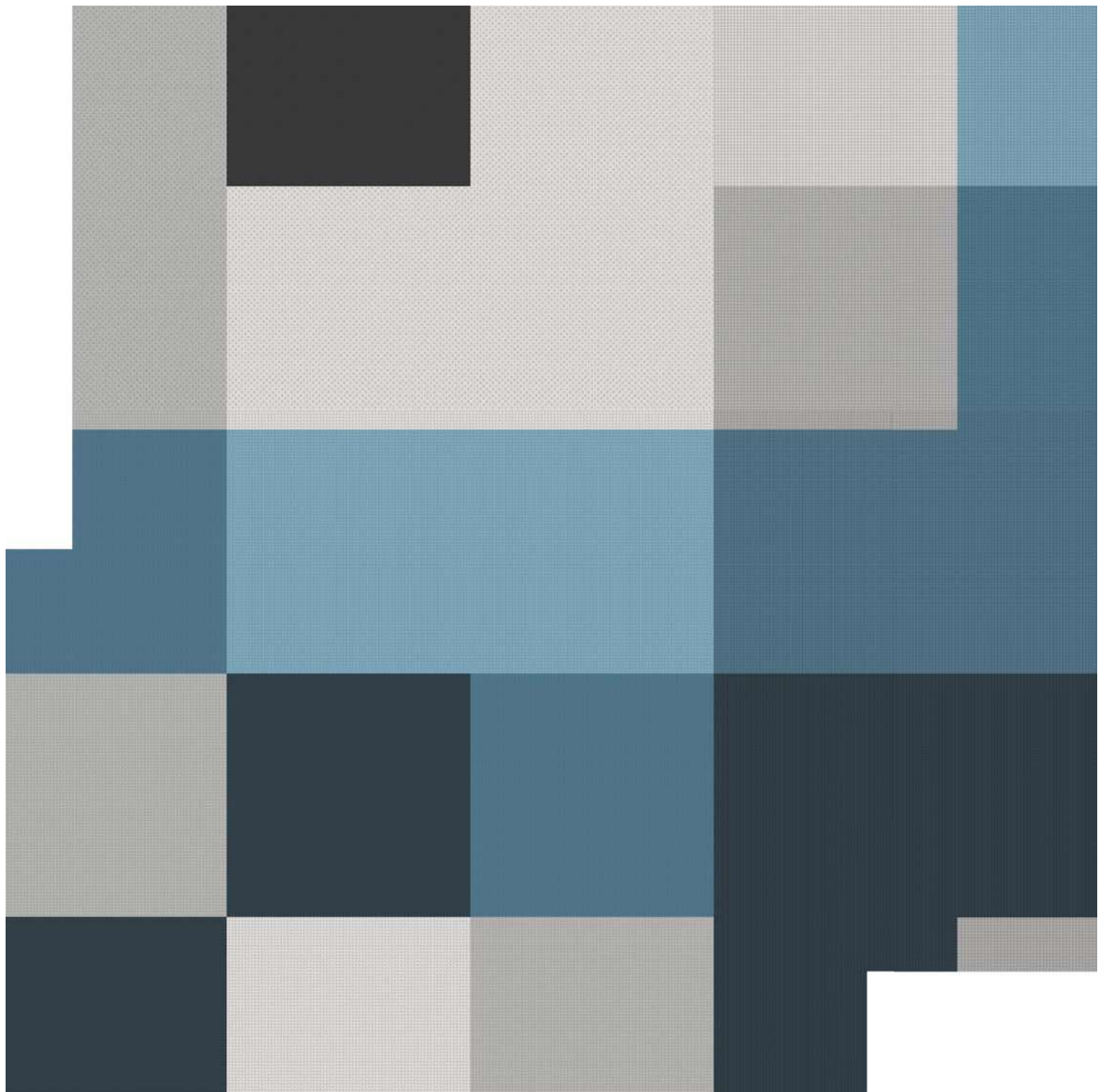
Appendix 2 – Motor Vehicle Search

The motor vehicle search revealed that companies within the Group are the registered owner of the following motor vehicles/assets in Western Australia:

Motor vehicle model	Registered owner	Additional notes
1995 Isuzu truck	Alita Resources Limited	De-licenced on 10 June 2019
2013 Isuzu D-Max	Alita Resources Limited	Retained
2014 Volkswagen Amarok	Alita Resources Limited	Retained
1999 Toyota LandCruiser	Alita Resources Limited	Disclaimed or sold
2017 Toyota Prado	Lithco No.2 Pty Ltd	Disclaimed or sold
2017 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2017 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2017 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2017 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2017 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2017 Toyota Landcruiser	Lithco No.2 Pty Ltd	Disclaimed or sold
2017 Toyota Landcruiser	Lithco No.2 Pty Ltd	Disclaimed or sold
2018 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2018 Toyota Commuter	Lithco No.2 Pty Ltd	Disclaimed or sold
2018 Toyota Landcruiser	Lithco No.2 Pty Ltd	Disclaimed or sold
2018 Toyota Landcruiser	Lithco No.2 Pty Ltd	Disclaimed or sold
2018 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2018 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2018 Toyota Hilux	Lithco No.2 Pty Ltd	Disclaimed or sold
2019 Toyota Landcruiser	Lithco No.2 Pty Ltd	Disclaimed or sold
2016 Coastal Machinery trailer	Tawana Resources Pty Ltd	Disclaimed or sold
2017 Toyota Landcruiser	Tawana Resources Pty Ltd	Disclaimed or sold
2018 Toyota Landcruiser	Tawana Resources Pty Ltd	Disclaimed or sold

Appendix 3 – Remuneration report





Alita Group

Alita Resources Limited ACN 147 393 735
Lithco No.2 Pty Ltd ACN 612 726 922
Tawana Resources Pty Ltd ACN 085 166 721
All (Administrators Appointed) ('the Companies')

Remuneration Approval Request

9 December 2019

KordaMentha

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1 Purpose of report

The purpose of this report is to provide you with the information you need to be able to make an informed decision regarding the approval of our remuneration, along with internal disbursements, for undertaking the voluntary administrations of:

- Alita Resources Limited (Administrators Appointed) (Receivers and Managers Appointed) ('Alita')
- Lithco No.2 Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) ('Lithco')
- Tawana Resources Pty Ltd (Administrators Appointed) ('Tawana') together, ('the Companies')

Meetings of creditors have been convened to approve the remuneration and internal disbursements incurred during the voluntary administrations.

Creditors should read this report and the other documentation that we have sent you, including the Voluntary Administrators' Report about the Companies' business, property, affairs and financial circumstances. You may then attend the meeting of creditors to cast your vote on the resolutions put to the meeting, including the remuneration and internal disbursement resolutions. Attending the meeting will also give you an opportunity to ask any questions that you may have.

Alternatively, you are able to appoint a representative to attend on your behalf by lodging a proxy form. Lodging a specific proxy form allows you to specify how your representative must vote. Lodging a general proxy form allows your representative to choose how your vote is exercised.

2 Second meetings of creditors

We advise that meetings of creditors convened pursuant to Section 75-10 of Schedule 2 of the Act will be held at the Duxton Hotel, 1 St Georges Terrace, Perth WA 6000, on Tuesday, 17 December 2019 at 10.00 am. Registration for the meeting will commence at 9.30 am. A Notice of Meetings is attached to this report at Appendix 17.

At this meeting, the Companies' creditors will have an opportunity to consider the progress of the voluntary administration and vote on the resolutions put to the meeting, including resolutions on remuneration and internal disbursements.

For creditors who are unable to attend the meeting, a dial in facility will be available to observe the meeting. Please note that due to the number of creditors who may dial into the meeting, it will not be possible to consider those creditors as attendees of the meeting and they will not be able to vote or participate in the meeting. If you wish to vote or participate, you must attend in person or by proxy.

2.1 Proxies and proofs of debt

To participate in the meeting, you will need to:

- Submit a proof of debt and information to substantiate your claim - those creditors who have already lodged a Proof of Debt are not required to lodge a further proof (unless they wish to amend their claim)
- Appoint a person – a 'proxy' or person authorised under a power of attorney – to vote on your behalf at a meeting. This will be necessary if you are unable to attend a meeting or if the creditor is a company.

These documents are enclosed with the Report to Creditors pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) 2016 ('the Rules'), dated 9 December 2019.

If you are representing a company, a Proxy Form must be completed and returned. Please ensure that your proxy is executed pursuant to Section 127 of the Act or your representative is appointed pursuant to Section 250D of the Act, otherwise you will not be entitled to vote at the meeting.

You can appoint the chairperson of the meeting or another person as your proxy and direct the chairperson or that person as to how you wish your vote to be cast. If you choose to do this, the chairperson or that person must cast your vote as directed.

Creditors should note that Proof of Debt Forms lodged for this meeting are for voting purposes only but may be used for voting on resolution proposals without a meeting and distribution purposes.

Proxy Forms and Proof of Debt Forms must be received no later than 4.00 pm on the last business day prior to the meeting, being 16 December 2019, failing which creditors or their proxies may be excluded from voting at the meeting. They may be mailed to KordaMentha, PO Box 3185, East Perth WA 6892, faxed to (08) 9220 9399 or scanned and emailed to alita@kordamentha.com.

General information, regarding the conduct of meetings of creditors, the completion of proxy forms and proof of debt forms and how to provide or update your details, can be found on the KordaMentha website <http://www.kordamentha.com/creditors> in the [Creditors section](#).

Section 600G of the Act permits electronic notification to creditors of certain notices or documents. If you would like to nominate to receive electronic notification, please complete the relevant section on the Proof of Debt Form.

3 Remuneration and internal disbursements

In accordance with Section 60-10 of Schedule 2 of the Act, Section 60-20 of Schedule 2 of the Act and the Australian Restructuring Insolvency and Turnaround Association's ('ARITA') Code of Professional Practice, we provide the following information in respect of the Voluntary Administrators' remuneration and internal disbursements for the period from Wednesday, 28 August 2019 to 24 November 2019 and for future remuneration from this date, including for a potential subsequent appointment as Deed Administrators.

Our remuneration and internal disbursements for the voluntary administrations of Alita and Lithco for the period 28 August 2019 to the execution of the Deed of Company Arrangement ('DOCA') has been previously approved by the respective Committees of Inspection.

In the voluntary administrations, we are seeking approval of our remuneration on a time basis and internal disbursements in accordance with the schedule at Appendix 1.

The following information is provided to assist creditors in considering the appropriateness of the remuneration and internal disbursements claims that are being made. Your approval of this remuneration and internal disbursements will be sought at the meetings of creditors to be held on 17 December 2019.

Remuneration currently claimed is summarised below:

Period of remuneration – Alita	Amount (\$ excl. GST)	Appendix reference
Current claim if a DOCA is approved:		
Resolution 1: from the execution of the DOCA to the effectuation or termination of the DOCA	188,396	3
Total remuneration Deed Administration	188,396	
Remuneration previously approved:		
Voluntary administration period:		
Wednesday, 28 August 2019 to 24 November 2019	256,165	
25 November 2019 to the execution of the DOCA	198,180	
Total remuneration previously approved	454,345	

Period of remuneration – Lithco	Amount (\$ excl. GST)	Appendix reference
Current claim if a Deed of Company Arrangement ('DOCA') is approved:		
Resolution 1: from the execution of the DOCA to the effectuation or termination of the DOCA	232,306	5
Total remuneration Deed Administration	232,306	
Remuneration previously approved:		
Voluntary administration period:		
Wednesday, 28 August 2019 to 24 November 2019	315,870	
25 November 2019 to the execution of the DOCA	244,371	
Total remuneration previously approved	560,241	

Period of remuneration – Tawana	Amount (\$ excl. GST)	Appendix reference
Current remuneration claim:		
Voluntary administration period:		
Resolution 1: Wednesday, 28 August 2019 to 24 November 2019	210,820	7
Resolution 2: 25 November 2019 to the execution of the DOCA	165,074	9
Total remuneration Voluntary Administration	375,894	
If a Deed of Company Arrangement ('DOCA') is approved:		
Resolution 3: from the execution of the DOCA to the effectuation or termination of the DOCA	155,047	10
Total remuneration Deed Administration	155,047	
Remuneration previously approved:		
Nil	Nil	

Internal disbursements currently claimed are summarised below:

Period of internal disbursements - Alita	Amount (\$ excl. GST)	Appendix reference
Current internal disbursements claim:		
If a DOCA is approved:		
Resolution 2: from the execution of the DOCA to the effectuation or termination of the DOCA	3,000.00	4
Internal disbursements previously approved:		
Wednesday, 28 August 2019 to 24 November 2019	511.89	
25 November 2019 to the execution of the DOCA	2,000.00	
Total internal disbursements previously approved	2,511.89	
Total internal disbursements claimed and approved if a DOCA is approved	5,511.89	

Period of internal disbursements - Lithco	Amount (ex GST)	Appendix reference
Current internal disbursements claim:		
If a DOCA is approved:		
Resolution 2: from the execution of the DOCA to the effectuation or termination of the DOCA	3,000.00	6
Internal disbursements previously approved:		
Wednesday, 28 August 2019 to 24 November 2019	382.92	
25 November 2019 to the execution of the DOCA	2,000.00	
Total internal disbursements previously approved	2,382.92	
Total internal disbursements claimed and approved if a DOCA is approved	5,382.92	

Period of internal disbursements - Tawana	Amount (\$ excl. GST)	Appendix reference
Current internal disbursements claim:		
Voluntary administration period:		
Resolution 4: Wednesday, 28 August 2019 to 24 November 2019	383.92	11
Resolution 5: 25 November 2019 to the execution of the DOCA	2,000.00	12
If a DOCA is approved:		
Resolution 6: from the execution of the DOCA to the effectuation or termination of the DOCA	3,000.00	13
Internal disbursements previously approved:		
Nil		Nil
Total internal disbursements claimed and approved if a DOCA is approved	5,383.92	

3.1 Declaration

We, Richard Tucker and John Bumbak of KordaMentha, have undertaken a proper assessment of this remuneration claim for our appointment as Voluntary Administrators and potential appointment as Deed Administrators of the Companies in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

4 Remuneration summary

4.1 Remuneration claim resolutions

Approval for the future remuneration sought is based on our best estimate of the work necessary to be completed and we do not anticipate that we will have to ask for approval of any further remuneration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors. If that is the case, we will provide a further remuneration report on the time spent and tasks undertaken, along with a general report on the progress of the voluntary administrations. Matters that may affect the progress of the voluntary administration and increase the remuneration incurred include:

- unforeseen issues arising from refinancing of Galaxy Resources Limited loan facility
- additional creditor adjudication requirements
- additional legal requirements

A summary of remuneration and internal disbursements sought to be approved by individual companies can be found in Appendix 2.

4.2 Remuneration reconciliation

In our initial remuneration notice, we provided an estimate of total remuneration for the Voluntary Administrations of the Group, to be in a range of \$350,000 to \$500,000 (excluding GST), funds permitting.

Our initial estimate was on expectations that:

- the Voluntary Administration would be completed in an expedited timeline
- no extensive DoCA process would be required
- without contemplating the significant workstreams required to repay Galaxy in order to give every opportunity improve the outcome for creditors.

We now estimate total remuneration for the Voluntary Administrations and potential subsequent appointment as Deed Administrators to be approximately \$1,966,230 (excluding GST), funds permitting.

4.3 Remuneration recoverable from external sources

We advise that we have not received any indemnity, guarantee or contribution from a member, director or any other party related to the Companies for our fees and expenses. We advise that we have not received funding from any other source.

5 Disbursements

5.1 Declaration

We, Richard Tucker and John Bumbak of KordaMentha, have undertaken a proper assessment of disbursements claimed for our appointment as Voluntary Administrators and potential appointment as Deed Administrators of the Companies in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.

5.2 Disbursements summary

Disbursements are divided into three categories:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional disbursements – these are recovered at cost. Examples of externally provided professional service disbursements are travel, accommodation, search fees and lodgement fees.
- Internal disbursements – these are recovered on a reasonable commercial basis. These disbursements are generally charged a cost, though some may be charged at a rate which recoups both variable and fixed costs. Examples of internal disbursements include printing and postage costs, ASIC charges for appointments and notifiable events, staff travel allowance, staff per diems and data room hosting.

Details of the KordaMentha disbursement policy are included with the enclosed schedule at Appendix 1. The internal disbursements claims have been, and future internal disbursements will be, calculated at the rates as set out in this schedule. We will be seeking creditor approval to pay our internal disbursements.

5.2.1 External disbursements

We are not required to seek creditor approval for externally provided disbursements, but must account to creditors disbursements that have been paid or incurred. Disbursements incurred for Tawana for the period 28 August 2019 to 24 November 2019 are detailed in Appendix 14. Where amounts have been paid to KordaMentha from funds in the administrations of the Companies for externally provided goods or services, these are reimbursements to KordaMentha for amounts paid by KordaMentha either because KordaMentha was invoiced directly or because funds were not available at the time in the administrations.

5.2.2 Internal disbursements

Approval for the future internal disbursements sought is based on our best estimate of the internal disbursements necessary to be incurred. Should additional internal disbursements be necessary beyond what is contemplated, further approval may be sought from creditors.

Please refer to the appendices for full details of the calculation and composition of the internal disbursements approval sought.

6 Likely impact on creditors

Section 556 of the Act specifies the order of priority that debts are to be paid from the realised assets of a company. An external administrator's remuneration and internal disbursements are paid prior to any dividend distribution to creditors. Any dividend payable to creditors will ultimately be impacted by the realisations achieved in the voluntary administration and the value of creditor claims admitted to participate in any dividend.

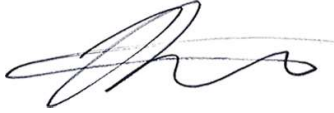
7 Contact details and further information

You can access information which may assist you on the following websites:

- ARTIA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for 'insolvency information sheets')

If you have any queries or need any assistance with understanding the materials we have sent you, please contact Rance Clarke on (08) 9220 9351 or by email at rclarke@kordamentha.com.

Dated: Monday, 9 December 2019



Richard Tucker
Voluntary Administrator

Level 10
40 St Georges Terrace
Perth WA 6000



Appendix 1 – Schedule of KordaMentha rates



KordaMentha rates

National

Applicable from 1 July 2019

FY 2020

Classification	\$ per hour*
Principal Appointee/Partner/Executive Director	725
Director	675
Associate Director 1	625
Associate Director 2	575
Manager	525
Senior Executive Analyst	475
Executive Analyst	425
Senior Business Analyst	375
Business Analyst	325
Administration	150

**Exclusive of GST*



KordaMentha disbursement policy

Disbursements incurred from third party suppliers are charged at the cost invoiced. KordaMentha does not add any margin to disbursements incurred through third parties.

There are no charges for internal KordaMentha disbursements, such as internal photocopy use, telephone calls or facsimiles, except for bulk printing and postage that is performed internally, which are calculated on a variable cost recovery basis.

In relation to any employee allowances, being kilometre allowance and reasonable travel allowance, the rate of the allowance set by KordaMentha is at or below the rate set by the Australian Taxation Office.

If a KordaMentha data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room.

Certain services provided by Forensic Technology may require the processing of electronically stored information into specialist review platforms. Where these specific Forensic Technology resources are utilised, the fee will be based on units (e.g. number of laptops), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting).

GST is applied to disbursements as required by law.

KordaMentha disbursement internal rates and allowances

Description	Charge*
Photocopying, printing (general)	\$0.06 per page
Envelopes and postage (varies due to size and weight)	\$1.59 to \$6.02 per envelope
ASIC charges for appointments and notifiable events	These amounts will be charged at cost, if known at the time it is charged, or at an estimated amount, if known at the time it is charged, or at the last issued estimated amount or actual cost, as advised by ASIC. The current actual cost and estimated cost amounts are as detailed below: \$77 per appointee or notifiable event for FY18 at cost – advised by ASIC Jan 19 \$83 per appointee or notifiable event for FY19 or FY20 at estimated amount – advised by ASIC Jun 19
Travel Reimbursement	\$0.60 per kilometre
Meal per diem, etc.	Up to \$92.70 per day per staff member (unless other arrangements made)
RelativityOne fee	User licence fees (including analytics) \$150 per user per month
	Data hosting \$22.50 per GB per month
	Repository workspace \$7.50 per GB per month
	Cold storage \$5.65 per GB per month
	<i>Note: only one of Data hosting, Repository workspace or Cold storage cost will be charged at any one time</i>
Dataroom fee (varies based on MB size)	0–300 MB \$1,000 per month
	300–1000 MB \$1,000 + \$2.50/MB per month
	1000–5000 MB \$2,750 + \$1.25/MB per month
	5000+ MB \$7,750 + \$0.60/MB per month

**Exclusive of GST, reviewed annually on 1 July. Dataroom rates applicable at the time of establishment are fixed for the duration of the dataroom. If lower rates are negotiated, then they will apply to datarooms established from that point in time.*



KordaMentha classifications

Classification	Guide to level of experience
Principal Appointee/Partner/ Executive Director	Registered/Official Liquidator/Trustee, his or her Partners. Specialist skills brought to the administration. Generally in excess of 10 years' experience.
Director	More than eight years' experience and more than three years as a Manager. Answerable to the appointee, but otherwise responsible for all aspects of an administration. Controls staffing and their training.
Associate Director 1	Six to eight years' experience with well developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Associate Director 2	Five to seven years' experience with well developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Manager	Four to six years' experience. Will have had conduct of minor administrations and experience in control of one to three staff. Assists with the planning control of medium to large administrations.
Senior Executive Analyst	Three to four years' experience. Assists planning and control of small to medium administrations as well as performing some of the more difficult tasks on larger administrations.
Executive Analyst	Two to three years' experience. Required to control the tasks on small administrations and is responsible for assisting tasks on medium to large administrations.
Senior Business Analyst	Graduate with one to two years' experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Business Analyst	Undergraduate or graduate with up to one year experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Administration	Appropriate skills, including books and records management and accounts processing particular to the administration.



Appendix 2 – Summary of remuneration by company

Remuneration

Company	Period 28 August 2019 to 24 November 2019 (\$ excl. GST)	Period 25 November 2019 to execution of the DOCA (\$ excl. GST)	Period from execution of the DOCA to effectuation or termination of the DOCA (\$ excl. GST)
Alita	256,165	198,180	188,396
Lithco	315,870	244,371	232,306
Tawana	210,820	165,074	155,047
Total	782,855	607,625	575,750

Internal disbursements

Company	Period 28 August 2019 to 24 November 2019 (\$ ex GST)	Period 25 November 2019 to execution of the DOCA (\$ ex GST)	Period from execution of the DOCA to effectuation or termination of the DOCA (\$ excl. GST)
Alita	511.89	2,000.00	3,000.00
Lithco	383.92	2,000.00	3,000.00
Tawana	383.92	2,000.00	3,000.00
Total	1,279.73	6,000.00	9,000.00

Appendix 3 – Alita Resolution 1 (if DOCA approved)

Calculation of estimated fees

The basis of calculating the remuneration claim is summarised in the table below. This table sets out the expected remuneration for each major task area likely to be performed by the Administrators and KordaMentha staff during the DOCA period from the execution of the DOCA to the effectuation or termination of the DOCA, which is the basis of Resolution 1. More detailed descriptions of the major tasks likely to be performed, matching the amounts in this table, are included in this appendix.

	Task areas						
	Total (\$ excl. GST)	Assets (\$ excl. GST)	Creditors (\$ excl. GST)	Employees (\$ excl. GST)	Statutory compliance (\$ excl. GST)	Trading (\$ excl. GST)	Administration and risk mitigation (\$ excl. GST)
Estimated total	188,396	21,902	36,581	4,383	30,639	21,148	73,734

Summary of future tasks to be undertaken

Detailed below is a summary of work expected to be undertaken by task area for the DOCA period from the execution of the DOCA to the effectuation or termination of the DOCA (if applicable).

Task area	General description	Details of tasks
Assets 37.3 hours \$21,902	Sale of business as a going concern	- Correspondence with DOCA proponent re preserving assets - Completion of DOCA - Post completion issues
Creditors 62.3 hours \$36,581	Creditor enquiries, requests and directions	- Receive and follow up creditor enquiries - Correspondence to creditors via mail, email and telephone
	Shareholders	- Correspondence and discussions with shareholders - Declaration of share value
	Proofs of debts	- Receipt of proofs of debt - Maintenance of proof of debt register - Correspondence with ATO re proofs of debt - Adjudication of proofs of debt - Request further substantiation - Correspondence re outcome of adjudication
	Dividend distribution	- Correspondence re intention to declare dividend - Compliance with regulations re distributions - Obtain clearance from ATO for distribution - Preparation of dividend, including calculation and payment - Correspondence re dividend declaration
Employees 7.5 hours \$4,383	Other employee issues	- Correspondence with employees - Correspondence with Centrelink, Child Support and other bodies - Correspondence with ATO and state revenue offices
Statutory compliance 52.2 hours \$30,639	ASIC	- Preparing and lodging minutes of meeting of committee of inspection - Finalising ASIC supplementary report - Corresponding with ASIC on an ongoing basis

Task area	General description	Details of tasks
	ATO and other statutory reporting	- Corresponding with ATO and other relevant bodies - Preparing and lodging Business Activity Statements
	Directors	Correspondence and meetings with directors
	Meeting of creditors	- Preparation of meeting notices, proxies and advertisements - Correspondence to creditors, including mail distribution - Preparation of meeting documents, including agenda, attendance register, list of creditors etc. - Preparation and lodgement of minutes of meeting with ASIC
	Committee of inspection	- Preparation for committee meeting(s) - Preparation and lodgement of minutes of meeting with ASIC
	Investigation	- Review of specific transactions and liaising with directors re transactions - Review of investigation file - Preparation of statutory investigation report and lodgement with ASIC - Preparation and lodgement of any supplementary report - Liaising with ASIC
	Examinations	- Preparation of brief for solicitor - Liaising with solicitor re examinations - Attendance at examination - Review of examination transcripts - Liaising with solicitor re outcome of examinations and further actions available
	Ceasing to act	- Notification to ASIC - Notification to ATO, including cancellation of registrations
Trading 36.0 hours \$21,148	Trade on management	- Liaising with suppliers, management and employees - Continue to manage care and maintenance - Processing receipts and payments - Handover control at effectuation of DOCA
Administration and risk mitigation 125.5 hours \$73,734	Planning/review	- Engagement planning - Discussions re status of administration, strategy and outstanding issues
	Document maintenance, file review, checklist	- Filing of documents - Update of work programs - File review
	Bank account administration	- Closing accounts - Preparation of transactions - Bank account reconciliations
	Remuneration	- Recording of time, including details - Preparation of remuneration schedules - Invoice preparation
	Media	- Preparation of media releases - Respond to media requests



Task area	General description	Details of tasks
	Finalisation	• Notification to creditors of finalisation • Completion of checklists



Appendix 4 – Alita Resolution 2 (if DOCA approved)

Calculation of internal disbursements

The basis of calculating the estimated future internal disbursements claim is summarised in the table below. This table sets out the basis of the amount charged for each type of internal disbursement for the period from the execution of the DOCA to the effectuation or termination of the DOCA, which is the basis of Resolution 2.

Resolution 2: Estimated internal disbursements estimated for the period from the execution of the DOCA to the effectuation or termination of the DOCA	Basis	Estimate \$ (excluding GST)
Internal disbursements		
Meal per diem etc.	up to \$92.07 per day	3,000
Total – Internal disbursements for Resolution 2		3,000

Appendix 5 – Lithco Resolution 1 (if DOCA approved)

Calculation of estimated fees

The basis of calculating the remuneration claim is summarised in the table below. This table sets out the expected remuneration for each major task area likely to be performed by the Administrators and KordaMentha staff during the DOCA period from the execution of the DOCA to the effectuation or termination of the DOCA, which is the basis of Resolution 1. More detailed descriptions of the major tasks likely to be performed, matching the amounts in this table, are included in this appendix.

	Task areas						
	Total (\$ excl. GST)	Assets (\$ excl. GST)	Creditors (\$ excl. GST)	Employees (\$ excl. GST)	Statutory compliance (\$ excl. GST)	Trading (\$ excl. GST)	Administration and risk mitigation (\$ excl. GST)
Estimated total	232,306	25,868	62,682	4,223	31,194	42,160	66,179

Summary of future tasks to be undertaken

Detailed below is a summary of work expected to be undertaken by task area for the DOCA period from the execution of the DOCA to the effectuation or termination of the DOCA (if applicable).

Task area	General description	Details of tasks
Assets 44.0 hours \$25,868	Sale of business as a going concern	- Correspondence with DOCA proponent re preserving assets - Completion of DOCA - Post completion issues
Creditors 106.7 hours \$62,682	Creditor enquiries, requests and directions	- Receive and follow up creditor enquiries - Correspondence to creditors via mail, email and telephone
	Shareholders	- Correspondence and discussions with shareholders - Declaration of share value
	Proofs of debts	- Receipt of proofs of debt - Maintenance of proof of debt register - Correspondence with ATO re proofs of debt - Adjudication of proofs of debt - Request further substantiation - Correspondence re outcome of adjudication
	Dividend distribution	- Correspondence re intention to declare dividend - Compliance with regulations re distributions - Obtain clearance from ATO for distribution - Preparation of dividend, including calculation and payment - Correspondence re dividend declaration
Employees 7.2 hours \$4,223	Other employee issues	- Correspondence with employees - Correspondence with Centrelink, Child Support and other bodies - Correspondence with ATO and state revenue offices
Statutory compliance 53.1 hours \$31,194	ASIC	- Preparing and lodging minutes of meeting of committee of inspection - Finalising ASIC supplementary report - Corresponding with ASIC on an ongoing basis

Task area	General description	Details of tasks
	ATO and other statutory reporting	- Corresponding with ATO and other relevant bodies - Preparing and lodging Business Activity Statements
	Directors	Correspondence and meetings with directors
	Meeting of creditors	- Preparation of meeting notices, proxies and advertisements - Correspondence to creditors, including mail distribution - Preparation of meeting documents, including agenda, attendance register, list of creditors etc. - Preparation and lodgement of minutes of meeting with ASIC
	Investigation	- Review of specific transactions and liaising with directors re transactions - Review of investigation file - Preparation of statutory investigation report and lodgement with ASIC - Preparation and lodgement of any supplementary report - Liaising with ASIC
	Examinations	- Preparation of brief for solicitor - Liaising with solicitor re examinations - Attendance at examination - Review of examination transcripts - Liaising with solicitor re outcome of examinations and further actions available
	Ceasing to act	- Notification to ASIC - Notification to ATO, including cancellation of registrations
Trading 71.8 hours \$42,160	Trade on management	- Liaising with suppliers, management and employees - Continue to manage care and maintenance - Handover control at effectuation of DOCA
Administration and risk mitigation 112.6 hours \$66,179	Planning/review	- Engagement planning - Discussions re status of administration, strategy and outstanding issues
	Document maintenance, file review, checklist	- Filing of documents - Update of work programs - File review
	Bank account administration	- Closing accounts - Preparation of transactions - Bank account reconciliations
	Remuneration	- Recording of time, including details - Preparation of remuneration schedules - Invoice preparation
	Media	- Preparation of media releases - Respond to media requests
	Finalisation	- Notification to creditors of finalisation - Completion of checklists
	Planning/review	- Engagement planning - Discussions re status of administration, strategy and outstanding issues



Appendix 6 – Lithco Resolution 2 (if DOCA approved)

Calculation of internal disbursements

The basis of calculating the estimated future internal disbursements claim is summarised in the table below. This table sets out the basis of the amount charged for each type of internal disbursement for the period from the execution of the DOCA to the effectuation or termination of the DOCA, which is the basis of Resolution 2.

Resolution 2: Estimated internal disbursements estimated for the period from the execution of the DOCA to the effectuation or termination of the DOCA	Basis	Estimate \$ (excluding GST)
Internal disbursements		
Meal per diem etc.	up to \$92.07 per day	3,000
Total – Internal disbursements for Resolution 2		3,000

Appendix 7 – Tawana Resolution 1

Calculation of actual fees

The basis of calculating the remuneration claim is summarised in the table in this appendix. This table sets out the time charged to each major task area by staff members working on the voluntary administration for the period 28 August 2019 to 24 November 2019 and the remuneration associated with that time, which is the basis of Resolution 1. More detailed descriptions of the major tasks performed and the costs associated with each of those major tasks areas, matching the amounts in this table, are also included in the appendix.

	Task areas					
	Total (\$ excl. GST)	Assets (\$ excl. GST)	Creditors (\$ excl. GST)	Statutory compliance (\$ excl. GST)	Trading (\$ excl. GST)	Administration and risk mitigation (\$ excl. GST)
Actual total	210,820	32,453	38,698	34,085	20,720	84,865

Summary of work completed

Detailed below is a summary of work completed by task area for the voluntary administration period from 28 August 2019 to 24 November 2019.

Task area	General description	Details of tasks
Assets 58.7 hours \$32,453	Sale of business as a going concern	• Organise and review valuations of business assets • Preparation of information memorandum • Establishment of data room • Liaising with interested parties • Assessment of DOCA proposals • Negotiation with DOCA proponents • Liaising with valuers • Liaising with interested parties
	Plant and equipment	• Secure plant and equipment at mine site and head office upon appointment • Liaising with valuers and interested parties
	Real property	• Site investigation upon appointment • Undertake searches of real property owned by Alita
	Assets subject to specific charges	• Liaising with security interest holders • Assessment of equity
	Stock	• Valuation of stockpiles • Liaising with Receivers and Managers regarding sale of stock
	Intangible assets	• Review of intangible assets
	Leased assets	• Review PPSR search and security documents • Liaising with owners/lessors • Assessment of equity • Disclaim leases

Task area	General description	Details of tasks
Creditors 76.9 hours \$38,698	Creditor enquiries, requests and directions	• Receive and respond to creditor enquiries via telephone and email • Correspondence to creditors via mail and email • Consideration of reasonableness of and responding to creditor requests • Correspondence with committee of inspection
	Security interest claims	• Conduct PPSR search and review of results • Correspondence with creditors on security interests
	Secured creditor	• Correspondence and discussions with secured creditor, including notification of appointment and update reports • Meetings with secured creditor • Distributions to secured creditor
	Other preferential creditors	• Correspondence and discussions with creditors holding liens, pledges and other encumbrances
	Reports to creditors	• Preparation of initial correspondence to creditors • Preparation of reports to creditors
	Meeting of creditors	• Prepare application to extend convening period • Responding to stakeholder queries and questions re the meeting
	Proofs of debts	• Receipt of proofs of debt • Maintenance of proof of debt register • Correspondence with ATO re proofs of debt • Preliminary adjudication of proofs of debt • Request further substantiation
Statutory compliance 68.4 hours \$34,085	Books and records	• Receipt of books and records • Obtain image of electronic books and records
	ASIC	• Notifications to ASIC • Preparation and lodgement of ASIC forms and lodgements including ROCAPs • Preparing and lodging minutes of meeting of committee of inspection
	ATO and other statutory reporting	• Notification of appointment • Correspondence with ATO • Preparation of BAS returns
	Directors	• Correspondence and meetings with directors • Requests for ROCAPs and books and records
	Meeting of creditors	• Preparation of meeting notices, proxies and advertisements • Correspondence to creditors, including mail distribution • Preparation of meeting documents, including agenda, attendance register, list of creditors etc. • Conduct of meeting of creditors • Preparation and lodgement of minutes of meeting with ASIC
	Committee of inspection	• Preparation for committee meetings • Conduct of committee meeting • Preparation and lodgement of minutes of meeting with ASIC



Task area	General description	Details of tasks
	Investigation	- Collection and review of books and records - Review and preparation of company nature and history - Conduct and summarise statutory searches - Preparation of comparative financial statements and deficiency statements - Review of specific transactions and liaising with directors re transactions - Review historical cashflow and solvency analysis to determine date of insolvency - Preparation of investigation file - Preparation of statutory investigation report and lodgement with ASIC - Preparation and lodgement of any supplementary report - Liaising with ASIC
	Litigation/recoveries	- Review of potential recoveries and director offences - Internal meetings to discuss status of litigation
Trading 31.0 hours \$20,720	Trade on management	- Liaising with suppliers, management and employees - Attendance on site - Implementation of controls - Consider employee requirements with management - Handover to Receivers and Managers upon their appointment
	Budgeting and financial reporting	- Review of company's budgets, management reports and financial statements - Planning of trading strategy
Administration and risk mitigation 126.1 hours \$84,865	Planning/review	- Engagement planning - Discussions re status of administration, strategy and outstanding issues - Discussions and review of advice from legal advisers on numerous issues - Negotiation and effectuation of refinance of secured creditor loan facility
	Document maintenance, file review, checklist	- Filing of documents - Update of work programs - File review
	Insurance	- Correspondence with insurance brokers re initial and ongoing insurance requirements - Review of insurance policies
	Bank account administration	- Opening bank accounts and sweep pre-appointment accounts - Bank account reconciliations
	Remuneration	- Recording of time, including details - Preparation of remuneration schedules
	Security	- Review of security adequacy - Implement security measures
	Media	- Preparation of media releases - Respond to media requests
	Other appointees	Correspondence with Receivers and Managers

Appendix 8 – Tawana schedule of actual fees by person

Name	Title	Standard rate	ADMINISTRATION & RISK MITIGATION		STATUTORY COMPLIANCE		ASSETS		TRADING		CREDITORS		TOTAL	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Richard Tucker	PARTNER	725.00	13.8	10,005	1.4	1,015	5.5	3,988	4.1	2,973	8.0	5,800	32.8	23,780
Simon Harris	EXECUTIVE DIRECTOR	725.00	79.7	57,783	-	-	-	-	-	-	-	-	79.7	57,783
John Bumbak	PARTNER	725.00	3.0	2,175	-	-	-	-	-	-	-	-	3.0	2,175
John Dawson	EXECUTIVE DIRECTOR	725.00	-	-	2.2	1,595	-	-	-	-	-	-	2.2	1,595
Paul Pracilio	DIRECTOR	675.00	2.1	1,418	1.8	1,215	-	-	2.0	1,350	0.7	473	6.6	4,455
Nick Griffin	DIRECTOR	675.00	-	-	-	-	-	-	20.9	14,108	-	-	20.9	14,108
Andrew Reed	ASSOCIATE DIRECTOR 1	625.00	8.3	5,188	14.6	9,125	11.7	7,313	2.3	1,438	5.4	3,375	42.3	26,438
Sam Broughton	MANAGER	525.00	4.3	2,258	1.5	788	34.9	18,323	1.3	683	3.7	1,943	45.7	23,993
Dion Dimasi	MANAGER	525.00	-	-	-	-	0.1	53	-	-	-	-	0.1	53
Matthew Thomson	SENIOR EXECUTIVE ANALYST	475.00	2.6	1,235	13.9	6,603	0.9	428	-	-	39.8	18,905	57.2	27,170
Andrew Blackwood	SENIOR EXECUTIVE ANALYST	475.00	0.5	238	-	-	-	-	-	-	-	-	0.5	238
Rance Clarke	EXECUTIVE ANALYST	425.00	9.9	4,208	30.9	13,133	5.0	2,125	0.4	170	19.3	8,203	65.5	27,838
Paul Salpietro	SENIOR BUSINESS ANALYST	375.00	-	-	-	-	0.6	225	-	-	-	-	0.6	225
Damien Rosario	SENIOR BUSINESS ANALYST	375.00	0.1	38	-	-	-	-	-	-	-	-	0.1	38
David Hoey	BUSINESS ANALYST	325.00	-	-	0.8	260	-	-	-	-	-	-	0.8	260
Jody Richards	BUSINESS ANALYST	325.00	0.3	98	0.9	293	-	-	-	-	-	-	1.2	390
Tiffany Bremmell	ADMINISTRATION	150.00	0.1	15	-	-	-	-	-	-	-	-	0.1	15
Zendie De Guzman	ADMINISTRATION	150.00	-	-	0.4	60	-	-	-	-	-	-	0.4	60
Marsha Garrison	ADMINISTRATION	150.00	1.4	210	-	-	-	-	-	-	-	-	1.4	210
Total remuneration			126.1	84,865	68.4	34,085	58.7	32,453	31.0	20,720	76.9	38,698	361.1	210,820

Appendix 9 – Tawana Resolution 2

Calculation of estimated fees

The basis of calculating the remuneration claim is summarised in the table below. This table sets out the expected remuneration for each major task area likely to be performed by the Voluntary Administrators and KordaMentha staff in the voluntary administration for the period 25 November 2019 to the execution of the DOCA, which is the basis of Resolution 2. More detailed descriptions of the major tasks likely to be performed, matching the amounts in this table, are included in this appendix.

	Task areas					
	Total (\$ excl. GST)	Assets (\$ excl. GST)	Creditors (\$ excl. GST)	Statutory compliance (\$ excl. GST)	Trading (\$ excl. GST)	Administration and risk mitigation (\$ excl. GST)
Estimated total	165,074	25,411	30,300	26,689	16,224	66,450

Summary of tasks to be undertaken

Detailed below is a summary of work expected to be undertaken by task area for the period from 25 November 2019 to the execution of the DOCA.

Task area	General description	Details of tasks
Assets 47.1 hours \$25,411	Sale of business as a going concern	• Liaising with interested parties • Maintenance of data room • Continue negotiations with DOCA proponents and interested parties
Creditors 56.1 hours \$30,300	Creditor enquiries, requests and directions	• Receive and follow up creditor enquiries via telephone and email • Correspondence to creditors via mail and email
	Secured creditor	• Correspondence and meetings/discussions with secured creditor and Receivers and Managers, including update reports
	Shareholders	• Correspondence and discussions with shareholders
	Reports to creditors	• Preparation of reports to creditors
	Meeting of creditors	• Preparation of meeting notices, proxies and advertisements • Distribution of notice of meeting to all known creditors • Preparation for meeting, including agenda and other required documentation • Conduct of meeting • Preparation and lodgement of minutes of meeting • Responding to stakeholder queries and questions re the meeting
	Proofs of debts	• Receipt of proofs of debt • Maintenance of proof of debt register • Correspondence with ATO re proofs of debt • Preliminary adjudication of proofs of debt • Request further substantiation • Correspondence re outcome of adjudication

Task area	General description	Details of tasks
Statutory compliance 49.4 hours \$26,689	ASIC	• Notifications to ASIC • Correspondence with ASIC, on an ongoing basis • Preparation and lodgement of ASIC forms
	ATO and other statutory reporting	• Corresponding with ATO and other relevant bodies • Preparing and lodging BAS
	Meeting of creditors	• Preparation of meeting notices, proxies and advertisements • Correspondence to creditors, including mail distribution • Preparation of meeting documents, including agenda, attendance register, list of creditors etc. • Preparation and lodgement of minutes of meeting with ASIC
	Litigation/recoveries	• Review of potential liquidator recoveries
Trading 30.0 hours \$16,224	Trade on management	• Liaising with suppliers, management and employees • Attendance on site • Implementation of controls • Handover from Receivers and Managers upon their appointment
	Budgeting and financial reporting	• Review of company's budgets, management reports and financial statements • Planning of trading strategy
Administration and risk mitigation 123.0 hours \$66,450	Planning/review	• Engagement planning • Discussions re status of administration, strategy and outstanding issues • Discussions and review of advice from legal advisers on numerous issues • Negotiation and effectuation of refinance of secured creditor loan facility
	Document maintenance, file review, checklist	• Review of administration • Filing of documents • Update of work programs • File review
	Media	• Respond to media requests
	Other appointees	• Correspondence with Receivers and Managers



Appendix 10 – Tawana Resolution 3 (if DOCA approved)

Calculation of estimated fees

The basis of calculating the remuneration claim is summarised in the table below. This table sets out the expected remuneration for each major task area likely to be performed by the Administrators and KordaMentha staff during the DOCA period from the execution of the DOCA to the effectuation or termination of the DOCA, which is the basis of Resolution 3. More detailed descriptions of the major tasks likely to be performed, matching the amounts in this table, are included in this appendix.

	Task areas				
	Total (\$ excl. GST)	Assets (\$ excl. GST)	Creditors (\$ excl. GST)	Statutory compliance (\$ excl. GST)	Administration and risk mitigation (\$ excl. GST)
Estimated total	155,047	23,867	28,460	25,068	15,239

Summary of future tasks to be undertaken

Detailed below is a summary of work expected to be undertaken by task area for the DOCA period from the execution of the DOCA to the effectuation or termination of the DOCA (if applicable).

Task area	General description	Details of tasks
Assets 40.6 hours \$23,867	Sale of business as a going concern	- Correspondence with DOCA proponent re preserving assets - Completion of DOCA - Post completion issues
Creditors 48.4 hours \$28,460	Creditor enquiries, requests and directions	- Receive and follow up creditor enquiries - Correspondence to creditors via mail, email and telephone
	Shareholders	- Correspondence and discussions with shareholders - Declaration of share value
	Proofs of debts	- Receipt of proofs of debt - Maintenance of proof of debt register - Correspondence with ATO re proofs of debt - Adjudication of proofs of debt - Request further substantiation - Correspondence re outcome of adjudication
	Dividend distribution	- Correspondence re intention to declare dividend - Compliance with regulations re distributions - Obtain clearance from ATO for distribution - Preparation of dividend, including calculation and payment - Correspondence re dividend declaration
Statutory compliance 42.7 hours \$25,068	ASIC	- Preparing and lodging minutes of meeting of committee of inspection - Finalising ASIC supplementary report - Corresponding with ASIC on an ongoing basis
	ATO and other statutory reporting	- Corresponding with ATO and other relevant bodies - Preparing and lodging Business Activity Statements
	Directors	Correspondence and meetings with directors

Task area	General description	Details of tasks
	Meeting of creditors	• Preparation of meeting notices, proxies and advertisements • Correspondence to creditors, including mail distribution • Preparation of meeting documents, including agenda, attendance register, list of creditors etc. • Preparation and lodgement of minutes of meeting with ASIC
	Investigation	• Review of specific transactions and liaising with directors re transactions • Review of investigation file • Preparation of statutory investigation report and lodgement with ASIC • Preparation and lodgement of any supplementary report • Liaising with ASIC
	Examinations	• Preparation of brief for solicitor • Liaising with solicitor re examinations • Attendance at examination • Review of examination transcripts • Liaising with solicitor re outcome of examinations and further actions available
	Ceasing to act	• Notification to ASIC • Notification to ATO, including cancellation of registrations
Trading 25.9 hours \$15,239	Trade on management	• Liaising with suppliers, management and employees • Handover control at effectuation of DOCA
Administration and risk mitigation 106.2 hours \$62,414	Planning/review	• Engagement planning • Discussions re status of administration, strategy and outstanding issues
	Document maintenance, file review, checklist	• Filing of documents • Update of work programs • File review
	Bank account administration	• Closing accounts • Preparation of transactions • Bank account reconciliations
	Remuneration	• Recording of time, including details • Preparation of remuneration schedules • Invoice preparation
	Media	• Preparation of media releases • Respond to media requests
	Finalisation	• Notification to creditors of finalisation • Completion of checklists
	Planning/review	• Engagement planning • Discussions re status of administration, strategy and outstanding issues



Appendix 11 – Tawana Resolution 4

Calculation of internal disbursements

The basis of calculating the internal disbursements claim is summarised in the table below. This table sets out the basis of the amount charged for each type of internal disbursement for the period 28 August 2019 to 24 November 2019, which is the basis of Resolution 4.

Resolution 4: Estimated internal disbursements estimated for the period from 28 August 2019 to 25 November 2019	Basis	Estimate \$ (excluding GST)
Internal disbursements		
Forensic consumables	At cost	48.82
Meal per diem etc.	up to \$92.07 per day	335.10
Total – Internal disbursements for Resolution 4		383.92

Appendix 12 – Tawana Resolution 5

Calculation of internal disbursements

The basis of calculating the estimated internal disbursements claim is summarised in the table below. This table sets out the basis of the amount charged for each type of internal disbursement for the period 25 November 2019 to the execution of the DOCA, which is the basis of Resolution 5.

Resolution 5: Internal disbursements estimated for the period 25 November 2019 to the execution of the DOCA	Basis	Estimate \$ (excluding GST)
Internal disbursements		
Meal per diem etc.	up to \$92.07 per day	2,000
Total – Internal disbursements for Resolution 5		2,000

Appendix 13 – Tawana Resolution 6 (if DOCA approved)

Calculation of internal disbursements

The basis of calculating the estimated internal disbursements claim is summarised in the table below. This table sets out the basis of the amount charged for each type of internal disbursement for the period from to the execution of the DOCA to the effectuation or termination of the DOCA, which is the basis of Resolution 6.

Resolution 6: Internal disbursements estimated for the period from the execution of the DOCA to the effectuation or termination of the DOCA		Basis	Estimate \$ (excluding GST)
Internal disbursements			
Meal per diem etc.		up to \$92.07 per day	3,000
Total – Internal disbursements for Resolution 6			3,000

Appendix 14 – Tawana Voluntary Administrators’ disbursements

Externally provided disbursements paid or incurred and internal disbursements paid during the period 28 August 2019 to 24 November 2019

	Basis	Actual \$ (excluding GST)
Externally provided non-professional disbursements	At cost	
Accommodation		96.60
Airfares		1,437.48
Copying and Printing		628.73
Courier		35.15
Meals		10.07
Miscellaneous		607.91
Other Travel - Hire car, petrol, train or ferry		305.81
Parking		9.11
Postage		10.34
Taxis		190.04
Total – Externally provided non-professional disbursements		3,331.23
Internal disbursements		
Forensic consumables	At cost	48.82
Meal per diem etc.	up to \$92.07 per day	335.10
Total – Internal disbursements		383.92
Total disbursements		3,715.15

Appendix 15 – Remuneration and internal disbursements resolutions

At the second meetings of creditors to be held on 17 December 2019, committee members will be asked to consider the following resolutions:

Alita

In respect of the period from the execution of the DOCA to the effectuation or termination of the DOCA:

Resolution 1

'That the estimated future remuneration of the Deed Administrators for the period from the execution of the DOCA to the effectuation or termination of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$188,396, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors.'

Resolution 2

'That the estimated future internal disbursements of the Deed Administrators, including those paid to staff, for the period from the execution of the DOCA to the effectuation or termination of the DOCA up to a maximum amount of \$3,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors.'

Lithco

In respect of the period from the execution of the DOCA to the effectuation or termination of the DOCA:

Resolution 1

'That the estimated future remuneration of the Deed Administrators for the period from the execution of the DOCA to the effectuation or termination of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$232,306, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors.'

Resolution 2

'That the estimated future internal disbursements of the Deed Administrators, including those paid to staff, for the period from the execution of the DOCA to the effectuation or termination of the DOCA up to a maximum amount of \$3,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors.'

Tawana

In respect of the period 28 August 2019 to 24 November 2019:

Resolution 1

'That the remuneration of Administrators for the period Wednesday, 28 August 2019 to 24 November 2019 in the amount of \$210,820, excluding GST, calculated on the basis of time as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, is approved for payment immediately or as required.'

Resolution 2

'That the internal disbursements of Administrators, including those paid to staff, for the period Wednesday, 28 August 2019 to 24 November 2019 in the amount of \$383.92, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment immediately or as required.'

In respect of the period 25 November 2019 to the execution of the DOCA:

Resolution 3

'That the estimated remuneration of Administrators for the period 25 November 2019 to the execution of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$165,074, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors.'

Resolution 4

'That the estimated internal disbursements of the Administrators, including those paid to staff, for the period 25 November 2019 to the execution of the DOCA up to a maximum amount of \$2,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors.'

In respect of the period from the execution of the DOCA to the effectuation or termination of the DOCA:

Resolution 5

'That the estimated future remuneration of the Deed Administrators for the period from the execution of the DOCA to the effectuation or termination of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$155,047, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors.'

Resolution 6

'That the estimated future internal disbursements of the Deed Administrators, including those paid to staff, for the period from the execution of the DOCA to the effectuation or termination of the DOCA up to a maximum amount of \$3,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors.'

Appendix 16 – Receipts and payments from Wednesday, 28 August 2019 to 24 November 2019

We advise that there have been no receipts and payments during the Voluntary Administrations of the Companies from 28 August 2019 to 24 November 2019.



Appendix 17 – Notice of meetings



Corporations Act 2001

Notice of second meetings of creditors of companies under administration

Alita Resources Limited formerly Alliance Mineral Assets Limited

ACN 147 393 735

Lithco No. 2 Pty Ltd

ACN 612 726 922

Tawana Resources Pty Ltd formerly Tawana Resources NL

ACN 085 166 721

(all Administrators Appointed) ('the Group')

Notice is hereby given that the second meetings of creditors of the companies in the Group will be held pursuant to Section 439A of the Corporations Act 2001 ('the Act') on Tuesday, 17 December 2019 at The Duxton Hotel, 1 St Georges Terrace, Perth WA 6000. Registration for all creditors and employees will open at 9.30 am with the meetings commencing at 10.00 am.

Agenda

The purpose of the meetings is to:

1. Review the report of the Administrators in connection with the business, property, affairs and financial circumstances of the Group
2. Consider the remuneration of the Administrators for the period of the voluntary administration
3. Consider the Administrators' internal disbursements for the period of the voluntary administration
4. For creditors to resolve for each company:
 - i. that the company execute a deed of company arrangement, or
 - ii. that the administration should end, or
 - iii. that the company be wound up.

If a company is to be wound up:

1. Consider the appointment of a committee of inspection and if appointed, who are to be the committee members
2. Consider permitting any committee members to continue dealing with that company and their creditors on a business as usual basis during the external administration
3. Consider any other business properly brought before the meetings.

If the companies are to execute a deed of company arrangement:

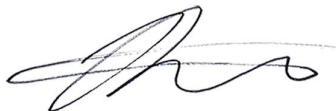
1. Consider the Deed Administrators' future remuneration and internal disbursements
2. Consider the appointment of a committee of inspection and if appointed, who are to be the committee members
3. Consider permitting any committee members to continue dealing with the Group and their creditors on a business as usual basis during the external administration
4. Consider any other business properly brought before the meetings.

Creditors wishing to vote at the meetings, who will not be attending in person or are a company, must complete and return a Proxy Form by no later than 4.00 pm on the last business day prior to the meetings by email at alita@kordamentha.com, by post to KordaMentha, PO Box 3185, East Perth WA 6892 or by facsimile on (08) 9220 9399. A Proxy Form is enclosed.

For creditors who are unable to attend the meetings, conference call facilities have been arranged. Creditors intending to use the conference call facilities are required to notify us of their intention and collect conference call details at least one business day prior to the meetings. Creditors using the conference call facilities will not be considered as attendees at the meetings and will not be able to vote or participate in the meetings. If you wish to participate, you must attend in person or by proxy.

Section 75-85 of the Insolvency Practice Rules (Corporations) 2016 ('the Rules') sets out the entitlement to vote at meetings of creditors – see Appendix 1 for Section 75-85 of the Rules. To comply with this, a Proof of Debt Form must be lodged. Accordingly, one is enclosed.

Dated: 9 December 2019

A handwritten signature in black ink, appearing to read 'Richard Tucker', with a long horizontal flourish extending to the right.

Richard Tucker
Administrator

KordaMentha
PO Box 3185
East Perth WA 6892

Enc.

Appendix 1

Section 75-85 of the Insolvency Practice Rules (Corporations) 2016

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
 - (i) those particulars; or
 - (ii) if required—a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established;unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

Appendix 4 – Historical consolidated financial performance

Detailed below is a summary of the consolidated monthly balance sheets and profit and loss statements of the Group, extracted from the Company's books and records. The management accounts of July 2019 were not finalised. For historical yearly financials, please refer to published annual reports available on the Alita website.

Consolidated Monthly Statement of Financial Position	31 Dec 2018 \$'000	31 Jan 2019 \$'000	28 Feb 2019 \$'000	31 Mar 2019 \$'000	30 Apr 2019 \$'000	31 May 2019 \$'000	30 June 2019 \$'000
Current Assets							
Cash & cash equivalents	13,054	7,322	13,664	15,620	7,860	33,624	20,052
Trade receivables	2,560	2,995	3,372	12,457	9,707	2,527	1,172
Other receivables	1,120	1,312	1,143	1,164	1,552	1,061	1,459
Bank guarantees	100	100	100	100	100	100	100
Bond	25	25	25	25	25	25	25
Prepayments/Deposits – Current	513	492	436	350	300	527	842
Assets held for distribution	-	-	-	628	628	628	628
Inventory – Consumables	2,663	2,621	2,638	2,905	2,582	2,979	2,639
Inventory – Ore	33,938	43,374	27,654	17,529	25,676	26,988	35,993
Total Current Assets	53,973	58,241	49,032	50,778	48,430	68,459	62,910
Non-Current Assets							
Deposits	395	348	346	344	345	345	346
Investment in (Cowan Lithium Ltd)	634	634	634	634	634	634	634
Property plant & equipment	45,834	45,567	46,029	46,042	50,014	53,643	53,265
Mine Properties	66,597	66,409	65,903	65,158	64,176	63,390	61,880
Mine Properties – Deferred waste assets	31,179	33,712	35,375	37,156	36,586	37,466	36,853
Rehabilitation Asset	5,893	5,802	5,804	5,857	5,811	5,750	6,520
Exploration	71,545	71,627	71,698	71,755	71,902	72,566	73,255
Goodwill	22,383	22,383	22,383	22,383	22,383	22,383	22,383
Total Non-Current Assets	244,459	246,481	248,172	249,329	251,851	256,179	255,136
Total Assets	298,432	304,722	297,204	300,107	300,280	324,638	318,046
Current Liabilities							
Trade payables	(5,613)	(15,133)	(9,891)	(9,210)	(10,764)	(11,866)	(18,158)
Other payables	(618)	(638)	(641)	(592)	(690)	(389)	(377)
Proceeds received in advance	(11,437)	(11,544)	(11,544)	-	-	-	-
Interest Bearing Liabilities – Current	(19,154)	(18,747)	(18,957)	(183)	(185)	(188)	(41,628)
Accruals (General)	(25,632)	(24,142)	(24,355)	(26,063)	(23,389)	(26,078)	(25,809)
Accruals (Employee benefits)	(654)	(514)	(62)	(157)	(119)	(63)	(439)
Accruals (Interest Payable)	(451)	(931)	(602)	(678)	(1,211)	(1,754)	-
Provisions	(462)	(430)	(447)	(510)	(513)	(531)	(546)
Total Current Liabilities	(64,021)	(72,078)	(66,499)	(37,392)	(36,872)	(40,870)	(86,958)

Non-Current Liabilities							
Provision for rehabilitation	(7,798)	(7,882)	(7,868)	(8,044)	(8,093)	(8,131)	(7,916)
Interest Bearing Liabilities – Non-Current	(13,294)	(12,048)	(12,167)	(40,783)	(40,620)	(41,421)	(204)
Proceeds received in advance		-	-	(11,437)	(11,437)	(11,437)	(11,437)
Deferred tax liabilities	(4,261)	(4,261)	(4,261)	(4,311)	(4,311)	(4,311)	(4,311)
Total Non-Current Liabilities	(25,353)	(24,191)	(24,296)	(64,575)	(64,460)	(65,299)	(23,868)
Total Liabilities	(89,374)	(96,269)	(90,794)	(101,967)	(101,332)	(106,169)	(110,826)
Net Assets	209,058	208,453	206,410	198,140	198,949	218,468	207,220

Consolidated Statement of Profit or Loss	31 Dec 2018	31 Jan 2019	28 Feb 2019	31 Mar 2019	30 Apr 2019	31 May 2019	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Operations							
Lithium concentrate sales revenue	-	(323)	25,955	22,203	8,316	11,961	(170)
Total Revenue from Operations	-	(323)	25,955	22,203	8,316	11,961	(170)
Costs of Goods Sold							
Site operational expenditure	2,584	900	(26,138)	(22,443)	(4,775)	(11,370)	(6,631)
Tantalum sales credit		1,811	928	535	1,219	1,658	1,696
Demurrage	-	-	-	-	-	6	-
Penalties	-	-	-	-	(26)	6	-
Sales concentrate assays	-	-	-	-	-	-	-
Royalties	(294)	(132)	(692)	(1,853)	(481)	(681)	14
Depreciation	162	(402)	(373)	(420)	(390)	(411)	(659)
Mine property amortisation expense	(580)	(754)	(563)	(749)	(982)	(785)	(1,012)
Rehabilitation asset amortisation expense	336	(64)	(64)	(110)	(79)	(86)	(82)
Waste asset amortisation expense	(386)	(331)	(281)	(387)	(570)	(459)	(614)
Total Cost of Goods Sold	1,821	1,028	(27,184)	(25,426)	(6,084)	(12,123)	(7,287)
Gross Profit/(Loss)	1,821	705	(1,228)	(3,222)	2,231	(162)	(7,457)
Other Income							
Interest received	16	7	19	16	18	6	19
Other income	(26)	0	3	15	(0)	-	(0)
Total Other Income	(10)	8	21	31	18	6	19
Expenditure							
Administration costs	39	(6)	(5)	(47)	(71)	(39)	(52)
Consultancy expenses	(16)	(156)	(19)	(72)	(44)	(124)	27
Occupancy expenses	(15)	(14)	(11)	(16)	(5)	(16)	(19)

Communications	(1)	(3)	(5)	(4)	3	(3)	(3)
Legal fees	(12)	(46)	137	(95)	(143)	(55)	(161)
Bank Charges	(11)	(2)	(21)	(12)	(31)	(11)	(15)
Travel & accommodation	(30)	(3)	(1)	(6)	(53)	(24)	(14)
Entertainment	(3)	(0)	(1)	(2)	(3)	(0)	(1)
Insurance expenses	(16)	(17)	(19)	(40)	(26)	(77)	(55)
Employee benefits expenses	(743)	(164)	(118)	(539)	(323)	(110)	(307)
Director fees & charges	(35)	(78)	(49)	(2)	79	(49)	(24)
Rehabilitation provision interest expense	5	(15)	(15)	(15)	(15)	(12)	(11)
Financing costs	(650)	(729)	(680)	(3,782)	(556)	(646)	(1,161)
Share based payments expenses	-	-	-	-	-	(34)	(18)
Compliance and regulatory expenses	(322)	(47)	(56)	(158)	2	(57)	(281)
Depreciation	(8)	(8)	(8)	(8)	(7)	(7)	(6)
Fixed asset impairment expense	(4,687)	1	(389)	-	-	-	-
Loss on distribution of assets	0	-	-	-	-	-	-
Loss on disposal of assets	-	(17)	0	-	-	-	-
Acquisition costs	(12,152)	-	-	-	-	-	(3,343)
Impairment	(16,464)	-	-	-	-	-	-
Foreign exchange gains & losses	(814)	140	272	(235)	(241)	(962)	479
Other expenses	0	5	(6)	1	(0)	-	-
Total Corporate & Other Expenditure	(35,934)	(1,158)	(993)	(5,030)	(1,433)	(2,227)	(4,966)
Profit/(Loss) before tax	(34,123)	(445)	(2,200)	(8,221)	817	(2,384)	(12,404)
Income tax benefit/(expense)	4,939	-	-	(50)	-	-	-
Net Profit/(Loss)	(29,184)	(445)	(2,200)	(8,271)	817	(2,384)	(12,404)

Appendix 5 – Reports on Company Activities and Property

Alita Resources Limited - Report on Company Activities and Property	Book or cost valuation	Estimated realisable value
Debtors	5,272,045	5,272,045
Related entity receivables	42,390,646	42,390,646
Investment in Tawana Resources Pty Ltd	178,864,000	178,864,000
Assets subject to Puma security	236,653	236,653
Other assets subject to EQT (Galaxy) security	61,843,724	61,843,724
Total assets	288,607,068	288,607,068
Less payable in advance of secured parties	-	-
Less amounts owing and secured by debenture or circulating security interest over assets	-	-
Less preferential claims owing to employee creditors	(1,251,200)	(1,251,200)
Balances owing to partly secured parties	-	-
Balances owing to unsecured creditors	(17,365,055)	(17,365,055)
Balances owing to unsecured related parties	(23,928,654)	(23,928,654)
Contingent assets	-	-
Contingent liabilities	-	-
Estimated surplus/(deficiency) subject to the costs of the Administration	246,062,160	246,062,160

Lithco No. 2 Pty Ltd – Report on Company Activities and Property	Book or cost valuation	Estimated realisable value
Debtors	4,830,335	4,830,335
Related party receivables	-	-
Assets subject to Puma security	236,653	236,653
Assets subject to EQT (Galaxy) security	65,437,321	65,437,321
Total assets	70,504,309	70,504,309
Less payable in advance of secured parties	(43,425,031)	(43,425,031)
Less amounts owing and secured by debenture or circulating security interest over assets	-	-
Less preferential claims ranking owing to employee creditors	(1,090,252)	(1,090,252)
Balances owing to partly secured parties	-	-
Balances owing to other unsecured creditors	(45,053,781)	(45,053,781)
Balance owing to JBJ	(10,711,163)	(10,711,163)
Balances owing to unsecured related parties	(72,145,186)	(72,145,186)
Contingent assets	-	-
Contingent liabilities	-	-
Estimated surplus/(deficiency) subject to the costs of the Administration	(101,921,104)	(101,921,104)

Tawana Resources Pty Ltd - Report on Company Activities and Property	Book or cost valuation	Estimated realisable value
Debtors	63,259	63,259
Total related party receivables	56,049,542	56,049,542
Investment in dormant subsidiaries	7,694	7,694
Investment in Lithco No. 2	4,950,000	4,950,000
Investment in Cowan Lithium Limited	633,751	633,751
Assets subject to Puma security	-	-
Other assets subject to EQT (Galaxy) security	460,467	460,467
Total assets	62,164,713	62,164,713
Less payable in advance of secured parties	-	-
Less amounts owing and secured by debenture or circulating security interest over assets	-	-
Less preferential claims owing to employee creditors	-	-
Balances owing to partly secured parties	-	-
Balances owing to unsecured creditors	(1,236,271)	(1,236,271)
Balances owing to unsecured related parties	(1,620,857)	(1,620,857)
Contingent assets	-	-
Contingent liabilities	-	-
Estimated surplus/(deficiency) subject to the costs of the Administration	59,307,585	59,307,585

Appendix 6 – Liquidation analysis

Pooling

In the ordinary course, a company is a separate legal entity and in liquidation must be treated as such. Therefore, the assets of a company would only be available to the creditors of that company, and not other creditors of the group.

On 27 June 2019, each company of the Group entered into a deed of cross guarantee, whereby in a liquidation scenario each entity of the Group guarantees to any creditor of any entity of the Group payment in full for any debt incurred, except intercompany debts owing between deed of cross guarantee parties.

We have therefore prepared the liquidation analysis for the Group on a pooled basis given there is a deed of cross guarantee in place. Under the pooled outcome, all assets of the Group would be available to all creditors of the Group.

Ultimately, should the Group be placed into liquidation, we will seek Court guidance to determine whether a pooling order should be made.

Estimated return to creditors in liquidation

We estimate that unsecured creditors will receive a nil dividend under the 'low' and 'mid' case scenario and may receive a dividend of 26 cents in the dollar under the high liquidation outcome scenario. The detailed analysis is set out below.



Statement of position (\$ million)	Notes	Pooled - data		Liquidation mid-point
		Liquidation low	Liquidation high	
Assets				
Cash at bank	1	9.1	9.1	9.1
Cash at bank - receivers funds withheld	1	-	0.6	0.3
Debtors	2	0.1	0.1	0.1
Debtors	3	0.0	0.0	0.0
Bald Hill Project	4	22.3	37.6	29.9
Inventory - stockpile	5	16.3	22.1	19.2
Inventory – consumables	5	0.6	0.6	0.6
Other assets	6	1.3	5.0	3.1
Potential liquidator recoveries	7	-	1.0	0.5
Total assets		49.7	76.0	62.8
Liabilities				
Secured loans				
Administrator loan	8	(57.7)	(57.7)	(57.7)
Total secured liabilities		(57.7)	(57.7)	(57.7)
Surplus/(deficit) available for liabilities		(8.0)	18.4	5.1
Costs of administration				
Administration				
Administrators remuneration	9	(1.4)	(1.4)	(1.4)
Administrators disbursements - Administration period	9	(0.6)	(0.6)	(0.6)
Administration trading liabilities incurred	10	(0.3)	(0.3)	(0.3)
Excluded priority claims (directors)	18	(0.8)	-	-
Liquidation				
Liquidators remuneration	11	(1.6)	(1.6)	(1.6)
Liquidators disbursements - Liquidation period	11	(0.5)	(0.5)	(0.5)
Liquidators trading costs - Liquidation period	12	(1.6)	(1.6)	(1.6)
Total cost of administration		(6.8)	(6.0)	(6.0)
Surplus/(deficit) available for priority creditors		(14.8)	12.4	(0.9)
Priority creditors				
Employee entitlements	13	(0.4)	(0.4)	(0.4)
Total priority claims		(0.4)	(0.4)	(0.4)
Surplus/(deficit) available for unsecured creditors		(15.2)	12.0	(1.3)
Unsecured claims				
Shire of Coolgardie	14	(1.0)	(0.2)	(0.2)
JBJ	15	(14.5)	-	-
Large creditors		-	-	-
SMS	16	(17.9)	(13.9)	(17.9)
Cape	16	(4.4)	(3.6)	(4.4)
Primero	16	(5.7)	(3.3)	(5.7)
Qube	16	(3.2)	(1.1)	(3.2)
Total large creditors		(31.2)	(21.9)	(31.2)
Creditors (>\$10k)	16	(20.9)	(17.4)	(20.9)
Creditors (<\$10k)	16	(0.3)	(0.3)	(0.3)
Excluded priority claims (directors)	17	-	(0.8)	(0.8)
Ex-director claims	18	-	-	-
Total unsecured creditors		(68.0)	(40.6)	(53.5)
Total surplus/(deficit)		(83.2)	(28.7)	(54.8)
Creditor returns (cents / \$)				
Priority creditors		-	100.00	-
Unsecured claims		-	29.41	-

Notes

Note 1: Cash at bank

Cash at bank is the money held by the Administrators as at 6 December 2019. Cash at bank is comprised of pre-appointment cash and asset realisations and net trading costs during the administration.

Note 2: Debtors

Debtors owing at the date of this report are:

- An insurance return premium of \$52,494.54 resulting from the adjustment and cancellation of the pre-appointment Workers Compensation based on actual wages for the policy 31 March 2019 to 29 August 2019. This amount is expected to be received prior to 20 December 2019.
- The Group's records show a pre-appointment debt of \$3,500 relating to the sale of a motor vehicle. We have included the full amount in the high scenario and nil in the low scenario on the basis that the collectability is uncertain.

Other pre-appointment debtors have either been collected during the administration period or have been offset against pre-appointment claims to reduce the creditor balance owed by the Group.

In addition to the above amounts, we expect that JBJ will be a net debtor of the Group, however, this amount is withheld as it is still to be determined and is commercially sensitive. Refer to note 16 below for further discussion on JBJ.

Note 3: Motor Vehicles

The Group owns the two motor vehicles presented in the table below, which are used at the Bald Hill site. Given their location, expected value, and immateriality in the context of the administration, we have not engaged a valuer to inspect them and provide a sworn valuation.

Vehicle	Book value (\$)
2013 Isuzu D-Max Ute	12,117.11
1999 Toyota Landcruiser	8,868.20
Total	20,985.31

Source: Book value at 30 June 2019.

Note 4: Bald Hill Project

A liquidation valuation of the Bald Hill project including tenements, plant and equipment and inventory, has been conducted by Deloitte and SRK Consulting. The valuations comprised the Bald Hill Project, exploration potential of the Bald Hill Project, ore stockpiles and Alita's interest in Cowan Lithium.

Deloitte's initial preferred valuation approach was to perform a DCF valuation of the ore reserves included in the Bald Hill model, coupled with a resource multiple approach for the residual resources. However, undertaking the DCF was not suitable as the valuation yielded negative value for the ore reserves. This outcome puts no value on the inherent optionality of the project and that willing buyers have regard to factors other than the current NPV under a set of static assumptions, one key assumption being the change in sale price of the product as it relates to the mine model and mining plan. Deloitte therefore used a resource multiple approach to cover the ore reserves as well as the residual resources.

Ore reserves which were included in the Bald Hill life of mine model, were valued on a fair market value basis.

The residual resources not considered in the Bald Hill Project life of mine model were valued based on multiples implied by transactions in companies with similar stage projects.

The valuation of the Bald Hill project implicitly includes the value of the processing plant and equipment.

The value attributed to the Bald Hill Project comprises:

AUD	Low	High	Mid
Ore reserves considered in the Bald Hill LOM Model	11,200,000	18,900,000	15,000,000
Residual Resources not considered in the Bald Hill LOM Model	11,100,000	18,700,000	14,900,000

AUD	Low	High	Mid
Total Bald Hill Project	22,300,000	37,600,000	29,900,000

The Deloitte/SRK valuation was prepared on a willing market participant basis. We have requested a motivated seller discount be applied to the valuation to reflect a liquidation scenario. We expect to receive an updated valuation on this basis prior to the Second Meetings of Creditors. We expect that this discounted valuation would reduce the assets available to creditors and therefore reduce the estimated outcome for creditors in the liquidation scenarios.

Note 5: Inventory

Stockpiles

A valuation of the spodumene and tantalum stockpiles has been conducted by Deloitte. The fair market value has been estimated using the net realisable value approach by considering the estimated selling prices, less the remaining transport, port and storage costs and royalty payments to be made.

The valuations of spodumene and tantalum stockpiles are presented in the table below.

AUD (million)	Low	High	Mid
Spodumene stockpiles			
Product at mine	4.3	5.6	4.9
Product at port	9.7	12.4	11.1
Total spodumene stockpiles	14.0	18.0	16.0
Tantalum stockpiles			
Product at mine	0.9	1.0	0.9
Product at Nagrom	1.4	3.2	2.3
Total tantalum stockpiles	2.3	4.1	3.2
Spodumene stockpiles in China	-	-	-
Total stockpile value	16.3	22.1	19.2

Consumables

Deloitte valued the consumables inventory list provided by Alita. The book value at 7 October 2019 was \$2.7 million. Deloitte conducted analysis of the list to form a view on a reasonable recoverable value for these items, assuming the critical spares are retained with the plant and the consumables are sold. Deloitte allocated 5% residual value to consumable items and adopted book value for critical parts with a value greater than \$10,000.

The estimated recoverable value of consumables is \$566,965, comprised of the following:

Consumables	Valuation (AUD)
Critical spares above \$10,000	455,776
Consumables above \$10,000	31,846
Items below \$10,000	79,343
Total	566,965

Note 6: Other assets

A valuation of the Bald Hill project including tenements, plant and equipment and inventory, has been conducted by Deloitte and SRK Consulting. The valuations comprised the Bald Hill Project, exploration potential of the Bald Hill Project, ore stockpiles and Alita's interest in Cowan Lithium.

Other assets comprise:

- Bald Hill exploration assets
- The Group's 11.33% interest in Cowan Lithium.



SRK adopted the following valuation approaches to estimate the fair market value of the Bald Hill exploration assets.

- Comparable market transactions: SRK used its internal databases and the S&P Global Market Intelligence subscription database to compile and assess comparable market transactions.
- Geoscientific rating method: SRK used this method as its secondary method. The geoscientific rating or modified Kilburn method of valuation attempts to quantify the relevant technical aspects of a property through appropriate multipliers (factors) applied to an appropriate base (or intrinsic) value.

In assessing the value of Alita's interest in Cowan Lithium, Deloitte considered:

- The value of shares in Cowan Lithium implied by the recent capital raising
- The net book value of Cowan's Lithium assets
- The varying value of Alita's interest
- SRK's valuation of Cowan Lithium's Project
- The allocation to Cowan Lithium's remaining exploration projects implied by other valuation considerations.

The other assets are valued as follows:

AUD	Low	High	Mid
Bald Hill exploration assets	1,100,000	4,800,000	2,900,000
Interest in Cowan Lithium	200,000	200,000	200,000

Note 7: Potential liquidator recoveries

As outlined in section 4.5.8 of this report, our preliminary investigations into the Group's trade dealings and affairs have indicated that potential preference payments totalling \$1.0 million were made to Canaccord Genuity.

We have assumed no liquidator recoveries in our low liquidation scenario given possible defences available to Canaccord Genuity.

Note 8: Administrator loan

As discussed in section 6.2, the administrators entered into an administrator loan with CHEL on 28 November 2019. The administrators drew down USD 32,266,998.85 on 29 November 2019 to repay Galaxy in full. The administrators loan includes an early repayment fee of \$10.5 million in the event that the CHEL/Liatam DoCA is not approved. This repayment would arise in the event that the Group was placed into liquidation.

The balance provided in the liquidation analysis is presented in AUD, with interest accrued to 31 January 2019. Therefore, the final balance is subject to change given the inherent movement in the AUD:USD exchange rate and the final date of repayment.

Note 9: Administrators' remuneration and disbursements

Pursuant to Section 556 of the Act, the Administrators' remuneration and expenses are paid in priority to employees' and unsecured creditors' claims. We advise that our firm charges professional fees on the basis of time spent by the principal appointees and their staff at the KordaMentha National Rates issued by KordaMentha and (included in the Remuneration Report at Appendix 3). The costs will vary depending on the work required to be performed in respect of issues arising from the administration. Due to efficiencies in processing, staff and operations, we will endeavour to apply our time efficiently and to limit our overall time costs.

Set out below are the administrators fees as outlined in the remuneration report at Appendix 3:

- For the period 28 August 2019 to 24 November 2019 our remuneration for the Group totals \$785,408 (exclusive of GST) and our internal disbursements total \$12,315 (exclusive of GST).
- For the period 25 November 2019 to execution of the DoCA, we estimate our remuneration for the Group will be \$607,625 (exclusive of GST) and internal disbursements of \$6,000 (exclusive of GST).

Additionally, we have incurred legal and valuation costs, actual and estimated, of \$595,810 to date.

Note 10: Trading costs in Administration period

In order to protect and preserve the Group's assets from the time Administrators took control from the receivers on 29 November 2019 and traded the Group until the second creditors meeting on 17 December 2019, the administrators have and will incur substantial trade on costs which we have assumed to include:

- Maintaining a skeleton staff presence at Bald Hill and Perth head office.
- Power costs of maintaining power to dewater the mine to preserve value.

Note 11: Liquidators' remuneration and disbursements

We have estimated the following costs during the Liquidation period:

- For the purposes of providing an outcome statement, we estimate liquidators' fees and disbursements of up to \$1,586,000 (exclusive of GST) in a liquidation scenario, largely around the sale of the mining assets, maintenance of operations, and finalising investigations. We have not prepared a formal remuneration estimate or report, as we do not intend to seek prospective approval of liquidators' remuneration at the Second Meetings of Creditors
- Legal fees of \$500,000 (exclusive of GST).

Note 12: Trading costs in liquidation period

In order to execute a sale campaign in liquidation, the liquidators will incur substantial trade on liabilities in preserving and protecting the assets. The costs which we have assumed to be incurred include:

- Maintaining a skeleton staff presence at Bald Hill and Perth head office.
- Care and maintenance costs of the Bald Hill Mine.

For the period of 17 December 2019 to the finalisation of the liquidation we estimate the trading costs will be up to c. \$1.6 million (exclusive of GST).

Note 13: Priority creditors – Employees

Pursuant to Section 556 of the Act, employees receive a priority for payment of their entitlements in full, prior to any distribution to unsecured creditors.

The Receivers and Managers made payment to terminated employees in full on 31 October 2019.

In a liquidation scenario, we estimate that there is c. \$0.4 million of employee entitlements owed to employees who have been retained during the administration. These employee entitlements are subject to formal adjudication.

Note 14: Shire of Coolgardie

Access to the Bald Hill Mine is via the Binneringie Road, an unsealed road which intersects the Coolgardie-Esperance Highway.

Alita and the Shire of Coolgardie entered into a Deed to provide for Alita to pay for the upgrade to the Binneringie Road and Coolgardie-Esperance Highway intersection, and to contribute to annual road maintenance and road repair costs.

Alita was required to repay the actual costs of the road works over eight quarterly instalments from commencement of the road works. The road works commenced in August 2019 but were suspended upon Administration.

The administrators estimate a low outcome of c. \$1 million for the Shire of Coolgardie's potential claim as the full cost of the works. We estimate the high outcome as c. \$0.2 million, which Alita management estimate was the cost incurred prior to the appointment of administrators.

The Administrators have written to the Shire of Coolgardie but have not yet received a proof of debt for any potential claim relating to the deed at the date of this report.

Note 15: JBJ claim

Under the Offtake Agreements, JBJ prepaid for shipments. JBJ has submitted a proof of debt for c. USD 9.6 million for the outstanding balance of the prepayment at appointment.

The Receivers and Managers issued shipping notices to JBJ, however no shipments were accepted. We consider that claims arising under the shipping notices may be set off against JBJ's claim in the administration. If this set off is available, JBJ will be a net debtor of the Group.



JBJ's claim is subject to the outcome of the contract during the administration process. The Administrators have not yet adjudicated the claim and are in discussion with JBJ.

We have therefore estimated the low outcome creditor claim as c. \$14.5 million if no offset is available and the high outcome creditor claim as nil if the full offset is available.

Note 16: Unsecured creditors

The Group's records indicate the Group owes c. \$33.6 million to unsecured creditors as at the date of appointment of administrators.

Given our appointment was just prior to the end of month, when most invoices were typically received from suppliers, and some creditors claiming termination payments for breach of contract in their proofs of debt, the Group's records likely understate the balance of unsecured creditors materially.

We have conducted a preliminary review of the largest unsecured creditors (claims greater than \$0.5 million), totalling c. \$28.4 million in the Group's books and records. The total value of proofs of debt received from these large creditors was c. \$43.7 million. Some of the top proofs of debt included contingent liabilities and claims for termination payments or post-appointment invoices. From our preliminary review, we anticipate accepting proofs of debt from the largest creditors to the value of c. \$37.8 million in the low liquidation scenario and c. \$28.3 million in the high liquidation scenario.

The Group is expected to owe stamp duty to the Office of State Revenue in relation to the merger in December 2018, and an earlier farm-in agreement. The Receivers and Managers have provided required information to the OSR for assessment of both dutiable transactions, which we expect may give rise to an assessment of up to \$9 million in aggregate subject to the valuation method used. We are reviewing the information, and will provide a submission to the OSR with the assistance of EY in coming days. If the submission is accepted as drafted, the assessment may be as low as \$5.6 million.

Between the Group's records, proofs of debt lodged, and our initial assessment, we estimate that the Group owes c. \$53.7 million to unsecured creditors as at the date of appointment of administrators.

Please note these amounts are subject formal adjudication. Therefore, these amounts may be higher or lower.

Note 17: Excluded claims

Pursuant to s 556 of the Act, directors of the Group are classed as excluded employees and are only entitled to receive, as a priority, \$2,000 for outstanding wages less any superannuation entitlements and \$1,500 for outstanding leave entitlements. For the balance of their claims for outstanding employee entitlements, the directors rank as unsecured creditors.

On 5 December 2019 the Administrators received correspondence from lawyers representing the directors, Mr Turner and Mr Calderwood. The correspondence asserts:

- The directors claim arose as a repudiation of their employment contract after the appointment of administrators.
- The claim is for damages, rather than under the contract, although the damages equate to the contractual notice and redundancy entitlements.
- As the repudiation occurred post-appointment of Administrators it is not a claim that is provable in the administration and should be afforded priority payment.

The administrators dispute the characterisation advanced by the directors relating to the priority of their claims. However, to reflect the range of outcomes for illustrative purposes only and with no acknowledgment of validity, we have presented the Directors claims as a trading cost of the administration in the low outcome and as an excluded claim in the high outcome.

Note 18: Former director claims

Two former directors have submitted claims relating to performance shares.

The issue of shares is subject to shareholder approval as per the Act and SGX rules. Management advise that shareholders voted against (c. 95%) the performance shares at a shareholder meeting in June 2018 and therefore the claim should be rejected.

The Administrators have not yet formally adjudicated these claims but expect to reject the claims in full. We have not adjusted for these claims in our analysis but have included this note for the awareness of creditors.



Appendix 7 – Analysis of alternatives available to creditors

A summary of the analysis of the alternatives is provided below.

Creditor returns		DoCA creditor class	Liquidation			DoCA		
Distribution (\$ million)	Notes		Low	High	Mid	Low	High	Mid
Priority creditors								
Employee entitlements	1	Class A	-	0.4	-	-	-	-
Total priority claims			-	0.4	-	-	-	-
Unsecured claims								
Shire of Coolgardie	2	Class B	-	0.1	-	1.0	0.2	0.2
JBJ		Class E	-	-	-	0.9	-	-
<u>Large creditors</u>								
SMS		Class C	-	4.1	-	1.8	5.1	6.6
Cape		Class C	-	1.1	-	0.4	1.3	1.6
Primero		Class C	-	1.0	-	0.6	1.2	2.1
Qube		Class C	-	0.3	-	0.3	0.4	1.2
Total large creditors			-	6.4	-	3.1	8.1	11.5
Creditors (>\$10k)		Class E	-	5.1	-	1.3	1.7	2.1
Creditors (<\$10k)		Class D	-	0.1	-	0.3	0.3	0.3
Excluded priority claims (directors)		Class E	-	0.2	-	-	0.1	0.1
Ex-director claims		Class E	-	-	-	-	-	-
Total unsecured creditors			-	12.0	-	6.6	10.4	14.2
Total distributions			-	12.4	-	6.6	10.4	14.2

Creditor returns		DoCA creditor class	Liquidation			DoCA		
Distributions (cents in the \$)	Notes		Low	High	Mid	Low	High	Mid
Priority creditors								
Employee entitlements	1	Class A	-	100.00	-	-	-	-
Unsecured claims								
Shire of Coolgardie	2	Class B	-	29.41	-	100.00	100.00	100.00
JBJ		Class E	-	-	-	6.13	10.00	10.00
Large creditors		-						
SMS		Class C	-	29.41	-	10.00	37.00	37.00
Cape		Class C	-	29.41	-	10.00	37.00	37.00
Primero		Class C	-	29.41	-	10.00	37.00	37.00
Qube		Class C	-	29.41	-	10.00	37.00	37.00
Creditors (>\$10k)		Class E	-	29.41	-	6.13	10.00	10.00
Creditors (<\$10k)		Class D	-	29.41	-	100.00	100.00	100.00
Excluded priority claims (directors)		Class E	-	29.41	-	-	10.00	10.00
Ex-director claims		Class E	-	-	-	-	-	

Notes

Note 1: Employee entitlements

The employee entitlement returns analysis differ as a result of how employee entitlements are to be treated under liquidation and DoCA scenario. This is due to employees continuing their employment with the Group in the DoCA analysis and being assumed to be terminated in the liquidation analysis. The impact is discussed below.

Liquidation

Employees receive no distribution under the liquidation low outcome or mid outcome scenario. We note that employees will receive their entitlements under the FEG scheme in liquidation to the extent they are entitled. However, FEG will then stand in the shoes of employees and the entitlements will still exist in the liquidation and maintain their priority.

Employees will receive 100 cents in the dollar for their full entitlements (including retrenchment) of c. \$0.4 million in the liquidation high outcome.

DoCA

As the employees continue their employment under the DOCA there is no return in the DOCA analysis as entitlements are assumed by the DoCA proponent. Employees' entitlements are therefore not paid out in the DoCA.

Note 2: Shire of Coolgardie

The Shire of Coolgardie is a Class B creditor and will be paid 100 cents in the dollar under each DOCA scenario regardless of the final claim (if any claim is even submitted).

The Shire of Coolgardie will receive a return of c. 29 cents in the dollar in the liquidation high outcome. The Shire of Coolgardie will not receive a return in the liquidation low or mid outcomes.



Appendix 8 – Proof of Debt Form



Form 535

Formal proof of debt or claim (General form)

Alita Resources Group

Please place a tick next to the company you have a claim against:

(select one – if you are a creditor of multiple companies, please submit an individual form for each company)

Company	ACN
☐ Alita Resources Limited (Administrators Appointed) formerly Alliance Mineral Assets Limited	147 393 735
☐ Lithco No.2 Pty Ltd (Administrators Appointed)	612 726 922
☐ Tawana Resources Pty Ltd (Administrators Appointed) formerly Tawana Resources NL	085 166 721

To: The Administrators

- This is to state that the company indicated above was on 28 August 2019, and still is, justly and truly indebted:

To _____
(name of creditor)

Of _____
(address of creditor)

For \$ _____ GST Amount: \$ _____
(amount owed to creditor, include cents, GST inclusive)

Particulars of the debt are:

Date	Consideration	Amount (\$)	Remarks
<i>(insert date when debt arose)</i>	<i>(state how the debt arose and attach supporting invoices and statements of account)</i>	<i>(GST inclusive amount)</i>	<i>(include details of voucher substantiating payment)</i>

(If debt is held due to an assignment of debt, provide evidence of the transfer and the consideration paid for assignment of the debt.)

2. To my knowledge or belief, the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following:
(Insert particulars of all securities held. If the securities are on the property of the Company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form.)

Date	Drawer	Acceptor	Amount (\$)	Due date

3. This proof of debt may be used for the purposes of voting at any meeting, a proposal without a meeting or for distribution to creditors unless a further proof of debt is submitted by me.

Execution:

- ☐ I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied. (select if applicable)
- ☐ I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied. (select if applicable)
- ☐ I nominate to receive electronic notification of notices or documents in accordance with Section 600G of the Corporations Act at the email address or fax number listed below.

Signature _____

Name _____ Date _____

Address _____

Email _____

Phone _____ Fax _____

Appendix 9 – Appointment of Proxy Form



Appointment of Proxy

Alita Resources Group

Please place a tick next to the company you have a claim against:
(select one – if you are a creditor of multiple companies, please submit an individual proxy form for each company)

Company	ACN
☐ Alita Resources Limited (Administrators Appointed) formerly Alliance Mineral Assets Limited	147 393 735
☐ Lithco No.2 Pty Ltd (Administrators Appointed)	612 726 922
☐ Tawana Resources Pty Ltd (Administrators Appointed) formerly Tawana Resources NL	085 166 721

1. Insert full name and contact details (please print)

Given name

Surname

Company name

Telephone number

Address

2. Appointment of a proxy (please complete)

I/We, a creditor of the Group appoint:

_____ of _____

as my/our proxy, or in his/her absence _____, to vote at the meeting of creditors for the company indicated above, to be held on Tuesday, 17 December 2019 at the Duxton Hotel, 1 St Georges Terrace, Perth WA 6000 at 10.00am or at any adjournment of that meeting.

3. Voting by your proxy

Please note that this proxy will apply for all resolutions for the Companies, as the Administrators of the Companies will admit creditors of one or more of the Companies to vote on resolutions for all of the Companies, due to the Companies having a deed of cross guarantee in place.

Option 1: If appointed as a **general proxy**, as he/she determines on my/our behalf.

☐

and/or

Option 2: If appointed as a **special proxy** for some or all resolutions, specifically in the manner set out below (please tick).

Resolution (please specify the particular resolution)	For	Against	Abstain	General Proxy to Vote
Tawana Resources Pty Ltd Resolutions				
Remuneration:				
That the remuneration of Administrators of Tawana Resources Pty Ltd for the period Wednesday, 28 August 2019 to 24 November 2019 in the amount of \$210,820, excluding GST, calculated on the basis of time as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, is approved for payment immediately or as required	☐	☐	☐	☐
That the internal disbursements of Administrators of Tawana Resources Pty Ltd, including those paid to staff, for the period Wednesday, 28 August 2019 to 24 November 2019 in the amount of \$383.92, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment immediately or as required	☐	☐	☐	☐
That the estimated remuneration of Administrators of Tawana Resources Pty Ltd for the period 25 November 2019 to the execution of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$165,074, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors	☐	☐	☐	☐
That the estimated internal disbursements of the Administrators of Tawana Resources Pty Ltd, including those paid to staff, for the period 25 November 2019 to the execution of the DOCA up to a maximum amount of \$2,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors	☐	☐	☐	☐
That the estimated future remuneration of the Deed Administrators of Tawana Resources Pty Ltd for the period from the execution of the DOCA to the effectuation or termination of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$155,047, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors	☐	☐	☐	☐
That the estimated future internal disbursements of the Deed Administrators of Tawana Resources Pty Ltd, including those paid to staff, for the period from the execution of the DOCA to the effectuation or termination of the DOCA up to a maximum amount of \$3,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors	☐	☐	☐	☐
Future of Tawana Resources Pty Ltd:				
<i>Only mark your intention for one of the three resolution options below:</i>				
Option 1: That pursuant to Section 439C of the Corporations Act, Tawana Resources Pty Ltd execute a deed of company arrangement	☐	☐	☐	☐
Option 2: That the administration of Tawana Resources Pty Ltd should end	☐	☐	☐	☐
Option 3: That pursuant to Section 439C of the Corporations Act, Tawana Resources Pty Ltd be wound up	☐	☐	☐	☐

If Tawana Resources Pty Ltd is wound up:

That a committee of inspection be appointed in the Liquidation of Tawana Resources Pty Ltd ☐ ☐ ☐ ☐

That in accordance with Section 80-55(3) of Schedule 2 of the Corporations Act, the members of the committee of inspection (or a related entity of those members) are permitted to continue dealing with Tawana Resources Pty Ltd and its creditors on a business as usual basis during the period of the external administration ☐ ☐ ☐ ☐

That the Liquidators be authorised to compromise debts of Tawana Resources Pty Ltd under Section 477(2A) of the Corporations Act ☐ ☐ ☐ ☐

That the Liquidators of Tawana Resources Pty Ltd be authorised to enter into agreements that may take longer than three months to complete under Section 477(2B) of the Corporations Act ☐ ☐ ☐ ☐

That, subject to obtaining ASIC approval pursuant to Section 70-35(3) of Schedule 2 of the Corporations Act, the books and records of Tawana Resources Pty Ltd and of the Liquidators be disposed of by the Liquidators six months after dissolution of Tawana Resources Pty Ltd ☐ ☐ ☐ ☐

If Tawana Resources Pty Ltd is to execute a deed of company arrangement:

Other resolutions

That a committee of inspection be appointed in the Deed of Company Arrangement of Tawana Resources Pty Ltd ☐ ☐ ☐ ☐

That in accordance with Section 80-55(3) of Schedule 2 of the Corporations Act, the members of the committee of inspection (or a related entity of those members) are permitted to continue dealing with Tawana Resources Pty Ltd and its creditors on a business as usual basis during the period of the external administration ☐ ☐ ☐ ☐

Alita Resources Limited Resolutions

Remuneration:

That the estimated future remuneration of the Deed Administrators of Alita Resources Limited for the period from the execution of the DOCA to the effectuation or termination of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$188,396, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors.	☐	☐	☐	☐
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That the estimated future internal disbursements of the Deed Administrators of Alita Resources Limited, including those paid to staff, for the period from the execution of the DOCA to the effectuation or termination of the DOCA up to a maximum amount of \$3,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors.	☐	☐	☐	☐
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Future of Alita Resources Limited:

Only mark your intention for one of the three resolution options below:

Option 1: That pursuant to Section 439C of the Corporations Act, Alita Resources Limited execute a deed of company arrangement	☐	☐	☐	☐
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Option 2: That the administration of Alita Resources Limited should end	☐	☐	☐	☐
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Option 3: That pursuant to Section 439C of the Corporations Act, Alita Resources Limited be wound up	☐	☐	☐	☐
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If Alita Resources Limited is wound up:

That a committee of inspection be appointed in the Liquidation of Alita Resources Limited	☐	☐	☐	☐
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That in accordance with Section 80-55(3) of Schedule 2 of the Corporations Act, the members of the committee of inspection (or a related entity of those members) are permitted to continue dealing with Alita Resources Limited and its creditors on a business as usual basis during the period of the external administration	☐	☐	☐	☐
--	--------------------------	--------------------------	--------------------------	--------------------------

That the Liquidators be authorised to compromise debts of Alita Resources Limited under Section 477(2A) of the Corporations Act	☐	☐	☐	☐
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That the Liquidators of Alita Resources Limited be authorised to enter into agreements that may take longer than three months to complete under Section 477(2B) of the Corporations Act	☐	☐	☐	☐
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That, subject to obtaining ASIC approval pursuant to Section 70-35(3) of Schedule 2 of the Corporations Act, the books and records of Alita Resources Limited and of the Liquidators be disposed of by the Liquidators six months after dissolution of Alita Resources Limited	☐	☐	☐	☐
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If Alita Resources Limited is to execute a deed of company arrangement:

Other resolutions

That a committee of inspection be appointed in the Deed of Company Arrangement of Alita Resources Limited	☐	☐	☐	☐
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That in accordance with Section 80-55(3) of Schedule 2 of the Corporations Act, the members of the committee of inspection (or a related entity of those members) are permitted to continue dealing with Alita Resources Limited and its creditors on a business as usual basis during the period of the external administration	☐	☐	☐	☐
--	--------------------------	--------------------------	--------------------------	--------------------------

Lithco No.2 Pty Ltd Resolutions

Remuneration:

That the estimated future remuneration of the Deed Administrators of Lithco No.2 Pty Ltd for the period from the execution of the DOCA to the effectuation or termination of the DOCA is determined at a sum equal to the cost of time spent by the Administrators and KordaMentha staff, calculated at the hourly rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019, up to a maximum of \$232,306, excluding GST, and approved for payment on a monthly basis in arrears or as required. However, if the value of the work performed exceeds the capped amount, then we reserve the right to seek further approval of fees from creditors.

☐ ☐ ☐ ☐

That the estimated future internal disbursements of the Deed Administrators of Lithco No.2 Pty Ltd, including those paid to staff, for the period from the execution of the DOCA to the effectuation or termination of the DOCA up to a maximum amount of \$3,000, excluding GST, calculated at the rates as detailed in the Remuneration Approval Request report to creditors dated 9 December 2019 are approved for payment to be made on a monthly basis in arrears or as required. However, if the amount of internal disbursements incurred exceeds the capped amount, then we reserve the right to seek further approval of internal disbursements from creditors.

☐ ☐ ☐ ☐

Future of Lithco No.2 Pty Ltd:

Only mark your intention for one of the three resolution options below:

Option 1: That pursuant to Section 439C of the Corporations Act, Lithco No.2 Pty Ltd execute a deed of company arrangement

☐ ☐ ☐ ☐

Option 2: That the administration of Lithco No.2 Pty Ltd should end

☐ ☐ ☐ ☐

Option 3: That pursuant to Section 439C of the Corporations Act, Lithco No.2 Pty Ltd be wound up

☐ ☐ ☐ ☐

If Lithco No.2 Pty Ltd is wound up:

That a committee of inspection be appointed in the Liquidation of Lithco No.2 Pty Ltd

☐ ☐ ☐ ☐

That in accordance with Section 80-55(3) of Schedule 2 of the Corporations Act, the members of the committee of inspection (or a related entity of those members) are permitted to continue dealing with Lithco No.2 Pty Ltd and its creditors on a business as usual basis during the period of the external administration

☐ ☐ ☐ ☐

That the Liquidators be authorised to compromise debts of Lithco No.2 Pty Ltd under Section 477(2A) of the Corporations Act

☐ ☐ ☐ ☐

That the Liquidators of Lithco No.2 Pty Ltd be authorised to enter into agreements that may take longer than three months to complete under Section 477(2B) of the Corporations Act

☐ ☐ ☐ ☐

That, subject to obtaining ASIC approval pursuant to Section 70-35(3) of Schedule 2 of the Corporations Act, the books and records of Lithco No.2 Pty Ltd and of the Liquidators be disposed of by the Liquidators six months after dissolution of Lithco No.2 Pty Ltd

☐ ☐ ☐ ☐

If Lithco No.2 Pty Ltd is to execute a deed of company arrangement:

Other resolutions

That a committee of inspection be appointed in the Deed of Company Arrangement of Lithco No.2 Pty Ltd

☐ ☐ ☐ ☐

That in accordance with Section 80-55(3) of Schedule 2 of the Corporations Act, the members of the committee of inspection (or a related entity of those members) are permitted to continue dealing with Lithco No.2 Pty Ltd and its creditors on a business as usual basis during the period of the external administration

☐ ☐ ☐ ☐

4. Signature section (in accordance with Sections 127 or 250D of the Corporations Act 2001)

Signature of individual or person authorised by corporate resolution to represent corporation

Print name:

Dated

The common seal was affixed hereto in the presence of:

Director

Director/Company Secretary

Certificate of witness

Please Note: This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy.

I _____ of _____

certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness:

Appendix 10 – Notice of Meeting



Corporations Act 2001

Notice of second meetings of creditors of companies under administration

Alita Resources Limited formerly Alliance Mineral Assets Limited

ACN 147 393 735

Lithco No. 2 Pty Ltd

ACN 612 726 922

Tawana Resources Pty Ltd formerly Tawana Resources NL

ACN 085 166 721

(all Administrators Appointed) ('the Group')

Notice is hereby given that the second meetings of creditors of the companies in the Group will be held pursuant to Section 439A of the Corporations Act 2001 ('the Act') on Tuesday, 17 December 2019 at The Duxton Hotel, 1 St Georges Terrace, Perth WA 6000. Registration for all creditors and employees will open at 9.30 am with the meetings commencing at 10.00 am.

Agenda

The purpose of the meetings is to:

1. Review the report of the Administrators in connection with the business, property, affairs and financial circumstances of the Group
2. Consider the remuneration of the Administrators for the period of the voluntary administration
3. Consider the Administrators' internal disbursements for the period of the voluntary administration
4. For creditors to resolve for each company:
 - i. that the company execute a deed of company arrangement, or
 - ii. that the administration should end, or
 - iii. that the company be wound up.

If a company is to be wound up:

1. Consider the appointment of a committee of inspection and if appointed, who are to be the committee members
2. Consider permitting any committee members to continue dealing with that company and their creditors on a business as usual basis during the external administration
3. Consider any other business properly brought before the meetings.

If the companies are to execute a deed of company arrangement:

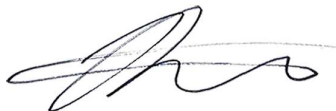
1. Consider the Deed Administrators' future remuneration and internal disbursements
2. Consider the appointment of a committee of inspection and if appointed, who are to be the committee members
3. Consider permitting any committee members to continue dealing with the Group and their creditors on a business as usual basis during the external administration
4. Consider any other business properly brought before the meetings.

Creditors wishing to vote at the meetings, who will not be attending in person or are a company, must complete and return a Proxy Form by no later than 4.00 pm on the last business day prior to the meetings by email at alita@kordamentha.com, by post to KordaMentha, PO Box 3185, East Perth WA 6892 or by facsimile on (08) 9220 9399. A Proxy Form is enclosed.

For creditors who are unable to attend the meetings, conference call facilities have been arranged. Creditors intending to use the conference call facilities are required to notify us of their intention and collect conference call details at least one business day prior to the meetings. Creditors using the conference call facilities will not be considered as attendees at the meetings and will not be able to vote or participate in the meetings. If you wish to participate, you must attend in person or by proxy.

Section 75-85 of the Insolvency Practice Rules (Corporations) 2016 ('the Rules') sets out the entitlement to vote at meetings of creditors – see Appendix 1 for Section 75-85 of the Rules. To comply with this, a Proof of Debt Form must be lodged. Accordingly, one is enclosed.

Dated: 9 December 2019

A handwritten signature in black ink, appearing to read 'Richard Tucker', with a stylized flourish extending to the right.

Richard Tucker
Administrator

KordaMentha
PO Box 3185
East Perth WA 6892

Enc.

Appendix 1

Section 75-85 of the Insolvency Practice Rules (Corporations) 2016

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
 - (i) those particulars; or
 - (ii) if required—a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established;unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

Appendix 11 – ARITA information sheet



Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.